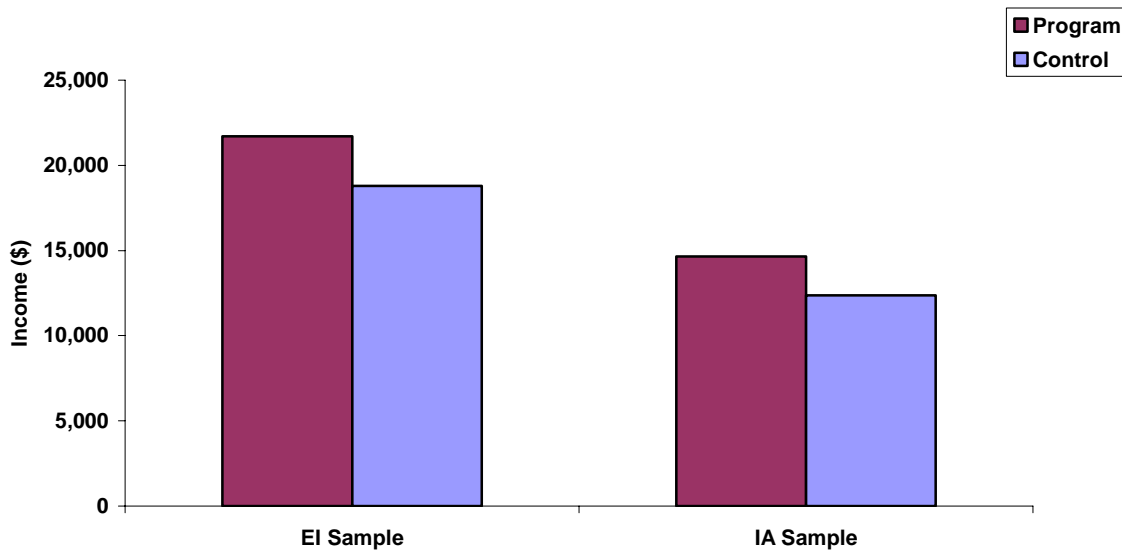


## HOW COMMUNITY WORK IS AFFECTING POVERTY

Community Employment Innovation Project (CEIP) results presented thus far have illustrated that a community-based jobs program can produce substantially higher rates of employment and earnings throughout the duration of the program. Naturally then, one would expect that stable employment and large increases in earnings would translate into significant gains in total household income and reductions in poverty. Although participants were required to forego their EI and IA benefits, their CEIP earnings were still expected to offset the loss of income from these transfers.

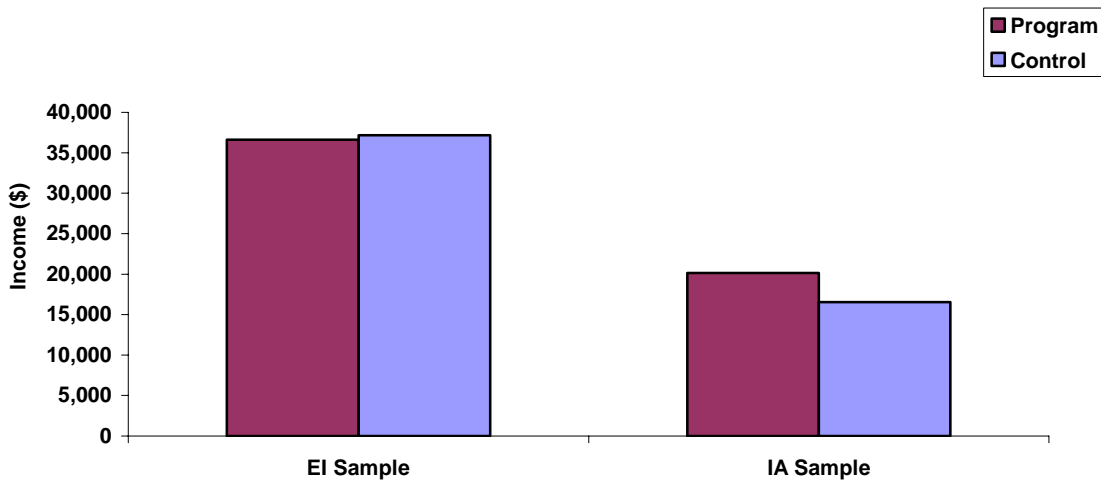
Figure 1 illustrates the average personal incomes of the program and control groups in the year prior to the 40-month follow-up interview, which is essentially the last year of CEIP eligibility. As expected, even after accounting for reduced EI and IA benefits, CEIP still produced large impacts on personal income of participants. Among EI program group members, personal income increased on average by \$2,915 from \$18,790 — a 15.5-per-cent increase compared to the control group. Among the IA program group, CEIP also had a large positive impact on personal income, increasing it by \$2,283 from \$12,377 — an 18.4-per-cent increase. This confirms that CEIP provided program group members with significantly more personal income than they would otherwise have received from EI or IA benefits and other labour market earnings in the absence of the program.

**Figure 1: Average Annual Personal Income in Last Year of CEIP Eligibility**



To assess the full effect of a program like CEIP on the lives of participants and their families as well as its contribution in reducing poverty, however, one needs to consider how the household income has changed as a result of the program, not only personal incomes. Figure 2 illustrates the average household incomes of the program and control groups in the year prior to the 40-month follow-up interview for both EI and IA participants.

**Figure 2: Average Annual Household Income in Last Year of CEIP Eligibility**

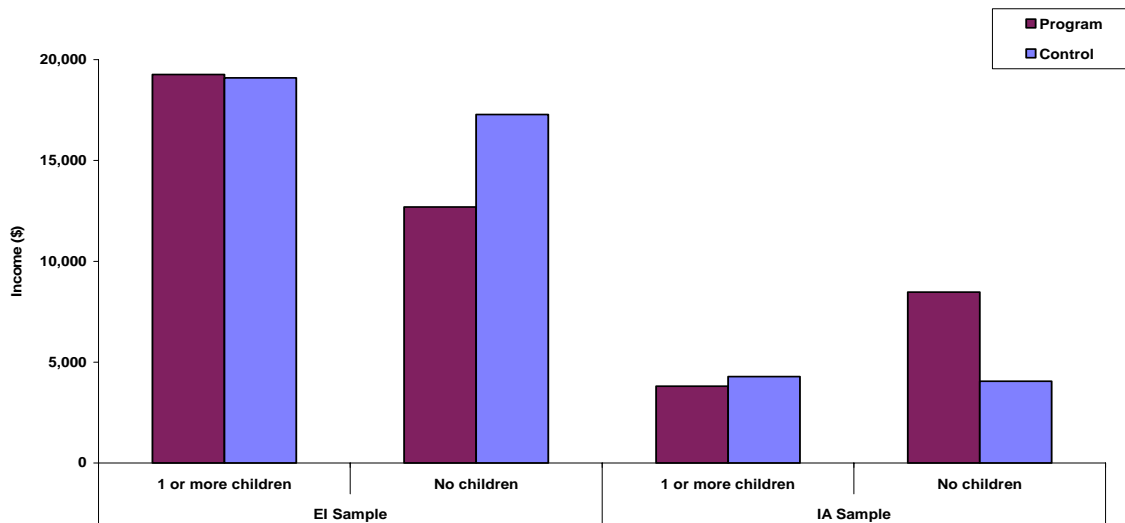


Among IA program group members, CEIP has had an even larger positive effect on average annual household income than on personal income, increasing it by nearly \$3,600 — 22 per cent more than the control group. Among EI program group members, however, CEIP has had no significant impact on average household income. Average annual household incomes among program and control groups were about equal, at approximately \$37,000. We can question why CEIP would have different effects on personal and household income and among EI and IA participants.

### **CEIP's Impact on Income and Working Decisions of Other Household Members**

Depending on the composition of participants' households, their total household income could include a wide range of income sources and reflect a potentially complex set of decisions by various household members. These income sources and the decisions of other household members could be indirectly influenced by the project (see Figure 3).

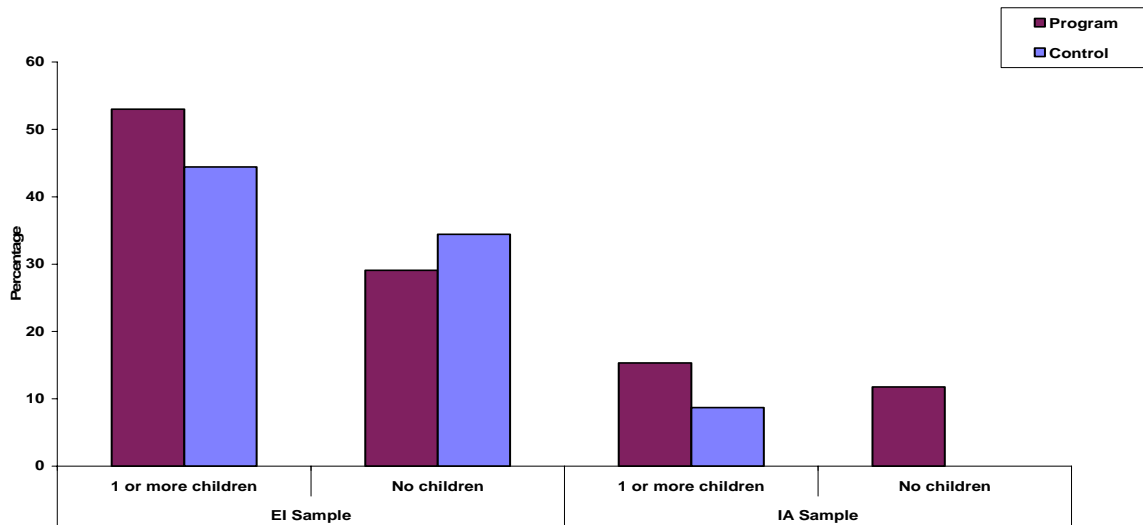
**Figure 3: Income of other Household Members, by Presence of Children**



Among the EI program group, results illustrate that the increased personal incomes were offset by a reduction in income of other household members, but only in households without children. An analysis of the sources of household income reveals that the decrease arises from reductions in a range of other income, including IA top-up benefits, disability insurance, and various tax credits. The fact that this reduction was observed only in EI households without children likely stems from a loss of eligibility for benefits that are income contingent and more generous for households with children.

In contrast, among the IA program group, there was no significant reduction in total incomes of other household members. In fact, CEIP led to increased incomes of other household members among those without children in the household. This additional income reflects, not a change of benefits or tax credits, but an increase in the employment of spouses. Figure 4 illustrates that the largest significant increase in employment rates of the participants' spouses arises among households without children in the IA sample. This increase in employment amongst participants' spouses likely arises because eligibility rules for IA are based on household income. If the household is no longer eligible for IA, given the participant's involvement in the project, this could act as a strong incentive for other members to enter the labour market as well. Little effect on work decisions of spouses were observed among the EI sample, because entitlement to EI benefits is not based on household income.

**Figure 4: Percentage of Participants with a Spouse Who Is Working, by Presence of Children**

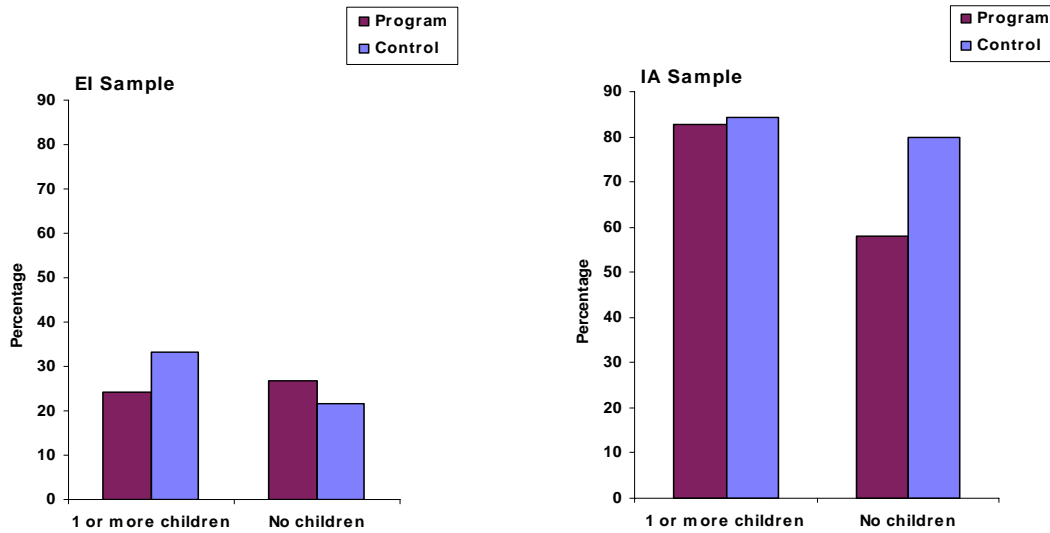


### Net Impact on Poverty

Differential effects on other income and spousal work among EI and IA households — with and without children — make it very difficult to predict how CEIP affects the incidence of poverty. Figure 5 shows the poverty status in EI and IA samples by households with or without children. Among the EI sample, there is no statistically significant CEIP effect on low-income status among program group households without children, but a lower poverty incidence is observed for household with children

Among IA sample members, CEIP had a substantial reduction in the incidence of poverty among households without children (by 21.9 percentage points), but no significant reduction in the incidence poverty was observed in households with children. This difference in impacts arises in part because, as described above, the increase in spousal work only occur among households without children, as households with children face the additional barrier of arranging childcare. More importantly, this reflects the fact that low-income cut-off (LICO) levels for families with children are also much higher than those without. In fact, incomes among IA households with children are so low compared to their LICO that the addition of CEIP wages do not succeed in pushing them beyond the LICO threshold in any significant number.

**Figure 5: Low Income Status at 40-month Survey, by Baseline**



### Summary

CEIP results strongly suggest that a program of community-based employment, even with relatively low wages, will produce significant reductions in the severity of poverty and hardship experienced by participants and their families. Earnings gains for participants, however, can be expected to have consequences for other members of their households, including their eligibility for various other incomes sources and their decisions to join the labour market or not. These effects will differ across EI and IA populations and among households with and without children, such that effects on poverty and hardship will vary.