Implementing the Earnings Supplement Project:
A Test of a Re-employment Incentive

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Executive Summary

The Earnings Supplement Project (ESP) is a multi-site demonstration program that is testing an innovative financial incentive designed to stimulate the re-employment of two groups: displaced workers and repeat users of unemployment insurance (UI). ESP was conceived and is funded by Human Resources Development Canada (HRDC), and is being conducted by the Social Research and Demonstration Corporation (SRDC), a Canadian non-profit social policy research organization.

The project was implemented in nine Canada Employment Centres (CECs) located in seven provinces. It consists of two separate studies:

- a study of displaced workers, in five CECs, who have lost their jobs permanently due to changing economic conditions, and
- a study in four CECs of repeat UI users, who regularly combine periods of work with spells of UI benefit receipt each year.

The supplement being tested will "top up" earnings in a new job temporarily if the job starts within a specified period, pays less than the one previously held, and meets certain other conditions. The goal for displaced workers is to shorten their often long and painful re-employment process. The goal for repeat UI users is to stimulate "off-season" employment and promote a shift toward year-round jobs. Earnings supplements are being considered by policy-makers looking for active re-employment strategies to stem the rising costs of UI. These changes could potentially help the labour market adapt to a changing economy.

ESP is using a randomized experiment research design to measure how a re-employment supplement affects future employment, earnings, and UI benefit receipt. This approach is the most rigorous way possible to measure this. Using random assignment, eligible ESP applicants are assigned to one of two groups: a supplement group, which is offered the supplement, and a standard group, which is not offered the supplement but is eligible for all standard UI benefits and services.[1] Random assignment ensures that the supplement offer is the only systematic difference between the two groups. Therefore, it can be inferred that any differences in the future labour market experiences of the two groups were caused by the supplement offer.

This report is the first in a series about ESP and focuses on project implementation. It describes the policy context and rationale for ESP, its research design and research agenda, and the supplement program being tested. In addition, the report examines how well study participants understood the supplement offer, summarizes their reactions to it, and reports on how many took advantage of it. The report also presents the reactions and attitudes of displaced workers to the supplement offer, job loss, and unemployment. Future reports will examine the impact of the supplement offer on employment, earnings, and UI benefit receipt; compare the economic benefits of the supplement with its economic costs; examine the personal reactions and attitudes of sample members in greater depth; and present the results of a survey of frequent users of UI.

[1]Supplement group members also are eligible for all standard UI benefits and services.

CURRENT FINDINGS IN BRIEF

This section summarizes the study's current findings.

Would it be possible to implement a rigorous test of a re-employment earnings supplement as part of the ongoing operations of UI programs without disrupting current activities or overburdening existing staff?

Yes. Enrolment of the ESP sample was conducted by local CEC staff at each study site. Information from on-site reviews, plus a survey of CEC staff and numerous discussions with CEC managers, indicate that once standard operating procedures were in place, ESP enrolment became a regular part of local CEC routines. However, staff reductions and reorganizations associated with national changes in the UI program sometimes complicated this process. Initiation and payment of the ESP supplement were operated by a small staff at a central Payment Office in Halifax. This process, separate from the UI payment system, operated smoothly and effectively.

Would it be possible to recruit a study sample large enough and diverse enough to provide convincing evidence about the effectiveness of a re-employment earnings supplement for a broad range of displaced workers and repeat UI users?

Yes. During the ESP intake period (roughly one year), 8,144 displaced workers and 3,414 repeat UI users were enrolled in the study sample. Included in this sample were a broad range of sites, occupations, and demographic characteristics.

Will displaced workers and repeat UI users be interested in a re-employment earnings supplement?

Yes for displaced workers; No for repeat UI users. Staff from CECs in the Displaced Worker study indicated clients were quite interested in ESP, whereas staff from CECs in the Repeat UI User study indicated there was little interest. Focus groups conducted with a small sample of the displaced worker supplement group indicated that many of them were interested in the supplement. Among displaced workers, 97 percent of those who completed an ESP application agreed to participate in the study. Only 41 percent of repeat UI users who were given a chance to take part in ESP agreed to do so.

The difference in responses was most likely due to repeat UI users' expectation of being recalled by their previous employer, whereas displaced workers did not have this expectation. Because only a new job can qualify for supplement payments, repeat UI users might have felt they had little to gain, whereas displaced workers might have felt they had little to lose.

Did ESP give participants enough information to provide a "fair test" of a re-employment earnings supplement?

Yes. Responses to a special telephone "mini-survey" of 343 displaced workers and 229 repeat UI users indicated that they found the information provided easy to understand and quite helpful; had a good working knowledge of the terms and conditions of the ESP supplement offer; and had a good working knowledge of UI. Hence, they understood the financial benefits of the supplement relative to UI, and knew what to do to receive a supplement.

How will the supplement offer affect individuals' job search?

The main effect will likely be to broaden the range of job opportunities considered by displaced workers. One-third of the displaced workers in the ESP focus groups said the supplement offer had affected their job search. Mainly they felt it expanded the range of

possible jobs they would consider rather than caused them to look for work sooner or more intensely. These findings were further supported by responses to the ESP mini-survey.

Will supplement take-up rates be high enough to "make a difference" in the re-employment prospects of supplement group members?

No for repeat UI users; "Too soon to tell" for displaced workers. Of the repeat UI users offered the supplement, 3.8 percent were paid a supplement for work done by the end of their 12-week job-search period. This finding, in conjunction with repeat UI users' documented lack of interest in the supplement, suggests it is very unlikely the supplement influenced their labour market behaviour; it simply was not relevant for them.

Of the displaced workers offered the supplement, it is projected that 16 percent will be paid a supplement for work done by the end of their 26-week job-search period.[2] Since previous research proposes that about one-third of all displaced workers typically experience a re-employment earnings loss,[3] this finding suggests that many displaced workers who could benefit from a supplement actually received one.

Nevertheless, supplement receipt does not necessarily imply that the supplement offer affected this group, or will change their future labour market behaviour. They could have received supplement payments for a job they would have taken anyway.

Thus, it is still not certain that the supplement offer will improve displaced workers' labour market prospects. This can be determined only by comparing the future employment, earnings, and UI benefit receipt of the supplement and standard groups. These findings will be presented in a future report.

THE POLICY CONTEXT AND BASIC DESIGN OF ESP

Displaced workers are persons who have lost stable, usually well-paid, and often long-term jobs through no fault of their own. This loss is due to economic forces such as changing technology, increased international competition, and shifting market demand. Worker displacement through economic adjustment is a permanent feature of the Canadian economy, in good times and in bad. For example, during the pre-recession year of 1988, more than 100,000 Canadians were permanently laid off from jobs they had held for more than two years.

Some displaced workers find new jobs quickly, but many remain unemployed for a long time and exhaust their UI benefits. Some leave the labour force altogether. Many who do become re-employed earn much lower wages. Because they bear the direct costs of economic change that may benefit the Canadian economy as a whole, displaced workers are often targeted for programs that can help them find work or compensate them for their losses. In addition, the high costs of UI benefits paid to this group have prompted policy-makers to explore active re-employment strategies for them.

In the case of repeat UI users, public attitudes are mixed. On one hand, UI provisions that allow claimants in high unemployment areas to qualify for benefits with fewer weeks of work

[2]At the time this report was written, more than 90 percent of displaced workers had come to the end of their 26-week period for finding a job that qualifies for the supplement. Therefore, these projections required little extrapolation beyond existing data. All repeat UI users had completed their shorter 12-week job-search period by the time this report was written.
[3]Picot and Pyper, 1993, p.25.

and receive benefits longer recognize that it is harder for them to find and keep stable employment. On the other hand, because of the high costs of benefits paid to this group (estimated at more than $6 billion annually, or 40 percent of total UI expenditures) and concern about the system's negative work incentives, the UI system recently has been changed to reduce repeat UI use.

To address the labour market problems posed by both displaced workers and repeat UI users, ESP *subsidizes re-employment rather than unemployment.* To accomplish this goal, the supplement program was designed as follows:

- For eligible persons who become re-employed within a specified time period (26 weeks for displaced workers, 12 weeks for repeat UI users), in a full-time job (a minimum of 30 hours of work per week) that pays less than the job lost, ESP will make up 75 percent of the earnings loss for each week worked, for up to two years.
- The offer has several restrictions. First, it is based only on UI-insured earnings. Any earnings beyond the maximum UI-insured amount ($815 per week when ESP began) do not count toward calculating the supplement payment. Second, the supplement is capped at a maximum of $250 per week. Third, workers who return to their old job with their previous employer are not eligible.

This offer can provide a substantial re-employment incentive for many. For example, say an eligible worker previously made $600 per week and found a new full-time job that paid only half that amount — $300 per week. This person could receive a $225 weekly supplement payment, for a total weekly income of $525. The supplement would encourage this person to take a job that paid much less and earn almost as much, and thus start work earlier than he or she would have without it.

Many displaced workers, when faced with the permanent loss of a long-term job, go through an initial period of shock and disbelief. Consequently, their job search is often delayed by false hopes of returning to their old job. Their lack of knowledge about how to find a new job may further compound this problem. When they do start looking, displaced workers often have unrealistic expectations about the wages and benefits they can command. This is especially likely for those with seniority gained by working a long time for one employer. This can also lengthen their job-search period.

If displaced workers start their job search too late, or prolong it unduly, the consequences can be serious. For example, they can lose their self-confidence and find it difficult to maintain an aggressive job search. In addition, their job skills can erode, making them less valuable to prospective employers. Furthermore, an extended period of unemployment can make them appear less desirable to employers.

For displaced workers then, this generous incentive, combined with the limited job-search period, could hasten their re-employment by encouraging them to look for work sooner and more vigorously. They might also be encouraged to consider a broader range of jobs, including lower-paying jobs in growth industries; such jobs could lead to new skills and provide future prospects for advancement.

For repeat UI users, who are accustomed to being unemployed and regularly relying on UI benefits for temporary income support between spells of employment, the potential role of

the ESP supplement offer is quite different. For seasonal workers, UI can reduce the stress of uncertainty about when they will be recalled to work. For example, workers in tourism or the fishing industry are modestly paid and often don't know when their unemployment spell will end. They rely on UI as a source of income in the "off-season" because it is flexible enough to buffer variations in the timing of their return to work. Some repeat UI users, such as skilled construction workers, earn enough through seasonal work to tide them over during a period of off-season unemployment. Others, such as school teachers, have little uncertainty about their recall dates. Rather than being unemployed, these people might be better described as part-time or part-year employees whose work regularly occurs at certain times of the year.

An earnings supplement might work for these repeat UI users in two ways. First, it might induce seasonal workers to take a lower-paying job in the off-season rather than not work and receive UI benefit payments. Second, it might induce part-year workers to find year-round jobs that initially pay less per week, but offer better long-term earnings prospects and perhaps greater stability over time.

Although the preceding are plausible reasons why ESP could "make a difference" for repeat UI users and displaced workers, many factors could offset the offer's potential benefits. For example, few persons could or would take advantage of the supplement if there are few job openings; they did not understand the ESP incentive; they are unwilling to take a lower-paying job because it might reduce their future UI benefits; or they resist giving up their long-standing pattern of dependence on UI benefits. In addition, the supplement might have the unintended consequence of encouraging some to take lower-paying jobs when a longer job search might produce higher-paying jobs.

For these and related reasons, ESP had to be rigorously tested before being proposed as a national program. The results of this test will help inform the current policy debate about the future role and shape of the UI system.

ESP RESEARCH DESIGN AND RESEARCH AGENDA

ESP was designed to:

- determine whether a test of a re-employment earnings supplement could be implemented within an operating program,
- measure the impacts of the supplement program on the future employment, earnings, and UI benefit receipt of displaced workers and repeat UI users,
- compare the costs and benefits of such a program, and
- document the personal experiences of the displaced workers and repeat UI users involved in the program.

Findings for displaced workers will be based on ESP demonstration programs run at CECs in Granby, Quebec; Oshawa and Toronto, Ontario; Winnipeg, Manitoba; and Saskatoon, Saskatchewan. Findings for repeat UI users will be based on ESP demonstration programs run at CECs in St. John's, Newfoundland; Halifax, Nova Scotia; Moncton, New Brunswick; and Lévis, Quebec.

HRDC chose and recruited these sites based on three considerations. First, they had to represent a range of local economic conditions, regions, and participants so that research findings could be generalized as much as possible. Second, the CECs had to be willing and able to host a demonstration program. Third, the sites had to be large enough to provide adequate samples.

Because of these considerations, CEC sites could not be randomly selected. Therefore, it will not be possible to apply ESP findings to all displaced workers and repeat UI users in Canada. Nevertheless, the study will represent a broad range of different groups and situations, and thereby serve as a sound basis for informing policy-makers.

Before sample selection could begin, potential participants had to be defined. Displaced workers were defined as persons who had permanently lost their job, had begun to receive regular UI benefits during the sample intake period, and had been employed continuously for the past three years. Repeat UI users were defined as persons who had begun a new spell of regular UI benefits during the sample intake period, and had experienced a separate spell of UI benefits during each of the past three calendar years. In practice, the operational definitions used to identify members of these two target groups involved numerous difficult trade-offs.

The basic process for enrolling sample members was as follows:

- Each time a regular UI claim was filed, CEC staff checked to see if the claimant was eligible to apply for ESP. Staff at displaced worker sites used a brief screening form to determine eligibility; staff at the repeat UI user sites used a computerized list of pre-identified eligible applicants.
- Eligible applicants were asked to apply for ESP and sign a *Project Application and Informed Consent* form.
- ESP applicants who received a UI benefit payment subsequently were enrolled in the study and randomly assigned by computer to either the supplement group or the standard group.

The random assignment of ESP applicants ensured they would differ systematically in only one respect — whether or not they were offered the supplement. This was done to find out what difference the supplement would make above and beyond what sample members would have achieved on their own, or through existing programs. For example, say 50 percent of the supplement group became re-employed within six months after random assignment, and 40 percent of the standard group became re-employed during this period. A valid conclusion would be that ESP increased the six-month re-employment rate of supplement group members by 10 percentage points; this is the *impact* of the supplement offer.

Although many researchers have tried alternatives to random assignment, no other approach has been as successful in providing credible program impact estimates. Thus, the use of random assignment to estimate the impacts of ESP is the most rigorous approach currently available. It also provides a fair way to allocate the limited number of ESP supplements. All eligible applicants had the same probability of receiving a supplement offer; only chance determined who would and who would not receive it.

The evaluation of ESP will have the following main components:

- An **implementation analysis**, the subject of this report, will examine how the supplement program was operated and attempt to identify factors that influenced its operation.
- An **impact analysis** will compare the experiences of supplement and standard group members to estimate how the supplement offer affected employment, earnings, and UI benefit receipt.
- A **benefit-cost analysis** will compare the economic benefits of the supplement program with its economic costs.
- Two **special studies**, one each for displaced workers and repeat UI users, are being conducted to further understand the problems confronting these two groups.

THE ESP STUDY SAMPLE

ESP enrolled a total sample of 8,144 displaced workers and 3,414 repeat UI users. Table ES.1 illustrates how this sample is distributed across the study sites and presents selected background characteristics.

The displaced worker samples range from 535 persons in Granby to 2,941 in Oshawa. Given the large size of these samples, it is likely that separate impact estimates will be possible for each site. The repeat UI user samples range from 294 in Halifax to 1,520 in St. John's. These samples are smaller but, except for Halifax, separate impact estimates probably will be possible for each site. In addition, impact estimates for key subgroups of sample members probably will be possible.

Analysis of the ESP intake process at the study sites shows that the overwhelming majority of UI claimants who were eligible were asked to enrol in ESP, and thus had a chance to be represented in the study sample. Nevertheless, several groups might have been systematically underrepresented. These groups included UI claimants who:

- applied for benefits by mail (many of whom lived in rural areas) and thus were difficult to contact about ESP,
- site staff felt would not benefit from the ESP supplement (such as those likely to return to prior jobs, or who had held minimum wage jobs so their small margin for a re-employment earnings loss would make supplement eligibility unlikely), and
- applied for UI benefits when the CEC was crowded and staff were less likely to take the time to offer ESP to everyone who was eligible.

Both displaced workers and repeat UI users in the study sample shared the following employment characteristics:

- They had been working for the same employer for more than six years, on average, when they enrolled in ESP.

- They had been working full time, in jobs that paid roughly $600 per week.
- Few had been working in a job that paid very low or very high wages.

Hence, the typical sample member in both groups had maintained a long-term attachment to a full-time, moderately well-paid job.

ES.1: Selected Characteristics of the ESP Sample

	Displaced Workers	Repeat UI Users
Sample size		
Total	8,144	3,414
Granby	535	na
Oshawa	2,941	na
Toronto	1,759	na
Winnipeg	1,281	na
Saskatoon	1,628	na
St. John's	na	1,520
Halifax	na	294
Moncton	na	862
Lévis	na	738
Previous job		
Average number of years worked for last employer	7	6
Average number of hours worked/week	40	41
Average earnings/week in last job ($)	610	560
Earned less than $200/week (%)	3	5
Earned $1,000/week or more (%)	9	6
Job loss		
Expected recall notice[a] (%)	27	88
Received severance[b] (%)	31	na
Current UI benefit spell		
Average number of weeks of UI entitlement	38	30
Average weeks of UI-insurable earnings[c]	46	28
Average weekly benefit[d] ($)	310	290
Average prior weekly insurable earnings ($)	560	520
Average UI benefit payments in:		
First year before ESP ($)	—	5,400
Second year before ESP ($)	—	5,900
Third year before ESP ($)	—	6,300
Individual characteristics		
Average age	39	41
Male (%)	51	65
Less than high school education (%)	24	38
Additional contributors to household income (%)	63	65

[a]This includes persons who expected to be recalled by their previous employer, with or without a specific recall date.
[b]Data for severance pay was not available for repeat UI users.
[c]In the year before their most recent UI claim.
[d]For the first week of their most recent UI claim.

The most pronounced and probably most important initial difference was that **only one out of four displaced workers expected to be recalled by their previous employer, whereas nine out of ten repeat UI users expected to be recalled.** Hence, most displaced workers knew they needed to find another job, while few repeat UI users probably felt the

need to do so. Therefore, the re-employment earnings supplement was probably far more relevant for displaced workers than for repeat UI users.

Displaced workers had more weeks of UI benefits to rely on for income support than repeat UI users. This reflects the fact that displaced workers had accumulated more weeks of UI-insurable earnings in the previous year. However, the average weekly benefit amounts were about the same for both groups. By definition, all repeat UI users had received UI benefits in the three years before they applied for ESP. These benefit payments averaged between $5,000 and $6,000 per year. In contrast, displaced workers had received little or no UI benefits during the same period.

On average, members of both target groups were 40 years old, and two out of three had additional wage earners in their household. Hence, they could draw on the earnings of others while they were unemployed. Repeat UI users were less-well-educated than displaced workers. In addition, repeat UI users were predominantly men, whereas the displaced worker sample included equal proportions of men and women.

HOW THE SUPPLEMENT PROGRAM WORKS

Sample intake for ESP was conducted as part of normal UI claims procedures at the nine study CECs. At the displaced worker sites, persons who filed a regular UI benefit claim were asked several screening questions (e.g., to see whether they had been employed continuously for the past three years). Qualified claimants were asked to apply for ESP. In the repeat UI user sites, claimants on a computerized pre-identified list were asked to apply for ESP. Claimants who completed the *Project Application and Informed Consent* form then were classified as potential sample members. If and when they were subsequently approved for benefits, they were randomly assigned to either the supplement or standard group. Supplement group members were informed of their status by mail and sent information about the supplement program. Standard group members also were informed of their status by mail, but not sent any further information about ESP.

According to on-site reviews at the CECs, a survey of local staff, and numerous discussions with staff and managers, the ESP intake process was implemented smoothly and soon became an integral part of the UI claims process. Some problems arose, however, when staff turnover required training new staff; the UI claims load became unusually heavy, limiting the time for ESP intake; or UI benefit claims were submitted by mail and a different procedure was needed for ESP intake. In general, however, these problems were dealt with effectively and were not viewed as major impediments to the program.

The letter that notified supplement group members of their selection contained several key pieces of information:

- their **job-search end date** (the date by which they had to find a new job to qualify for a supplement),
- their **supplement expiry date** (when supplement payments would end),
- their **prior weekly UI-insured earnings** (used to compare with earnings in a new job to calculate the supplement), and
- a **toll-free number** to call for more information.

Enclosed with the notification letter was an ESP brochure that explained how the supplement program works. Many supplement group members said this brochure was easy to understand and quite informative.

To provide further information about the ESP supplement, each CEC scheduled small group orientation sessions. However, since few attended these sessions, they were soon replaced by a brief telephone orientation session. These calls, conducted by staff from the ESP Payment Office in Halifax, usually took two to three minutes and were scheduled several weeks after random assignment. About 73 percent of the displaced workers and 66 percent of the repeat UI users received an orientation, most of which were conducted by phone. ESP staff who conducted these orientations reported that displaced workers generally were interested in the program, but repeat UI users were not.

ESP staff sent a final reminder letter and a second program brochure to all supplement group members. The reminder letter indicated the time left for taking up the supplement offer, and repeated key facts about the program. The second ESP brochure was written in a question-and-answer format to address the questions most frequently asked about the program.

To initiate a supplement, individuals called the ESP Payment Office using a special toll-free number. They were then sent an initiation package, which included the forms required to initiate a supplement and further information about the program. Completed packages generally were returned to the Payment Office within two or three weeks. Employer pay stubs were required to document the employment and earnings information used to calculate supplement payment amounts. Supplement payments were issued by the Royal Bank, which is serving as the ESP payroll department.

Although it took time to design and implement each of these steps, and numerous "special cases" required attention, the program is operating smoothly.

PARTICIPANTS' UNDERSTANDING OF THE SUPPLEMENT OFFER

For ESP to provide a "fair test" of a re-employment earnings supplement, supplement group members had to understand the trade-off between remaining unemployed and continuing to receive UI benefits, and becoming re-employed and receiving a supplement. They also had to understand what to do to receive a supplement.

To assess how well these terms and conditions were understood, a telephone mini-survey was conducted of 343 displaced workers and 229 repeat UI users in the supplement group several weeks after random assignment.[4] This subsample was broadly representative of the full supplement group.[5] Table ES.2 summarizes the level of ESP knowledge through exposure to ESP information sources, and is based on the results of the mini-survey. Analysis of these results suggests that **most supplement group members were well-informed about ESP, although displaced workers were better informed than repeat UI users**.

[4]Response rates for the mini-survey ranged across sites from 81 to 95 percent.

[5]Attempts were made to interview all displaced workers randomly assigned to the supplement group between December 4, 1995 and January 5, 1996, and all repeat UI users randomly assigned to the supplement group between December 18, 1995 and January 12, 1996.

ES.2: Participants' Knowledge of ESP

	Displaced Workers (%)	Repeat UI Users (%)
Basic ESP provisions		
Percent who knew:		
The month by which they needed to find a job	69	71
They were required to work a minimum number of hours/week to receive a supplement	88	76
There was a limit to how long a supplement could be received	90	80
Percent who knew:		
All of the above	59	48
2 or more of the above	90	83
1 or more of the above	99	96
None of the above	1	4
Specific details of basic ESP provisions		
Percent who knew:		
How many weeks were in their job-search period	55	48
They were required to work full time to receive a supplement	67	59
A supplement could be received for up to 2 years	58	60
Percent who knew:		
All of the above	30	25
2 or more of the above	64	58
1 or more of the above	87	85
None of the above	13	15
Other ESP provisions		
Percent who knew:		
ESP provided extra money for becoming re-employed, but did not teach how to find a job	85	76
They could only receive a supplement for a job that paid less than the one that was lost	83	67
The supplement made up only part of the earnings loss	80	69
They could not receive a supplement for returning to their last employer	73	68
Percent who knew:		
All of the above	46	36
3 or more of the above	81	64
2 or more of the above	94	85
1 or more of the above	99	96
None of the above	1	4

The overwhelming majority of mini-survey respondents knew the basic provisions of ESP. The fact that displaced workers knew more than repeat UI users probably reflects their greater interest in the program. Not surprisingly, survey respondents were less likely to know the specific details of each ESP provision, although they generally knew quite a bit about the provisions themselves.

The relationship between exposure to the three main ESP information sources — the program brochure, orientation session, and initiation process — was also examined, as well as knowledge about the program itself. The results of this analysis suggest that exposure to each information source had a large, separate, and statistically significant impact on ESP knowledge.

These findings support this report's general conclusion that information provided about ESP was effective. One further piece of supporting evidence is that, when asked about the

ESP brochure, respondents to the mini-survey overwhelmingly indicated that it was easy to understand, had enough information about ESP, and succeeded in explaining ESP.

SUPPLEMENT TAKE-UP RATES

Based on data from more than 90 percent of the displaced worker sample, it is projected that 16 percent of the displaced workers in the supplement group will receive at least one supplement payment (take up the supplement) by the end of their 26-week job-search period.

On the other hand, 3.8 percent of the repeat UI users took up the supplement during their 12-week job-search period.[6] This difference is consistent with other findings that indicate displaced workers were interested in the supplement program but repeat UI users were not. The most likely reason for this difference is that most repeat UI users expected to be recalled by their previous employer and, hence, did not value the supplement offer highly. In contrast, most displaced workers did not expect to be recalled and, thus, stood to gain from the supplement offer.

About nine out of ten displaced workers and seven out of ten repeat UI users who initiated a supplement did so to receive a supplement payment for a new job that paid less. Few initiated a supplement for a new job that paid as much as their old one. The few who did so received no money immediately, but were entitled to receive supplement payments if their earnings should subsequently decline during the supplement payment period. Hence, it is possible that the final supplement take-up rate for the two-year supplement period could be higher than 16 percent for displaced workers and 3.8 percent for repeat UI users.[7]

Table ES.3 presents supplement take-up rates for key sample subgroups.[8] These findings suggest the following about displaced workers:

- Those who expected to be recalled by their previous employer were far less likely than others to take up a supplement.
- Those who were older were far less likely than younger workers to take up a supplement.
- Those who previously had held a low-wage job were far less likely than others to take up a supplement.
- Those from different sites had markedly different supplement take-up rates.

Some of these patterns also were present for repeat UI users, although there was less variation in take-up rates because they were so low overall.

[6]This is the actual, not projected, supplement take-up rate because, unlike displaced workers, all repeat UI users had completed their 12-week job-search period by the time this report was written.

[7]See discussion in Chapter 8.

[8]A corresponding multivariate analysis was conducted to measure the variation in supplement take-up rates by subgroup, controlling statistically for the variation according to the other subgroups. For almost all subgroups, especially those with the most striking findings, the results from the multivariate analysis are consistent with those in Table ES.3.

Table ES.3: Supplement Take-Up Rates for Subgroups of Displaced Workers and Repeat UI Users

Subgroup	Displaced Workers[a] (%) (Projected)	Repeat UI Users[b] (%) (Actual)
Full sample	16.0	3.8
Displaced worker sites	***	na
Granby	21.5	na
Oshawa	13.8	na
Toronto	11.7	na
Winnipeg	18.6	na
Saskatoon	20.9	na
Repeat UI user sites	na	
St. John's	na	3.2
Halifax	na	5.4
Moncton	na	4.9
Lévis	na	3.3
Recall expectation	***	***
Did not expect recall notice	20.2	11.2
Not sure	16.0	7.8
Expected recall notice	6.2	3.0
Age	***	**
Less than 30 years	16.5	5.9
31–44 years	18.4	4.3
45–54 years	14.9	1.8
55 years or older	6.8	2.8
Average prior weekly insurable earnings	***	*
Less than $400/week	6.5	3.3
$400–$599/week	16.4	3.0
$600–$799/week	20.7	5.7
$800/week or more	21.7	3.2
Number of people who contribute to household income (%)	***	**
1 adult	15.5	4.7
2 adults	17.5	2.8
3 adults or more	10.7	6.9
Number of people in household (%)	***	
1 person	12.7	4.7
2 persons	16.0	3.8
3 persons or more	17.4	3.6
Gender	*	**
Male	17.2	4.4
Female	14.9	2.7
Number of years worked for last employer (%)[a]		
Less than 1 year	15.8	4.8
1–2 years	14.2	5.6
3–5 years	15.8	3.8
6–9 years	17.8	4.2
10 years or more	16.5	2.0
Highest education credential (%)	***	*
University	15.4	3.1
College	17.9	4.6
High school	17.7	4.8
Less than high school	12.4	2.5

Table ES.3: Supplement Take-Up Rates for Subgroups of Displaced Workers and Repeat UI Users (cont'd)

Subgroup	Displaced Workers[a] (%) (Projected)	Repeat UI Users[b] (%) (Actual)
Received severance	***	
No	13.1	na
Yes	22.4	na
Member of a union in last job		
Union	15.8	3.9
Non-union	16.1	3.7
Average number of weeks of UI benefit entitlement	***	**
38 weeks or less	12.0	5.5
39–42 weeks	17.9	2.4
43–50 weeks	18.4	3.5

[a]Take-up after 26 weeks.
[b]Take-up after 12 weeks.

Note: The statistical significance of subgroup differences was estimated using a Wilcoxon test (see Norusis, 1994). Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; and * = 10 percent.

It is important to note, however, that supplement take-up rates are not a measure of supplement impacts. Instead, they reflect how many supplement group members will find new jobs that qualify for a supplement. Indeed, many UI claimants take jobs and leave UI on their own without the offer of an earnings supplement or help from existing local programs. The challenge for assessing the impacts of ESP, therefore, is to identify the net increase in employment and earnings and the net decrease in UI benefit receipt caused by the supplement offer that would not have occurred without it. To measure these impacts, future labour market outcomes for the supplement group will be compared with their counterparts for the standard group. This is necessary to estimate the net change in the outcomes caused by the supplement offer.

SUMMARY AND CONCLUSIONS

To date, ESP has completed sample intake and enrolled 8,144 displaced workers from five CECs and 3,414 repeat UI users from four CECs. Half of each sample was randomly assigned to the supplement group, which received a supplement offer. The other half was randomly assigned to the standard group, which was not offered a supplement but was eligible for all standard UI benefits and services.

The ESP enrolment process was successfully integrated into the ongoing activities of all CECs that served as sites for the study, even though they experienced major staff reductions and reorganizations due to changes in the UI system. The steps required to enrol sample members were simple to execute and, although they increased the workload of local staff somewhat, were not perceived as an undue burden.

The size of the ESP sample should be adequate to provide separate impact estimates for each site and for key study sample subgroups. The sample may underrepresent a few groups of UI claimants, including those who filed UI claims by mail or whom CEC staff felt could

not benefit from the ESP supplement. However, on the whole, the range of settings, occupations, and demographic groups represented by the sample for each target group is quite broad. Thus, findings based on their experience can be generalized in broad terms; but findings cannot be generalized for all displaced workers or repeat UI users in Canada because it was not possible to randomly select study sites. (Sites had to volunteer to participate, be able to conduct the demonstration program, and be large enough to generate an adequate sample.)

The process used to inform those who were offered a supplement about its conditions and provisions was straightforward, and appeared to be successful. Most importantly, it appears that those who were offered a supplement understood its potential financial incentives, and what they needed to do to receive a supplement payment. Hence, in this important regard, ESP appears to be a fair test of a re-employment earnings supplement for displaced workers and repeat UI users.

In terms of interest in the supplement program, there was a dramatic difference between displaced workers and repeat UI users. According to a survey of CEC staff, repeat UI users had little interest in the program and often refused to participate in the study. In addition, few who did take part actually took up a supplement. The main apparent reason for this lack of interest is that the overwhelming majority of repeat UI users expected to be recalled to their previous job. Thus, it is very unlikely that ESP will have a discernible impact on this target group.

In contrast, displaced workers showed a stronger interest in the supplement offer. They were much less likely to refuse to participate in the study, local CEC staff perceived that they had a real interest in the program, and focus group findings suggest that they viewed ESP in a positive light and with considerable interest. Although supplement take-up rates for this group were modest, perhaps reflecting the "real-world" difficulties its members faced in qualifying for a supplement, the supplement offer might still produce some of its intended effects.

This report describes and assesses how the project was implemented, describes the sample upon which the ESP study is based, presents an analysis of participants' knowledge about ESP, provides estimates of supplement take-up to date, and presents results from a first round of focus groups with displaced workers.

Future reports will present estimates of ESP impacts based on a comparison of the employment, earnings, and UI benefit receipt of the supplement and standard groups. They will also examine the relative costs and benefits of the supplement, and further explore the personal situations of displaced workers and repeat UI users.

Chapter 1:
Introduction

This is the first of several reports on the Earnings Supplement Project (ESP). ESP is a large-scale, multi-site, demonstration project that is testing an innovative financial incentive aimed at hastening the return to work of unemployment insurance (UI) applicants. ESP was conceived and is funded by Human Resources Development Canada (HRDC), and is managed by the Social Research and Demonstration Corporation (SRDC).

SRDC is a Canadian non-profit organization created specifically to develop, field test, and rigorously evaluate social programs designed to improve the well-being of all Canadians, with a special concern for their effects on disadvantaged Canadians. Its mission is to provide policy-makers and practitioners with reliable evidence about what does and does not work from the perspectives of government budgets, program participants, and society as a whole. It accomplishes this mission by evaluating existing social programs and testing new social program ideas at scale, and in multiple locations, before they become policy and are implemented on a broader basis. SRDC designs and manages research and demonstration projects by creating partnerships that bring together public and private organizations, researchers, and service providers to test new policy ideas. SRDC originally was created with the support of HRDC to manage the Self-Sufficiency Project (SSP), a major social policy experiment that is testing the use of financial incentives to help single parents leave welfare for work.[1] When HRDC wished to implement another test of financial incentives, this time with UI applicants, SRDC was asked to manage the project, building on the resources and expertise already put in place for SSP. SRDC's partners in ESP are Statistics Canada, which is responsible for much of the data collection and processing for the project, and SHL Systemhouse, which designed the automated supplement payment system and is operating ESP's Payment Office.

BACKGROUND

Canada's UI system is at a critical time in its history. The federal government has been implementing major UI reforms.[2] Federal, provincial, and local governments are cutting expenditures. The average duration of UI claims is increasing. Claimants are increasingly likely to rely on UI many times.[3] Long-term employees are losing their jobs.

> *I walked into work, lunch bag in hand, and punched in. The manager called me into the office and told me he'd have to let me go after 14 years. End of story.*
>
> A focus group participant

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[1]For an overview of SSP, see SRDC, 1996.

[2]In fact, the *Employment Insurance Act*, which came into effect on July 1, 1996, introduced several major changes to the UI system (see Appendix A). To provide continuity throughout this report, however, it uses the terms, conventions, and provisions of the program in effect when ESP began enrolment in March 1995. Where helpful, it also indicates the current counterparts to features being discussed.

[3]HRDC, 1994, pp. 11, 31.

These are productive workers who are being permanently displaced from long-term jobs due to forces beyond their control. These forces are often beneficial to the economy as a whole, but can impose substantial costs on some individuals. Examples might include:

- **Technological change**. The introduction of computer-controlled machinery results not only in increased automobile production, but also in the layoff of some auto-plant workers.
- **Shifts in demand**. Consumers eat more chicken and less beef and, thus, slaughterhouse workers are laid off.
- **Changes in government policy**. The federal government signs a free trade agreement with the United States and Mexico. Canadian exports are increased and import prices are cheaper, but workers who manufacture washing machines are laid off.
- **Increased international competition**. Japanese car companies increase their imports into Canada. This improves the quality of automobiles but some automobile production workers are laid off.

In contrast with these displaced workers, others continue to have jobs, but work in industries or for firms that experience major workload fluctuations. For these workers, UI is often called upon to provide a temporary source of income while they are laid off and waiting to be recalled. While many have a long-term attachment to a job or an industry, these individuals repeatedly find themselves out of work and relying on UI benefits.

In Canada, virtually all paid workers are covered by UI.[4] Workers who lose an insured job can receive UI benefit payments equal to 55 percent of prior earnings, up to a maximum weekly benefit of $448 (in 1995).[5] These UI benefit payments are available for up to 50 consecutive weeks.[6] However, by providing financial support to people when they are unemployed, UI may increase the amount of time they remain unemployed.[7] A possible way to avoid this unintended consequence would be to *subsidize re-employment* instead of *subsidizing unemployment.*

THE EARNINGS SUPPLEMENT PROJECT

ESP was developed to test one particular approach to subsidizing the re-employment of UI applicants. It offers to supplement temporarily the earnings of selected applicants if they leave UI quickly for a full-time job, and the new job pays less than the one they had before applying for UI.

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[4]The largest category of Canadian workers who are not covered by UI is self-employed persons.

[5]UI benefits can be 60 percent of prior earnings for some claimants with dependants.

[6]The allowable duration of benefit payments depends on how long a claimant has been employed and the prevailing unemployment rate in his or her area. The maximum possible duration is 50 weeks.

[7]It can do so in three ways. First, it decreases the financial pressure on claimants to look for new jobs, which might produce longer spells of unemployment. Second, it might encourage people with a weak attachment to the labour force to look for work in order to collect UI at a later date. Without UI, these people would not participate in the labour market and, thus, would not be counted as unemployed. Third, the premiums collected to finance UI are a tax on jobs and, therefore, can discourage employers from creating jobs, and employees from accepting them. For a discussion of these effects, see HRDC, 1994, pp. 13–14.

Some proponents of this approach have characterized it as "earnings insurance."[8] Whereas UI offers temporary financial assistance to the unemployed, earnings insurance would extend this to provide financial assistance in situations when becoming re-employed would mean earning significantly less money than in the job that was lost.

In general, the supplement offered by ESP is calculated to make up three-quarters of the difference between earnings in a new job and earnings in the job that was lost, for up to two years. For this project, supplements are being offered to two subgroups of UI claimants — those displaced from long-term employment and those with a history of repeat UI use. To encourage a rapid return to work, eligibility is conditional on leaving UI within a specified time period.

This sort of earnings "top-up" is designed to make UI claimants look for and accept a wider range of jobs and, consequently, leave unemployment sooner. In this way, ESP addresses concerns about the rising duration of unemployment. In addition, it helps to ease the financial anxiety produced by unemployment by assuring workers that the income from their next job will not be too much lower than that from their previous job. In part, the effectiveness of this approach will depend on the availability of other jobs. Its effectiveness also will be influenced by the ability and willingness of claimants to find and accept jobs in occupations, industries, and locations different from their previous job.

However, a program must not only be plausible on paper, it must also be effective in the field. To date, no test of the earnings insurance concept has been conducted,[9] and HRDC recognized the importance of field testing this type of program before attempting a large-scale implementation. In a financial incentive program such as this, enormous program costs are at stake, and the expenditures associated with any new program can be justified only if it produces significant benefits. In addition, there were concerns that changes in the incentive structure could induce some persons to follow a course of action that could be detrimental to them over the longer term. Consequently, HRDC agreed to implement ESP under real-world operating conditions to test the concept of a re-employment earnings supplement for displaced workers and repeat UI users.

For this test, HRDC approved the use of a rigourous random assignment methodology to ensure that the evaluation of ESP provided reliable, credible information about the effects of the supplement offer. This methodology randomly split ESP applicants into two groups: a supplement group, which was offered the supplement, and a standard group, which was not offered the supplement, but was eligible for all standard UI benefits and services.

Random selection of the two groups from a pool of eligible program applicants ensured that members of the standard group would differ systematically from members of the supplement group in only one way — they would not be eligible to receive the supplement. Hence, their experience would represent what UI beneficiaries would do if they had not received the supplement offer. Therefore, any differences in outcomes between the two groups could be attributed to the supplement offer. Other methodologies for estimating

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[8]For a discussion of earnings insurance in the context of worker displacement, see Baily, et al., 1993, pp. 194–197.

[9]A somewhat different type of incentive, referred to as a re-employment bonus, was experimentally tested in the United States. This approach provided a lump-sum payment to UI claimants who became re-employed within a specified period of time. Several evaluations of this approach found it to have small impacts (e.g., Woodbury and Spiegelman, 1987; Corson, et al., 1989; Corson, et al., 1991; and Spiegelman, et al., 1992).

program impacts have been tried in the past, but none has been proven as successful as random assignment.

THIS REPORT

This report is the document of record for the implementation of ESP. As such, it provides:

- a discussion of the rationale for ESP and the design of its program model,
- an overview of the structure and methods of the ESP evaluation,
- a detailed description of the project's implementation,
- a description of the sample of persons who enrolled in the project,
- an analysis of the extent to which project participants understood the terms of their supplement offer,
- an analysis of the extent to which participants took up this offer, and
- an analysis of focus groups involving displaced workers.

To begin, Chapter 2 describes the policy context in which ESP was developed and the goals of the ESP program; it also discusses the thinking behind key features of the program model. Chapter 3 gives an overview of the research and evaluation plan for the project. It also describes the process for selecting the sites where ESP would operate. Chapter 4 describes the steps used to identify and enrol eligible participants. It also discusses some of the initial reactions to ESP expressed by staff and participants. Chapter 5 describes the characteristics of the ESP sample based on data from sample members' application forms. Chapter 6 describes the procedures used to inform those selected to be eligible for the supplement about the details of the program. It also describes how eligible sample members initiated and received supplement payments. Chapter 7 presents the results of a mini-survey administered to a subsample of program participants to determine whether they understood the supplement offer well enough to make a reasonable choice about taking it up. Chapter 8 provides preliminary estimates of the extent to which those who were offered a supplement actually took it up and began receiving payments. Lastly, Chapter 9 presents the results of an initial round of focus groups with a small sample of displaced workers, who express in their own words how they felt about losing their jobs, dealing with unemployment, and responding to the ESP supplement offer.

Subsequent publications will report on the impacts of the ESP supplement offer, provide estimates of the benefits and costs associated with the ESP program model, and present the findings of special studies based on focus group and survey research.

Chapter 2:
Background and Theory of ESP

This chapter provides important background information about the Earnings Supplement Project (ESP). It describes how the project fits into the larger picture of ongoing changes in the Unemployment Insurance (UI) system; it explains how and why key features of the supplement program were selected; and it outlines how ESP might be expected to influence the labour market behaviour of participants.

ESP AND CHANGING UI POLICY

A program of earnings supplementation, such as that being tested by ESP, would not have been financed under the original UI system, which began in 1940. At that time, UI provided only limited insurance to 42 percent of the labour force,[1] and workers in many seasonal industries were specifically excluded. Over the next 30 years, however, UI grew substantially, as successive governments increased its benefits and extended eligibility for those benefits. During this period, an income transfer objective was added to the insurance goals of the program and inexpensive changes were gradually expanded into broader, more expensive benefit provisions. For example, seasonal workers became eligible for benefits, allowing many potential repeat UI users into the system. Supplementary (later seasonal) benefits were introduced in 1950,[2] followed by benefits for self-employed fishers during the off-season.[3]

This period of expansion culminated in the 1971 *Unemployment Insurance Act,* which radically shifted the balance of the UI program away from its original insurance principles and toward income transfer objectives. After 1971, virtually all employees were covered by UI. In addition, workers needed substantially fewer weeks of employment to qualify for benefits, and could collect them for longer periods. Furthermore, extended benefits were added for regions with high unemployment rates and workers could collect benefits for employment interruptions due to illness or childbirth. Even a retirement benefit was added. Clearly, the new system was far more generous than the original one.

However, unemployment rose in the 1970s because of oil price shocks, lowered tariffs, and technological changes that displaced many workers from their jobs. The costs of UI rose accordingly. In addition, the number of persons who repeatedly used UI rose, and there was increasing concern about the disincentive effects of the generous UI program.

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[1]For a review of the early history of UI in Canada, see Dingledine, 1981.

[2]Supplementary benefits, implemented in 1950, were paid at a rate of 80 percent of regular benefits from January to March to UI claimants who had exhausted their regular benefits, and to those who had insufficient work to qualify for regular benefits but had at least 90 days of insurable employment. In 1955, supplementary benefits were replaced by seasonal benefits, which were payable between January and April. This extended the normal benefit period from a maximum of 36 to 51 weeks for persons who qualified for regular benefits, but whose normal benefits ran out during the winter.

[3]Fishing benefits were first introduced by amendments to the *UI Act* made in 1956, which allowed fishers to begin making UI contributions in 1957 and receive payment of seasonal benefits in 1958. Fishing benefits remain part of UI, making fishers the only self-employed persons eligible for coverage under the program.

In response, the government gradually began to tighten the system; for example, by increasing the minimum number of weeks needed to qualify for UI benefits. As well, for the first time, provisions were made to spend UI funds for "developmental uses," which included paying benefits to claimants who took approved training courses or participated in job creation projects. Years later, ESP would be initiated as a demonstration project for a new type of developmental use.

Internationally, there was increased interest in trying to shift spending from "passive" income support for unemployed persons to more "active" re-employment strategies.[4] By international standards, Canada was still spending a relatively large portion of its labour market program budgets on income support.[5] Thus, in 1989, Employment and Immigration Canada (EIC)[6] proposed to spend more UI funds on active programs, such as job training, and "experimental projects to test the effectiveness of re-employment incentives, such as cash bonuses, designed to encourage displaced workers to search more vigorously for re-employment."[7]

In 1993, EIC began discussing how to obtain reliable information about the likely benefits and costs of re-employment incentives. The following year, EIC contracted with SRDC to formulate a program and run a demonstration project that would test such an incentive in selected Canada Employment Centres (CECs).[8] SRDC then designed an earnings supplement demonstration project for displaced workers. In the fall of 1994, HRDC decided to sponsor a similar project for repeat UI users because of impending UI changes that were especially likely to affect this group. Thus, HRDC asked SRDC to develop a test of an earnings supplement program for repeat UI users. Finally, in October 1994, the Minister of HRDC announced the Earnings Supplement Project, ESP, which was designed for both displaced workers and repeat UI users.

By 1993, the UI system had attained a vast scope and affected the lives and incomes of millions of Canadians each year. For example, in 1993 alone, 3.4 million Canadians received $18.3 billion in UI benefits, amounting to roughly $575 for every Canadian.[9] And this occurred at a time of increasing government fiscal restraint.

It was under these conditions that the federal government announced its intention to pursue a broad-based reform of the Canadian social security system, including UI. However, the federal government was unable to reach agreement with provincial governments in areas where the provinces have pre-eminent responsibility, such as welfare. Consequently, the federal government enacted reforms in an area where it had exclusive control — unemployment insurance. The resulting legislation, entitled the *Employment Insurance Act*, came into force on July 1, 1996. This legislation retained the basic system of financing UI benefits through employer premiums, but changed the distribution of benefits paid and the size of these benefits. Among other changes that were initiated, the new law increased

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[4]See, for example, the discussions in OECD, 1989 and OECD, 1990.
[5]Canada was in the top half of 23 OECD countries in the percentage of GDP spent on labour market programs. However, it ranked among the bottom third in spending directed at active labour market measures. Ibid. pp. 52–53.
[6]EIC is the predecessor of HRDC.
[7]EIC, 1989, p. 9.
[8]Since the end of 1995, local HRDC offices have been re-designated as Human Resources Centres of Canada (HRCC). However, for this report, we have retained the designation "CECs," in effect when the program started.
[9]HRDC, Ottawa, 1994, pp. 17, 100.

benefits for low-income families, decreased benefits for repeat UI users, and reduced benefits for highly paid workers.

In addition, these reforms made it possible to use employment insurance (EI) funds for programs designed to help people get jobs. Such programs include targeted earnings supplements aimed at encouraging claimants to take available low-wage jobs by temporarily "topping-up" their employment earnings.[10] Hence, it will be possible under the new legislation to operate programs like the one ESP is testing. Thus, the findings from ESP will provide valuable insights into the design and potential effectiveness of future programs.

KEY FEATURES OF THE ESP PROGRAM MODEL

To better understand the role that an earnings supplement might play in future programs for the unemployed, it is useful to first take a closer look at the key features of ESP, and the rationale behind these features. According to the ESP program model:

- Members of two target groups, displaced workers and repeat UI users, were offered an opportunity to participate in ESP.
- ESP supplements can make up 75 percent of the difference between earnings prior to UI and earnings in a new job, if the new job meets certain requirements. However, supplement payments cannot exceed $250 per week.
- In calculating re-employment earnings losses, pre-UI earnings are capped at the level of maximum UI-insurable earnings ($42,380 per year, or $815 per week when ESP began in 1995).
- Only participants who leave UI for work within a specified period of time are eligible to receive supplement payments. This period is 26 weeks for displaced workers and 12 weeks for repeat UI users, starting from the date a supplement is offered to an individual.
- Supplement payments can be received for up to 24 months from the date the supplement is offered.[11]
- Only earnings from full-time, UI-insurable employment are eligible for supplementation. Jobs must provide at least 30 hours of work per week to be considered full time.
- A new job with their previous employer at their previous location is not eligible for supplementation.

The ESP Target Groups

Displaced workers and repeat UI users frequently have been the focus of debates over UI policy, although for very different reasons. Hence, their selection as ESP target groups was consistent with the emphasis of past UI initiatives.

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[10]A summary of the major changes to the system embodied in the *Employment Insurance Act* is included in Appendix A of this report.

[11]Therefore, participants trade off job-search time against supplement receipt time during their job-search period.

Displaced Workers

Worker displacement is associated with the ongoing process of economic adjustment, and is a permanent feature of the Canadian labour market. It occurs even when the economy is doing relatively well. For example, more than one million Canadians were permanently laid off each year between 1981 and 1991.[12] Therefore, displaced workers — persons who lose stable, often well-paid jobs through no fault of their own — are in a very real sense the "victims" of economic change.

However, the post-layoff experiences of displaced workers vary considerably. Although some find new jobs quickly, many experience serious re-employment problems.[13] According to one study, about one-third of displaced workers who worked at least two years in their previous job were unemployed or out of the labour force one year after layoff.[14] Another study found that displaced workers experienced increased levels of non-employment relative to non-displaced workers for about four years after a job loss.[15]

Even when workers do find new jobs, they often earn substantially less than they had previously. For example, researchers in Canada found that one-third of displaced workers who became re-employed experienced a loss in wages; the median loss for this group was 22 percent.[16] Similarly, researchers in the U.S. found that one-third of displaced workers who found new jobs earned less than 80 percent of their previous wages.[17] In addition, a study of long-tenured workers in Pennsylvania who lost jobs in large-scale layoffs estimated that five years after job loss, average earnings were still 25 percent less than they would have been had the job loss not occurred.[18] Consequently, persons who permanently lose their jobs after long periods of employment are often targeted for special program interventions, usually in the form of employment and training services.[19] As well, UI program features that link how long persons have worked to how long they can receive benefits reflect the view that long-tenured workers merit a longer period of financial support.

Repeat UI Users

In the case of repeat UI users, public attitudes, as reflected in policies and programs, are mixed. On one hand, UI allows claimants in high unemployment regions — where repeat UI use tends to be concentrated — to qualify for benefits with fewer weeks of employment and receive benefits for longer periods of time. Such provisions implicitly recognize that it is harder to find work and retain stable employment where unemployment is high. On the other

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[12]Lauzon, 1995, p. 4.

[13]Longer periods of non-employment are associated with longer job tenure, unionization, and higher pre-displacement earnings. See Fallick, 1996, for a review of recent studies of displaced workers.

[14]Picot and Pyper, 1993, p. 22. Note, however, that this study found that 87 percent of permanent layoffs happen to workers who had been at their jobs for less than two years.

[15]Ruhm, 1991, pp. 319–324.

[16]Picot and Pyper, 1993, p. 25.

[17]Ross and Smith, 1993.

[18]Jacobson, et al., 1993, pp. 685–709. In this study, the authors defined long-term employment as six years or more with the same employer. They also noted that significant losses in earnings actually began three years *before* permanent layoff.

[19]Studies of employment and training services for displaced workers have used randomized experiments to test various combinations of job-search assistance, occupational skills training, and relocation assistance. In general, this research has found that job-search assistance can be a cost-effective way to help displaced workers find jobs more quickly. Findings for occupational skills training are ambiguous, but do not suggest that it is cost effective. Findings for relocation assistance indicate that it can play almost no role in the process of returning displaced workers to employment. The results of experiments in Texas are reported in Bloom, 1990; in Buffalo, N.Y. in Corson, et al., 1985; and in New Jersey in Corson, et al., 1989.

hand, some changes to the UI system have made the system less generous for persons who receive benefit payments frequently.[20]

The actual number of repeat UI users varies, depending on how repeat use is defined. By one definition — three or more UI claims over a five-year period — the number of repeat UI users rose from half a million in 1980 to one million in 1991. Consequently, repeat UI users accounted for 38 percent of all UI beneficiaries, and the annual cost of UI benefits paid to repeat users was more than $6 billion, or 40 percent of total UI regular benefits.[21]

Repeat UI users often work in seasonal industries, such as the primary sector or construction. However, many claimants from seasonal industries are not repeat UI users, while many repeat UI users work in industries that are not usually thought of as seasonal. For example, in 1991, 45 percent of UI claimants who had worked in the government services sector were repeat UI users. In addition, men, residents of Quebec and the Atlantic Provinces, and claimants with fewer than 20 weeks of insurable employment are overrepresented among repeat UI users.

Finally, it is important to recognize that many UI claimants shift into and out of repeat UI use over time. For example, 36 percent of those who would have been characterized as repeat UI users by the above definition in 1987 were only occasional claimants in 1992. Conversely, 23 percent of those defined as occasional claimants in 1987 would have been classified as repeat UI users in 1992.[22]

In general, policies and programs that target repeat UI users reflect both a desire to help workers with little access to stable year-round employment, and a concern over the high and growing incidence and cost of repeat UI use.

Jobs Eligible for Supplementation

Because ESP's objective is to stimulate substantial re-employment and thereby help participants retain a major attachment to the labour force, financial support is contingent on their willingness to make a commitment to full-time work. Hence, only earnings from full-time jobs are eligible for supplementation. This reduces the potential for participants to decrease their weekly work effort (perhaps to devote more time to child rearing, or to take a first step toward retirement), while counting on the supplement to make up much of the corresponding reduction in earnings. The criterion used to define full-time work is at least 30 hours of work per week.

A further decision was made not to allow participants who return to work for the employer who had just laid them off to receive a supplement for that job. This was done to prevent employers and employees from colluding to create situations in which workers would be laid off and rehired at reduced wages that would qualify for a supplement.

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[20]For example, the "repeater" provision, implemented in 1979, increased the number of work weeks required to qualify for UI for claimants who had collected UI benefits within the previous 52 weeks. More recently, the "intensity rule" in the new EI legislation reduces the benefit rate payable to claimants who have received more than 20 weeks of benefits in the previous five years.

[21]All the figures in this paragraph can be found in HRDC, 1994, pp. 31–36.

[22]HRDC, 1994, p. 32.

Generosity of the Supplement

The decision to make up 75 percent of a qualifying re-employment earnings loss was based on several considerations. First, the earnings replacement rate had to be high enough to produce a meaningful incentive for UI claimants to seek new work aggressively, and to seriously consider jobs that might pay less than the one they had lost. In other words, the supplement had to make work pay enough to induce UI claimants to forego future UI benefit payments.

Second, the earnings replacement rate had to be less than 100 percent to maintain an incentive to seek higher-paying work. If the earnings replacement rate were 100 percent, participants would receive one dollar less in supplement payments for each additional dollar they could earn. Hence, they would have no incentive to search for a job that paid as much as possible. On the other hand, if the earnings replacement rate were less than 100 percent, participants would be better off by earning more because the supplement amount would be reduced by less than their increase in earnings. At 75 percent, a participant would get 25 cents for each dollar increase in wages; the remaining 75 cents would be offset by a reduction in the amount of the supplement payment.

But is 75 percent the right rate? Ideally, it would have been desirable to test several rates to determine how sensitive the take-up rate would be to the generosity of the supplement. However, project resources did not permit this. Instead, a single earnings replacement rate of 75 percent was chosen because it was thought to be generous enough to attract persons who would seriously consider the offer. In addition, at this rate, the total income produced by earnings plus a supplement would exceed the total income possible from continued UI benefit payments. Hence, participants would be financially better off choosing employment over unemployment. At the same time, weekly supplement payments would be less than weekly UI benefit payments. Hence, Canadian taxpayers would stand to benefit from the supplement.

It is important to note that the ESP supplement is capped in two ways. First, it only takes into account previous earnings up to the maximum insured by UI. Since ESP is testing an alternate form of UI payment, it seemed appropriate for this UI rule to apply to the supplement as well. Without such a limit, the benefit offered by ESP could be far higher than that offered by UI to high-income claimants. This seemed to be inherently unfair.[23] Second, supplement payments were capped at $250 per week. This was done to reduce the likelihood that workers would accept unreasonably low wages, knowing that ESP would make up three-quarters of their re-employment earnings loss, regardless of how big it was.

Time Limits on the Supplement

Two types of time limits were set for the supplement in order to increase its effectiveness:

- To receive a supplement, UI claimants had to find a new job within a specified period of time after they were offered a supplement (26 weeks for displaced workers and 12 weeks for repeat users).

[23]Of course, with this rule, the supplement is less generous for those with earnings above the maximum insurable level, and it is possible for some high-income earners to experience a significant earnings loss and not qualify for a supplement at all. For example, a person whose earnings fell from $1,500 to $900 per week would receive no supplement, since previous earnings would have been capped for supplement calculation purposes at $815 per week in 1995.

- Participants are allowed to receive supplement payments for no more than 24 months, also starting from the date of their supplement offer.

The first limit reflects ESP's goal of encouraging rapid re-employment. Most UI claimants return to work eventually. Without a time limit on their job search, many will simply go back to work when they otherwise would have; and, if these individuals experience an earnings loss when they return to work, they would receive a supplement anyway. ESP would not have changed their behaviour and, thus, its supplement payments would be a windfall gain to this group. With a limit on the job-search period, some UI claimants might be induced to take work sooner than they otherwise would have. For this group, ESP will produce its intended effect. However, even with a time limit on the job search, there probably will be some persons who will not adjust their behaviour to the supplement offer, but will receive supplement payments because they experienced an eligible re-employment earnings loss within the ESP job-search time frame. Hence, although the time limit might reduce the extent to which ESP produces windfall gains, it probably cannot eliminate such gains altogether. Such windfall gains are not necessarily a problem because one of the reasons for a re-employment earnings supplement is to provide compensation for persons who directly pay the price of economic adjustment.[24]

ESP's maximum job-search period is longer for displaced workers than it is for repeat UI users because displaced workers generally experience a more difficult adjustment process, often requiring much more time to find a new job. This difference in maximum job-search periods also takes into account the fact that displaced workers (many of whom have worked continuously for years) frequently have longer UI benefit entitlement periods than repeat UI users (who work only part of each year). Hence, even after many weeks of unemployment have elapsed for displaced workers, there is still a margin for reducing their total UI benefits. This is less true for repeat UI users. Furthermore, because many repeat UI users are seasonal workers, they will return to their previous jobs quickly. Hence, there is only a short window of time for the supplement to affect their employment behaviour.

The 24-month time limit on supplement receipt was set to provide a reasonable time frame for labour market adjustment, without creating long-term dependence on supplement payments. Making the supplement temporary reinforces the message that recipients must take steps to improve their employment situation before their financial support ends. Doing so also makes it possible to provide weekly supplement payments that are more generous than would be the case if supplements were payable for a longer period of time.

Another important feature of the timing of the supplement is that its two "clocks" — the one for job search and the one for supplement receipt — both start when the supplement is offered. This means that while eligible participants are searching for work, the clock for their two-year supplement limit is also ticking. Hence, for example, a displaced worker who takes the full allowable 26 weeks, or 6 months, to start a new job, can receive a supplement for up to 18 months thereafter, whereas one who finds a job within one month can receive a supplement for up to 23 months. This provides a further incentive to become re-employed as soon as possible.

[24]For a discussion of the concept of earnings insurance to help such individuals, see Baily, et al., 1993, pp. 194–197.

HOW ESP MIGHT INFLUENCE LABOUR MARKET BEHAVIOUR

An earnings supplement is, first and foremost, a measure that works on the supply side of the labour market. It tries to influence the behaviour of job seekers and is unlikely to affect, in any significant way, the availability of jobs. In particular, an earnings supplement can change the incentives faced by individuals choosing between taking an available job (with a supplement) and continuing to receive UI.

On one hand, subsidizing job search through UI might lead to a more efficient matching of unemployed workers with available jobs by enabling job seekers to continue looking until they find the best possible employment opportunity. On the other hand, as mentioned earlier, there is a risk that this financial support will cause some people to remain unemployed longer than they otherwise would have been.

To deal with this issue, ESP's earnings supplement offers an alternate financial incentive to stimulate a rapid return to employment. Because displaced workers and repeat UI users differ in how UI and an earnings supplement might affect them, this issue is discussed separately for each group below.

Displaced Workers

Many workers who are permanently displaced from long-tenure jobs confront serious labour market adjustment problems, and many will experience lengthy spells of unemployment before finding another job. Often they go through an initial period of shock and disbelief.[25] Job search may be delayed, either because, in the absence of recent job-search experience, they do not know where to start, or because they cling to a false hope of being recalled. These workers are also likely to have lengthy UI benefit entitlement periods, and may receive severance pay as well. This can result in a (frequently false) sense of security that reduces the pressure to begin an intensive job search right away.

When they do start looking, displaced workers may have unrealistically high expectations about the wages and benefits they will be able to earn in a new job. For some who formerly earned high wages, their previous earnings reflected skills and experience in a particular job or industry which are not readily transferable to a new job. However, rather than accept the reduction in pay associated with an available job, they may fruitlessly prolong unemployment by continuing to search for better-paying jobs. This is particularly true of longer-tenured workers who "are more likely to limit their search to jobs similar to the ones they lost."[26] The longer displaced workers remain without work, the greater is the likelihood that their job skills will substantially deteriorate or that employers will view them less favourably.

For some displaced workers, a more effective strategy might be to seek early re-employment, even at the cost of initially taking a lower-paying job. This would allow them to begin the process of achieving earnings gains sooner, either through subsequent job changes (there is some evidence that a job search while employed may be more effective than an unemployed job search)[27] or through the acquisition of new firm-specific human capital.

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[25]Job loss is one of the strongest predictors of depression and is associated with increased suicide risk, anger, and suspicion (see Maida, et al., 1989). Chapter 9 of this report shows how job loss affected displaced workers who were members of the supplement group.

[26]See Fallick, 1996, p.8.

[27]Belzil, 1996, pp. 171–172, found that employed job search is substantially more effective than unemployed job search for mature workers. Unemployed job search is slightly more effective for younger workers.

For these workers, the availability of an earnings supplement might serve to lower their reservation wage (the lowest wage they will accept), causing them to accept jobs they previously would have rejected, and thereby return to work sooner. The time limits built into ESP's supplement offer might also encourage faster, more intensive job search. This may also result in faster re-employment and, in some cases, people finding jobs that do not involve an earnings loss, simply because they looked harder and sooner.

Another reason for supplementing displaced workers' earnings is to compensate them, at least in part, for the loss of earnings incurred due to economic change. This type of intervention could produce significant distributional or equity benefits. The social benefits of a flexible economy, one that can adapt readily to changing market conditions, are considerable and accrue to everyone. However, the costs of economic adjustment are disproportionately borne by a few. Hence, some form of compensation for people who lose jobs may help to both promote equity and reduce political pressures for protectionist policies.

Repeat UI Users

In contrast with displaced workers, repeat UI users often are not shocked by the experience of unemployment. They have been unemployed and have relied on UI benefits before — often many times before. For this group, UI provides an important source of temporary income support. It may also, for some, relieve the stress associated with uncertainty over layoff and recall dates. However, some repeat UI users, such as skilled construction workers, have relatively high incomes. In addition, many, such as contract teachers, have little uncertainty about their layoff and recall dates. Rather than being unemployed, they might be better described as part-time (or part-year) employees whose work is concentrated at certain times of the year.[28] They work for the same employer every year during busy periods, and collect UI when their employer has no work for them. In this respect, it should be noted that many firms also benefit from UI because it keeps their skilled workforce available during slow work periods.

For repeat UI users, an earnings supplement might work to reduce ongoing dependency on UI benefits in one of two ways. First, some seasonal workers, who rely on UI for financial support in the off-season, might be encouraged to put together packages of in- and off-season jobs that more closely approximate year-round employment. The availability of a supplement might encourage such workers to accept off-season jobs that pay less than their normal seasonal wages. Second, other workers in part-year jobs might be induced to consider year-round jobs that do not initially pay as much per week as their seasonal ones. They might prefer more stable jobs, but be deterred from taking them by the initial earnings loss. A supplement could help to overcome this barrier.

In short, a temporary earnings supplement for repeat UI users could provide an economic incentive to change their long-term labour market behaviour by trying a new alternative for a limited time period. It is to be hoped that, once an individual has tried a new employment option, even for a limited time, he or she would find ways to establish a new, lasting pattern.

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[28]However, it is important to note that repeat UI users and part-time workers who work the same number of hours each year receive very different treatment from the UI system. A repeat UI user who works full time for six months of a year can collect UI benefits for the other six months. In contrast, a part-time employee who works 20 hours per week for every week of the year will not receive a single UI benefit cheque.

WHY A TEST OF THE EARNINGS SUPPLEMENT IS NEEDED

While there are reasons to believe that an earnings supplement program can be effective in encouraging people to return to work quickly, there are also reasons for approaching this idea with caution. As mentioned before, earnings supplements can be quite expensive. Hence, it is important to determine whether their benefits are worth their costs. One cost that merits particular attention is the payments to persons who receive a supplement for doing what they would have done anyway. Since the UI claimant population is dynamic, and people are constantly leaving UI for work, it is inevitable that some claimants will qualify for an earnings supplement without actually having changed their behaviour.[29]

It is also important to determine whether a new program produces unintended effects. For example, displaced workers are being encouraged to cut short their job search. As a result, some may miss out on better jobs that they would have found with more searching. Some may be induced to prematurely accept low-paying, dead-end jobs that do not provide avenues to better employment. Potentially worse still, being employed in these jobs may carry a stigma that actually reduces their probability of being hired for better jobs.

Seasonal workers who take off-season employment with the intention of later returning to their seasonal jobs may find themselves bumped down union hiring lists because they took non-union jobs. Or they may find the working conditions and status associated with the lower-paying jobs to be unacceptable, but may be reluctant to leave them for fear of being unable to re-establish a UI benefit entitlement. Another possible problem might occur if a highly paid seasonal worker takes a lower-paying job in the off-season, loses it, then faces lower UI benefits because the new UI entitlement is based on earnings from both jobs.

Finally, it is not certain that all of the assumptions underpinning the basic program model will hold. For example, in making the supplement offer to seasonal workers, it is assumed that off-season jobs — albeit jobs with lower wages — are available. This may not be the case in some communities with highly seasonal economies.

For these reasons and others, it was important that this new initiative be tested carefully before considering it for wider application.

[29]On the other hand, one cost unlikely to be significant in this program is that associated with entry effects. Since those receiving supplements must experience an earnings loss, it is not likely that many people will try to arrange to lose their jobs (particularly in light of the risk of being disqualified from UI benefits in the case of a voluntary quit) to apply for UI and thereby qualify for a temporary re-employment earnings supplement.

Chapter 3:
The ESP Program and Evaluation Design

This chapter presents a brief overview of the procedures used to implement the Earnings Supplement Project (ESP) and the four components of its evaluation: an implementation analysis, an impact study, a benefit-cost analysis, and special studies of displaced workers and repeat UI users.

THE EARNINGS SUPPLEMENT PROJECT

ESP is being conducted at nine sites in seven provinces, and is being operated as two separate studies: a Displaced Worker study and a Repeat UI User study. Although the features of the program are the same for both studies (with one key exception), they are testing a supplement for different target populations.[1]

The Displaced Worker study enrolled 8,144 participants at five sites. Enrolment start dates ranged from May 26 to July 7, 1995, and all sites stopped enrolment on June 28, 1996. The Repeat UI User study enrolled 3,414 participants at four sites.[2] Enrolment began at the first site on March 23, 1995 and ended at the last site on June 28, 1996.[3]

In each study, half of the sample members were randomly assigned to a supplement group, which was offered the supplement. The other half were randomly assigned to a standard group, which was not offered the supplement but was eligible for standard UI services and benefits.[4] How the supplement affected labour market behaviour and UI benefit receipt will be estimated by comparing the experiences of these two groups. This will be done initially for a 15-month follow-up period; in addition, it may be possible to assess longer-term impacts at a later time.

SETTING UP ESP

Before the ESP supplement program could be initiated, it was necessary to recruit and select study sites and develop operational definitions for the two study populations.

Choosing the Study Sites

Participant enrolment in ESP was conducted as part of ongoing UI application activities at local Canada Employment Centres (CECs). The nine ESP sites (defined by CEC area

[1]As discussed in the previous chapter, the job-search period is 26 weeks for displaced workers and 12 weeks for repeat UI users.

[2]Three displaced workers and one repeat UI user withdrew from the study after random assignment. These workers have been excluded from all numbers cited in the report.

[3]Each site enrolled for 12 months; however, one site, Lévis, Quebec, actually began enrolment as a displaced worker site and was converted to a repeat UI user site on September 15, 1995. Therefore, its actual enrolment period was only nine-and-a-half months.

[4]All sample members were eligible for the UI benefits and services to which they would be normally entitled.

boundaries) are shown in Table 3.1. More information about each site is included in Appendix B.

Table 3.1: ESP Study Sites

Displaced Worker Sites	Repeat UI User Sites
Granby, Quebec	**St. John's**, Newfoundland
Oshawa, Ontario (including branch offices in Whitby and Pickering)	**Halifax**, Nova Scotia (including the Halifax North branch office)
Toronto, Ontario (the Toronto Centre CEC and the Dufferin Street branch office)	**Moncton**, New Brunswick (including the Sackville branch office)
Winnipeg, Manitoba (the Winnipeg West and Winnipeg North CECs)	**Lévis**, Quebec
Saskatoon, Saskatchewan (including a branch office in Humbolt)	

HRDC determined the number of sites to include in the demonstration project. More sites would have yielded a larger sample size and more information about the effects of ESP in a greater variety of situations. However, more sites also would have increased the cost of staff training, enrolment monitoring, and supplement payments to participants.

HRDC also chose the specific sites. It wanted sites that would differ in location, local economic conditions, community size, urban/rural composition, and other characteristics to increase the credibility of the study findings. Also, any site-specific differences observed in the results might provide additional insights into the factors that contributed to the impact of ESP. These insights may be valuable in subsequent program targeting. However, the selected sites were not intended to be a nationally representative sample of CECs.

Funding for ESP was originally provided by HRDC's Innovations Program and required the approval of the Minister of Human Resources Development. The Department's Applied Research Branch (ARB), which co-ordinated site selection, submitted an outline of ESP to the Minister. The Minister, in giving approval, then directed that the Displaced Worker study take place in Quebec, Ontario, Manitoba, and Saskatchewan,[5] and that the Repeat UI User study take place in Newfoundland, Nova Scotia, New Brunswick, and Quebec.[6]

The next step was to select the actual CECs. Originally, ESP was planned to include about 20 sites. However, while the project was still in the design phase, its budget was reduced and the number of CECs was scaled back to nine.[7]

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[5]It was felt that an experiment for displaced workers should include Ontario and Quebec since a large portion of the country's industrial capacity is concentrated there. Two of the four Western Provinces were also included to provide broader geographic coverage within a limited budget. The final selection was made by the Minister's office.

[6]Quebec and the Atlantic Provinces had a high proportion of seasonal workers who were likely to be affected by impending changes to UI qualifying requirements and benefit duration entitlements. Therefore, HRDC was particularly interested in finding alternative forms of program interventions for these workers. HRDC was already running a project in Prince Edward Island (PEI) to determine the effects of allowing workers to accumulate periods of insurable employment by combining hours of work rather than weeks. Therefore, it was decided not to include PEI in ESP.

[7]At this point, ARB decided that both Quebec sites would enrol displaced workers so that there would be six displaced worker sites and three repeat UI user sites. This balance was judged appropriate because of the reduced number of sites and because ESP was felt to have a greater probability of impact on displaced workers.

ARB contacted Regional Office officials in each of the HRDC regions where sites were to be located.[8] Regions were then asked to recommend CECs that met the following criteria:

- they were interested in the project, willing to take part, and had management and staff resources that made them capable of effectively participating in a demonstration project,[9] and
- in the best judgment of regional officials, they would generate a large enough sample of participants.[10]

For the smaller provinces, the sample size requirement severely limited the possible location of sites. For example, in Nova Scotia, CECs in the Halifax metropolitan area or in Sydney were the only viable choices. Similarly, in Manitoba, consideration was limited to Winnipeg-area CECs. In the case of Quebec, Montreal had most of the CECs that appeared likely to generate enough UI applicants. However, Montreal CECs were already testing other HRDC initiatives related to UI delivery and HRDC officials in the Quebec Regional Office were unwilling to add to their workloads.[11] Since HRDC was not prepared to test a major new initiative without this region, two Quebec sites were included, despite their relatively small expected samples.[12]

Defining the Study Population

Before potential participants could be identified, an operational definition of the two study populations was required.

Displaced workers were defined as workers who had suffered a job loss after at least three years of continuous employment. Individuals were selected if they:

- had been employed continuously during the preceding 36 months,[13]
- had not received regular UI benefit payments during the preceding 36 months (or had received UI benefits only for temporary layoffs, after which they had returned to their previous employer) and did not expect to return to their previous employer,[14] and

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[8]HRDC has a Regional Headquarters in each province to oversee the planning and delivery of programs and services in that province.

[9]The extent to which local office management and staff were consulted to determine their interest in taking part varied from region to region. Office reorganizations and staff reductions subsequent to ESP start-up also affected the willingness or ability of some participating CECs to consistently implement ESP procedures.

[10]ARB conducted simulations of likely participant intake based on historical UI data.

[11]These included CEC 2000 projects involving alternative approaches to office configuration and assignments of staff responsibilities, and automated approaches to UI claims filing, paying benefits, and providing information services.

[12]In fact, one of these sites, Lévis, was subsequently converted from a displaced worker site to a repeat UI user site in September 1995. In part, this was because Lévis produced few displaced workers in the first three months of enrolment. The change was also an attempt to increase the overall enrolment of repeat UI users, as enrolment in the three Atlantic Region repeat UI user sites fell far behind the original projection.

[13]Continuous employment was defined as ongoing employment, but not necessarily with a single employer.

[14]This condition of eligibility was refined over the course of the study. Originally, eligibility was conditioned on not having received any regular UI benefits in the past three years. Because there was no way, before random assignment, to validate an individual's employment history, lack of UI receipt was thought to be a good proxy for continuous employment. But lack of UI receipt turned out not to be a good predictor for workers, such as those in manufacturing plants, who receive UI when their plants shut down for retooling. These individuals maintain an employer-employee relationship (and thus stable employment) but also receive UI. Consequently, a second version of the screening form accepted workers if they had received UI for temporary layoffs after which they returned to the same job. CEC staff, however, did not think seasonal workers should be eligible, and they disliked the increase in their workload. Thus, the screening questions were (*cont'd*)

- had established a new regular UI claim at a displaced worker site during the sample intake period and had their claim approved for payment.

Persons who completed an application for ESP and met these criteria comprised the displaced worker sample; half were then chosen at random to be offered the supplement.

Repeat UI users were defined as persons who were receiving regular UI benefits for the fourth consecutive year. Individuals were selected if they:

- had opened or renewed a regular UI claim at a repeat UI user site during the sample intake period, and received at least one dollar of benefits on the claim,
- had opened or renewed a regular UI claim and received at least one dollar of benefits against that claim in each of the preceding three calendar years, and
- had not received UI benefits during the preceding 12 weeks, if their most recent claim was a renewal.

Persons who completed an application for ESP and met these criteria comprised the repeat UI user sample; half were then chosen at random to be offered the supplement.

HOW THE ESP PROCESS OPERATED

Figure 3.1 gives an overview of the steps followed to implement ESP at each study site.[15] These steps are described briefly below. A more detailed description is provided in chapters 4 and 6.

Step 1: Filing a UI Benefit Claim

Claims for UI benefit payments are filed at CECs each day, either in person or by mail. Claimants complete a standard UI form. This form is checked by CEC staff.

Step 2: Applying for ESP

Eligibility to apply for ESP at the repeat UI user sites was determined in advance, based on patterns of past UI benefit spells. The names of all eligible persons were kept on a pre-identified list. CEC staff checked new UI claimants against this list and asked those who were on it to complete the *Project Application and Informed Consent* form.[16]

There was no way to pre-identify eligible ESP applicants at the displaced worker sites. Instead, eligibility was based on answers to several screening questions that CEC staff asked new UI applicants about their past employment and UI receipt. CEC staff then invited persons judged eligible for ESP to complete the *Project Application and Informed Consent* form.

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revised a final time to accept workers who had received regular UI benefits for temporary layoffs only if they did not expect to be recalled by that employer. The final criteria seemed closer to how a real-world program might address this issue by considering whether a person had a long-term attachment to the labour force, and whether they viewed their current job separation as permanent.

[15]This process varied somewhat across sites.

[16]Study participants had to provide their informed consent to certify that they understood and agreed to participate in ESP, including allowing their administrative records to be used for the purposes of the study.

Step 3: Becoming Enrolled in the Study Sample

CEC staff processed each UI benefit claim according to standard operating procedures. If an ESP applicant subsequently had his or her application for UI benefits approved, this information was forwarded to Statistics Canada, where the ESP applicant was enrolled in the study sample.

Step 4: Being Randomly Assigned

Each week, new sample members were randomly assigned to the supplement group and standard group. Supplement group members were notified of their status by mail and sent materials that explained the supplement offer. They were also invited to attend an ESP orientation session at their CEC. Standard group members also were informed of their status by mail. No further contact was made with members of this group, however, unless they were interviewed as part of a 15-month ESP follow-up survey.

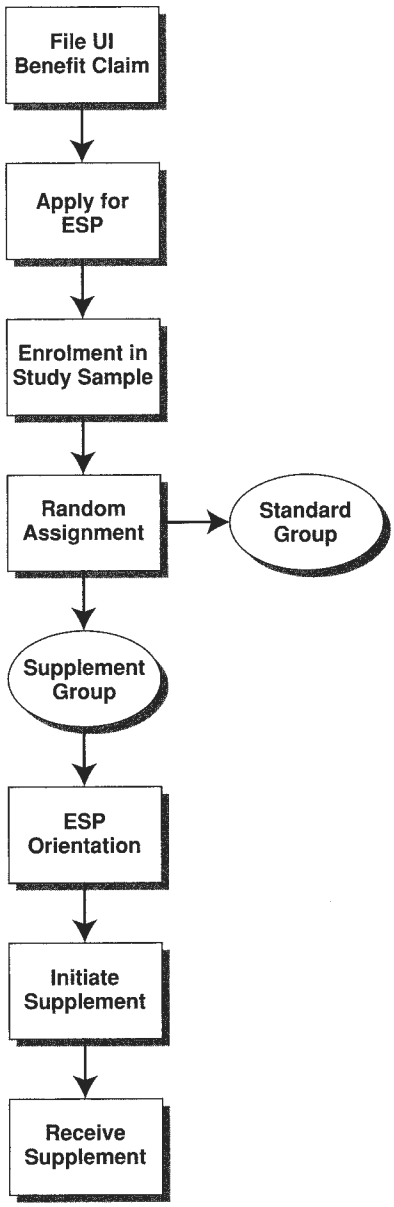
Step 5: Receiving an ESP Orientation

CECs initially held weekly orientation sessions to explain the supplement offer to new supplement group members. Attendance was voluntary, however, and very few persons came to these sessions, so most CECs stopped holding them. Instead, program operations staff from SHL Systemhouse called new supplement group members several weeks after they were selected to provide a brief orientation over the phone.

Step 6: Initiating the Supplement

Supplement group members who became re-employed in a job that met the ESP requirements (whether or not it involved an earnings loss) could initiate a supplement claim by mail or by telephoning the ESP Payment Office, which processed the claims.[17]

Figure 3.1: The ESP Process



Step 7: Receiving a Supplement Payment

Supplement payments were made for the weeks in which participants worked full time in new jobs and had earnings less than the average weekly insured earnings from their layoff

[17]Although it was possible to initiate a supplement for a new job that did not result in an earnings loss, and thereby keep the supplement open as "earnings insurance" for two years, almost everyone who initiated a supplement did so to cover a re-employment earnings loss (see Chapter 8).

job. To document this earnings loss, claimants had to submit a voucher and a pay stub to the Payment Office for each week claimed. Supplement payments then were made to claimants (by mailed cheque or direct bank deposit).

EVALUATING ESP

As indicated earlier, the evaluation of ESP will have four main components: an implementation analysis, an impact study, a benefit-cost analysis, and special studies of displaced workers and repeat UI users. Each component is described briefly below.

The Implementation Analysis

A detailed analysis has been conducted of how ESP was implemented, and is the main subject of this report. The goals of this analysis were to provide feedback about how things were going in the field so that problems that arose could be quickly identified and addressed, gain insights about what would be required to operate an earnings supplement as a national program, and provide a basis for interpreting the impact and benefit-cost findings.

The analysis covers the project's two main operational components: sample intake and operation of the supplement program.

Analysing Sample Intake

Sample intake was implemented as part of ongoing CEC operations at each study site using existing personnel and resources. The goal was to produce a large and diverse sample of UI claimants who were broadly representative of displaced workers and repeat UI users at the study sites. The implementation analysis addressed the following questions about the sample intake process:

- Could it be integrated into ongoing CEC operations without producing undue disruption or requiring substantial additional resources? Would CEC staff take the time needed to enrol sample members? How much training would they require to do so effectively and efficiently?
- How would displaced workers and repeat UI users initially react to the supplement offer? Would they apply? Would they properly complete and sign the *Project Application and Informed Consent* form? Would they be interested in the supplement or would a "hard sell" be required to attract their attention and gain their co-operation?
- Could the flow of ESP applicants from the study sites produce a sample of displaced workers and repeat UI users large enough to provide reliable estimates of the impacts of ESP? Would this sample comprise a diverse group of UI claimants or would only certain types of individuals apply?

Three main data sources were used to address these questions.

Site Reports were filed by research team members each time they visited a CEC. These reports were based on informal discussions with a broad range of CEC staff and direct observation of the ESP intake process. During each site visit, SRDC representatives examined how the local operation was functioning, identified problems, discussed potential solutions with CEC staff, and answered questions about the project.

A **CEC Staff Survey** was conducted in April 1996 to provide feedback about staff perceptions of the ESP intake process. Survey responses were obtained from 85 CEC staff at the displaced worker sites and 44 CEC staff at the repeat UI user sites. The survey focused on staff perceptions about the ESP application process (e.g., their satisfaction with the process, their assessment of the ESP printed materials, and the degree to which they encouraged UI claimants to apply to ESP); working conditions in their CEC (e.g., staff morale and the degree to which supervisors encouraged staff to promote ESP); and reactions to ESP by UI claimants (e.g., how interested or sceptical they were, how difficult it was to get them to apply, and the main reasons for their interest, or lack of interest, in the supplement).

A **Phone Log** was kept of calls made by potential ESP applicants to the special toll-free number they were given to learn more about the project. These records provided an important "window" into what ESP looked like from the perspective of participants offered a chance to apply. Hence, it was possible to learn more about why some persons were interested in the supplement and thus were willing to apply (e.g., to change careers); why others were not interested in the supplement and thus were not willing to apply (e.g., they expected to be recalled to their prior job), what concerned potential ESP participants about the supplement (e.g., how it might affect their UI eligibility); and what they were confused about (e.g., the fact that they could obtain "earnings insurance" by initiating a supplement without receiving a supplement payment if their new job paid more than their previous one).

Analysing Supplement Operations

The ESP implementation analysis also included a study of how the supplement program was operated for the ESP applicants who were randomly assigned to the supplement group. Most program operations were conducted by the ESP Payment Office in Halifax, Nova Scotia. Although, in concept, they were relatively simple, these operations often required many complex decisions. The primary goals of these activities were to motivate supplement group members to participate in the program; provide them with enough information to make an informed choice between becoming re-employed and receiving a supplement, or remaining unemployed and continuing to receive UI benefits; initiate the supplement for as many qualified supplement group members as possible; and make timely and accurate supplement payments.

The implementation analysis addressed the following questions about supplement program operations:

- What percentage of supplement group members received an ESP orientation session? How effective were these sessions? How effective were the written materials used to explain ESP, and how did supplement group members react to these materials? What were the major concerns and sources of confusion about the supplement?
- How well did supplement group members understand the supplement offer? Did they understand how the amount of the supplement was determined, and therefore comprehend the financial alternative it provided to UI benefits? Did they understand the conditions of the supplement offer well enough to make employment decisions that would entitle them to receive a supplement? How did knowledge about the supplement differ between displaced workers and repeat UI users, and among subgroups within these target groups?

- To what extent did supplement group members take up the supplement offer? What percentage initiated a supplement, and what percentage received a supplement payment? How soon after random assignment did they receive their first payment? How did these outcomes vary by subgroup?

The following data sources were used to address these questions.

On-Site Reviews were conducted by the research team to obtain feedback about how the supplement operating procedures were working, and to help answer questions that arose during this process. In addition, telephone conversations with supplement group members were monitored periodically to help ensure that proper information was being provided and to learn first-hand about questions and concerns. Feedback also was obtained from a wide range of persons involved in the project (CEC staff, other project staff, and supplement group members who called the toll-free line) about the quality and effectiveness of the ESP materials distributed.

A **Telephone "Mini-Survey"** was conducted by Statistics Canada with a sample of 343 displaced workers and 229 repeat UI users soon after they were selected for the supplement group (see Chapter 7). The survey asked respondents about their knowledge of ESP and UI. It also asked their opinions of the ESP brochures and orientation sessions. The primary objectives of the mini-survey were to determine how well supplement group members understood the provisions of the supplement offer and of unemployment insurance. In particular, the survey was designed to assess whether respondents understood the supplement's financial incentives to find a new job quickly instead of continuing to receive UI benefit payments. In addition, the survey was designed to determine whether respondents knew enough to qualify and apply for the supplement. Only if they understood the offer well enough to make an informed choice, and to take the steps necessary to qualify for the supplement, could ESP be considered a fair test.

Management Information System Data were used to document supplement take-up behaviour, including who initiated a supplement, who received a supplement payment, when this first occurred, and how long supplement payments were received. This report only considers the number of persons who initiated a supplement and received a supplement payment. Future reports will examine the amount and duration of supplement payments, when adequate data are available.

The Impact Study

This part of the project will measure the effects of the earnings supplement on the labour market experience and UI receipt of sample members in the Displaced Worker study. The original research plan called for an extensive formal impact study to be conducted within the Repeat UI User study as well. However, as discussed in Chapter 8, the very low take-up rate among repeat UI users means that detectable impacts were unlikely to have been achieved with this group. Therefore, the 15-month follow-up survey is being administered only to displaced workers. For repeat UI users, an analysis of impacts will be conducted, based solely on UI administrative data, to confirm that there was no detectable impact on the duration and amounts of UI benefits received.

The analysis of displaced workers will estimate the impact of the supplement offer on outcomes such as the following:

- the percentage of sample members who became re-employed during the follow-up period,
- how long it took for those who became re-employed to do so,
- total earnings during the follow-up period,
- the monthly pattern of earnings during the follow-up period,
- how long sample members continued to receive UI benefit payments,
- the percentage of sample members who exhausted their UI benefit entitlement,
- total UI benefits received during the follow-up period,
- the pattern of average monthly UI benefit payments over time, and
- the total income of sample members (their earnings plus UI benefits plus supplement payments).

Many UI claimants find jobs on their own and stop receiving benefit payments soon after they start. In addition, some people have access to programs and services that can help them find jobs. To measure the impact of ESP in this environment requires being able to compare what sample members were able to achieve with the supplement with what they could have accomplished by themselves, or with the assistance of existing programs. As indicated earlier, the best way to do this is to compare the future experiences of the two groups randomly selected from ESP applicants: the supplement group and the standard group.[18]

By randomly assigning eligible people to one of these two groups, the groups will differ systematically in only one way: whether or not they were offered the supplement.[19] Thus, the subsequent experience of standard group members will represent what UI beneficiaries would do if they had not been offered the supplement. Therefore, the difference between the experiences of the two groups will provide a valid estimate of the difference in outcomes caused by the supplement offer, and thus provide a valid estimate of the impact of the supplement offer.

To see how this might work, consider the following hypothetical example. Assume that 50 percent of the supplement group was re-employed within six months after random assignment. This represents an *outcome* of ESP. It indicates what happened to supplement group members, but does not indicate what happened to them *because of* ESP. What happened to them because of ESP, and, hence, would not have happened without it, is the *impact* of the program. Because there are no systematic pre-existing differences between the supplement group and the standard group, the future labour market experience of the standard group will provide a valid measure of what the future labour market experience of the

[18]As noted earlier, both the supplement and standard groups were eligible for all standard UI services and benefits.

[19]Strictly speaking, the *expected values* of the averages for all pre-existing characteristics of the supplement group and the standard group are the same, although their *actual values* may differ somewhat, especially in small samples. Given the large samples used for the present analysis, however, the actual pre-existing characteristics of the supplement group and the standard group do not differ appreciably.

supplement group would have been without ESP.[20] For example, if 40 percent of the standard group members were re-employed within six months after random assignment, 40 percent of the supplement group members probably would have become re-employed without ESP. The impact of ESP in this case (what it actually caused to happen) would be a 10 percentage point increase in the re-employment rate (the difference between 50 percent for the supplement group and 40 percent for the standard group). If the extent to which standard group members found employment is not taken into account, the impact of the supplement would be greatly overstated.

Researchers have tried many "quasi-experimental" alternatives to random assignment for constructing program and comparison groups to estimate program impacts. However, no such alternatives have been as successful as random assignment. The basic problem with these alternatives is "selection bias," due to pre-existing differences between the program and comparison groups. It is possible to use statistical matching and modelling procedures to reduce some of the pre-existing differences in characteristics that can be measured well. But it is not possible to eliminate, with confidence, pre-existing differences in characteristics that cannot be measured well — such as motivation, physical appearance, and state of mind — or factors that have not been measured at all. Indeed, without random assignment, it is not possible to know how much of these differences have been removed, and how many still remain.[21]

Randomly assigning the supplement offer to eligible ESP applicants also makes it possible to obtain valid program impact estimates for any sample subgroup that is based on characteristics determined and measured before random assignment. Hence, it will be possible to obtain unbiased impact estimates for groups defined in terms of age, industry and occupation, educational background, and so on.

Not only is random assignment a methodologically sound way to measure the impacts of ESP, but it is also a fair way to allocate the limited number of available supplements. All eligible ESP applicants had the same probability of being offered a supplement; only chance determined who received an offer and who did not.

ESP impact estimates will draw mainly on three data sources.

The **ESP *Project Application and Informed Consent* Form**, which provides background information about sample members, will be used to describe the study sample,[22] define subgroups for program impact estimates, provide tracking information to help locate sample members for the displaced worker 15-month follow-up survey, and provide "covariates" to improve the statistical precision of ESP impact estimates.[23]

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[20]What would have happened to supplement group members in the absence of the supplement is referred to as the "counterfactual."

[21]Much research has been done on this issue. Many experts on employment and training research now agree with the conclusions of a special committee of the U.S. National Academy of Sciences: ". . . control groups created by random assignment yield research findings about employment and training programs that are far less biased than results based on any other method . . . Future advances in field research on the efficacy of employment and training programs will require a more conscious commitment to research strategies using random assignment . . ." (Betsey, et al., 1985 p. 18).

[22] See Chapter 5 for an in-depth look at the characteristics of the study sample.

[23]It is standard practice to use a multiple regression model to increase the precision (reduce the standard error) of a program impact estimate from a randomized experiment. Such models specify an outcome measure (e.g., earnings) as the dependent variable, and specify a dummy variable, indicating program or control group status, plus other background characteristics as independent variables. The regression coefficient for the program/control variable is a direct measure of the impact of the program on the outcome, controlling for the background characteristics (covariates) in the model. These covariates *(cont'd)*

An **ESP Follow-Up Survey** is being administered to all displaced workers in the study sample 15 months after random assignment.[24] The survey is documenting their labour market experience, which will provide a basis for measuring ESP impacts on future employment, earnings, and labour force participation. The survey also is asking about how displaced workers reacted to their job loss; how they tried to find new employment; how they and their families accommodated their reduction in earnings; and other features of their unemployment experience. This will make it possible to estimate program impacts on a broader range of outcomes.

Administrative Records will be examined for additional information. For example, data from the UI program will be used to document the amount and timing of UI benefits received by all sample members during their first 15 months after random assignment. Comparisons of these outcomes for supplement and standard group members will provide estimates of ESP impacts on UI benefit payments. These data will eventually be available for 36 months after random assignment and may provide a basis for estimating longer-term impacts. Federal tax records also may provide information about the future earnings of sample members. But due to the time lag involved in obtaining these records, and the fact that they are reported only by calendar year, they will be of limited use in the short run. Nevertheless, given their low cost, these data might provide an important source of long-term follow-up.

The Benefit-Cost Analysis

This part of the study will compare the benefits of the supplement offer with its costs. The analysis will be conducted from three perspectives: the displaced workers and repeat UI users who were offered the supplement; the federal government budget, which is funding the supplement; and society overall.[25]

The analysis will focus only on economic benefits and costs. It will not attempt to place a dollar value on the potential intangible benefits of the supplement, such as increased self-esteem, or on potential intangible costs, such as foregone leisure time. In addition, the analysis will cover a relatively short time frame — 15 months after random assignment. Attempting to forecast benefits and costs beyond this period would yield highly speculative results.

The primary likely benefits of ESP to supplement group members are program-induced earnings gains, plus supplement payments. The primary likely costs of the supplement to this group are reductions in UI benefit payments because of increased employment, and increased income taxes because of higher earnings. The bottom line of this analysis will indicate whether the response of this group to the supplement was in its economic self-interest.

The primary likely benefits of ESP to the federal government budget include reductions in UI benefit payments, a corresponding reduction in UI administrative costs, and increased

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are not required to eliminate selection bias (which does not exist because of random assignment), but they do reduce the unexplained individual variation in the outcome, and thereby reduce the standard error of the estimated impact coefficient.

[24]For reasons discussed in Chapter 8, a 15-month follow-up survey will not be conducted for repeat UI users. Instead, a separate survey will be conducted that will focus on the past, present, and likely future experiences of a broader sample of frequent users of UI.

[25]This is consistent with the standard approach of comparing the benefits and costs of employment and training programs from the perspectives of program participants, program funders, and society (e.g., see Bloom, 1990).

tax payments from program-induced earnings gains.[26] The main potential costs of ESP to the federal budget include the supplement payments made and the costs of administering the supplement program. The bottom line of the analysis from this perspective will indicate whether the supplement was a cost-effective investment for the government.

The main potential benefits of ESP to society overall are the increase in the earnings of supplement group members (to the extent that this increase is not displaced by a corresponding reduction in the earnings of others),[27] plus the reduction in UI administrative costs if UI benefit payments decline. The main cost of ESP to society is the cost of administering the supplement program. The supplement payments themselves and any changes in the amount of UI benefit payments are neither a cost nor a benefit to society. They are a transfer of resources from one group to another. The bottom line of the analysis from this perspective will indicate whether the supplement increased the overall resources available to society.

The following data sources will be used for the benefit-cost analysis:

- **Estimates of ESP Impacts** on earnings and UI benefits will be obtained by comparing these outcomes for the supplement and standard groups.
- **ESP Management Information System Data** will be used to estimate the cost of supplement payments.
- A **Time Study** will be used to estimate the resources required to administer the supplement program.
- **Federal Tax Code Provisions and Existing Research on Incomes Taxes** will be used to approximate how tax payments increased with earnings.
- **Information from the UI Program** will be used to estimate the administrative costs of UI.

Special Studies of Displaced Workers and Repeat UI Users

This part of the study will document the problems confronted by displaced workers and repeat UI users, and describe how they coped with these problems.

The study of displaced workers will consider issues such as how losing their job affected them; how they and their families accommodated their unemployment; the nature, duration, and outcome of their subsequent job search; and what role the offer of an earnings supplement played in this process.

The study of repeat UI users will consider issues such as how long they have combined part-year employment with UI receipt; the number, length, and seasonality of their UI spells each year; the nature of their employment relationship (e.g., whether it is seasonal or irregular, and whether they return to the same employer or the same industry); the nature of

[26]Estimating the increase in federal tax payments produced by the supplement requires a knowledge of how much the increased employment and earnings of persons offered the supplement were "displaced" by a corresponding reduction in the employment and earnings of others. Economists have discussed this displacement phenomenon for decades, but very little is known about its magnitude. It is therefore common practice to make a range of assumptions about displacement and test the sensitivity of benefit-cost findings to the variation in these assumptions, which is what the present study will do.

[27]About which very little is known, as indicated above.

the job they hold (e.g., their industry, occupation, and rate of pay); and their attitude toward their employment situation.

Displaced Worker Focus Groups and Interviews

A series of focus groups are being conducted with a small sample of displaced workers in the supplement group. These focus groups provide an opportunity to hear directly, in depth, and in their own words, about displaced workers' experiences since being laid off, and how they responded to these experiences. Focus groups are scheduled for two key points in the supplement process: approximately halfway through the 26-week ESP job-search period for displaced workers (while their ESP "window of opportunity" is still open), and just after the 26-week window of opportunity closes. In addition, telephone interviews will be conducted with a small sample of long-term supplement recipients just after they reach the end of their two-year maximum supplement-receipt period.

The following questions will be addressed to these groups:

- How and why did they lose their jobs and how did they react to their job loss? Did their reactions change over time? What were their attitudes toward work, being unemployed, and receiving UI benefits? How confident were they about finding another job? How long did they wait before searching for a job, and how actively did they search? What kinds of jobs did they look for and what were they prepared to accept?
- What role did the ESP supplement offer play in their job search? Did it make them start looking earlier, or increase the intensity of their search? Did it make them consider a broader range of jobs? Did the offer become more, or less, important to their job search over time?
- Finally, how did the loss of supplement income affect those who had been receiving a supplement at the end of the two years of supplement eligibility? Had they been able to move into higher paying positions, or were they struggling with the income loss? Had they found stable jobs, or were they facing unemployment and a return to UI benefits?

The first set of focus groups was conducted in August 1996 with 36 displaced workers from Toronto and Oshawa. Their findings are reported in Chapter 9 of this report. The second set of focus groups was recently completed with 49 displaced workers from Toronto and Oshawa. Two subgroups were involved: 19 persons who had initiated a supplement and 30 who had not. Their findings will be presented in a future report. The personal interviews have not been completed yet because very few supplement recipients have reached the end of their two-year supplement period.

Repeat UI User Focus Groups and Survey

Eight focus groups were conducted with repeat UI users in August 1996. Two groups were conducted at each of the four repeat UI user sites. One group at each site was comprised of supplement group members who did not initiate a supplement. (A total of 28 persons were in these groups.) The other focus group was comprised of repeat UI users who were offered the opportunity to take part in ESP, but declined to do so (37 persons were in these focus groups). A variety of approaches were used to enable participants to talk freely and openly about their experiences.

The primary purpose of these focus groups was to gather information for developing a questionnaire for a large-scale sample survey to be administered in January and February 1998. The survey will be followed by another round of focus groups later in 1998. This research is addressing the following questions:

- Who are repeat UI users? Are they older, younger, married, or single? Do they have children? How do their education and skill levels vary? What kinds of jobs and employment history do they have?
- How do they account for their employment situation? What forces do they perceive as contributing to their current pattern of UI use? What are their attitudes toward work and being unemployed? What do they do when they are unemployed? What is their attachment to the place where they live? How do they and their families accommodate unemployment?
- How willing are they to change their employment situation? Are they satisfied with the type and amount of work they do, and with the money they make? What do they see as the potential for change, and what kinds of forces constrain their behaviour?
- Finally, how do responses to these questions vary by the background, experiences, and characteristics of different types of repeat UI users?

Findings from both the survey and the focus group research will be presented in a later report.

Chapter 4:
Sample Recruitment, Enrolment, and Random Assignment

This chapter describes the ESP intake process — how participants were recruited, enrolled, and randomly assigned. It also assesses this process in terms of its feasibility for CEC staff and success in achieving a large and diverse sample, as well as UI claimants' reaction to the study.

Three factors constrained the plan for recruiting individuals into the ESP research sample. First, recruitment had to occur as part of the UI claims process at each participating CEC, using regular CEC staff. It was thought the advantage of this approach was that the intake process would be similar to that of an ongoing CEC program. However, because no additional staff were provided to the CECs participating in ESP, the extra responsibilities had to be minimal.

Second, individuals' participation in the study had to be voluntary. Potentially eligible applicants were informed about the possible benefits of ESP and its research requirements. They then had to sign a *Project Application and Informed Consent* form to participate in the study. A high priority was placed on getting this informed consent.

Finally, ESP eligibility could not be finalized until the UI application had been approved.[1] This meant that eligibility could not be determined on the same day individuals completed the ESP application. Random assignment of individuals occurred only after UI eligibility was finalized. Therefore, individuals began their job search without knowing whether they were eligible for the supplement.

KEY FINDINGS

Examination of the intake procedures indicates that ESP was successfully implemented in each CEC. Most UI claimants were screened for ESP eligibility and, according to a CEC staff survey, potential applicants were well-informed about the study and encouraged to enrol. Nevertheless, some UI claimants, such as people who mailed in applications, were underrepresented. For the most part, however, it does not appear that these omissions systematically excluded particular types of UI claimants.

A review of the sample intake and enrolment process determined that:

- CEC front-line staff successfully incorporated ESP intake procedures into the ongoing UI application process.
- Most CEC staff reported that they strongly encouraged eligible individuals who applied for UI benefits in person to complete the ESP application.
- The vast majority of displaced workers contacted agreed to be part of the study. In contrast, less than half of the repeat UI users contacted agreed to take part.

[1]This ensured that ESP supplements were not paid to individuals who did not qualify for UI payments.

- CEC staff believed that the main reason for repeat UI users' lack of interest was their expectation of being recalled by their previous employer.

HOW THE INTAKE PROCESS WORKED

As shown in figures 4.1 and 4.2, essentially the same intake process was implemented at CECs in both the displaced worker and repeat UI user studies.[2] The steps for sample intake involved identifying potential ESP applicants, obtaining their informed consent, and randomly assigning potential applicants to the supplement and standard groups. The basic features of each step are described below.

Step 1: Identifying Potential ESP Applicants

The intake process began when an unemployed individual applied for regular UI benefits at one of the participating CECs.[3] The first step involved determining whether each UI applicant was potentially eligible for ESP.[4]

Separate identification strategies were devised for displaced workers and repeat UI users. In the Displaced Worker study, potential applicants were identified based on answers to several questions asked of all UI claimants. In the Repeat UI User study, a pre-identified list of ESP-eligible individuals was created using records of prior UI receipt.

Displaced Workers

In the Displaced Worker study, a very short screening questionnaire was used to identify potentially eligible individuals who met the selection criteria discussed in Chapter 3 (a copy of the questionnaire is included as Appendix C). All answers were self reported. Questions typically were read to UI claimants by a front-line CEC staff person.[5] UI claimants were first asked about their UI benefit receipt during the previous three years; they were then asked about the duration of their prior employment.

In many cases, staff had to interpret whether an individual's situation met the ESP eligibility criteria. To lessen the ambiguity, guidelines for staff were established to clarify certain conditions. The continuous employment criterion did not require that employment during the previous three years had to be with a single employer. Also, individuals were included if they had unemployment gaps of up to three weeks. And if there were approved reasons for a person not working (e.g., receipt of special UI benefits, paid leave from an employer, or time in receipt of workers' compensation), those periods of time were counted as part of continuous employment.

[2]Allowances were made for differences in the office organization of the sites, and the intake process in each site was tailored accordingly.

[3]Individuals who applied for special UI benefits (i.e., sickness, maternity, or parental benefits) were not considered eligible for ESP. Individuals whose claim was transferred from special to regular benefits were eligible for ESP. In addition, UI claimants at repeat UI user sites who were eligible for benefits under The Atlantic Groundfish Strategy (TAGS) were excluded from eligibility for ESP. This was done by matching the social insurance numbers (SINs) of those eligible for TAGS to the SINs of those on a pre-identified list of people eligible for ESP in Quebec and the Atlantic Provinces. The SINs of TAGS-eligible people were then removed from the ESP eligibility list.

[4]Only potential eligibility could be determined at this point because, as mentioned, ultimate eligibility required that the application for UI benefits be approved.

[5]At one CEC, claimants completed the form on their own, but a staff member was available to answer any questions about the form. In another CEC, these screening questions were added to the automated UI application system (Applysis), so that people who completed their UI applications using this system answered these ESP screening questions as part of completing their UI application.

Figure 4.1: Sample Intake Process, Displaced Worker Study

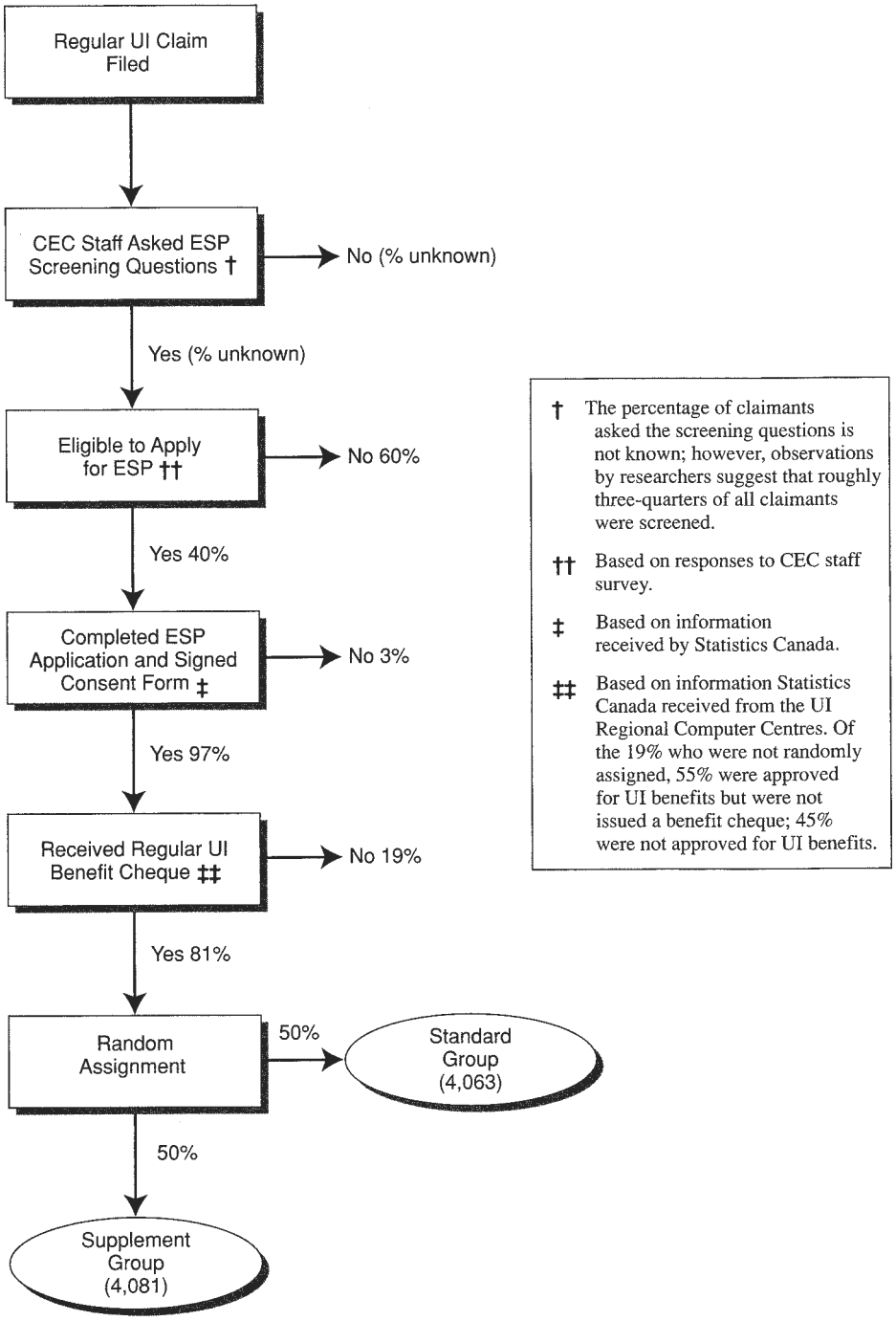
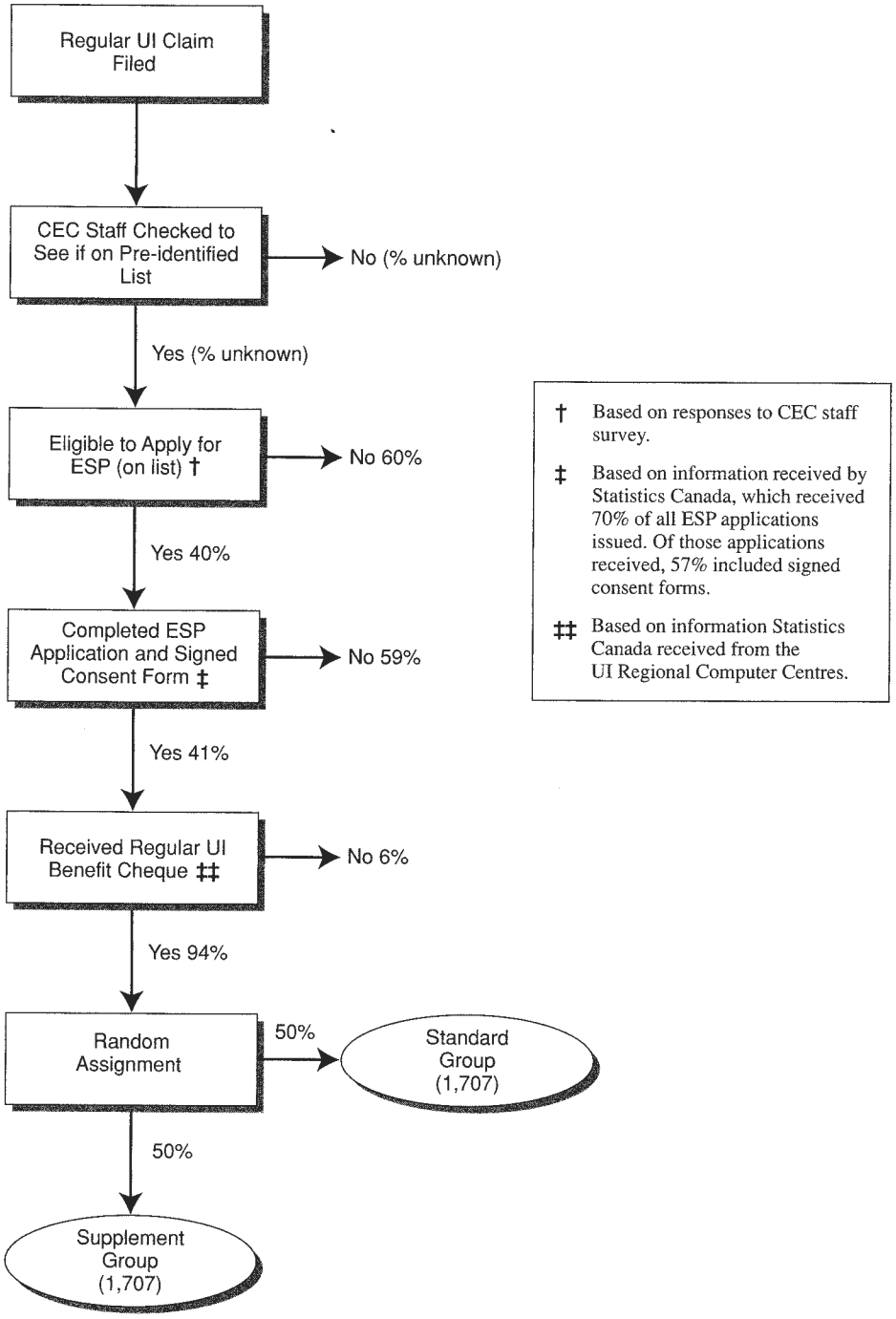


Figure 4.2: Sample Intake Process, Repeat UI User Study



Repeat UI Users

HRDC prepared lists for the Repeat UI User study which included the SINs of all individuals who met the ESP definition of a repeat UI user. Separate pre-identified lists were created for Atlantic Canada and Quebec, which included roughly 140,000 and 270,000 individuals respectively.[6] These lists were added to the automated UI claims system and were easily accessed by CEC staff. When an individual applied for UI benefits, the CEC staff member typed the applicant's SIN into the automated system. A specially designated screen indicated whether the person was on the pre-identified list and, thus, potentially eligible for ESP.[7]

UI Claims By Mail

UI claimants who applied for regular benefits by mail were also screened for ESP eligibility.[8] In these cases, CEC staff followed ESP identification procedures similar to those used for claims made in person. In the Displaced Worker study, determining eligibility involved phoning the individual to ask the screening questions. In the Repeat UI User study, the SIN on the UI application was checked against the ESP pre-identified list of repeat users.

Step 2: Obtaining an ESP Application

CEC staff proceeded with the second step in the ESP intake process only if UI claimants were found to be ESP eligible.[9] If someone did not meet the ESP criteria, CEC staff continued with the UI claims process as usual. Only UI claimants who completed an ESP application and signed the *Project Application and Informed Consent* form moved to the next step in the process.

In this step, CEC staff introduced UI claimants to ESP by giving them printed materials and a brief verbal introduction to the project. CEC staff checked whether applicants consented to be part of the study and reviewed the ESP application to ensure that all questions were answered. If UI claimants were reluctant to sign the consent form, staff were instructed to reassure them that UI benefits would not be affected by the decision to join the study, and to try to persuade them to participate.

The main goal of this step was to give potential applicants enough information to help them decide whether to join the study.

ESP Application and Consent Form

The ESP application was used to collect baseline information about the research sample. It consisted of 24 questions that asked about an individual's last job, including such things as occupation, tenure, and the reason the job ended. Other topics included educational background, number of people in the household, and recall expectations. The application was also the means by which people provided informed consent to participate in the research study and consented to the release of administrative data for research purposes. The application was typically completed by UI claimants on their own.

[6]Sample intake began in 1995 and continued into 1996. Separate lists were produced for each calendar year.

[7]CEC staff in Moncton, Halifax, and St. John's could access only the pre-identified list for Atlantic Canada; CEC staff in Lévis could access only the list for Quebec.

[8]An exception occurred in the Winnipeg CECs, which, after the first few months of operation, stopped including in ESP anyone who applied for UI by mail.

[9]In the Repeat UI User study, a few ESP applications were received from individuals who were not on the pre-identified list. This proportion ranged from one to six percent of the applications received from the study CECs. These people were not randomly assigned and thus none are included in the ESP research sample.

Brochure

Potential ESP applicants were given a program brochure to keep. The brochure explained that ESP was a research project in which half of the people would be offered a chance to receive extra money if they found a full-time job that paid less than their old job. The brochure also noted that, as part of the research effort, Statistics Canada, the survey research organization for ESP, would interview study participants, and that information from Revenue Canada and UI files would be collected and kept confidential. The brochure listed a toll-free number to call with questions about the project.

Staff Input

Potential applicants also learned about ESP from CEC staff. In a typical introduction, staff told UI claimants:

> *You are eligible to participate in a project that we are running in this office. I am going to give you this application for the Earnings Supplement Project and this brochure. I'd like you to read the brochure and complete the application. Read it closely, it is a chance to make extra money when you go back to work.*

During the application process, staff also informed potential applicants that ESP was a research project, and that those who signed up might be eligible for an earnings supplement. (Some staff explained that everyone who applied had a 50-50 chance of being eligible for the money.) The fact that claimants' rights to UI benefits would not be affected by participating in ESP was another point commonly discussed with prospective applicants.

Staff from different CECs adopted different approaches to introducing ESP and encouraging potential applicants to complete the ESP application. For example, staff in one CEC treated the application as a standard UI form that was a necessary part of the UI claims process. In another CEC, when the office became very busy, staff were observed giving potential applicants the option of taking the ESP application home to review it and returning it by mail if they were interested.

Some staff members willingly made sure that UI claimants understood the key points of the study. At a few sites, when potential applicants had questions or concerns about the study, they were referred to a staff person who was ready to spend time explaining the project and convincing them to enrol. But, for the most part, CEC staff spent limited time on ESP, and when potential applicants asked a lot of questions, they typically referred them to the toll-free number. The limited time many staff spent explaining ESP made the brochure and the information provided through the toll-free number central to ensuring that applicants understood the study.

CEC staff felt the ESP brochure was clear and easy to understand. As shown in Table 4.1, of the respondents to the staff survey, 76 percent in the Displaced Worker study and 53 percent in the Repeat UI User study felt the brochure answered all potential applicants' questions. Between six and seven out of ten staff reported that, when ESP applicants applied for UI, they understood at least a moderate amount about ESP. (One in ten thought they understood a great deal.)

Individuals who applied for UI by mail generally received little information about ESP other than that contained in the brochure and the *Project Application and Informed Consent* form. CEC staff simply mailed these ESP materials. One exception was in St. John's, where

staff tried to call all mail applicants to inform them about ESP and encourage them to complete the ESP application.

Table 4.1: CEC Staff Perspective on the ESP Application Process

Percentage of CEC Staff Surveyed	Displaced Worker Study	Repeat UI User Study
Who felt:		
Very unsatisfied with the intake process	4%	10%
Somewhat unsatisfied	15%	39%
Somewhat satisfied	56%	41%
Very satisfied	25%	10%
Who felt the printed materials:		
Did not answer UI claimants' questions	4%	13%
Answered some questions	20%	35%
Answered almost all questions	76%	53%
Who felt UI claimants understood:		
Very little about ESP	29%	44%
Something about ESP	59%	46%
A great deal about ESP	11%	10%
Who said the encouragement they personally gave for enrolling in ESP was:		
Not strong	0%	0%
Somewhat strong	24%	49%
Very strong	76%	51%
Who felt that if UI claimants were unlikely to benefit from ESP, they personally would:		
Not encourage them to enrol	16%	21%
Somewhat encourage them to enrol	55%	53%
Strongly encourage them to enrol	29%	26%
Sample size	85	44

Source: Calculations using data from the CEC staff survey.

Information Control

A conscious decision was made to limit the amount of information provided about ESP during the intake process.[10] Information about the project was not readily available to the general public (e.g., there were no flyers or brochures available at CECs) because most UI claimants were not eligible for ESP. Even among those potentially eligible for the project, half would be assigned to the standard group and, therefore, would not be eligible for the supplement. For this reason, introductory printed materials did not mention rules about how the supplement would be calculated, how long individuals could receive it, which jobs would qualify, or that there would be a limit on how long individuals would have to find a qualifying job. Nonetheless, some staff provided more details about the supplement than those contained in the printed materials.[11] CEC staff in the Displaced Worker study felt that

[10]Detailed information about the supplement was provided after random assignment only to supplement group members. See Chapter 6 for a discussion of this information.

[11]Guidelines provided to staff about ESP indicated that they should provide the same level of information as included in the ESP brochure, and not additional details about the supplement. There were several reasons for this. One was that these details could be easily misunderstood. For instance, when CEC staff told UI claimants they had 12/26 weeks to find a job to get the supplement, they did not explain that the start of the job-search period did not coincide with the start of the UI claim.

when UI claimants learned more about the supplement offer, they were more interested in the project.

Step 3: Random Assignment of ESP Applicants

The final step in the intake process, random assignment, occurred once an individual's UI application was approved for benefit payment. Each week, completed ESP applications and signed *Project Application and Informed Consent* forms were mailed to Statistics Canada where they were electronically matched against data from the UI Regional Computer Centres. This was done to determine whether the UI application had been approved for benefit payment. Generally it took six to eight weeks for ESP eligibility to be finalized.[12]

All individuals who met the final eligibility criteria were randomly assigned on a 50-50 basis to either the supplement or standard group. Only individuals in the supplement group were eligible to receive an earnings supplement.

ASSESSMENT OF THE INTAKE PROCESS

Three data sources were used to assess the ESP intake process. First, research staff regularly visited the study CECs. After each visit, they recorded their impressions of the intake process based on observations and discussions with CEC staff.

Second, a survey was conducted with the CEC staff members responsible for enrolling UI claimants into ESP. The purpose of the survey was to learn about CEC staff members' views about what did or did not work well for enrolling UI claimants into the study; obtain their views on how UI claimants reacted to the prospect of participating in the study; and collect information about conditions in the CECs during the study. The survey questionnaire had about 30 questions and was administered in April 1996. All staff involved with ESP were requested to complete the questionnaire. Responses were obtained from 129 staff members (85 who worked at CECs in the Displaced Worker study and 44 in the Repeat UI User study; see Table 4.1).

Lastly, information was obtained about UI claimants' perspectives on the program from records maintained by SRDC staff on calls made to the ESP toll-free information number. All potential ESP applicants were provided with this number. Their calls were used to learn about reasons for interest (or lack of interest) in ESP.

Integrating ESP with the UI Claims Process

For the most part, the ESP procedures were easily incorporated into the UI claims process. At the start of the study, CEC staff in several sites resisted spending extra time with UI claimants. They thought ESP required too much work, and did not consider it part of their job. This frustration was greatly reduced when they became used to the ESP procedures. Within a few weeks of implementation, one front-end supervisor remarked that "ESP has not been a burden for staff because it fits so well into the system."

In Step 1 of the process, CEC staff identified potential applicants. In both the Displaced Worker and Repeat UI User studies, this became a normal part of their jobs. In the Displaced

[12]Potential ESP applicants were told by CEC staff (and informed in the brochure) that they would receive a letter letting them know the group to which they had been randomly assigned.

Worker study, the ESP screening form was treated like a typical supplemental form completed as part of the UI claims process. In the Repeat UI User study, individuals provided their SINs, allowing staff members to easily access the special ESP screen in the automated system. In the CEC staff survey, about half of the staff members who responded thought that applicant identification was the part of the intake process that worked best.

After identifying potential applicants, CEC staff proceeded to Step 2 and attempted to obtain completed ESP *Project Application and Informed Consent* forms. Eight out of ten CEC staff in the Displaced Worker study and half in the Repeat UI User study reported that they were "somewhat" or "very" satisfied with the ESP application process (see Table 4.1). Having potential applicants complete an extra form was not unusual because special UI initiatives often involve supplemental forms. CEC staff were thorough in their review of the ESP applications and, in general, all questions on the application were completed, thus providing useful information for the research.

For claims made in person, introducing ESP and reviewing ESP applications did not consume a large share of staff members' time. CEC staff at the displaced worker sites estimated that this took about two minutes for a typical candidate.[13] On average, repeat UI user staff estimated that they spent about five minutes per person on ESP tasks.

When claims were made by mail, however, ESP procedures often were more time consuming and not easily linked to the UI claims process. The burden of mail claims varied across the sites, depending on the proportion of total claims that came in by mail. This proportion ranged from less than three percent in some CECs up to thirty-five percent of all claims received in others. St. John's staff spent even more time on mail claims because they phoned all potential applicants who claimed UI benefits by mail before they sent the ESP applications, and phoned again if the application was not returned.

The exact number of UI claimants who were screened for ESP eligibility is not known. On average, staff responding to the survey in both studies felt that slightly less than 40 percent of all persons who filed a claim for regular UI benefits met the ESP criteria.[14] Over the course of intake, at least 10,377 individuals were found potentially eligible at the Displaced Worker study sites and 8,788 UI claimants were identified as potentially eligible at the Repeat UI User study sites.[15]

Despite staff satisfaction with the ESP application process and the limited time it required of them, sometimes the efforts of a few extremely committed staff members were responsible for keeping the process manageable for front-line staff. At one site, when staff became overloaded with UI claims, the ESP co-ordinator personally took on the responsibility for following up all of the claims made by mail. At another site, the ESP co-ordinator made sure that front-line staff knew their work on ESP was appreciated and, as a result, increased staff members' motivation to follow all procedures, even when the office was busy.

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[13]In two sites (Winnipeg and Granby) this time was estimated to be higher: three to four minutes in Winnipeg and up to ten minutes in Granby (which included time spent on the UI "needs-assessment" process).

[14]Staff answered a categorical survey question for which possible responses were percentages that ranged from five to ninety-five percent, in increments of ten percent. The median response was thirty-five percent.

[15]The automated system used in the Repeat UI User study tracked when someone was identified as potentially eligible for ESP, so a count of those who met the initial screening criteria is available. However, there was no comparable system for the Displaced Worker study. Here, the count refers to the number of applications received from individuals either agreeing or refusing to be in the study. This underestimates the number of individuals who actually were issued an ESP application.

Recruitment Scope and Intensity

The key measure of the success of the intake process is whether those who agreed to take part in the project represented a broad cross section of individuals from each of the project sites. For this reason, part of the process of creating a diverse sample involved making sure it included individuals who applied for UI by mail. These were more likely to live in rural areas.

Enrolling a diverse group depended on ESP applicants' reactions to the study as well as how effectively CEC staff screened them and encouraged them to enrol. Most CEC staff reported that they strongly encouraged potential applicants to enrol. About 76 percent of the displaced worker staff and 51 percent of the repeat UI user staff said they "very strongly" encouraged eligible individuals to participate in ESP.

There were some lapses, however, in CEC staff members' efforts to enrol all eligible ESP applicants.

Potential applicants who staff thought were not likely to use the supplement may not have been encouraged to join the study.

About 16 percent of the staff from displaced worker sites and 21 percent of the staff from repeat UI user sites said they would not encourage individuals they believed would not benefit from the supplement to enrol in ESP. Individuals presumed unable to benefit included minimum wage workers and those who expected to be recalled by the same employer. If people applied for UI benefits as part of a mass layoff, CEC staff preferred to use discretion when considering such claimants for ESP. If the layoff seemed to be temporary, CEC staff insisted that these claimants would not be interested because they were sure of recall, and therefore would not consider taking a lower-paying job. Similarly, one staff member said she would not give the ESP application to workers from a particular firm because they always went back to that employer, and thus would not use the supplement.

It is not clear how strongly CEC staff encouraged UI claimants to enrol in ESP if they were hesitant about joining the study. Encouraging reluctant applicants to enrol required staff to "sell" the study. This marketing role was new to most front-line staff and many felt uncomfortable with it. Moreover, many staff felt that UI claimants should be responsible for reading the materials and then making the decision whether to join the study.[16]

In the Displaced Worker study, a minority of UI claimants was reluctant to apply for ESP or met conditions that indicated they would not use the supplement. In contrast, a large proportion of potential applicants in the Repeat UI User study planned to return to their last employer, and thus may not have been encouraged to enrol.

Individuals who claimed UI benefits by mail, when UI offices were busy, or when replacement and temporary staff were on call, were more likely to have been missed.

In the Displaced Worker study, identifying potential ESP applicants among mailed UI claims required calling each UI claimant to ask the ESP eligibility questions. The ESP procedures in both studies required CEC staff to phone individuals who applied by mail.

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[16]It appears that staff members' comfort in selling ESP did not strongly influence potential applicants' decisions to enrol. In Halifax, this responsibility fell to Employment and Insurance Officers (E&IOs). These officers have considerable experience providing information about available programs, and are comfortable using a full range of arguments to convince someone to enrol. In the other CECs, most staff involved in ESP were Client Service Representatives (CSRs), whose primary responsibilities involved reviewing the UI application and making sure all forms were completed. Nonetheless, enrolment rates in Halifax were similar to those in the other repeat UI user sites.

Staff were also required to call those who did not return their ESP application to encourage them to do so. For CEC staff, calling applicants was one of the more burdensome ESP tasks, and adherence to these procedures tended to decline over time.[17] This problem was minimized by the fact that the proportion of mail claims was small in most sites.

When staff were busy, they followed the ESP procedures less rigorously. One staff member in the Repeat UI User study admitted that, when faced with a long line of people waiting, staff might stop checking for ESP eligibility, maintaining that "it is appropriate to offer fast UI service instead of backing up the line." CECs experienced a peak number of UI claims during the winter months. Staff at one CEC stopped enrolling UI claimants into ESP for one-and-a-half months during this period. Instead, they gave eligible applicants the ESP application to complete at home. This problem was mostly limited to the few months when UI applications were the highest at that site.[18]

Replacement and temporary staff were less familiar with ESP procedures than regular staff. New front-line staff received a short review of the ESP procedures (compared with the original training, which typically lasted a full day). Consequently, at one site, no UI claimants were enrolled in ESP for a few weeks while trainees rotated through front-line positions. In another CEC, although the main receptionist ensured that all UI claimants were screened for ESP eligibility, the person who relieved her during breaks and vacation time was more likely to miss people. One staff member noted that "anyone familiar with the front end knows that it is dependent on the daily circumstances and on the personnel involved." Replacement and temporary staff were seldom used for most of the ESP enrolment period. However, in the Spring of 1996, this problem became more widespread as CECs accommodated organizational changes.

ESP enrolment was affected when CEC staff suffered from poor morale or major changes were made in the CEC organization.

Regard for ESP and adherence to the ESP procedures suffered when staff members' overall attitude toward work worsened. Layoffs during the year left many staff worried about the security of their own jobs. When rating conditions in their CEC, about half who answered the staff survey felt that morale in their office had decreased during the past year. (See Table 4.2.)

After one CEC was consolidated with a neighbouring office, several staff seemed uninterested in dealing with ESP. Over time, as conditions in the office normalized, this situation improved and intake into ESP began to work smoothly again. In general, organizational changes increased in the Spring of 1996 when many CECs were consolidated with other offices and the implementation of the recently passed employment insurance (EI) legislation required the attention of both managers and front-line staff. Problems caused by reorganizations and the implementation of EI were minimized because intake into ESP had stopped by June 1996.

[17]When one displaced worker site with a high proportion of mail claims experienced a backlog of UI claims, CEC staff reduced the ESP burden by identifying ESP-eligible applicants from among only half the UI mail claims (i.e., only claimants whose SIN ended in an odd number). This lasted for about six months, starting in December 1995. Because this reduced the pool of potential applicants in a random fashion, this process reduced the overall number of eligible applicants but not the diversity among them.

[18]Across Canada, applications for regular UI benefits doubled between August and November 1995.

CEC Staff Views on UI Claimants' Interest in ESP

UI claimants' initial reactions to ESP are important. Claimants who declined to join the study could not change their mind and thus gave up a chance to participate at a later date. Displaced workers' initial interest in and reaction to the study varied dramatically from that of repeat UI users. This difference is apparent in CEC staff opinions and in the rates at which the two groups agreed to participate in the study.

Table 4.2: CEC Staff Perspective on Conditions in CEC Offices

Percentage of CEC Staff Surveyed	Displaced Worker Study	Repeat UI User Study
Who felt staff morale was:		
Very high	7%	19%
Somewhat high	46%	29%
Somewhat low	37%	45%
Very low	10%	7%
Who felt staff morale had:		
Decreased in the past year	55%	50%
Not changed in the past year	40%	31%
Increased in the past year	5%	19%
Who said their CEC staff supervisors considered ESP to be:		
Not very important	4%	8%
Somewhat important	53%	45%
Very important	43%	47%
Sample size	85	44

Source: Calculations using data from the CEC staff survey.

Table 4.3 shows that 89 percent of staff at displaced worker sites thought that UI claimants were initially interested or very interested in ESP. In contrast, only 41 percent of repeat UI user staff thought that UI claimants were interested in the study.

A similar difference was observed in staff perceptions of UI claimants' initial reactions to ESP. More than half of the staff in the Repeat UI User study viewed potential applicants as "sceptical" about the offer, but less than 10 percent in the Displaced Worker study felt that way. Almost one-third of staff in the Displaced Worker study thought potential applicants were "excited," while only one in ten felt UI claimants in the Repeat UI User study felt that way. In addition, more than half of staff members in the Repeat UI User study felt that most or all applicants were reluctant to enrol in the study. In contrast, fewer than five percent of staff in the Displaced Worker study thought that most applicants were difficult to enrol.

UI Claimants' Consent to Join the Study

One indicator of interest in the ESP offer was the proportion of potential applicants who agreed to take part in the study and signed the *Project Application and Informed Consent* form. Of all ESP applications from displaced workers received by Statistics Canada,

97 percent signed the consent form.[19] In contrast, only 41 percent of the ESP applications that were issued to repeat UI users were returned with a signed consent form.[20]

Table 4.3: CEC Staff Perspective on UI Claimants' Interest in and Reaction to ESP

Percentage of CEC Staff Surveyed	Displaced Worker Study	Repeat UI User Study
Who felt UI claimants were:		
Very interested in ESP	4%	2%
Interested in ESP	85%	39%
Not interested in ESP	11%	59%
Who felt UI claimants initially were:		
Sceptical about ESP	9%	55%
Unsure about ESP	60%	36%
Excited about ESP	31%	10%
Who felt the portion of UI claimants that was difficult to enrol was:		
Almost all of them	0%	17%
Most of them	4%	37%
About half of them	18%	22%
Less than half of them	26%	17%
Few or none of them	51%	7%
Who felt the main reason UI claimants were not interested in ESP was:		
Expectation of being recalled	66%	88%
Unwillingness to sign the *Project Application and Informed Consent* form	17%	5%
Lack of understanding of the benefit of ESP	7%	5%
Expectation of not earning less	10%	0%
Other	0%	2%
Sample size	85	44

Source: Calculations using data from the CEC staff survey.

Reasons for Interest

According to staff members' survey responses, the most common reason UI claimants gave for wanting to participate in ESP was the financial benefit.[21] As stated by one staff member in the Displaced Worker study, "Most liked the idea of their earnings being supplemented, especially if their last job was high paying and the likelihood of finding an equal paying job was unlikely." And, as voiced by a displaced worker who called the ESP toll-free number, "it is a chance to maximize the safety net."

Some callers to the toll-free number already seemed aware that it would be difficult for them to find jobs that paid the same as their last job.

> *A butcher reported that the jobs she expects to get will be replacement jobs, and will pay less than regular work.*

[19]It is not known how many UI claimants in the Displaced Worker study actually received ESP applications but decided not to return them. There is no indication, however, that there were many ESP applications that were issued but not returned, except in Saskatoon, which had a relatively large proportion of mail-in UI applications.

[20]Approximately 70 percent of the ESP applications issued in the Repeat UI User study were returned to Statistics Canada. Of these, 57 percent agreed to participate.

[21]The reasons for interest in joining the study were similar to the ones supplement group members gave for being interested in using the supplement (see Chapter 9).

A construction worker figured he would find lower-paying jobs after returning from another city where wages were higher.

Although the financial benefit was the most appealing aspect of ESP, many applicants recognized that just joining the study would not guarantee the benefit. Accordingly, staff reported that applicants commonly felt they had "nothing to lose" by joining.

Another reason for interest in ESP was that the supplement offer would give workers a chance to try a different type of job. Changing occupations is often not considered because of the associated earnings loss. The following shows that some applicants were interested because they felt ESP would broaden the types of jobs they would consider taking:

A displaced worker had worked for 15 years servicing buses. Over the years, he had worked his way from the bottom to being one step away from the highest pay in his job title, earning $15.30 per hour. His job was given to a licensed mechanic who was much younger. The displaced worker had quit school in Grade 9, and saw the need for training in a new skill. He hoped the supplement would help him do this without having to sell his home where he has lived with his five children for the past eight years.

Some potential ESP applicants in the Repeat UI User study found the supplement offer attractive for the same reasons as displaced workers: the chance to find more stable jobs or to try a different line of work.

A contract teacher thought ESP would provide the potential to explore other full-time employment opportunities that he would not have looked at before. He makes a lot of money when he is teaching, but would love to try a different career. He might take a chance that would allow him to move up in a new organization.

Reasons for Lack of Interest

Displaced workers were interested in ESP and the Displaced Worker study was successful in encouraging a large and diverse group to join. In contrast, fewer than half of those eligible in the Repeat UI User study agreed to participate.

Not surprisingly, individuals' lack of interest in ESP was strongly connected to their assumption that they would not personally benefit from the supplement offer. The main reason for lack of interest in ESP, particularly among repeat UI users, was the belief that they would be recalled by their former employer. Almost 90 percent of the staff in repeat UI user CECs, and two-thirds in displaced worker CECs, attributed reluctance to enrol to recall expectations.

Staff in the Repeat UI User study reported that seasonal workers with definite recall dates felt that ESP did not apply to them. Potential applicants did not always read the material because they were not interested. According to staff, school employees viewed themselves as "full-time workers with a two-month, UI-financed summer vacation." Similarly, laid-off musicians who worked for a symphony seemed offended to be classified with seasonal workers.

UI claimants who were sure they would be recalled did not want to jeopardize the security their jobs provided. A caller to the toll-free number raised this concern about the project:

He had held a union job for about five years, at a shipyard as a welder. He had enough seniority to get work when it was available. Even if he took another job

when he was unemployed, he would quit when he was recalled because "you don't say no to the union when they call, or the next time they might not call you."

Age was another factor that made people less willing to leave the security of their current situations. In particular, people nearing retirement were less likely to consider changes in employment.

A 60-year-old woman called and said she would be receiving severance pay and was planning an early retirement, so she did not think this project could benefit her.

Another common reason for lack of interest was mistrust of government projects. Some people voiced cynicism that at a time when UI benefits were being reduced, they were offered money if they returned to work. They were afraid that somehow this would be used to further reduce benefits as part of UI system reforms. Other UI claimants disliked having to disclose personal information. For example, some callers to the toll-free number wanted confirmation that their information would be protected because they felt nervous about "all these federal departments sharing information."

In addition, some were confident that, when they applied for UI benefits, they would not earn less, and thus would not benefit from the supplement offer. While many of these were higher-income earners, minimum-wage workers also commonly realized they would gain little from the supplement offer. In addition, many seasonal workers did not believe jobs would be available for them during the off-season.

Another caller believed his situation precluded him from benefiting from the supplement offer:

He had previously held a position as a vice president of a large company making a six-figure salary. His UI-insurable earnings would be only about one-quarter of his previous income, and he did not expect to take a job for any amount as low as that. He felt the program, although a good one, would not benefit him. He had never applied for UI before, and did not expect to collect.

Repeat UI users did not want to do anything that would jeopardize their future UI benefits. A prime concern among many potential applicants who called the toll-free number was whether their refusal to participate would affect their UI application. Staff members, particularly in the Repeat UI User study, pointed out that UI claimants were also quick to see the ramifications on their future UI benefits. This increased their scepticism about leaving a secure situation to take a lower-paying job.

One repeat UI user was confident about her future employment prospects with Revenue Canada, but was put off by the idea of taking a second, full-time job knowing that she would quit that job to return to Revenue Canada. Her main concern was that she would be compromising her future UI benefits.[22]

A final reason provided by repeat UI users was that they were satisfied with their current situation, and enjoyed the non-monetary benefits of having a part-year job.

One repeat UI user noted that he did not expect to find work in the two months he is off each year. In his view, there were no worthwhile jobs available that could provide enough financial or other rewards to offset collecting UI and

[22]Because the earnings supplement is not insurable earnings, future benefits would be based only on the lower earnings from employment.

devoting time to community volunteer efforts. He was quite satisfied with the fact that UI allows him this time.

RANDOM ASSIGNMENT

ESP eligibility was not finalized until the UI claim was approved for regular benefits and a benefit cheque for the claim was issued.[23] Most potential applicants who agreed to participate met this condition, and were then randomly assigned to either the supplement or standard group. UI claimants who signed the consent form but were not randomly assigned included those who were not approved for UI benefits, and those who were approved but never received a UI benefit cheque.[24] Of the displaced workers who signed the consent form, 81 percent (8,144 individuals) were randomly assigned. Among repeat UI users, 94 percent of those who signed the consent form (3,414) were randomly assigned.

To successfully select sample members, Statistics Canada had to learn the status of potential applicants' UI claims in a timely manner. ESP applicants were randomly assigned only when Statistics Canada had received notification from automated data sent by the UI Regional Computer Centres that an individual had been processed, approved, and issued a benefit cheque. On average, random assignment occurred eight weeks after displaced workers had applied for UI and ESP, and about seven weeks after repeat UI users had applied.[25] Table 4.4 shows the distribution of the number of weeks (from completion of the ESP application to random assignment).

Table 4.4: Time between ESP Application and Random Assignment

Time	Displaced Workers	Repeat UI Users
Less than 4 weeks	2%	23%
4 to 7 weeks	63%	55%
8 to 11 weeks	23%	10%
More than 12 weeks	13%	11%
Average number of weeks	8	7

There are several reasons random assignment took a long time. For example, some ESP applicants (mainly displaced workers) received several weeks of vacation pay from their previous employer, and this delayed their receipt of UI benefits. Others obtained temporary, part-time jobs, and during this time they did not receive UI benefits. And contentious claims (such as when a person was fired) took a long time to be approved.[26]

[23]Individuals in the Displaced Worker study who received severance pay from their last employer were not eligible to receive UI benefits until the period over which their severance was allocated had ended, which could have been many months. Thus, for this group, the requirement to actually receive a UI benefit cheque was waived, and they were randomly assigned when their applications for UI benefits were approved. However, some individuals who received severance pay may not have been randomly assigned if they did not submit UI reporting cards because it appeared that this was necessary for the UI-approval status to appear on the research files obtained by Statistics Canada.

[24]After enrolment came to an end on June 28, 1996, no further participants were recruited. However, those who had signed a *Project Application and Informed Consent* form by that date were randomly assigned if Statistics Canada was notified by October 4, 1996 that their UI claim had been approved.

[25]The median number of weeks was seven for displaced workers and five for repeat UI users.

[26]In addition, there were problems obtaining correct data on the date the first UI cheque was issued for one particular cohort of sample members (persons who applied during January and February 1996).

A key goal of ESP is to speed up the re-employment process for UI recipients. For ESP supplement group members to become employed sooner than they otherwise would have, they needed to be motivated to search for a new job early in their UI spell. Thus, to affect ESP participants' job search as much as possible, it was important that random assignment occur relatively early in the UI claim spell.

Displaced workers were likely to have been "in shock" due to their recent layoff. As discussed in Chapter 9, at the time they applied for UI benefits they may not have been ready to think about starting their job search. In addition, it may have taken displaced workers a while before they realized they could not find jobs that paid what they used to earn. For these reasons, the random assignment of displaced workers a month or two after they applied for UI benefits may have been well-timed to affect their job-search behaviour. In contrast, when random assignment occurred relatively late in the UI spell, repeat UI users who expected to return to their seasonal job had little time remaining before they were recalled, thus reducing the potential impact of the supplement for this group.

On balance, random assignment generally occurred in a timely manner; two-thirds of the displaced worker sample members and three-quarters of repeat UI user sample members were randomly assigned within two months of the date they applied for ESP.

As discussed in Chapter 3, random assignment created two groups — the supplement group and the standard group. The subsequent experience of the standard group can be used to represent what the supplement group would have done if they had not received the supplement offer. The impact of a program can then be determined by comparing the experiences of the two groups. However, to avoid comparing apples with oranges, it is essential that the random assignment process create two groups with no systematic differences prior to offering the supplement to one group. As expected, ESP's random assignment process accomplished this goal. The success of the random assignment goal can be seen by looking at the tables presented in Appendix D. These tables show that, when examined separately, the characteristics of the supplement and standard groups are not significantly different.[27] Additional statistical tests showed a similar result when all the characteristics were examined jointly as a group.[28]

[27]For each characteristic, a T-test was performed on the difference between the supplement and standard groups. The results of these tests, presented in Appendix D, show no statistically significant differences between the characteristics of the standard and supplement groups, with one exception. For repeat UI users, the proportion of union members in the supplement group was slightly higher than in the standard group. This difference was statistically significant at the 10 percent level. This difference is easily explained by pure chance. Random assignment does not rule out differences between the supplement and standard groups. It only ensures that these differences will occur rarely. So, when a large number of characteristics are examined, some differences will naturally occur by pure chance. It is similar to flipping a coin many times. It is rare that the coin will turn up heads 10 times in a row. However, if the coin is flipped enough times, the coin will eventually turn up 10 heads in a row.

[28]Formally, separate discrete probability models were estimated on both the displaced worker and repeat UI user data. Membership in the standard or supplement group was the dependent variable, and worker characteristics were the independent variables. Joint F-tests showed that the worker characteristics were jointly insignificant. This means that the worker characteristics, taken together, had no power to explain whether a person was more likely to end up in the supplement group or the standard group.

Chapter 5:
The ESP Study Sample

This chapter describes the ESP study sample used as a basis for most of this report. The sample includes 8,144 displaced workers and 3,414 repeat UI users. Information about these groups was obtained mainly from questions on the *Project Application and Informed Consent* forms collected when individuals applied for regular unemployment insurance (UI) benefits. This information was supplemented by data from sample members' UI records.[1]

This chapter has two sections: one describing the displaced worker sample, the other describing the repeat UI user sample. Within each section, the following questions are explored:

- What were the characteristics of the previous job?
- What were the conditions of the layoff?
- What amount of UI benefits were sample members entitled to receive?
- What is the make-up of the sample in terms of various demographic and other characteristics?

Each section concludes with a description of selected subgroups. Appendix E contains detailed tables about displaced workers and Appendix F contains similar tables about repeat UI users.

KEY FINDINGS

Examination of the employment histories of displaced workers and repeat UI users showed that both groups had worked in full-time jobs for a long time with their last employer. But key differences in sample members' previous employment point to likely differences in the re-employment experiences of the two groups. For displaced workers, job loss had disrupted continuous spells of employment. And, for most, the layoff from their previous job was likely to be permanent. Only 27 percent of the displaced worker sample expected to be recalled. As most of the displaced workers in the sample were relatively young, it is likely that those without recall expectations will look for new jobs.

In contrast, layoffs among the repeat UI user group were almost entirely temporary. Most sample members held part-year or seasonal jobs, and nine out of ten expected to be recalled by their previous employer. Indeed, most repeat UI users had a short time between random assignment and their recall date. It was therefore unlikely that they would be interested in finding new employment that qualified for the supplement.

[1]Information on each sample member was derived from the Status Vector file, an extract from the full UI file created by HRDC for research purposes.

DISPLACED WORKERS

The following are noteworthy attributes of the displaced worker sample:

- **They had worked a long time for their last employer**. On average, individuals in the displaced worker sample had worked seven years for their last employer. Only 16 percent had worked for their last employer for less than one year.
- **They believed their layoff would be permanent**. Only one in four displaced workers expected to be recalled by their previous employer.
- **Their prior earnings were diverse**. At the high end of the earnings scale, 21 percent had earned more than $800 per week; in contrast, 25 percent had earned less than $400 per week.
- **They had worked in a variety of occupations, and men and women had held different types of jobs**. Men had a greater tendency to work in "blue-collar" jobs such as construction or transportation, whereas women were more likely to work in "pink-collar" occupations, such as clerical jobs.
- **They were relatively well-educated**. Seventy-five percent of the displaced workers had at least a high school diploma and fifteen percent had a university degree.
- **Most were relatively young**. Forty percent were 34 years of age or younger at the start of the study. Only 11 percent were 55 years of age or older.

The experiences of two displaced workers in the ESP sample illustrate some of these characteristics.[2]

> **Dawn:** *After seven years' working in a transfer payment agency, Dawn lost her job when provincial government cutbacks resulted in the "elimination" of seven of the thirteen employees in her unit. At 27, it was Dawn's first experience being unemployed and she found it difficult to find another job, especially one that paid what she had earned in her last job. Although distressed that she was given only two weeks' notice of her job termination, Dawn received a severance package. In addition, her husband brought in a steady income, and there were no children but, still, Dawn felt some urgency to find work before students looking for summer employment took all the "good" jobs.*
>
> **John:** *At 52, with four children still living at home and a wife who worked only part time, John found himself in the unemployment line when a plant shutdown ended 25 years of employment with an insulation manufacturing company, which had once employed some 800 workers. Despite the fact that he'd seen the writing on the wall for about a year before the shutdown, John said that "it was still a shock" when it happened. Having used up his severance and most of his savings, it had become very important for him to find work, and he'd been looking for work that he knew would pay much less than he used to earn. Money was an issue for his family, but he said it was also important to find work "just to be busy working. I don't like sitting around."*

[2]These profiles were drawn from sample members who participated in the focus group sessions described in Chapter 9. Their names were changed to protect their privacy.

Characteristics of Previous Job and Other Employment Characteristics

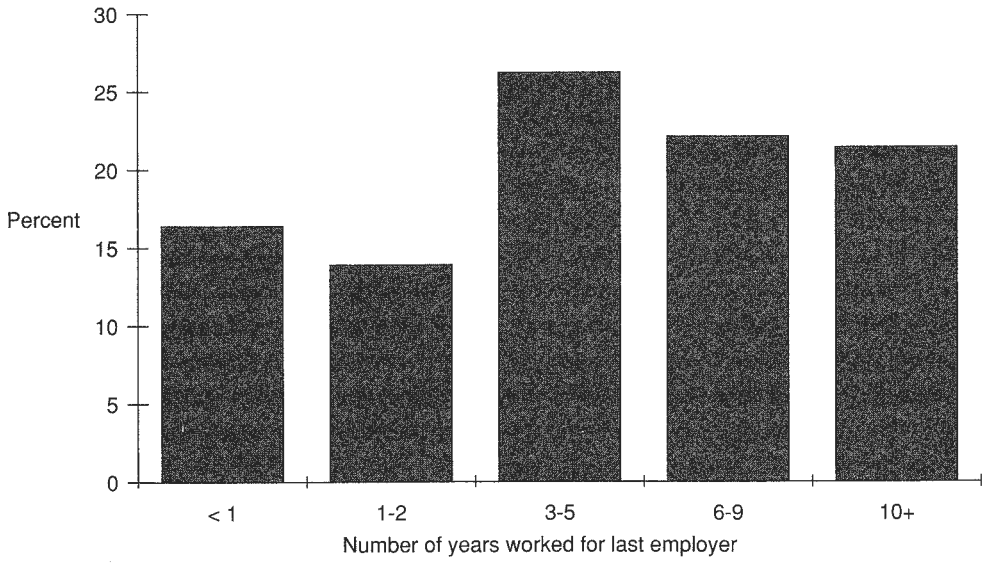
Displaced workers in the sample tended to be laid off from jobs in small firms and establishments.[3] The most common occupational groups were managerial and administrative (23 percent), clerical (18 percent), and service (10 percent).

According to previous research, the characteristics of one's prior job, especially job tenure and prior earnings, are associated with different re-employment experiences.

Tenure with Previous Employer

As part of the ESP screening process, all sample members reported that they had been employed continuously for the previous three years. Although this employment did not necessarily have to be with only one employer, sample members commonly had long-standing relationships with a single employer. The average tenure in the job held immediately prior to applying for UI was 6.6 years, and 21 percent of the displaced worker sample had worked for their last employer for 10 or more years.

Figure 5.1: Number of Years Worked for Last Employer, Displaced Workers



Consistent with this long association with a single employer, the vast majority of displaced worker sample members had worked in the same industry for many years. Eighty-five percent had worked in the same industry for three or more years, and more than one-third had spent at least the last decade in the same field. The number of employers for whom sample members had worked in the last five years provided another measure of employment stability; almost two-thirds had worked for only one company during that time.

Earnings and Hours Worked in Prior Job

On average, displaced workers in the sample had earned $608 per week ($31,616 per year) in their prior job. Slightly less than 20 percent had earned at, or above, the maximum

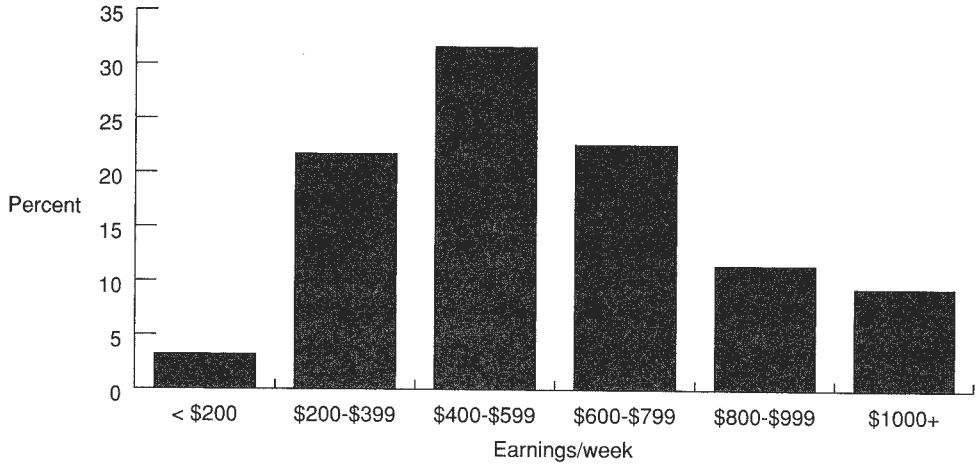
[3]This is consistent with research done by Picot and Pyper, 1993, p. 13, in which they found that "firms with less than 20 employees accounted for 41 percent of permanent layoffs" but only 20 percent of employment.

UI-insurable earnings limit, which was $845 per week in 1996.[4] Earlier research has shown that workers who lose high-paying jobs are more likely to experience an earnings loss upon becoming re-employed. Because the formula for calculating the ESP supplement payment caps prior earnings, workers who had earned much more than the maximum insurable amount had to experience a considerable loss to qualify for a supplement payment. Consequently, this group may have been less likely to take advantage of the ESP earnings supplement.

Only a small proportion of the displaced worker sample had held minimum-wage jobs. Minimum- and low-wage workers are another group not likely to benefit from a supplement based on an earnings loss, since their earnings cannot decline by much and still remain at or above the legal minimum wage.[5] The sample may underrepresent minimum- and low-wage displaced workers because CEC staff may have downplayed the value of enrolling in ESP to those who they judged would receive little or no benefit from ESP. As discussed in Chapter 4, the CEC staff survey showed that one in six CEC staff members indicated that they "did not encourage" claimants who would not benefit from the earnings supplement to complete the ESP application.

Sample members previously earning in the mid-range, roughly $400 to $800 per week, who had experienced an earnings loss, may have been best positioned to take advantage of the supplement offer.

Figure 5.2: Earnings Per Week in Last Job, Displaced Workers



Sample members were used to working full time. On average, individuals in the displaced worker sample worked 40 hours per week in the job they had held just prior to applying for UI benefits. Because full-time work (defined for ESP as 30 or more hours of work per week) was necessary to receive the ESP supplement, this requirement was unlikely to deter them from searching for supplement-eligible jobs.

[4]The maximum insurable earnings amount is adjusted each year on January 1. It was $790 in 1994 and $815 in 1995.
[5]Individuals earning minimum wage could earn less in their next job by working fewer hours per week. For example, someone working 50 hours per week at minimum wage could qualify for the ESP supplement if they found a new job working 35 hours per week at minimum wage.

Characteristics of the Layoff

The nature of the layoffs experienced by displaced workers varied in ways that could affect their likely re-employment experience, and thereby their response to a re-employment supplement offer. These variations are discussed in the following subsections.

Recall Expectations

Only one of four participants in the displaced worker sample expected to be recalled to their last job. This is important because sample members who expected to be recalled might not have looked for a *new* job; whereas those who were permanently laid off might have searched intensively for a new job and, consequently, been more likely than others to take advantage of the supplement. Nonetheless, individuals' recall expectations do not always pan out.[6] Because sample members had six months after random assignment (roughly eight months after layoff) to take advantage of the supplement offer, some who initially expected to be recalled might have revised their expectations and considered other alternatives in time to qualify for the ESP supplement.

Reason for Job Loss

Consistent with the notion that displaced workers have lost jobs "through no fault of their own," 47 percent said their job had ended because of a "workload reduction." Another 19 percent reported that it had ended because their "position was abolished," and 13 percent lost their jobs when their company closed or moved. Thus a total of 79 percent of the sample clearly experienced this type of job loss.

Figure 5.3: Recall Expectations, Displaced Workers

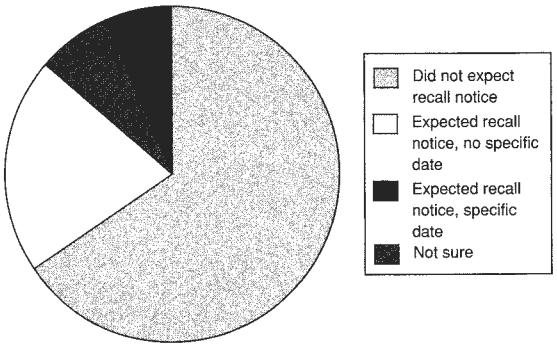
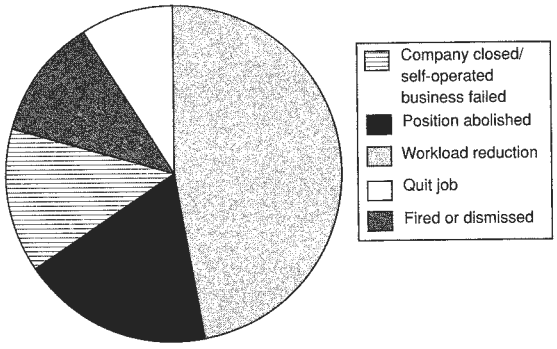


Figure 5.4: Main Reasons Job Ended, Displaced Workers



Few sample members whose last job ended because their company had closed or their positions were abolished expected to be recalled (eight percent in each group). In comparison, half of those whose job had ended because of a workload reduction expected to be recalled by their last employer.

[6]See Corak, 1995, p. 15.

Severance Pay at Layoff

Almost three out of ten displaced workers in the ESP study sample received severance pay, a lump-sum payment provided when their job terminated.[7] This group may have felt less pressure to find a new job quickly because of this extra income and, thus, might have been less likely to take advantage of the supplement offer. On the other hand, 90 percent of displaced workers who received severance pay did not expect to return to their previous job, and this may have increased their motivation to search for a new job. In addition, individuals with severance pay might be motivated to find jobs quickly to save the severance "bonus."[8]

Advance Warning of Job Loss

Sample members were asked how long before their job ended had they learned that they would lose it. Three-quarters said they knew less than a month in advance. These sample members had little time to prepare for their layoff. On the other hand, slightly more than 10 percent were notified of their impending job loss three or more months in advance. The ESP sample might not have been representative of all layoffs because other workers with several months of advance warning who successfully found new jobs quickly would not have applied for UI, and thus would not have been recruited into the study. Nevertheless, long-tenured workers may not have looked for work in many years, and thus may have known little about the current job market. Thus, even with advance warning, they might have taken a long time to become re-employed, and thereby be well-represented in the ESP sample.

Union Membership at Layoff

Twenty-one percent of displaced workers were members of a union when their job ended. Two factors made it less likely that the supplement offer would affect union members' job search. First, many unions secure specific wage rates for particular jobs and, as a result, union members probably would not earn less in their next job if it were in the same occupation. Second, some unions find new jobs for their members.[9] Union members who did not conduct their own job search were unlikely to be influenced by the supplement offer.

Characteristics of the UI Claim after Layoff

As expected, members of the displaced worker sample had experienced little contact with the UI program before enrolling in ESP. Most sample members (84 percent) had not received regular UI benefits during the three years prior to enrolling in ESP.

Substituting UI benefits for lost earnings resulted in significantly less income for displaced workers. Individuals in difficult financial situations may have faced more pressure to find a new job quickly. Although individuals' situations depended primarily on existing financial obligations and the availability of income from other sources, the amount of their UI benefit cheque and the total amount of UI benefits they were eligible to receive were likely to affect the urgency they felt to find a new job.

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[7]The UI system counts severance payments as income from a job and calculates an allocation of earnings on separation. The lump-sum amount is allocated over time by dividing the total amount of severance pay by the individual's average weekly earnings. Individuals who receive severance payments, and whose claims for UI benefits are approved, do not actually receive benefits until the end of this allocation period. So a person who normally earned $400 per week and who received an $800 severance payment would have to wait two weeks more to receive UI benefits than someone who earned a similar weekly amount but received no severance payment.

[8]Some workers may place their severance pay in RRSPs. These workers would face a tax liability if they withdrew the money to support themselves.

[9]CEC staff do not expect union members to conduct their own job search if their union operates a hiring hall.

Weekly Benefit Amount

All ESP sample members were eligible for regular UI benefits. Benefit amounts typically constituted 55 percent of a person's insured earnings averaged over the previous 20 weeks.[10] On average, individuals were eligible for regular benefit payments of $306 per week. Actual weekly payments varied from $57 to $465 per week.

Weeks of UI Entitlement

During the enrolment period, UI entitlement was based on the number of weeks worked during the last year and sample members' regional unemployment rate. On average, displaced workers in the study were entitled to 38 weeks of UI benefits. Because it took an average of two months from the time they applied for UI until random assignment, sample members had, on average, more than six months of UI eligibility left when they were randomly assigned.[11] Individuals entitled to fewer weeks of UI benefits when they were randomly assigned may have felt more pressure to find a new job quickly.

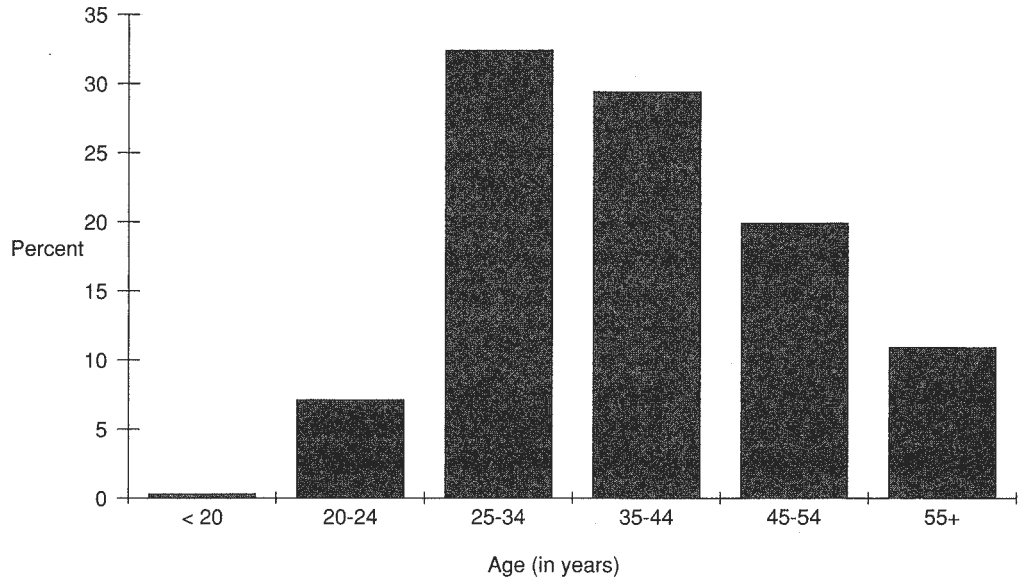
Individual Characteristics

Individuals with different personal characteristics face different re-employment prospects. Some sample members, for instance, older workers with little formal education, were unlikely to find jobs that paid what they had previously earned.

Age

Most displaced workers in the ESP sample (69 percent) were between the ages of 20 and 44. Previous studies have shown that older workers take longer to become re-employed after layoff.[12] In the sample, 11 percent of the displaced workers were 55 or older.

Figure 5.5: Breakdown by Age, Displaced Workers



[10]Some individuals with low insured earnings and dependants are eligible for benefits equal to 60 percent of their insured earnings.

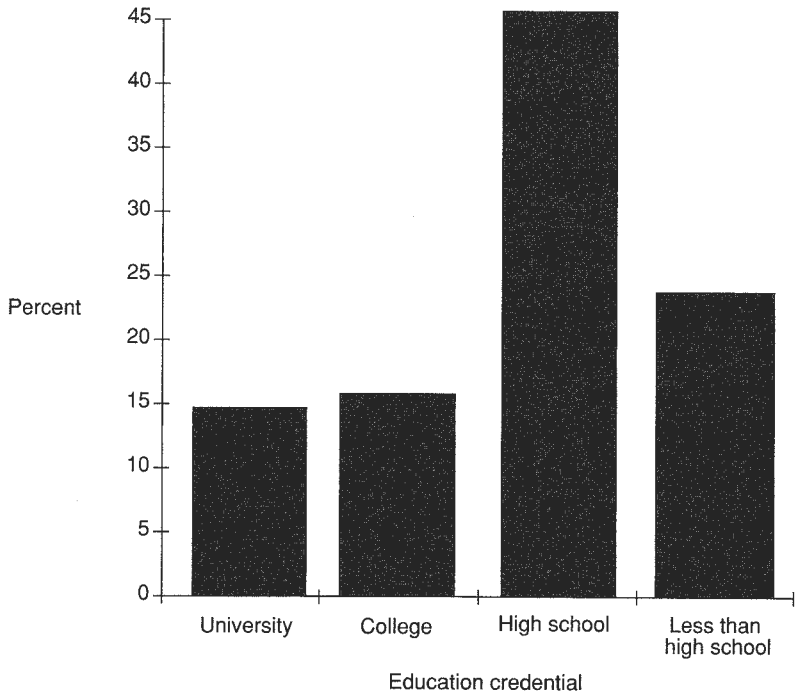
[11]This assumes that individuals had received UI benefit payments for every week between the time they applied for UI and when they were randomly assigned. Depending on the amount of severance pay and the number of weeks it covered, individuals with severance pay may not actually have used any of their entitlement to UI benefits at the time of random assignment.

[12]Lauzon, 1995, p. 17, and Picot and Piper, 1993, p. 19.

Education Credentials

Displaced workers in the study sample were generally well-educated. Three-quarters had graduated from high school and 15 percent had a university degree. Highly educated persons tend to find new jobs more quickly than others and suffer smaller earnings losses.[13] The minority of sample members who had less than a high school education might be expected to have a more difficult time becoming re-employed.

Figure 5.6: Breakdown by Education Credentials, Displaced Workers



Household Size and Number of Contributors to Household Income

About two in ten sample members lived alone, and slightly less than one-third lived in households with four or more persons. Thirty-seven percent were the sole contributors to their household's income. Sole contributors are likely to experience more pressure to find another job quickly to meet the household's financial needs; this is particularly true of sole contributors for large households (four or more persons). Fourteen percent of all sole contributors (five percent of the entire sample) fell into this category.

Reservation Wages

The reservation wage, the minimum salary a person will accept in deciding whether to take a job, will affect his or her re-employment experience. Other things being equal, the higher the reservation wage, the longer it will take to find an acceptable job. ESP is designed to lower the reservation wage of persons likely to experience long periods of joblessness. Displaced worker sample members reported an average reservation wage of $527 per week (13 percent less than their average wage in their previous job). Based on earnings in their last job and the minimum salary they would accept in their next one, almost 30 percent indicated

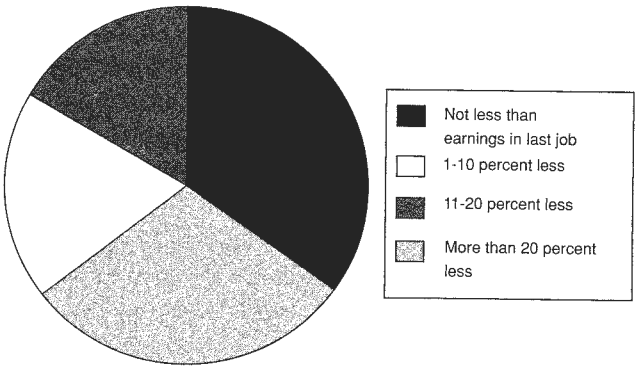
[13]Picot and Piper, 1993, p. 28.

that they would accept a job paying 20 percent less than they used to earn. Hence, by the time they had applied for ESP, many in the study sample had already resigned themselves to the possibility of taking a job that paid less than the one they had lost.

Willingness To Take Different Courses of Action

From the start, sample members differed in their willingness to take specific actions to get a job. Answers to a series of questions revealed that 88 percent were willing to take additional training, 78 percent were willing to work in a different occupation or industry, and about half were willing take a lower-paying job. Only 18 percent indicated that they would be willing to move permanently to find a new job.

Figure 5.7: Willingness To Earn Less in Next Job, Displaced Workers

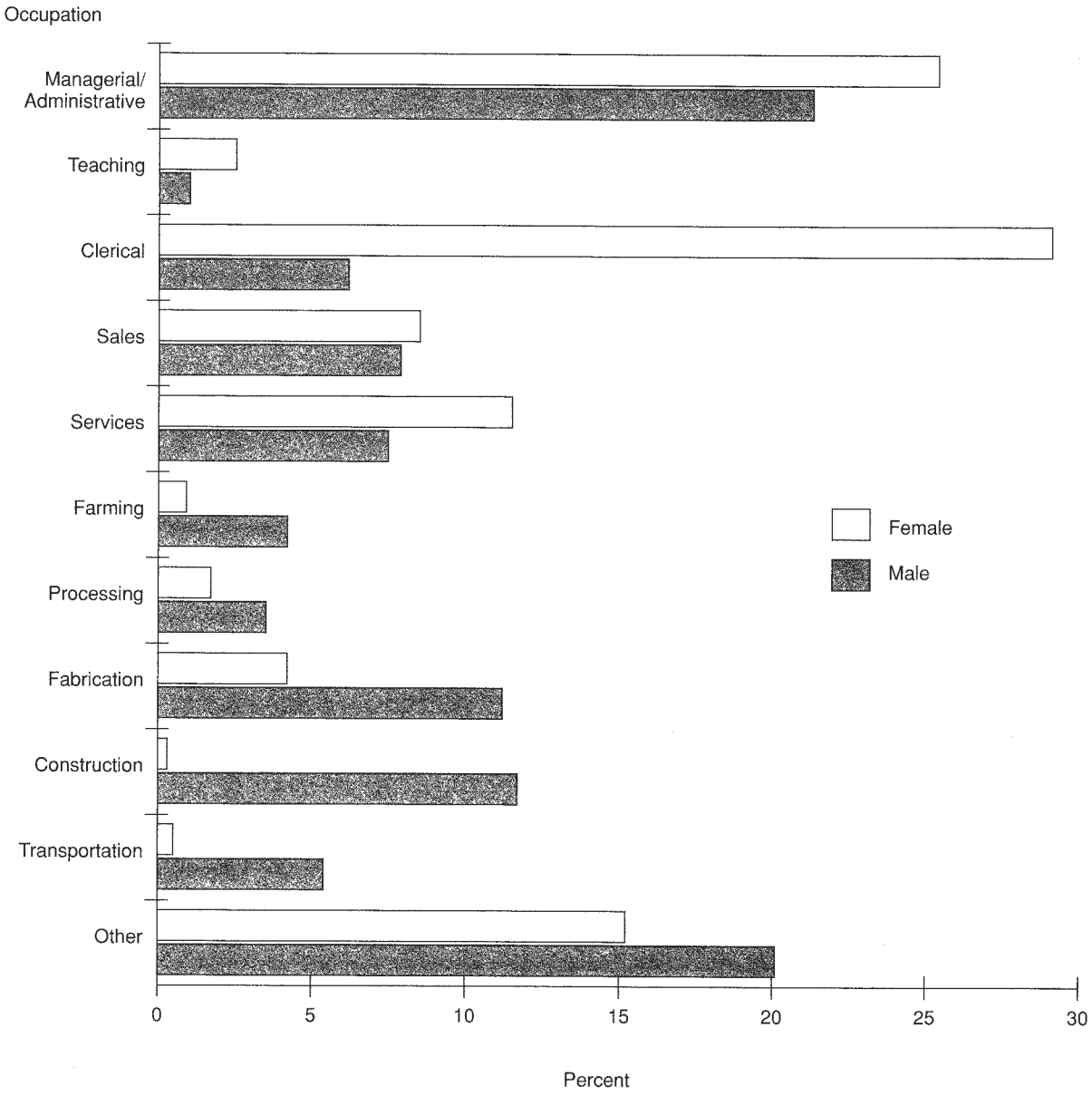


Gender Differences

There are about even proportions of men (51 percent) and women (49 percent) in the displaced worker sample. The women's employment history differed from that of the men, however. For example:

- **Women were less likely than men to expect to be recalled**. Among males, 34 percent expected to be recalled by their former employer. However, among females, only 20 percent expected to return.
- **In their last job, women had earned less than men**. Men had earned $689 per week on average, while women earned $523 per week on average.
- **Women in the displaced worker sample were more highly educated than were men**. Among women, only 19 percent had less than high school education compared with 29 percent of men.
- **Women were more likely to have worked in clerical positions and less likely to have worked in fabricating and construction positions**. Female sample members were concentrated in clerical (29 percent) and service (12 percent) occupations, while men were concentrated in fabricating (11 percent) and construction (12 percent). However, managers and administrators made up the largest occupational category for both men (21 percent) and women (25 percent).

Figure 5.8: Occupation in Last Job, by Gender, Displaced Workers



Characteristics of Workers with Different Recall Expectations

Those expecting to be recalled by their previous employer were more likely to be blue-collar workers in blue-collar industries. (For example, seventeen percent of those expecting a recall notice were construction workers compared with two percent of those who were not expecting a recall notice.) In contrast, those who were not expecting a recall notice were more likely to be white-collar workers in white-collar industries. (For example, twenty-nine percent of those not expecting a recall notice were managers compared with eight percent of those who were expecting a recall notice.) The white collar–blue collar split may help explain other differences:

- Those expecting a recall notice earned less money in their previous job ($567 per week) than those not expecting a recall notice ($623 per week).

- Those expecting a recall notice were more likely to have belonged to a union (32 percent) than those who were not expecting a recall notice (17 percent).
- Those expecting a recall notice were less likely to have a university degree (eight percent) and more likely to have indicated less than high school education (37 percent). In contrast, 17 percent of those not expecting a recall notice had a university degree while 19 percent indicated less than high school education.

In addition, those who expected a recall notice were more likely to say their job had ended because of a workload reduction, while those who did not expect to receive a recall notice were more likely to say their company had closed or their position had been abolished. Finally, those who expected a recall notice were less likely to receive severance pay (five percent) than those who did not expect a recall notice (41 percent).

REPEAT UI USERS

The ESP repeat UI user sample is not representative of all repeat users of the UI system. It represents only those who were willing to enrol in ESP. This group is notable in the following ways:

- **Sample members had worked for their last employer for six years, on average**. Most had held permanent, part-year jobs; they were not sporadic workers, drifting from one job to the next.
- **The majority (66 percent) reported that their last job was a seasonal job that had ended.**
- **Most (88 percent) expected to be recalled by their last employer**. Among sample members with a specific recall date, this date was, on average, 11 weeks after random assignment.

Characteristics of Previous Job and other Employment Characteristics

Construction work accounts for the largest share of jobs previously held by repeat UI users in the study sample (27 percent). Four other occupations were also held by relatively large proportions of sample members: clerical jobs (12 percent), service jobs (12 percent), transportation occupations (9 percent), and teaching and related occupations (8 percent).

Similar to displaced workers, repeat UI users in the sample had long-standing relationships with their previous employers. Thus, despite annual patterns of layoff, they may have felt secure in their employment situation and pleased with the status that resulted from their seniority. A supplement offer might have been of little interest to such individuals because they may not have wanted to jeopardize future employment with their regular employer.

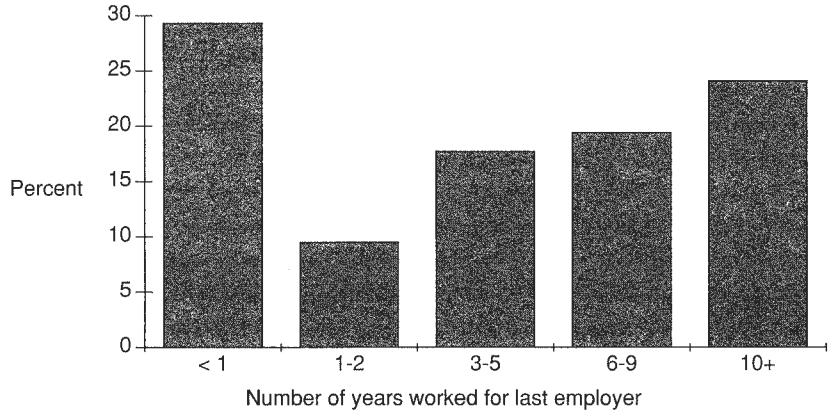
Tenure with Previous Employer

Strong attachments to particular employers may have made it more difficult to induce sample members to change established employment patterns. Repeat UI users had worked an average of six years for their last employer, and one-quarter had worked 10 or more years for the same employer. On the other hand, 29 percent had worked for their most recent employer

for less than one year, and this group may have been more inclined to make a change and respond to the supplement offer.

Repeat UI users also had worked in the same industry for many years. Two-thirds had worked in one industry for at least six years, and 45 percent had been employed in the same industry for 10 or more years. A smaller group (12 percent) had spent fewer than two years in the same industry.

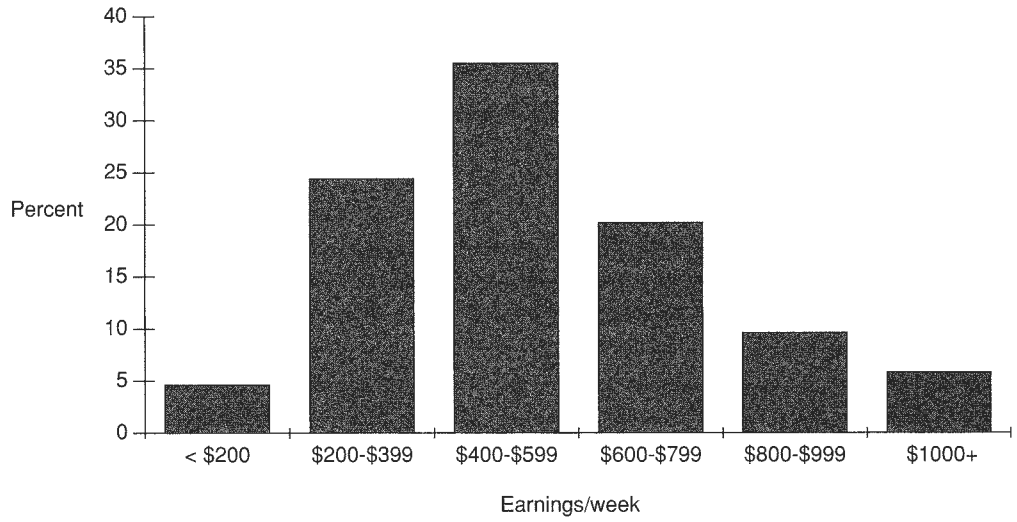
Figure 5.9: Number of Years Worked for Last Employer, Repeat UI Users



Earnings and Hours Worked in Prior Job

On average, repeat UI users earned $553 per week, although earning levels varied substantially among sample members. However, almost 30 percent earned less than $400 per week, while 15 percent earned more than $800 per week. Individuals with such relatively high or low earnings did not stand to gain much from the supplement.[14]

Figure 5.10: Earnings per Week in Last Job, Repeat UI Users



[14]As in the case of displaced workers, individuals at the lowest end of the wage scale are unlikely to earn much less in their next full-time job; individuals who earned well above the maximum earnings level would have to experience a very large earnings loss to qualify for a supplement payment.

Repeat UI users in the ESP sample had worked an average of 41 hours per week in their last job. Full-time work (30 hours per week, as defined for this study) was the norm; 89 percent had worked 30 hours per week or more.

Characteristics of the Layoff

Workers who believe that they have secure employment futures are unlikely to pursue other employment possibilities. Because most repeat UI users in the study sample expected to be recalled to the same job, they faced little pressure to find *new* jobs.

Recall Expectations

Eighty-eight percent of the repeat UI user sample expected to be recalled by their previous employer. This high number is consistent with past employment patterns. Consequently, *the opportunity of going back to their old job may have resulted in little interest in finding a new job and, consequently, a lack of interest in the supplement offer.*

Moreover, from the date sample members learned of the supplement offer, only a few months remained before they would expect to receive a recall notice from their previous employer. Among the one-quarter of repeat UI users who had reported a specific recall date, the average number of weeks between random assignment and their recall date was 11 weeks.[15] Thus, on average, this group had less than three months available for work in a new, supplement-eligible job before they could return to their previous job. Replacing UI benefits with income from the earnings supplement and another part-year job would have improved these sample members' financial situation for only a few months, at best. Individuals with short layoffs had to weigh the financial benefits of the supplement offer against other benefits accruing from their non-working time.

Reason for Job Loss

Most sample members gave a reason for their job loss that suggested their layoff would be temporary. Sixty-six percent classified themselves as seasonal workers by indicating "the end of the season" as the reason for their most recent layoff. In addition, almost 30 percent reported that their job had ended because of a workload reduction.

Layoffs in certain occupations occur during particular times of the year.[16] For example, more than three-quarters of the teachers in the ESP sample applied for UI in the summer. In contrast, most construction workers applied in the autumn and winter. Half of the clerical workers in the sample applied in the summer, and more than 40 percent of those in service occupations applied in the autumn.

Union Membership at Layoff

Slightly more than one-third of the repeat UI users in the ESP sample were members of a union when their last job ended. Union membership could have increased the security individuals felt about future employment, making them less interested in the supplement offer. In addition, individuals who were "on call" for union jobs likely wanted to remain

[15]On average, seven weeks elapsed between applying for ESP and the random assignment of repeat UI users. Thus, without the constraints imposed by the random assignment research design, sample members would have had somewhat more time to work in another part-year job.

[16]For this analysis, Winter includes December, January, and February; Spring includes March, April, and May; Summer includes June, July, and August; and Autumn includes September, October, and November.

available. This would have been incompatible with looking for another job that would qualify for a supplement.[17]

Figure 5.11: Recall Expectations, Repeat UI Users

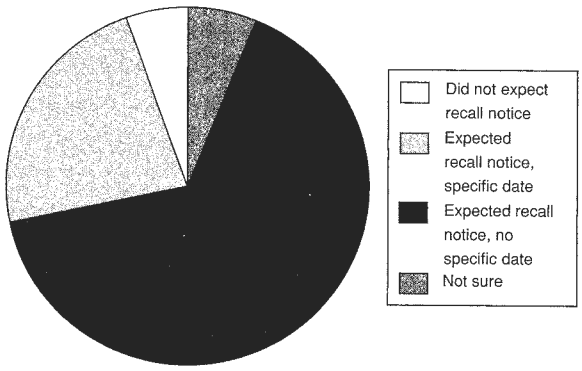
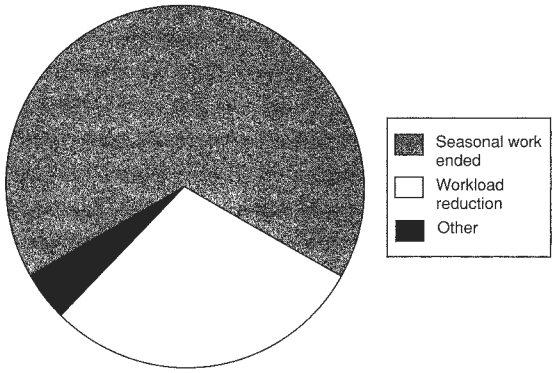


Figure 5.12: Main Reasons Job Ended, Repeat UI Users



Prior UI History and Characteristics of the UI Claim after Layoff

By definition, repeat UI users have an extensive history of UI receipt. On average, sample members had received $5,385 in UI benefits in the year before random assignment, and a total of $17,635 in the three years prior to random assignment. The extent of their reliance on UI benefits may have influenced their willingness to make a change. For instance, the small group (less than 10 percent) who had received fewer than 26 weeks of UI benefits in the past three years may have had jobs that were nearly year round. Hence, they might have been less likely than others to look for another part-year job.

Although UI benefit payments are significantly less than earnings from employment, repeat UI users may have become accustomed to the amount of income they could expect from UI benefits. As discussed in Chapter 7, repeat UI users were quite knowledgeable about UI, and were probably aware of their weekly UI benefit amount and how many weeks of benefits they were entitled to receive.

Weekly Benefit Amount

On average, repeat UI users received $287 per week in UI benefits. This amount constituted 55 percent (or 60 percent, in a few cases) of sample members' prior UI-insurable earnings. Weekly UI benefit amounts ranged from $49 to $461.

Weeks of UI Entitlement

Based on their most recent UI claim, sample members were entitled to 30 weeks of UI benefits, on average, and generally had more than five months of UI entitlement remaining when they were randomly assigned. It is likely that sample members, especially those eligible to receive UI for more than half a year, valued the security provided by UI benefits. Individuals with shorter entitlement periods, especially those with a gap between the end of their benefits and their recall date, may have been more interested in the supplement offer.

[17]Union members may be underrepresented in the study, as some who refused to participate mentioned union membership as a reason for not wanting to take part.

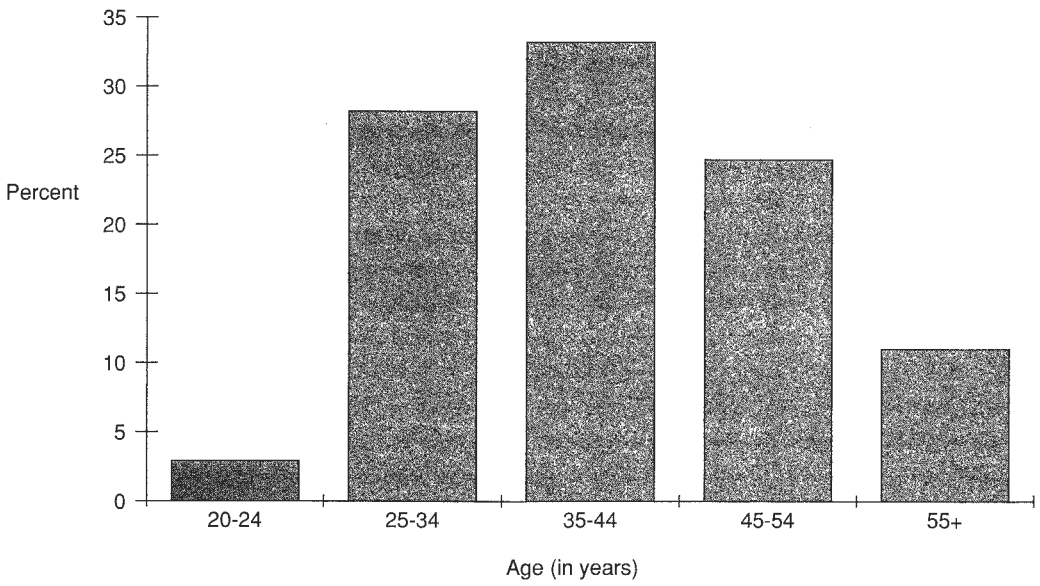
Individual Characteristics

Sample members' personal characteristics, such as age, education, and household structure, may have affected their decision to break from established employment patterns.

Age

Because it is more difficult for older workers to find new jobs, they may have been less likely than others to change their employment patterns in response to a supplement offer. Although the average repeat UI user in the sample was 41 years old, 11 percent were 55 years or older. There is anecdotal evidence that some older individuals, who had been performing physical labour for many years, desired less physically taxing jobs. If so, they might have been more interested than other repeat UI users in a supplement that would help them take a new job.

Figure 5.13: Breakdown by Age, Repeat UI Users



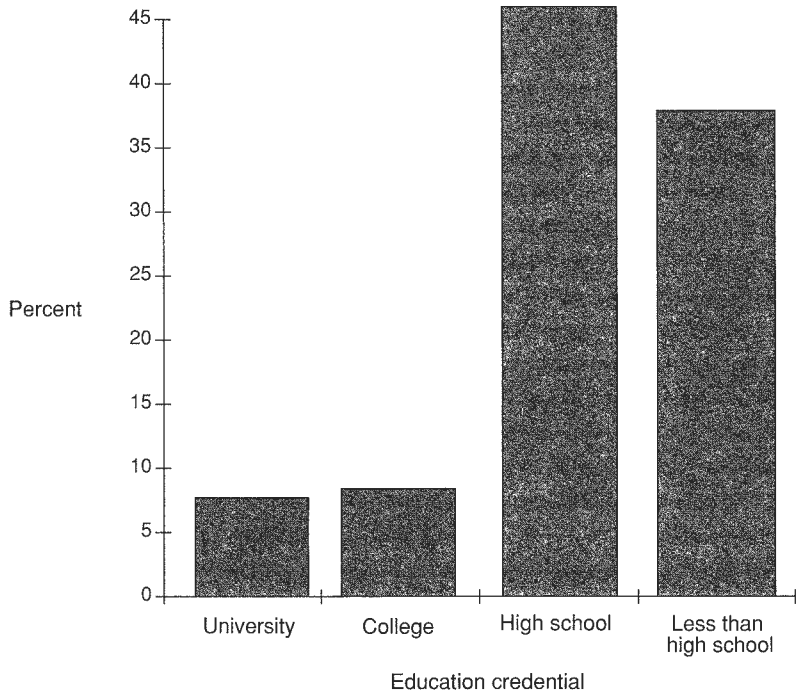
Education Credentials

Thirty-eight percent of the repeat UI user sample indicated they had less than a high school education. Based on general employment trends, these less-well-educated persons may have found it difficult to secure new jobs quickly, and thus may have found it especially difficult to take up a supplement.

Household Size and Number of Contributors to Household Income

Household size and the number of contributors to household income can influence the financial pressures experienced during times of unemployment. Consequently, this could have influenced interest in a supplement offer. Thirty-eight percent of repeat UI user sample members lived in households with four or more persons, and more than one-third (35 percent) were the sole contributors to their household's income.

Figure 5.14: Breakdown by Education Credentials, Repeat UI Users



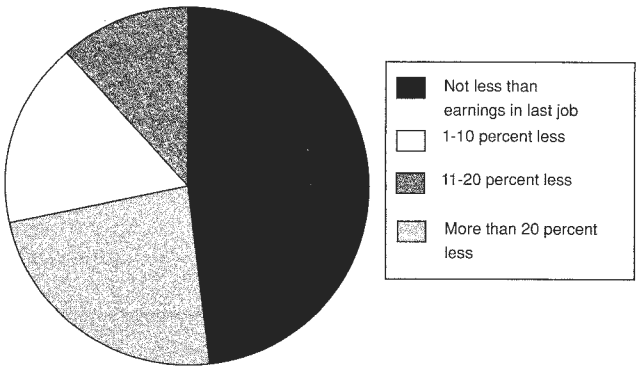
Reservation Wages

Repeat UI users were willing to accept slightly lower wages than they had received previously. On average, they indicated that they would accept a minimum weekly salary of $497 in their next job (10 percent below the average earnings of repeat UI users in their last job). Roughly one-quarter of sample members indicated that they would be willing to earn 20 percent less than they had in the past.

Willingness To Take Different Courses of Action

When sample members were asked about their willingness to take specific actions to get a job, most (79 percent) said they were willing to take additional training and 71 percent said they would work in a new occupation or industry. Only 36 percent reported that they would consider taking a lower-paying job as a strategy for finding new work. Moving for part of each year to get a job would be considered by only 29 percent of the repeat UI users, and only 15 percent reported that they would be willing to move permanently.

Figure 5.15: Willingness To Earn Less in Next Job, Repeat UI Users



Gender Differences

Just short of two-thirds of the repeat UI users were male (64 percent). Key differences between men and women in terms of their previous employment and relevant experience included:

- **Women had a longer attachment to their most recent employer.** Women had worked longer (seven years) for their last employer than men (six years), and were more likely to have worked for only one company in the last five years (73 percent of the women compared with 48 percent of the men).
- **Women worked in traditionally female occupations such as clerical jobs, while men worked in construction and other "blue-collar" jobs.** Female sample members were concentrated in clerical (31 percent), service (21 percent), and teaching (17 percent) jobs. The most common occupations for men included construction (41 percent) and transportation (13 percent). Workers who feel secure in their economic future may be less likely to consider changing their employment patterns. And jobs in particular occupations (such as in education) may be more secure from year to year than jobs (such as in construction) where the state of the economy can affect the availability of employment.
- **Women earned substantially less than men**. On average, women earned $397 per week compared with men's average earnings of $637 per week.
- **Women had more formal education then men**. Fourteen percent of the women had a university degree compared with four percent of the men. And more men than women indicated that they did not have a high school diploma (45 percent and 25 percent, respectively).

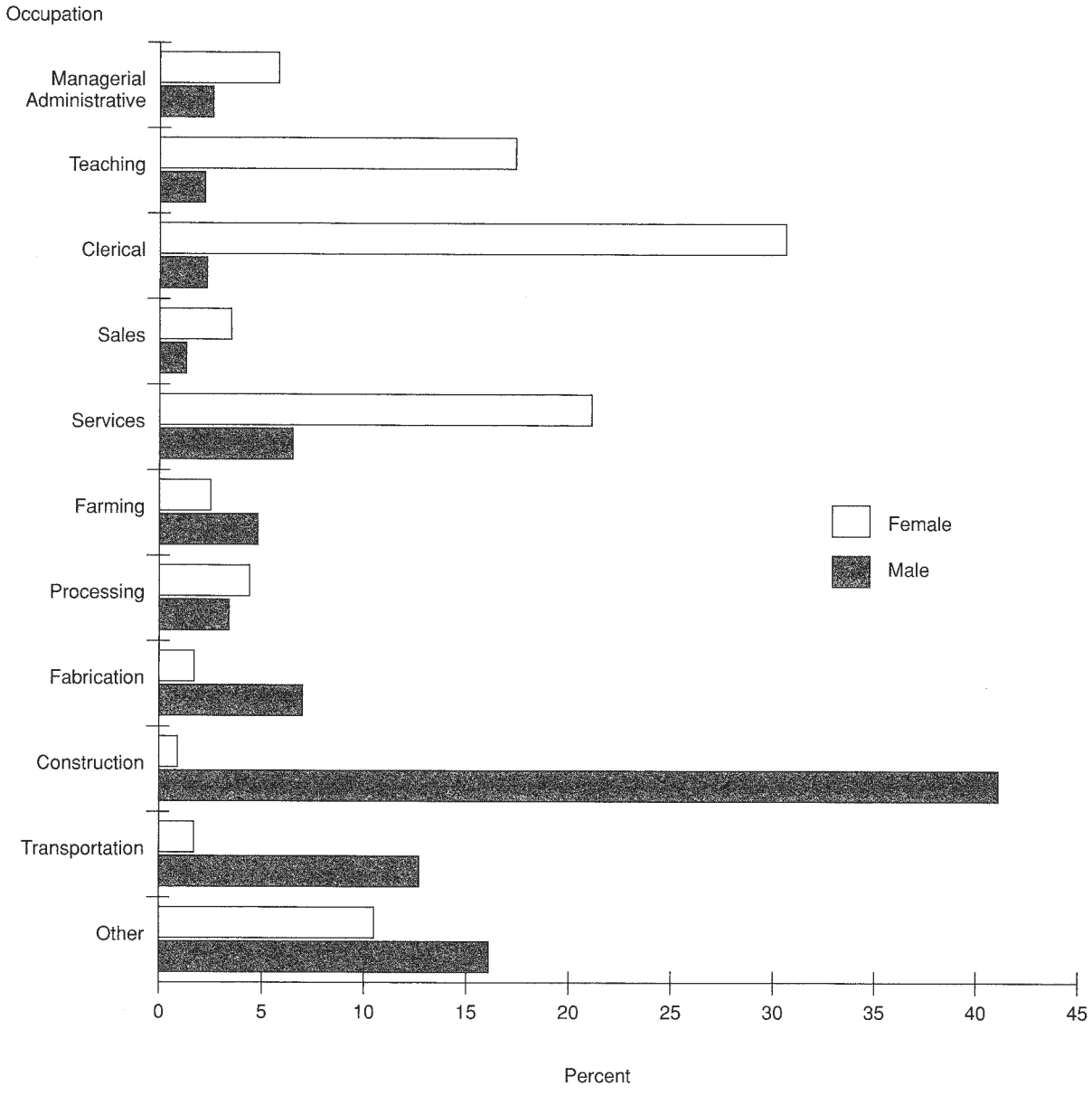
Characteristics of Workers with Different Recall Expectations

On the whole, those expecting to be recalled by their previous employer had occupations, industries, and wages similar to those who did not expect to be recalled. However, other differences stand out:

- Those expecting a recall notice had been with their previous employer for a longer time (seven years) on average than those not expecting a recall notice (three years). Relative to workers not expecting a recall notice, those expecting one were half as likely to have been with their previous employer for less than a year, and almost three times as likely to have been with their previous employer for more than 10 years.
- Those who expected a recall notice (70 percent) were more likely to say that their job had ended because their seasonal work ended than those who did not expect a recall notice (41 percent). In contrast, those who did not expect a recall notice were more likely to say their job had ended because of workload reduction (37 percent), company closure (eight percent), or the abolishment of their position (eight percent) than those who expected a recall notice (twenty-eight percent, one percent, and one percent, respectively).

- Those expecting a recall notice were more likely to be unionized (39 percent) than those not expecting a recall notice (25 percent).

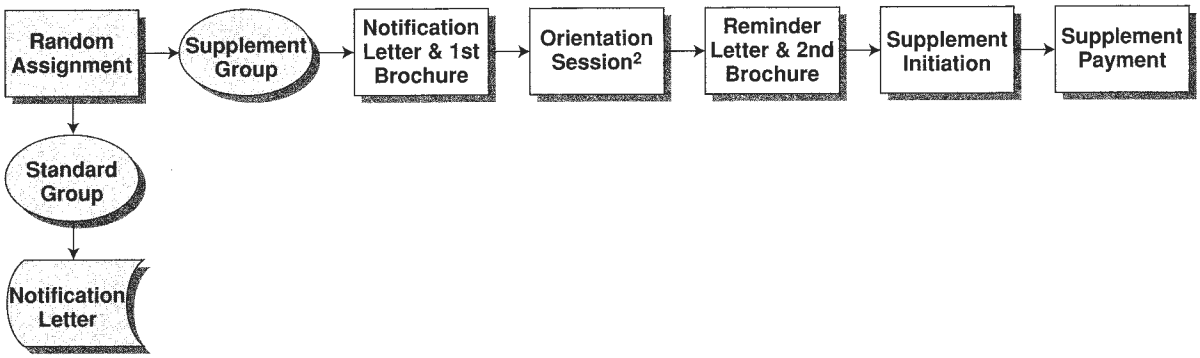
Figure 5.16: Occupation in Last Job, by Gender, Repeat UI Users



Chapter 6:
Evaluating Program Implementation

To implement ESP successfully, it was necessary to identify and promptly notify sample members who were assigned to the supplement group, adequately inform them about the key provisions of the supplement program, and make it possible for them to initiate the supplement and receive supplement payments in a simple and timely manner.[1] This process involved the steps outlined in Figure 6.1, starting with random assignment, described in Chapter 4. This chapter assesses the extent to which the process met its implementation objectives.

Figure 6.1: Key Steps in the ESP Program



KEY FINDINGS

For the most part, the implementation objectives of ESP were successfully met during the first year of program operations. Once individuals were randomly assigned to the supplement group, they were promptly advised of their status. In addition, an effective strategy was developed to deliver information about the supplement offer to these individuals. Furthermore, payments were made to all supplement group members who took up the supplement, with only a few minor problems.

[1]To operate the supplement program, ESP required an agency that could set up and manage activities that ranged from handling inquiries to developing and running an automated payment system. The Halifax office of SHL Systemhouse was chosen because it was already operating a similar payment system for the Self-Sufficiency Project (SSP), another demonstration project managed by SRDC. For more information on the implementation of SSP, see Mijanovich and Long, 1995.

[2]As discussed later in this chapter, although some orientations were provided through group sessions at each CEC, most were provided over the telephone by staff from the Halifax ESP Payment Office. Due to delays, a few supplement group members may have received their telephone orientation after they received their reminder letter. This was particularly likely during the Autumn of 1996, when ESP staff experienced backlogs in making calls to participants.

PROVIDING INFORMATION ABOUT THE SUPPLEMENT

The first requirement was to make sure that everyone assigned to the supplement group was notified and given enough information to make an informed decision about whether to take advantage of the supplement offer or continue to receive UI benefit payments. In addition, supplement group members needed to be properly informed about what they had to do to initiate a supplement and receive supplement payments. The following subsections briefly describe and assess how ESP information was provided.

ESP Notification Letter and First Program Brochure

A notification letter was sent to all supplement group members, usually within a week of random assignment. This letter contained important information about what to do to take advantage of the supplement offer.[3]

The letter informed supplement group members about how long they had to find a qualifying job, how long they could receive supplement payments, and how much their supplement might be worth, by providing the following information:

- Their **Job-Search End Date** — the date by which each supplement group member had to find a job that qualified for supplement payments. Failure to start a job by this date meant that eligibility for the supplement would be forfeited.
- Their **Supplement Period End Date**[4] — the last date for which supplement payments could be received.
- Their **Prior Insured Earnings** — the average prior weekly earnings amount, to be compared with earnings in a new job as the basis for calculating a re-employment earnings loss.[5]

The notification letter also invited participants to attend a one-hour ESP orientation session at their local CEC, and provided a toll-free telephone number to call for more information or to initiate a supplement. Very few notification letters were returned because of incorrect addresses. Whenever these letters were returned, ESP staff made a concerted effort to check addresses by telephoning participants. They then mailed the letter to the new address. As a result, staff were able to send notification letters to 99.5 percent of all supplement group members.

A detailed program brochure was included with the notification letter. This first brochure described key program requirements and provided answers to questions that participants were likely to have about the program. The main purpose of the brochure was to ensure that participants were well-informed about ESP, regardless of whether they subsequently chose to attend an orientation session.

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[3]Persons assigned to the standard group also received a letter notifying them of their status, but without further information about ESP.

[4]As discussed previously, the maximum job-search period was 26 weeks for displaced workers and 12 weeks for repeat UI users. The maximum period during which supplement payments could be made was two years for both groups. The job-search and maximum supplement-receipt periods both started at the same time. This date was set at three business days after the notification letter was produced and mailed, which allowed time for the letters to reach participants before their "clock" started.

[5]Prior insured earnings also determine the amount of claimants' weekly UI benefits.

ESP Orientation Sessions

Weekly program orientation sessions at each CEC were planned so that local staff could provide information about ESP in a group setting. These sessions were intended to explain the supplement in detail, with an emphasis on how to qualify and how much it could be worth. To illustrate its potential value, sample calculations under different situations were presented. Attendance at these orientation sessions was extremely low, however. Thus, it was agreed that CECs would stop offering them and instead make local staff available on request to conduct one-on-one sessions with interested participants.

After it became clear that on-site orientation sessions at the CECs would not be well-attended, an alternate plan was developed to provide orientation sessions by telephone.[6] These telephone orientations (which comprise the overwhelming majority of all orientations) were conducted by ESP staff from the Payment Office in Halifax.

Following a basic procedure for these telephone orientation sessions, ESP staff would:

- try to make contact approximately four weeks after sending the notification letter to displaced workers, and two weeks after sending it to repeat UI users,
- continue trying to contact supplement group members in each weekly cohort until either a minimum of three attempts per person had been made or 80 percent of the weekly cohort had received an orientation, and
- try to stagger the three contact attempts over a three-week period, and vary the time of day at which calls were made to accommodate differences in time zones and business hours.[7]

To give supplement group members adequate time to respond to their supplement offer, orientation sessions were provided as soon as possible after random assignment. Hence, most sessions were completed before supplement group members reached the middle of their job-search period. For displaced workers, 94 percent of all orientations were conducted during the first half of their 26-week job-search period; for repeat UI users, 73 percent of all orientations were conducted during the first half of their 12-week job-search period.

Figure 6.2 illustrates the timing of orientation sessions in more detail. It also indicates that 73 percent of the displaced workers and 66 percent of the repeat UI users in the supplement group received an orientation (either at a CEC or by telephone). Because the telephone orientations did not start until several months after the project had begun (in November 1995), the orientation rate was lower for supplement group members enrolled during the first few months of sample intake. Furthermore, as the number of orientation calls rapidly increased, ESP staff became overloaded, and a backlog of calls was generated.[8] At this point, an additional ESP staff member was assigned to help clear the backlog. However, the relatively short job-search period for repeat UI users made it especially difficult to catch up with all of the overdue calls before supplement eligibility expired. Consequently, the orientation rate for repeat UI users was lower than that for displaced workers.

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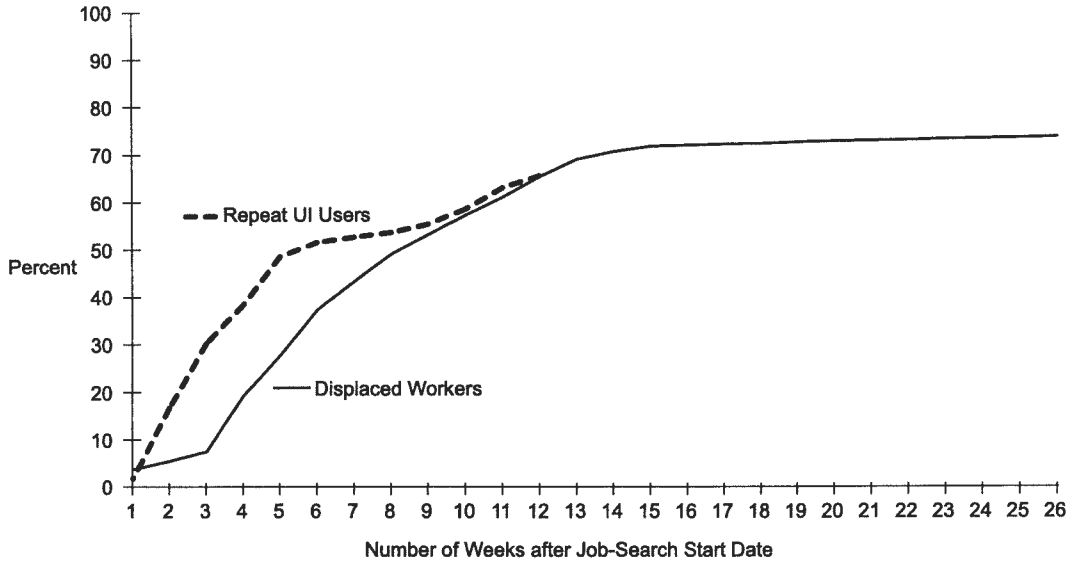
[6]These procedures were put in place in November 1995.

[7]Staff noted that calls made in the evenings were more successful in reaching participants, since it was more common to find them at home during supper hours.

[8]The number of individuals who became eligible for ESP increased considerably in the Autumn of 1995, once all nine CECs were regularly enrolling participants in the project.

Figure 6.2: Cumulative Orientation Rates, by Week, after Job-Search Start Date



Source: PMIS records as of February 28, 1997.

Orientation sessions followed a script designed to ensure that the message given to supplement group members was consistent. However, with only a few moments to explain ESP, the scope of these telephone orientations was quite limited. Therefore, the script highlighted the program's most important features, such as the job-search end date, requirements for initiating a supplement, instructions for collecting a supplement, and use of the toll-free number to answer further questions.[9]

The difference in the level of interest in ESP between displaced workers and repeat UI users was clearly evident during the telephone orientation sessions. Repeat UI users accepted information about the program, but openly expressed their lack of interest in it. In contrast, most displaced workers appeared to be interested in the program, although their questions tended to focus more on finding a job than on the details of the supplement. Telephone orientation sessions with displaced workers took longer because they asked more questions about the project. Furthermore, their inexperience with the UI system was evident. They asked more questions about whether initiating a supplement would affect their UI benefits, whether they should close their UI claims, and what would happen if they lost their job and had to return to UI.

[9]After the program had been operating for a few months, SRDC research staff sat with ESP operations staff during the telephone orientation sessions to monitor the message being given and how it was delivered. These monitoring visits resulted in some re-ordering and refinements of the script. More information was added about the kinds of jobs that could be used to initiate a supplement. In addition, the delivery method was altered; staff were asked to slow down the conversation in order to focus more on key points. This increased the likelihood that the message would be clearly understood.

Common Sources of Confusion about ESP

Conducting orientation sessions gave staff an opportunity to discover common sources of confusion about ESP. The following are some features of the program that were frequently misunderstood by participants:

- **Initiating the supplement without an earnings loss**. Many supplement group members did not understand that they could initiate a supplement with a new job that did not pay less than their previous one. In the modified orientation script, staff emphasized the "insurance" aspect of the program. With such a job, supplement group members could open the supplement "eligibility window" so that they would still be eligible for supplement payments if, later in the supplement period, earnings fell below those in their previous job.
- **Definition of full-time work**. Some participants did not know that ESP considered a full-time job to be one with at least 30 hours of work per week. They thought that full time meant working at least 40 hours per week.
- **Qualifying with temporary jobs**. A few participants believed that short-term jobs were not eligible for a supplement, even though they met the minimum hours and wage requirements. Instead, they thought that they had to hold a permanent position.
- **ESP time frames**. Most supplement group members appeared to understand that they had to find a new job before the job-search end date to qualify for a supplement. However, some did not understand that the job-search and supplement periods started at the same time. Nor did some understand that, while looking for work, they were using up part of the two-year period in which supplements could be paid.

Reminder Letter and Second Program Brochure

Reminder letters were mailed four weeks after the original notification letter was sent to repeat UI users, and two months after the notification letter was sent to displaced workers. These letters were sent only to supplement group members who had not yet initiated a supplement. Their purpose was to inform these individuals that they were still eligible for a supplement and remind them of their job-search end date. These letters were accompanied by a second program brochure that provided answers to the 12 questions most frequently asked about ESP. [10]

INITIATING AND PAYING THE SUPPLEMENT

The final steps in the ESP process involved initiating supplements and making supplement payments. These steps were designed to make accurate supplement payments based on participants' work hours and earnings, maintain participants' confidentiality, and provide accountability and control of funds spent.

[10]The questions in the brochure were compiled from actual questions raised by participants who called the toll-free information number.

Initiating the Supplement

Once supplement group members found work that qualified for a supplement, they could initiate payments by telephoning the ESP Payment Office in Halifax. At this time, project staff reviewed the requirements for initiation with participants and then mailed them an initiation package.[11] Participants generally returned their completed initiation packages to the ESP Payment Office within three weeks. If, after initiating a supplement, participants changed jobs or experienced a break in employment, they were required to complete a new initiation package.

Earnings and employment were self reported by persons who made claims for supplement payments, but this information had to be properly documented by the submission of corresponding pay stubs from employers.

Although, in discussions with participants, most said that they found the ESP initiation forms easy to complete, project staff observed numerous mistakes. The most common errors and omissions involved failing to sign the *Project Participation Agreement*, completing the supplement voucher incorrectly, not completing the tax-deduction form, and failing to submit all required documents. Incomplete initiation packages were promptly returned to participants for correction.

Part way through the project, ESP staff began regularly to telephone participants who had requested an initiation package but failed to return it, or had submitted incorrect vouchers. The objective was to determine whether people needed further assistance in completing the documentation and help them avoid repeating previous errors. These follow-up calls reduced the error rate somewhat. However, they did not result in many more people returning the initiation packages. Most who did not return their package had failed to meet the work requirement (e.g., they did not get the job they expected, or their hours were less than anticipated and not enough to meet ESP's 30-hour rule). Others told staff that either they were making more money than in their previous job or their earnings loss was so small that the supplement would not amount to much. In either case, they thought they would not benefit enough to make completing the required paperwork worthwhile.

Making Supplement Payments

Supplement payments could begin only after all required data had been entered into the ESP payment system. Once a participant had successfully qualified for the supplement, payments could be issued for periods for which he or she was eligible. Participants were then sent a six-month supply of vouchers with pre-printed information about their employer. To make ongoing claims, they simply had to complete a voucher for each pay stub and send it to the ESP Payment Office with a copy of the pay stub. The voucher contained information necessary to verify that program rules were met and calculate the supplement amount. Usually this information, such as paid hours of work and gross earnings, could be copied by

[11]The initiation package contained an *Employment Registration Form* (to record information about the eligible job), a *Project Participation Agreement* (to certify that the participant understood the rules governing supplement receipt, and to allow data sharing with HRDC and Revenue Canada), an initial voucher (to indicate the participant's hours of work and gross wages earned in the supplementable pay period), a Revenue Canada TD1 form (to collect information for deducting the correct amount of income tax from the supplement amount), a *Direct Deposit Request Form*, and an *Instruction Guide*.

participants directly from their pay stubs. ESP staff then used the pay stub to verify the information reported on the voucher before entering it into the payment system.[12]

The payment system calculates a supplement payment for each voucher. The system first checks whether the participant was paid at least the minimum wage and had worked at least 30 hours per week. The minimum wage check is straightforward;[13] verifying the minimum 30-hour work week requirement is not as simple.

A two-stage process is used to check hours of work. The first stage checks whether the person worked 60 or more hours over the two-week period; if so, the requirement is met.[14] If the reported hours were less than 60 for the two-week accounting period, the system conducts a week-by-week analysis to identify whether the individual met the 30-hour requirement in either of the two weeks; if so, the participant is eligible to receive a supplement for that week.[15]

Once the payment system determines that all program requirements have been met, it calculates the supplement amount for the eligible period. For people who are eligible for both weeks, gross earnings for the two weeks are deducted from what they would have been for a two-week period in their previous job (based on their UI-insured earnings). The gross amount of the supplement payable is then calculated as 75 percent of this difference, up to a maximum of $500. If the individual is eligible to receive the supplement for only one week, the previous calculation is done only for that week, with a maximum supplement payment of $250. The system then calculates the net supplement payable by deducting income taxes based on the information provided by the participant.

Pay runs issue one payment per participant. Each participant receives the total amount payable based on all vouchers awaiting payment at the time of the pay run. Payments were made once a month during the first year of operations. However, pay runs are now scheduled twice a month so that participants who are late submitting their vouchers do not have to wait a full month to receive a supplement payment. Participants can choose to receive their payments by either cheque in the mail or direct deposit to their bank account. In either case,

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[12]In addition, SRDC developed a pay-stub classification scheme to minimize fraud in the supplement program. Staff assigned one of four levels of quality to the documentation submitted by participants to substantiate their employment and wages. (These documents ranged from hand-written pay stubs that identified neither the employer nor the employee, to comprehensive cheque stubs generated by automated payroll systems.) Based on the classification level assigned, staff determined whether additional steps were needed to verify the legitimacy of the supplement claim. Overall, roughly 75 percent of the documentation submitted so far has been considered acceptable and has not warranted extra scrutiny. In the remaining cases, participants were required to submit additional information to verify their employment; and, in some cases, project staff contacted employers to obtain additional information directly.

[13]The system calculates the hourly rate (gross earnings divided by total hours) and checks whether it is at or above the minimum wage for the province in which the participant works.

[14]One important issue in the system design involved selecting an appropriate accounting period; i.e., the number of weeks or pay periods to include when determining whether an individual met the project's 30-hour work week requirement and in calculating the amount of supplement due. The accounting period affects the equity of payments and the complexity of the payment system. The challenge was to implement a period that could accommodate a variety of pay stubs reflecting different work schedules and pay frequencies (i.e., weekly, biweekly, semi-monthly, and monthly). At the same time, it had to ensure that people who had the same earnings but different pay periods were treated equally. ESP decided to use a two-week accounting period for all participants. Thus, an individual could satisfy the 30-hour work week requirement by averaging 30 hours per week over a two-week period (e.g., by working 30 hours per week in each of two weeks, or 15 hours in one week and 45 hours the next).

[15]Consider, for example, a participant who worked a total of 50 hours during the two weeks: 15 hours in the first week and 35 hours in the second. This participant would fail the first system check because work hours would total less than 60 hours for the two-week period. However, the second check would determine that the participant is eligible for one week of supplement payment based on having worked 30 or more hours in the second week.

supplement statements are mailed to participants describing how their payments were calculated and explaining any non-payments (e.g., due to insufficient hours). Participants can also contact a toll-free telephone number if they have questions concerning their payments.

Chapter 7:
Knowledge about the Earnings Supplement Program

A "fair test" of a re-employment earnings supplement requires that potential recipients be adequately informed. They must know how the supplement can benefit them and what to do to receive it. In particular, they must have enough information to make an informed choice between trying to find a job that might qualify for a supplement versus remaining unemployed and continuing to collect UI benefit payments.

This chapter assesses whether ESP met this condition for a fair test. It examines how well supplement group members understood the information provided about the program, and how they reacted to this information. The data for this analysis were obtained from a telephone "mini-survey" of 343 displaced workers and 229 repeat UI users in the ESP supplement group.

KEY FINDINGS

Analysis of responses to the mini-survey suggests that ESP did indeed provide a fair test of a re-employment earnings supplement because:

- information about the ESP offer was widely received by members of the supplement group,
- respondents found the information easy to understand and judged it to be quite helpful, and
- respondents were well-informed about both ESP and UI.

Therefore, subsequent findings about the impacts of the supplement offer on employment, earnings, UI benefit receipt, and other outcomes will provide important evidence about the value of such an approach.

THE ESP MINI-SURVEY

The main purpose of the mini-survey was to determine whether supplement group members understood ESP well enough to make an informed choice between taking up a supplement or remaining on UI. The survey was also designed to determine how much respondents knew about how to qualify for an ESP supplement.

Table 7.1 outlines the four main parts of the mini-survey. Part 1 asked about respondents' reactions to the ESP brochures (described in Chapter 6) mailed to supplement group members to provide information about the program. Part 2 focused on how well respondents could assess the benefits of the ESP offer and how well they understood what to do to qualify for a supplement. Part 3 focused on how well respondents understood UI. This provided a

benchmark against which to assess their understanding of ESP and helped to determine whether they understood both UI and ESP well enough to make a informed choice between them. Part 4 concluded the mini-survey with a series of questions about how respondents felt ESP had affected their job search and whether they expected to use the supplement.

Table 7.1: Mini-Survey Topics

Part 1: Opinions about ESP Brochures'	**Part 3: Knowledge about UI's**
• Ease of understanding	• Wage replacement rate
• Completeness of information	• Weekly benefit amount
• Success in explaining the program	• Maximum benefit receipt period
	• Restriction on earned income
Part 2: Knowledge about ESP's	**Part 4: Perceived Effect of ESP on**
• Ability to "top up" an earnings loss	• Speed of job search
• Maximum job-search period	• Intensity of job search
• Maximum supplement-receipt period	• Willingness to try a new type of job
• Full-time work requirement	• Willingness to take a lower-paying job
• New employer requirement	• Likelihood of using the supplement

As can be seen in Figure 7.1, the mini-survey was administered, on average, about seven weeks after random assignment for displaced workers and about five weeks after random assignment for repeat UI users. This was two weeks after the typical supplement group member received an ESP orientation. It was also 15 weeks after displaced workers and 10 weeks after repeat UI users had applied for ESP.[1]

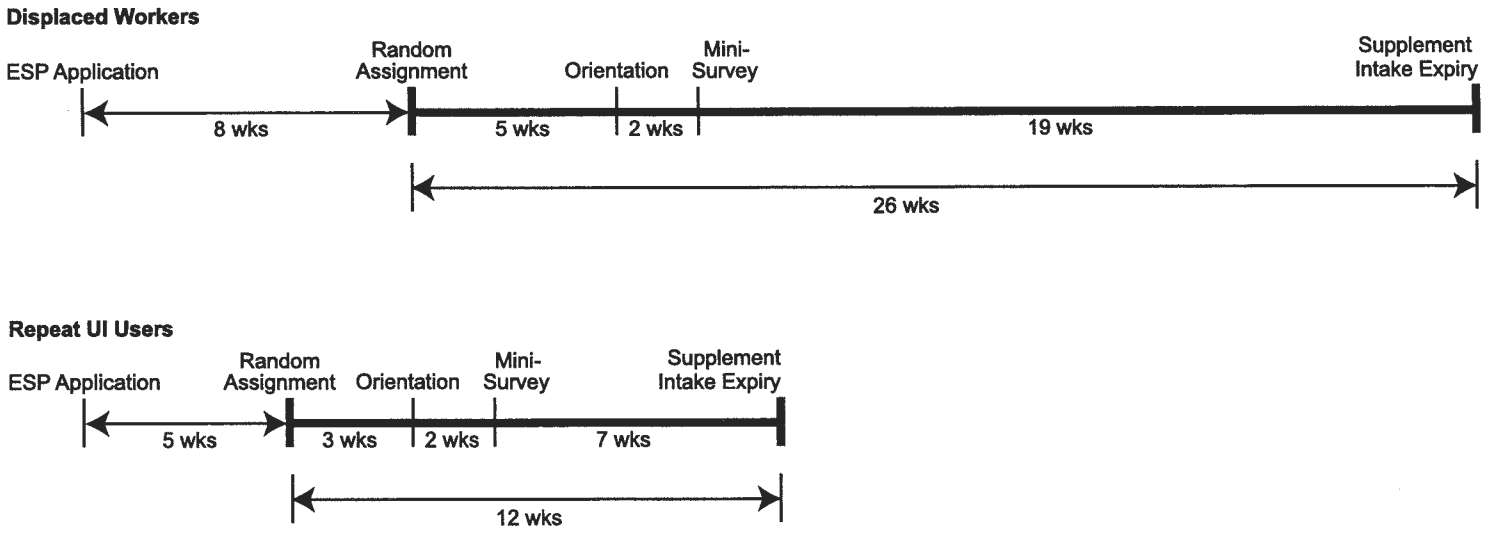
THE MINI-SURVEY SAMPLE

The mini-survey attempted to interview all 399 displaced workers who were randomly assigned to the supplement group between December 4, 1995 and January 5, 1996, plus all 250 repeat UI users who were randomly assigned to the supplement group between December 18, 1995 and January 12, 1996. Table 7.2 shows the sample distribution across the study sites and the response rate for each site. Response rates were high: 86 percent for displaced workers and 92 percent for repeat UI users.[2] In addition, response rates were above 80 percent at all study sites.

[1]The timing of these steps for mini-survey respondents differed somewhat from the timing for the full study sample (see chapters 4 and 6).

[2]The response rate was somewhat lower for displaced workers than for repeat UI users because survey follow-up stopped at the same time for both groups (to shut down the survey operation and thereby avoid further costs), even though sample intake stopped earlier for repeat UI users. Hence, there was more time to follow up with the last repeat UI users who entered the sample than with the last displaced workers. Survey follow-up was not stopped, however, until at least 80 percent of both groups had been interviewed.

Figure 7.1: Timing of ESP Information[a]



[a]Time lines represent the mean experience for each group of mini-survey respondents.

The mini-survey sample contained 343 displaced workers and 229 repeat UI users. Table 7.3 compares their characteristics with those of their counterparts in the full study sample. A multivariate analysis of these characteristics indicated that there is a statistically significant difference between the samples both for displaced workers and repeat UI users.[3]

Table 7.2: Mini-Survey Sample Size and Response Rate

Site	Target Sample	Completed Surveys	Response Rate (%)
Displaced workers			
Granby	28	26	93
Oshawa	159	140	88
Toronto	72	61	85
Winnipeg	59	48	81
Saskatoon	81	68	84
Overall	399	343	86
Repeat UI users			
St. John's	99	87	88
Halifax	12	10	83
Moncton	80	76	95
Lévis	59	56	95
Overall	250	229	92

Looking at Table 7.3, this result appears to be due to the fact that the mini-survey sample contained a greater proportion of men than the full study sample. All other differences appear relatively minor. Therefore, there are no widespread, systemic differences that would suggest gross inconsistencies between the two samples. Hence, it seems reasonable to expect the findings from the mini-survey to approximate the likely ESP knowledge level of the full study sample.

EXPOSURE TO ESP INFORMATION SOURCES

The overwhelming majority of mini-survey respondents were exposed to a basic ESP information source (a program brochure or an orientation session), but very few had been exposed directly to the program by initiating a supplement before the mini-survey. (See the top panel of Table 7.4.) For example, almost nine out of ten mini-survey respondents recalled getting an ESP brochure,[4] and more than eight out of ten received an ESP orientation.[5] Seven out of ten were exposed to both of these information sources, and almost all were exposed to at least one. On the other hand, only about ten percent of displaced workers and three percent of repeat UI users who responded to the mini-survey had obtained further information by initiating a supplement prior to the survey.

[3]This analysis was based on a least squares regression estimated separately for displaced workers and repeat UI users. The dependent variable for each regression was a dummy variable indicating whether an individual was in both the mini-survey sample *and* the full study sample, or *only* in the full study sample. Independent variables were specified for each of the characteristics in Table 7.3. F-tests indicated that the overall explanatory power of the regression was statistically significant at well beyond the 0.05 level for displaced workers and repeat UI users. These findings reject the null hypothesis of no differences between the mini-survey sample and the full study sample. However, the fact that there were statistically significant differences between the two samples does not necessarily mean that these differences are important substantively. They simply indicate that the two samples probably do not come from *identical* populations.

[4]This information was obtained from responses to the mini-survey.

[5]This information was obtained from the ESP project tracking system.

Table 7.3: Comparison of Mini-Survey Respondents with the Full Study Sample

	Displaced Workers		Repeat UI Users	
	Mini-Survey Respondents	Full Study Sample	Mini-Survey Respondents	Full Study Sample
Site (%)				
Granby	8	7	na	na
Oshawa	41	36	na	na
Toronto	18	22	na	na
Winnipeg	14	16	na	na
Saskatoon	20	20	na	na
St. John's	na	na	38	45
Halifax	na	na	4	9
Moncton	na	na	33	25
Lévis	na	na	24	22
Gender (%)				
Male	43	51	80	64
Female	57	49	20	36
Age (%)				
Less than 20 years	1	0	0	0
20–24 years	9	7	3	3
25–34 years	31	32	27	28
35–44 years	29	29	34	33
45–54 years	20	20	20	25
55 years or older	11	11	15	11
Average age (yrs)	39	39	41	41
Highest educational credential (%)				
University	16	15	5	8
College	16	16	4	8
High school	46	46	43	46
Less than high school	22	24	47	38
Primary language (%)				
English	92	93	75	76
French	8	7	25	24
Number of people in household (%)				
1 person	16	19	13	13
2 persons	31	31	24	26
3 persons	23	20	24	23
4 persons or more	30	30	40	38
Number of people who contribute to household income (%)				
1 adult	34	37	35	35
2 adults	56	56	57	57
3 adults	7	6	6	5
4 adults or more	3	2	2	2
Number of years worked for last employer (%)				
Less than 1 year	20	16	29	28
1–2 years	14	14	9	10
3–5 years	24	26	17	18
6–9 years	21	22	22	20
10 years or more	21	21	23	25
Average years worked for previous employer	6	7	6	6

Table 7.3: Comparison of Mini-Survey Respondents with the Full Study Sample (cont'd)

	Displaced Workers		Repeat UI Users	
	Mini-Survey Respondents	Full Study Sample	Mini-Survey Respondents	Full Study Sample
Recall expectation (%)				
Did not expect recall notice	71	66	3	5
Expected recall notice, no specific date	18	21	73	65
Expected recall notice, specific date	3	6	17	23
Not sure	8	7	6	6
Average prior weekly insurable earnings (%)				
Less than $200	3	3	1	4
$200–$399	23	22	22	26
$400–$599	31	32	36	36
$600–$799	28	28	31	26
$800–maximum[a]	15	16	10	9
Average weekly insurable earnings ($)	554	558	551	519
Weekly UI benefit amount (%)				
Less than $100	2	1	0	2
$100–$199	17	16	13	20
$200–$299	30	29	37	34
$300–$399	25	28	29	24
$400 or more	26	26	21	20
Average UI benefit amount ($)	306	306	304	287
Number of UI benefit weeks (%)				
Less than 20 weeks	1	1	2	1
20–29 weeks	13	16	67	52
30–39 weeks	21	20	26	38
40 weeks or more	65	63	5	9
Average benefit weeks	39	38	28	30
Received severance (%)	34	31	na	na
Member of a union in last job (%)	18	21	26	38
UI renewal (%)	na	na	8	8

[a]During the sample intake period, maximum weekly UI-insured earnings increased from $815 in 1995 to $845 in 1996.

Among supplement group members in the full study sample, 73 percent of the displaced workers and 66 percent of the repeat UI users received an ESP orientation. Hence, the orientation rate for mini-survey respondents was somewhat higher than its counterpart for supplement group members in the full study sample. It is possible, therefore, that the mini-survey results overstate the level of ESP knowledge for the full supplement group. But this error is not likely to be large for two reasons. First, the orientation session was only one source of information about ESP and it was very brief (lasting only a couple of minutes when administered by phone). Second, even in the full supplement group, the percentage of members who received an orientation was quite high.

For repeat UI users, however, there was an especially large difference between the orientation rate for mini-survey respondents and that for the full supplement group. Hence, there is a greater chance that the mini-survey findings overstate ESP knowledge among repeat UI users in the full supplement group. Nevertheless, findings reported later in this chapter concerning the relationship between receiving an ESP orientation and knowledge about ESP suggest that the difference between these orientation rates would not produce a difference in knowledge about ESP large enough to change the basic conclusions of this chapter.

Table 7.4 also indicates that the overwhelming majority of mini-survey respondents were highly satisfied with the information provided by the ESP brochure. Nine out of ten respondents who recalled receiving a brochure felt it was easy to understand. A similar proportion felt it contained enough information about ESP. Likewise, a similar proportion felt it succeeded in explaining ESP.[6] Between eight and nine out of ten respondents agreed with all of these statements, whereas less than one out of ten agreed with none of them.

Table 7.4: Mini-Survey Respondents' Exposure to ESP Information Sources

	Displaced Workers	Repeat UI Users
ESP information sources		
Percent who received:		
A brochure	88	87
An orientation	81	86
An initiation[a]	10	3
Percent who received:		
A brochure & orientation	71	74
A brochure & initiation	9	3
An orientation & initiation	6	1
Percent who received:		
All of the above	6	1
2 or more of the above	76	75
1 or more of the above	97	99
None of the above	3	1
Brochure recipients		
Percent who thought it:		
Was easy to understand	94	91
Had enough information about ESP	92	85
Succeeded in explaining ESP	92	88
Percent who thought:		
All of the above	90	83
2 or more of the above	94	90
1 or more of the above	95	92
None of the above	5	8

[a]Includes only respondents who initiated a supplement *before* the mini-survey.

KNOWLEDGE ABOUT ESP

Overall, mini-survey respondents had a good working knowledge of ESP. Displaced workers were somewhat better informed than repeat UI users, however (see Table 7.5). For example, nine out of ten displaced workers and eight out of ten repeat UI users knew they had to work at least a minimum number of hours per week to receive a supplement. They also knew they could receive supplement payments only for a limited amount of time. Seven out of ten knew the month in which their job-search period ended. Furthermore, nine out of ten displaced workers and eight out of ten repeat UI users knew at least two basic ESP provisions, and virtually all respondents in both groups knew at least one of these provisions.

Table 7.5 also indicates that mini-survey respondents knew less about specific ESP details than about its basic provisions, which was to be expected. Nevertheless, they generally knew quite a bit, even about details of the program model. For example, five out of ten

[6]The mini-survey did not ask these questions about the ESP orientation.

respondents knew the exact number of weeks in their job-search period (26 weeks for displaced workers and 12 weeks for repeat UI users). Slightly more knew that to receive a supplement they had to work full time and they could receive supplement payments for up to two years. About six out of ten knew at least two of these specific details.

Table 7.5: Knowledge about ESP

	Displaced Workers	Repeat UI Users
Basic ESP provisions		
Percent who knew:		
The month by which they needed to find a job	69	71
They were required to work a minimum number of hours/week to receive a supplement	88	76
There was a limit to how long a supplement could be received	90	80
Percent who knew:		
All of the above	59	48
2 or more of the above	90	83
1 or more of the above	99	96
None of the above	1	4
Specific details of basic ESP provisions		
Percent who knew:		
How many weeks were in their job-search period	55	48
They were required to work full time to receive a supplement	67	59
A supplement could be received for up to 2 years	58	60
Percent who knew:		
All of the above	30	25
2 or more of the above	64	58
1 or more of the above	87	85
None of the above	13	15
Other ESP provisions		
Percent who knew:		
ESP provided extra money for becoming re-employed, but did not teach how to find a job	85	76
They could only receive a supplement for a job that paid less than the one that was lost	83	67
The supplement made up only part of any earnings loss	80	69
They could not receive a supplement for returning to their last employer	73	68
Percent who knew:		
All of the above	46	36
3 or more of the above	81	64
2 or more of the above	94	85
1 or more of the above	99	96
None of the above	1	4

The bottom panel of Table 7.5 provides further evidence that mini-survey respondents had a good working knowledge of ESP. Eight out of ten knew that ESP provided extra money for finding a new job but did not provide job-search assistance. Eight out of ten displaced workers and seven out of ten repeat UI users knew that they could receive a supplement only for a job that paid less than their previous one, and that the supplement was designed to make up part of a re-employment earnings loss. Seven out of ten respondents knew that they could

not receive a supplement for returning to their previous employer. Nine out of ten displaced workers and eight out of ten repeat UI users knew at least two of these additional ESP provisions.

KNOWLEDGE ABOUT UNEMPLOYMENT INSURANCE

To make an informed choice between trying to find a job that might qualify for a supplement or continuing to receive UI benefits, participants also had to know how UI works. To measure this knowledge, several questions about UI were included in the mini-survey. Table 7.6 summarizes the responses to these questions.

Table 7.6: Knowledge about UI

	Displaced Workers	Repeat UI Users
Percent who knew:		
UI benefits have a time limit	99	98
The length of their own time limit, within 10 percent	55	54
Their weekly UI benefit payment, within 10 percent	51	73
Their UI wage replacement rate, within 5 percentage points	23	31
They could earn some money while receiving UI benefits	80	82
Percent who knew:		
All of the above	10	11
4 or more of the above	38	48
3 or more of the above	68	82
2 or more of the above	94	96
1 or more of the above	100	99
None of the above	0	1

Mini-survey respondents had a clear understanding of UI, although repeat UI users were somewhat more knowledgeable than displaced workers.[7] For example, almost all mini-survey respondents knew there was a limit to how long they could receive UI benefit payments. In addition, five out of ten knew how long they could receive benefits, within a margin of 10 percent. Thus mini-survey respondents were well aware of the potential duration of their UI benefits.

Mini-survey respondents, especially repeat UI users, also were well-informed about the amount of UI benefits. Seven out of ten repeat UI users and five out of ten displaced workers knew their weekly UI benefit amount, within 10 percent. Hence, they knew quite clearly how much they could count on from UI while they were unemployed. However, fewer respondents knew the ratio of these benefits to their previous wage (their UI wage replacement rate).

Respondents were asked whether it was possible to work and receive UI benefits at the same time (which can be done by certain part-time workers). Eight out of ten answered this question correctly.

On balance, all respondents answered at least one question about UI correctly, almost all answered at least two questions correctly, and eight out of ten repeat UI users and seven out of ten displaced workers answered at least three questions correctly.

[7]This probably reflects repeat UI users' extensive past experience with UI.

REACTIONS TO THE SUPPLEMENT OFFER

As part of the mini-survey, respondents were asked how the ESP supplement offer might have influenced their job-search behaviour and whether they expected to take up a supplement. Table 7.7 summarizes their responses to these questions.

Table 7.7: Reactions to ESP

	Displaced Workers	Repeat UI Users
Percent who said ESP made them:		
Look for a job sooner	42	43
Spend more time each week looking for a job	44	48
Consider a new type of job	65	59
Consider a lower-paying job	77	71
Percent who said they were likely to take up the ESP supplement[a]	69	52

[a]Includes respondents who said they were very likely or somewhat likely to take up the supplement.

The main effect of ESP on the job-search behaviour of supplement group members was to broaden the range of jobs they were willing to consider. Far more survey respondents thought the supplement offer had affected the type of job they were willing to consider than thought it had influenced the speed or intensity of their job search. Responses of displaced workers and repeat UI users were quite similar in this regard. These findings are similar to those presented in Chapter 9, which are based on focus groups with a small sample of displaced workers.

Displaced workers were more likely than repeat UI users to expect to take up the supplement, however. This difference is consistent with numerous results presented elsewhere in this report, which indicate that displaced workers were far more interested in ESP than repeat UI users. Nevertheless, the percentage of both displaced workers and repeat UI users who expected to take up a supplement is many times greater than the actual percentage who did take it up (see Chapter 8).

EXPOSURE TO ESP INFORMATION SOURCES AND KNOWLEDGE ABOUT ESP AND UI

Mini-survey findings also provide an opportunity to examine the relationship between exposure to specific ESP information sources and knowledge about the program. The findings made it possible to explore the likely effects of each information source on ESP knowledge[8] and helped to validate the measure of ESP knowledge.

The first step of this analysis involved constructing ESP and UI knowledge scales from responses to the mini-survey questions.[9] The minimum score possible for each scale was zero points (no correct answers). The maximum score possible was 14 points for ESP knowledge and 10 points for UI knowledge. The mean value for ESP knowledge was 9.9 points and the standard error was 2.9 points. The mean value for UI knowledge was 6.3 points and the standard error was 1.9 points.

[8]Findings from these analyses are suggestive only because they are based on purely non-experimental data.

[9]These scales were created by Marc Lachance of Statistics Canada and were validated using factor analysis. A description of the construction of these scales can be obtained from SRDC upon request.

The analysis was based on a multiple regression model, which specified each knowledge scale as a function of exposure to the three ESP information sources plus selected individual background characteristics. One background characteristic, age, was measured as a continuous variable, in years. All others were measured as categories. Background characteristics with multiple categories were defined with a separate variable to represent each category, and one category was omitted from the model. This "left-out" category provided a reference point for interpreting the regression coefficients for the others.[10]

Table 7.8 presents the findings of this analysis. The first two columns list the estimated regression coefficients for the ESP Knowledge model and their respective significance levels.[11] The last two columns present corresponding findings for the UI Knowledge model.

Table 7.8: Factors Related to Knowledge about ESP and UI

Factor	ESP Knowledge		UI Knowledge	
	Coefficient[c]	Significance	Coefficient[c]	Significance
Brochure	2.04***	0.000	0.24	0.323
Orientation	0.89***	0.004	0.47**	0.033
Initiation	1.22***	0.008	-0.35	0.279
Repeat UI user	-0.89**	0.027	0.47*	0.093
Age (years)	-0.01	0.212	0.00	1.000
Female	-0.44*	0.078	0.29	0.100
Severance	0.34	0.284	-0.42*	0.057
High school graduate	0.59**	0.034	0.24	0.219
College graduate	0.57	0.176	-0.07	0.818
University graduate	1.33***	0.002	0.69**	0.018
Granby[a]	0.49	0.408	0.40	0.340
Toronto[a]	-0.71*	0.097	0.43	0.156
Winnipeg[a]	0.05	0.906	0.51	0.112
Saskatoon[a]	0.06	0.875	0.17	0.549
Halifax[b]	0.29	0.750	0.44	0.491
Moncton[b]	-0.33	0.447	0.46	0.130
Lévis[b]	0.81*	0.079	0.21	0.525
Intercept	7.86***	0.000	5.11***	0.000

[a] Site coefficients for displaced workers are relative to the left-out displaced worker site, Oshawa.

[b] Site coefficients for repeat UI users are relative to the repeat UI user site, St. John's. The St. John's site coefficient is equal to the repeat UI user coefficient.

[c] Regression coefficients are reported in terms of the ESP knowledge scale (ranging from 0 to 14 points) and the UI knowledge scale (ranging from 0 to 10 points).

Note: Dependent variables are indices of ESP knowledge and UI knowledge. There were 572 respondents. Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; and * = 10 percent.

The coefficient of 0.89 for the Orientation variable indicates that mini-survey respondents who received an ESP orientation had an average ESP knowledge score that was 0.89 points higher than those who did not, holding all other factors in the model constant. This represents a fairly large difference. In addition, the difference is highly statistically significant,

[10] People with less than a high school diploma was the category left out for the education indicators. Oshawa was the category left out for the displaced worker site indicators; St. John's was the category left out for the repeat UI user site indicators.

[11] The statistical significance of an estimate represents the conditional probability of making a Type-I error of inference (in this case, wrongly concluding that a true regression coefficient is not zero when, in fact, it is). The smaller the probability of making a Type-I error, the more statistically significant is the estimate. Thus, a regression coefficient that is significant at the 0.0001 level is far more significant than one that is significant at the 0.10 level. This is often called a p-value.

indicating that it probably represents a true difference, not a chance event due to random sampling error.

The regression coefficient of 2.04 for the Brochure variable is more than twice that for the Orientation variable. This indicates that mini-survey respondents who recalled receiving an ESP brochure scored 2.04 points higher than those who did not, holding all other factors in the model constant. This difference is quite large and highly statistically significant.

The regression coefficient of 1.22 for the Initiation variable is also large and statistically significant. It indicates that the few persons who had initiated a supplement before being interviewed for the mini-survey scored 1.22 points higher than others on the ESP knowledge scale, holding all other factors in the model constant.

Therefore, exposure to an ESP information source markedly increased knowledge about the supplement offer. This conclusion must be qualified, however, because the cause-and-effect nature of the relationships upon which it is based is somewhat ambiguous. For example, the interpretation of the positive coefficient for the Brochure variable is clouded by the fact that it is based on whether respondents remembered receiving a brochure, not whether they actually received it. (Some who received it could have forgotten.) Thus it is possible that mini-survey respondents who were more likely to remember the brochure were also more likely to remember information about ESP. If so, the positive regression coefficient for the Brochure variable overstates the actual effect of the brochure on ESP knowledge.[12]

The interpretation of the positive coefficient for the Initiation variable is clouded by the possibility that persons who were interested enough in the supplement to initiate one might also have been interested enough to learn and remember more about it than others. If so, the coefficient for the Initiation variable overstates the true effect of the process of initiating a supplement on knowledge about ESP.

The finding for the Orientation variable is arguably less ambiguous. First, there probably was a large element of chance involved in determining who received an orientation and who did not. Second, even if there were systemic differences between persons who were successfully contacted for an orientation and those who were not, there is no reason to believe these differences are correlated with previous knowledge about ESP. Thus, it seems reasonable to conclude that at least some of the positive coefficient for the Orientation variable reflects the true effect of exposure to an ESP orientation.

Regardless of the ambiguities found for each separate coefficient, the consistency and plausibility of the overall story they tell help to justify the belief that each information source had a separate, positive impact on ESP knowledge.

In addition, the fact that the *pattern of relationships* represented by these coefficients *helps to affirm the quality (reliability and validity)* of the ESP knowledge scale.[13] For all of the reasons discussed above, a positive relationship between exposure to an ESP information source and a "good" measure of ESP knowledge is expected. If no such relationships had been observed, this would suggest that the ESP knowledge measure was either not reliable (it contained only random error and, thus, did not measure anything), or not valid (it measured

[12]It is also possible that the coefficient for the Brochure variable understates this effect. This could have occurred if some respondents forgot that they had received the brochure, but remembered ESP information from the brochure.

[13]This argument represents a special form of "construct validation" for a measure, referred to as "convergent and discriminant validity."

something other than ESP knowledge).[14] It is therefore reassuring that strong and statistically significant positive relationships were observed. This suggests that the ESP knowledge scale is both reliable and valid.

The only other statistically significant coefficients in the ESP Knowledge model were those for education level. They indicate that ESP knowledge increased with formal education, which is quite plausible. For example, the coefficient for the High school graduate variable indicates that high school graduates (with no further formal education) scored 0.59 points higher than those with less than a high school diploma, controlling for exposure to ESP information sources and individual background characteristics. The coefficient of 0.57 for the College graduate variable indicates that college graduates scored about the same as high school graduates. The coefficient of 1.33 for the University graduate variable indicates that ESP knowledge scores for this group were much higher than those for any other educational subgroup.

There were few statistically significant differences in ESP knowledge across displaced worker study sites, and those that were significant were barely so.[15] This suggests that it is possible to conduct an earnings supplement program that provides the information required by participants who come from widely varying environments. A similar conclusion applies to repeat UI user sites.

Findings for the UI Knowledge model further suggest that responses from the mini-survey provided a valid measure of ESP knowledge. According to the model, repeat UI users were better informed about UI than were displaced workers (probably because repeat UI users have had more past experience with UI); but were less well-informed about ESP. This finding is consistent with what would be expected from valid measures of ESP and UI knowledge.

Likewise, there is a strong, consistent, and statistically significant relationship between exposure to all three ESP information sources (the brochure, orientation, and initiation) and knowledge about ESP, whereas there is almost no relationship between exposure to these information sources and knowledge about UI.[16] This is what would be expected if the two knowledge scales truly represent different forms of knowledge.

Lastly, the fact that the more highly educated respondents to the mini-survey (especially university graduates) were much better informed about both ESP and UI suggests that both scales indeed represent a form of knowledge.

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[14]A third possible interpretation of such null findings would be that the information sources had no effect on true ESP knowledge. Nevertheless, the potential biases discussed above suggest that even if these information sources had no effect, there could be two positive correlations if ESP knowledge were being measured properly. A positive correlation would be expected between recollection of receiving a brochure and a good measure of ESP knowledge, because persons who remembered the brochure were more likely than others to remember something about ESP. A positive correlation would also be expected between initiating ESP and a good measure of ESP knowledge, because persons who were sufficiently motivated to initiate a supplement probably knew more than others about ESP. Hence, even though these factors tend to cloud the causal interpretation of the observed relationships, they tend to strengthen the test of the quality of the ESP knowledge measure.

[15]In part, this might reflect the small mini-survey samples from each site. However, because the observed differences in ESP knowledge across sites were not large, there was simply no evidence of important site differences.

[16]The modest statistically significant relationship between exposure to the ESP orientation and UI knowledge is initially puzzling. However, during orientation sessions, displaced workers would sometimes ask questions about their UI claims and so become better informed about UI. An alternate possibility is that the statistically significant relationship occurred by pure chance.

Chapter 8:
Supplement Take-Up Rates

This chapter examines the extent to which persons who were offered an ESP supplement took up the offer, and explores possible factors that might have affected this decision.

Data on supplement initiation are complete at this time for all repeat UI users because their 12-week job-search period is over. However, when this report was written, similar data were not yet complete for all displaced workers because of their longer, 26-week job-search period. Thus, supplement initiation rates were projected for this group.[1] Nevertheless, because data for the first 20 weeks are available for 97 percent of the displaced workers, and data for all 26 weeks are available for 91 percent, these projections required very little extrapolation beyond existing data.

KEY FINDINGS

Findings for displaced workers indicate that:

- Sixteen percent are projected to take up their supplement offer by the end of their 26-week job-search period.
- Take-up rates will vary markedly across subgroups. In particular:
  - displaced workers who expect to be recalled by a previous employer will be less likely than others to take up a supplement,
  - those who are older will be less likely than others to take up a supplement,
  - those laid off from low-wage jobs will be less likely than others to take up a supplement, and
  - different sites will have different supplement take-up rates.

Findings for repeat UI users indicate that:

- By the end of their 12-week job-search period, 3.8 percent had taken up their supplement offer.
- Repeat UI users who do not expect to be recalled by their previous employer will be much more likely than others to take up a supplement, but take-up rates will not vary substantially across other subgroups.

Findings for both displaced workers and repeat UI users suggest that:

- Persons who initiate a supplement do so to offset a current re-employment earnings loss; few initiate one just to provide insurance against a future earnings loss.

[1]Incomplete "event history" data, such as those for supplement take-up by displaced workers, are often referred to as "censored data" (see, for example, Allison, 1984 or Yamaguchi, 1991).

Lastly, findings in this and other chapters suggest that:

- ESP probably will have no impact on repeat UI users.
- ESP might have an impact on displaced workers, but it is too soon to tell.

MEASURING SUPPLEMENT TAKE-UP

Before proceeding, it is important to note that *supplement take-up rates* are not the same as *supplement impacts.* Take-up rates simply measure the percentage of supplement group members who receive a supplement payment, whereas supplement impacts reflect the changes in their labour market behaviour which are caused by the supplement offer.

As indicated earlier, estimating supplement impacts will require comparing the labour market success of supplement group members (who were offered the supplement) and standard group members (who were not). Random assignment ensured that these two groups are alike in all ways except for this offer. Hence, future differences in their labour market success will represent valid estimates of the impact of the supplement — what it caused to happen. These estimates will be presented in a later report when follow-up data on labour market outcomes are available.

The fact that supplement group members received supplement payments does not necessarily mean that this affected their labour market behaviour. For example, they could have received a supplement payment for a job they would have taken anyway. Likewise, the fact that they did not receive supplement payments does not necessarily mean that this did not affect them. The supplement offer may have caused them to find a new job sooner, but this new job might not involve an earnings loss and, thus, would not qualify for a supplement. Therefore, except in extreme cases (for example, very low supplement take-up rates), the percentage of supplement group members who receive supplement payments might say very little about the impacts it produced.

The following are definitions of key terms for the supplement take-up analysis:

- The **supplement initiation week** is the first week of re-employment that qualifies a supplement group member to initiate a supplement. It is the week *for which* the supplement is initiated, not the week *in which* it was initiated.[2] Hence, supplements typically are initiated several weeks after they are "earned."
- The **supplement initiation rate** is the percentage of supplement group members who initiate a supplement.
- The **first supplement-receipt week** is the first week of employment *for which* a supplement payment is actually received, not the first week *in which* it is received. This is the same as the supplement initiation week, except in rare cases when someone initiates a supplement for a job that does not initially involve a supplementable earnings loss.

[2]The difference between these two points in time reflects three factors: the time between work that was done and payment was received for that work; the time between receipt of this payment and application for a supplement; and the time it took to process a supplement application.

- The **supplement take-up rate** is the percentage of supplement group members who initiated a supplement and received at least one supplement payment.
- The **cumulative supplement take-up rate** for a particular week after the start of their job-search period is the percentage of supplement group members who received at least one supplement payment for re-employment that occurred by that week, or earlier. For example, a 10 percent cumulative take-up rate for week 15 means that 10 percent of the supplement group members qualified for a supplement payment based on earnings received sometime during the first 15 weeks after the start of their job-search period.

Because the overwhelming majority of persons who initiate a supplement receive a supplement payment (one event almost always implies the other), take-up rates, rather than initiation rates, are presented in this chapter.[3] The take-up rate presented is the cumulative rate for the full job-search period (26 weeks after the job-search start date for displaced workers and 12 weeks for repeat UI users).[4] This rate equals the percentage of supplement group members who received *at least one supplement payment* for employment during their job-search period.[5]

SUPPLEMENT TAKE-UP DURING THE JOB-SEARCH PERIOD

Figure 8.1 illustrates the pattern of supplement take-up over time for displaced workers and repeat UI users.

As can be seen, displaced workers exhibited an initial burst of supplement take-up in their first week after random assignment, followed by a slow but gradual increase thereafter. The initial burst (a 3.2 percentage point increment) probably reflects the fact that some displaced workers already had a new job when their official job-search period began.[6] This could occur because it usually took several weeks before persons who applied to ESP could be randomly assigned.[7] If they found a job that qualified for a supplement during this period, they could begin receiving supplement payments almost immediately after being randomly assigned to the supplement group and starting their job-search period.

The slow increase in take-up thereafter (with weekly increments of half a percentage point, or less) probably reflects factors that kept displaced workers from becoming re-employed, such as inaction due to the shock of being laid off; lack of knowledge about new

[3]About 90.4 percent of the displaced workers and 71.7 percent of the repeat UI users who initiated a supplement received a supplement payment for earnings that accrued to them during their job-search period.

[4]The focus in this chapter is only on whether sample members received a supplement payment, not on the number of weeks for which they received one or the total dollar amount of payments they received. These other outcomes will be examined in a later report when adequate follow-up data become available.

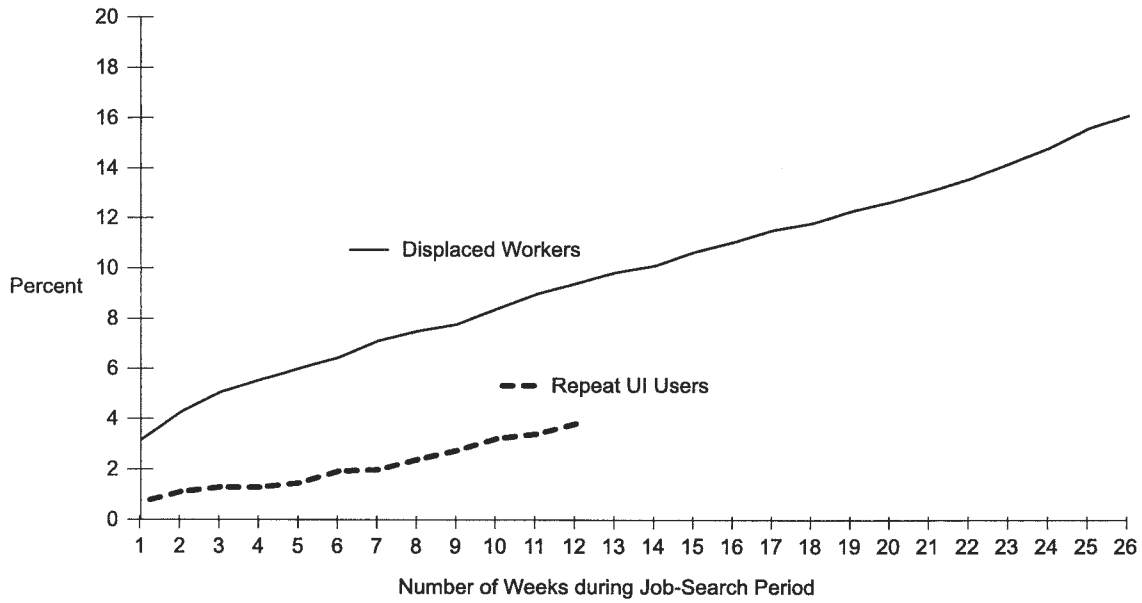
[5]Because a few supplement group members initiated a supplement without receiving a payment, the final supplement take-up rate may be slightly higher than the cumulative rate for the job-search period. However, because only persons who initiate a supplement can receive a supplement payment, the supplement initiation rate is an upper bound on the final supplement take-up rate.

[6]Supplement payments would be a "windfall gain" to people whose labour market behaviour was not affected, because they were already willing to take a lower-paying job without a supplement and were able to find one quickly. The supplement offer would increase the labour market success of those for whom the prospect of being randomly assigned to the supplement group increased the speed or probability of becoming re-employed.

[7]This delay reflects the time it took for ESP applicants to receive their first UI benefit payment and thereby meet the final eligibility criterion for random assignment. On average, this took about eight weeks for displaced workers and seven weeks for repeat UI users (see Chapter 4). When a UI claim was disputed, the delay could be much longer.

job prospects; a desire for time to reflect on future employment goals; difficulties finding new work because of limited openings and intense competition; or unwillingness to compromise expectations (at least initially) about what new jobs would be acceptable.

Figure 8.1: Projected Supplement Take-Up for Displaced Workers and Actual Supplement Take-Up for Repeat UI Users during the Job-Search Period



An increase in the weekly take-up rate toward the end of the job-search period was anticipated because the job search was expected to become more aggressive as the supplement "window of opportunity" began to close. But this did not happen to any appreciable degree.

For displaced workers, the cumulative supplement **initiation rate** for 26 weeks — the proportion of displaced workers who will register as having found a qualified job during the job-search period — is projected to be 17.7 percent. The cumulative supplement **take-up rate** for 26 weeks — the proportion of displaced workers who will initiate during the job-search period and also receive a supplement payment —is projected to be 16 percent. This projected 26-week cumulative take-up rate is lower than the projected initiation rate for the same week because some displaced workers will initiate after finding a job that pays the same or more than their previous job. These workers will only receive a supplement payment if their earnings subsequently fall below what they made in their previous job. This means that the 26-week cumulative supplement take-up rate must always be lower than the initiation rate for the same time period.[8]

The projections about the 26-week cumulative initiation and take-up rates can give important clues to what the final initiation and take-up rates will be at the end of the two-year supplement-receipt period. Because workers cannot initiate after their job-search period is over, the final initiation rate after two years must be the same as the 26-week initiation

[8]On average, displaced workers who took up the supplement in the first 26 weeks did so based on earnings received for employment during the 11th week after their job-search period began. The median was week 10.

rate — projected to be 17.7 percent. The final supplement take-up rate cannot exceed the final supplement initiation rate because only persons who have initiated can receive a supplement payment. In addition, the final supplement take-up rate at the end of two years cannot be lower than the supplement take-up rate at the end of the job-search period. Therefore, it seems reasonable to assume that the final supplement take-up rate *should* fall in the neighbourhood of 16 to 17.7 percent.[9]

The supplement take-up experience of repeat UI users was quite different; basically, there was very little take-up. Three-quarters of one percent received a supplement for earnings in the first week after random assignment. Thereafter, the percentage grew very slowly, so that, by the end of the 12-week job-search period, only 3.8 percent of repeat UI users had taken up a supplement.[10] The supplement initiation rate after 12 weeks was also low at 5.3 percent. As the data for repeat UI users are complete, these numbers are definite rather than projections. Therefore, it is certain that the two-year supplement take-up rate for repeat UI users will be between 3.8 and 5.3 percent.

FACTORS RELATED TO SUPPLEMENT TAKE-UP

This section presents an exploratory analysis of the relationships between supplement take-up rates and individual background characteristics to help explain why some individuals took up the supplement and others did not. For example, persons with little motivation to find a new job (who perhaps expect to be recalled by their previous employer) might be less likely than others to take up a supplement. Likewise, persons who experience an especially difficult time finding a new job (such as many older displaced workers) might be less likely than others to take up a supplement. Furthermore, persons who stand to benefit very little from the supplement (such as those laid off from a low-wage job with little margin for a re-employment earnings loss that could be offset by the supplement) might be especially unlikely to take it up.

Documenting the role of factors such as these can provide a better understanding of who might benefit from a re-employment supplement. This, coupled with findings about how the impacts of a supplement vary across subgroups (to be presented in a later report), could provide valuable information for targeting the approach if it were to become part of an ongoing national program. In addition, such findings could help to identify factors that limit or enhance the effectiveness of a re-employment supplement and, thereby, provide guidance for improving its design.

Analytic Approach

Factors that influence supplement take-up were identified using bivariate and multivariate analyses.[11]

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[9]However, it cannot be said that the final take-up rate *must* fall between 16 and 17.7 percent because these two numbers are only projections of the supplement take-up and initiation rates and, therefore, may be slightly different than the actual take-up and initiation rates.

[10]On average, repeat UI users who took up the supplement did so based on earnings during the sixth week after random assignment. Week six was also the median time of first supplement receipt.

[11]In all cases, cumulative supplement take-up rates are reported for the end of the 26-week job-search period for displaced workers and the 12-week job-search period for repeat UI users.

The **bivariate analysis** examined relationships between supplement take-up rates and individual background characteristics, *taking one characteristic at a time*. Bivariate relationships between take-up rates and age, recall expectations, past earnings, and so on, were examined. For this analysis, the sample was divided into subgroups defined by each characteristic. Then the take-up rate for each subgroup was estimated by the method used for the full sample of displaced workers and repeat UI users.[12]

The simplicity of the bivariate analysis limits its ability to identify cause-and-effect relationships. This limitation arises from the potential of any given background characteristic to serve as a proxy for others that might be the true causes of the observed variation in supplement take-up rates. For example, subgroups defined in terms of age might also differ in terms of the length of their attachment to a prior employer. If the second characteristic affects supplement take-up rates, part of its effect will be attributed to age in a bivariate analysis of differences in supplement take-up rates by age group.

The **multivariate analysis** examined relationships between supplement take-up rates and individual background characteristics, *controlling statistically for the other characteristics*. Hence, it can reduce the problem of one characteristic acting as a proxy for another. The standard technique used for this purpose is multiple regression analysis.[13] However, because it was necessary to analyse supplement take-up over time (event history data) for a sample with incomplete data, a special procedure called a "Cox regression" was used.[14] This procedure pooled all existing data on supplement take-up in the most effective way possible. Ultimately, however, this approach, and any other based on the available data, can only control for individual differences that were measured. There is no way to know whether its findings control fully for unmeasured differences that affect supplement take-up rates and are correlated with the background characteristics examined.

Bivariate or "subgroup" analysis is easy to describe but potentially misleading. Multivariate analysis is difficult to describe but potentially less misleading. Fortunately, almost all subgroup findings were consistent with their multivariate counterparts. Hence, this chapter presents the subgroup findings and broadly interprets them as if they were multivariate findings. (The multivariate counterparts are presented in Appendix G.) Note, however, that because of the limitations of both approaches, caution must be taken when interpreting cause-and-effect relationships based on their findings.

Findings for Subgroups of Displaced Workers

Table 8.1 presents findings for subgroups of displaced workers. With a few exceptions, these findings are consistent with their multivariate counterparts in Appendix G.

The first column in the table defines each subgroup. The second column lists projections of each subgroup's cumulative 26-week supplement take-up rate.[15] The third column presents

[12]The background characteristics examined were based on explicit hypotheses about their expected effects on supplement take-up behaviour.

[13]Because the outcome of interest is a binary variable (supplement take-up), a logistic regression or a probit model would be used instead of an ordinary least-squares regression.

[14]For a description of Cox regressions, also referred to as "proportional hazard" models, see Norusis, 1994, pp. 291–306.

[15]Because there is little difference between the 26-week take-up rates for displaced worker subgroups (as shown in Table 8.1) and their corresponding supplement initiation rates, there is little room for these rates to increase appreciably after 26 weeks.

the sample size for each subgroup. Asterisks indicate the statistical significance of differences in projected subgroup take-up rates within each category of subgroups.[16]

Table 8.1: Projected 26-Week Supplement Take-Up Rates for Subgroups of Displaced Workers

Subgroup	Projected 26-Week Take-Up Rate (%)	Sample Size
Full sample	16.0	4,081
Recall expectation***		
Did not expect recall notice	20.2	2,676
Not sure	16.0	284
Expected recall notice	6.2	1,103
Missing	—	18
Age***		
Less than 30 years	16.5	950
31–44 years	18.4	1,925
45–54 years	14.9	768
55 years or older	6.8	438
Average insurable earnings/week in last job***		
Less than $400/week	6.5	988
$400–$599/week	16.4	1,297
$600–$799/week	20.7	1,154
$800/week or more	21.7	642
Site***		
Granby	21.5	268
Oshawa	13.8	1,471
Toronto	11.7	882
Winnipeg	18.6	643
Saskatoon	20.9	817
Number of people in household***		
1 person	12.7	784
2 persons	16.0	1,238
3 persons or more	17.4	2,046
Missing	—	13
Number of people who contribute to household income***[a]		
1 adult	15.5	1,489
2 adults	17.5	2,187
3 adults or more	10.7	322
Missing	—	83
Gender*[a]		
Male	17.2	2,082
Female	14.9	1,999
Number of years worked for last employer[a]		
Less than 1 year	15.8	654
1–2 years	14.2	550
3–5 years	15.8	1,060
6–9 years	17.8	880
10 years or more	16.5	881
Missing	—	56

[16]Subgroup findings may be more or less pronounced or statistically significant than their multivariate counterparts, but the basic story is the same for all but three characteristics — number of people who contribute to household income, gender, and number of years with previous employer. Even for these characteristics, however, the subgroup findings did not differ appreciably from their multivariate counterparts.

Table 8.1: Projected 26-Week Supplement Take-Up Rates for Subgroups of Displaced Workers (cont'd)

Subgroup	Projected 26-Week Take-Up Rate (%)	Sample Size
Highest education credential* **		
University	15.4	587
College	17.9	632
High school	17.7	1,823
Less than high school	12.4	981
Missing	—	58
Received severance from last employer* **		
No	13.1	2,810
Yes	22.4	1,271
Member of a union in last job		
Union	15.8	854
Non-union	16.1	3,219
Missing	—	8
Average number of weeks of UI benefit entitlement* **		
38 weeks or less	12.0	1,369
39–42 weeks	17.9	1,901
43–50 weeks	18.4	788
Missing	—	23

[a]These subgroup findings are not consistent with their multivariate counterparts in Appendix G. Joint statistical tests of these variables found statistically significant differences in the subgroup analysis, but not in the multivariate analysis or vice versa.

Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; and * = 10 percent.

Note: The statistical significance of subgroup differences was estimated using a Wilcoxon test (see Norusis, 1994).

The first finding in the table indicates that the projected overall take-up rate for displaced workers is 16 percent. This means that 16 percent of the displaced workers who were offered the supplement will receive at least one supplement payment for work done within their 26-week job-search period. Now consider the subgroup findings.

Displaced workers who do not expect to be recalled by their previous employer are far more likely than others to take up a supplement.

The first set of subgroup findings illustrate how the supplement take-up rate varies with recall expectations. As can be seen, about 20.2 percent of the displaced workers in the supplement group who did not expect a recall notice and 16 percent of those who were unsure are projected to take up the supplement. In contrast, only 6.2 percent of those who expected to be recalled by their previous employer are projected to take up a supplement. Because only one out of four displaced workers expected a recall notice, the overall take-up rate for this target group (16 percent) mainly reflects the behaviour of persons who did not expect one.

There are at least two plausible explanations for this pattern of findings. First, persons who expect a recall notice may be more likely than others to return to their previous employer (their recall expectations may be well-founded). If so, they would not be eligible for a supplement. Second, persons who expect a recall notice may be less aggressive than others in their search for new employment. Hence, they would be less likely to find a new job in time to qualify for a supplement.

Older displaced workers are much less likely than others to receive a supplement.

Only 6.8 percent of the displaced workers who are 55 or older are projected to take up a supplement, whereas take-up rates for other age groups are projected to range from 14.9 to 18.4 percent. This difference probably reflects the well-documented fact that older displaced workers face impediments to re-employment that are far more serious than those confronted by others. They are less likely than others to become re-employed at all, and those who become re-employed often take longer to do so than their counterparts in other age groups. In addition, some older workers may decide to retire rather than accept work they deem unsatisfactory.[17]

Workers displaced from low-wage jobs are much less likely than others to take up a supplement.

Only 6.5 percent of the displaced workers who previously earned less than $400 per week are projected to take up a supplement. This probably reflects the fact that they cannot find new jobs that meet the requirements for receiving a supplement (jobs that pay at least minimum wage and provide at least 30 hours of work per week) and that involve a re-employment earnings loss that would justify a substantial supplement payment. Hence, they have little incentive (or opportunity) to take up a supplement.

Supplement take-up rates vary substantially across the five displaced worker sites.

The lowest projected take-up rate was 11.7 percent for Toronto; the highest was almost twice that — 21.5 percent for Granby. These pronounced differences are particularly noteworthy because they persist even when sample members' background characteristics are held constant statistically. Hence, differences in the types of displaced workers at each site (at least with respect to the characteristics examined) do not explain why different sites experienced different supplement take-up rates.[18]

It is possible that differences in local labour market conditions were the cause. Perhaps jobs were relatively more scarce in Toronto and Oshawa than in Winnipeg, Saskatoon, or Granby. If so, the re-employment prospects in Toronto and Oshawa would have been weaker than at the other sites. This possibility will be explored in future analyses when more extensive data are available.

It is also possible that differences in local practices at the Canada Employment Centres (CECs) in each site produced differences in supplement take-up rates. For example, staff at some CECs might have promoted the supplement more aggressively, or some might have more clearly presented information about the supplement. At this time, however, there is no evidence to suggest that such differences in administrative practices caused the projected differences in supplement take-up rates.

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[17]See Picot and Wannel, 1987, for a discussion of this problem in Canada; see Ross and Smith, 1993, for a discussion of this problem in the United States.

[18]The possibility that differences in the types of displaced workers at each site explain differences in supplement take-up rates will continue to be explored. Future studies will control statistically for a broader array of individual background characteristics. However, this is not expected to change the findings appreciably because the present multivariate analysis (see Appendix G) includes the factors expected to have the greatest influence on supplement take-up behaviour.

Displaced workers from households with at least three adults who contribute to household earnings are less likely than others to take up a supplement, whereas those from households with at least three persons are more likely than others to take up a supplement.

The first finding suggests that additional household members who provide a regular source of income reduce the immediate financial pressure on displaced workers to become re-employed. This, in turn, might reduce the aggressiveness of their job search, which could limit their chances of finding a new job in time to qualify for a supplement. The second finding suggests that living in a household with more people to support increases the urgency to become re-employed, thereby increasing the likelihood of finding a job in time to qualify for a supplement.

Men are slightly more likely than women to take up a supplement offer.

The difference in take-up rates for men and women is statistically significant, but not large (17.2 percent versus 14.9 percent, respectively).

Supplement take-up rates are not affected by how long displaced workers had been with their previous employer.

Take-up rates vary only from 15.2 to 17.5 percent for subgroups of displaced workers whose previous job had lasted anywhere from one year to more than ten years.

Displaced workers with less than a high school education are less likely than others to take up a supplement.

This might reflect greater difficulties experienced by this poorly educated group in finding a new job soon enough to qualify for a supplement.

Displaced workers who receive severance payments (about one in three) are more likely than others to take up a supplement.

This finding is somewhat puzzling. However, part of its explanation might be that nine out of ten displaced workers who received severance payments did not expect to be recalled by their previous employer. Hence, they probably were more likely to expect to gain something from the supplement. Nevertheless, even when recall expectations were held constant statistically, severance recipients were more likely than others to take up a supplement. Although this multivariate finding was much less pronounced than its bivariate counterpart, it is still contrary to the expectation that severance payments reduce the immediate pressure to find a job, and thereby tend to delay job search.

Whether or not displaced workers belong to a union has no apparent relationship to their supplement take-up rate.

This finding is also puzzling. To the extent that union members expect to be re-employed in a job comparable with their previous one (either through a recall by their prior employer or through union connections to other firms), they would be less likely than other displaced workers (who have no institutional ties to new jobs) to take up a supplement.

Displaced workers with the smallest number of weeks of UI benefit entitlements are least likely to take up a supplement.

This is contrary to the expectation that shorter UI benefit entitlements produce more pressure to find a new job quickly. Persons with the shortest benefit entitlements might be expected to be most likely to take up a supplement. On the other hand, shorter UI benefit

entitlements reflect less recent work history, which, in turn, might reflect greater difficulty in finding a new job that would qualify for a supplement.

Findings for Subgroups of Repeat UI Users

Because so few repeat UI users took up a supplement, their subgroup variation was far less pronounced than that for displaced workers. Nevertheless, there are several striking subgroup findings (see Table 8.2).

Repeat UI users who do not expect to be recalled by their previous employer (a small minority of cases) are far more likely than others to take up a supplement.[19]

This finding is directly parallel to its counterpart for displaced workers, and provides a potential explanation for much of the difference between the take-up behaviour of the two target groups.

The only repeat UI users for whom the ESP supplement appeared to hold any promise were the one-out-of-twenty who did not expect to be recalled by their previous employer. About 11.2 percent of these individuals took up the supplement in their 12-week job-search period. Displaced workers who did not expect a recall notice had only a slightly higher take-up rate (12 percent) after the first 12 weeks of their job-search period. In contrast, only three percent of the repeat UI users who expected to be recalled by their previous employer are projected to take up a supplement. Again, displaced workers who expected to be recalled to their previous job had only a slightly higher supplement take-up rate (3.5 percent) after the first 12 weeks of their job-search period.[20]

The difference between take-up rates for displaced workers and repeat UI users becomes very small once their recall expectations (and differing job-search periods) are taken into account. A large portion of the difference in the overall take-up rates of the two groups can be explained by the differing proportions of people in each group who expected to be recalled by their previous employers. Because nine out of ten repeat UI users expected to be recalled by their previous employer, very few members of this target group probably felt that the supplement was of value to them. In contrast, only one out of four displaced workers expected to be recalled by their previous employer. Hence, many more might have considered the supplement offer to be potentially valuable.

Older repeat UI users (those 45 and older) are less likely than others to take up a supplement.

This finding is similar to its counterpart for displaced workers, but is less pronounced. Older workers in both target groups are less likely than others to find new jobs, which has to occur for a supplement to be received. However, members of the two target groups probably have very different reasons for not finding new jobs.

Older repeat UI users might be especially risk averse, and therefore resistant to change. If they don't have to make a change, they won't. So they hold onto their seasonal or part-year jobs for as long as they can, thereby remaining unavailable for a re-employment earnings supplement.

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[19]Repeat UI users might not be recalled formally by their previous employers, but many expect to be able to return because they have done so for many years.

[20]The supplement take-up rate for all displaced workers in the supplement group is projected to be 9.4 percent after the first 12 weeks of the job-search period.

Table 8.2: 12-Week Supplement Take-Up Rates for Subgroups of Repeat UI Users

Subgroup	12-Week Take-Up Rate (%)	Sample Size
Full sample	3.8	1,707
Recall expectation[***]		
Did not expect recall notice	11.2	98
Not sure	7.8	102
Expected recall notice	3.0	1,494
Missing	—	13
Age[**a]		
Less than 30 years	5.9	272
31–44 years	4.3	859
45–54 years	1.8	398
55 years or older	2.8	178
Average insurable earnings/week in last job[*a]		
Less than $400/week	3.3	482
$400–$599/week	3.0	629
$600–$799/week	5.7	438
$800/week or more	3.2	158
Sites		
St. John's	3.2	760
Halifax	5.4	149
Moncton	4.9	430
Lévis	3.3	368
Number of people in household		
1 person	4.7	211
2 persons	3.8	443
3 persons or more	3.6	1,048
Missing		5
Number of people who contribute to household income[**]		
1 adult	4.7	592
2 adults	2.8	980
3 adults or more	6.9	116
Missing	—	19
Gender[**a]		
Male	4.4	1,107
Female	2.7	600
Number of years worked for last employer		
Less than 1 year	4.8	478
1–2 years	5.6	161
3–5 years	3.8	290
6–9 years	4.2	335
10 years or more	2.0	392
Missing	—	51
Highest education credential[*]		
University	3.1	128
College	4.6	131
High school	4.8	768
Less than high school	2.5	650
Missing	—	30
Member of a union in last job		
Union	3.9	664
Non-union	3.7	1,037
Missing	—	6

Table 8.2: 12-Week Supplement Take-Up Rates for Subgroups of Repeat UI Users (cont'd)

Subgroup	12-Week Take-Up Rate (%)	Sample Size
Number of weeks of UI benefit entitlement[a]		
26 weeks or less	5.5	600
27–32 weeks	2.4	589
33–50 weeks	3.5	513
Missing	—	5

[a]These subgroup findings are not consistent with their multivariate counterparts in Appendix G. Joint statistical tests of these variables found statistically significant differences in the subgroup analysis, but not in the multivariate analysis or vice versa.

Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; and * = 10 percent.

Note: The statistical significance of subgroup differences was estimated using a Wilcoxon test (see Norusis, 1994).

The supplement take-up rate for male repeat UI users is higher than that for females. This finding is consistent with its counterpart for displaced workers, although the difference in take-up rates by gender was not large for either target group.

Probable Impact of ESP on Repeat UI Users

As noted before, the final supplement take-up rate will be between 3.8 and 5.3 percent after all repeat UI users have completed their two-year supplement entitlement period. This final take-up rate will be so small that there is little chance that the supplement offer will induce any statistically significant change in behaviour. **Therefore, it appears likely that ESP will not impact repeat UI users**. Administrative data will be analysed to confirm this tentative conclusion and presented in a future report. However, given that any program impact is unlikely, it was decided not to conduct a survey of the full-sample study group of repeat UI users. Instead, resources were re-allocated toward a more general survey of repeat UI users to gain basic information about the demographics, employment patterns, and attitudes of this important group.

Chapter 9:
Talking with Displaced Workers

This final chapter is quite different from the rest of the report. It examines ESP from the point of view of the participants in the Displaced Worker study and explores their reactions to finding themselves unemployed. These displaced workers talked about how important it was for them to find work after learning of their job loss, their attempts to find new work, the kinds of jobs they expected to find, and the role that work plays in their lives beyond providing them with an income. These questions were addressed to gain a better understanding of what sample members actually thought of the supplement offer and the role it played in their efforts to find new work.

To explore these issues, a series of focus groups was conducted with displaced workers in Oshawa and Toronto in the Summer of 1996. These focus groups, held midway through the displaced workers' 26-week job-search period, represent the first stage of a longitudinal qualitative study of their experiences. A second set of focus groups, held after the 26-week job-search period ended, is exploring why participants did or did not take advantage of the supplement offer. In the third and final stage of qualitative enquiry, to be held after the close of the two-year eligibility period, participants who received the supplement will explore its impact on their overall economic and personal well-being, as well as their prospects for the future.

As discussed in Chapter 3, different research approaches are being used in the Displaced Worker and Repeat UI User studies to reflect the significantly different responses to ESP by displaced workers and repeat UI users. Future reports on ESP will contain the results of qualitative studies and surveys of repeat UI users. The remainder of this chapter forms the first part of a special study of displaced workers.

KEY FINDINGS

Generally speaking, displaced workers in the focus groups were devastated by their job loss and were affected not only financially, but also on a deep, personal level by becoming unemployed. Most had been with the same employer for many years, and so had little recent personal experience coping with unemployment. Finding a new job, and quickly, was very important to them. And, while they were unapologetic about receiving UI, in no way did they look upon it as an accepted element of an overall employment pattern.

By the time the focus groups were held, most participants had already concluded that they would need to be flexible about the kinds of jobs they considered, and ESP facilitated that response. The goal of ESP is to encourage participants to consider jobs they would not have considered in the absence of the supplement offer; what individuals said in these focus groups suggested that this goal was achieved. According to the participants, the main impact of the ESP offer was to make them broaden the scope of their job search. Individuals began to consider other areas of work previously rejected because of low entry-level pay. Most participants concentrated on finding their preferred jobs (i.e., jobs in their own field, with

equivalent earnings), but they looked on the supplement as a "cushion" or safety net to fall back on should other efforts fail.

Overall, the focus group discussions reflect evidence previously offered in this report and suggest the following:

- The supplement offer affects the job-search behaviour of a minority of displaced UI claimants.
- The supplement's main behavioural effect is to broaden the scope of jobs considered, rather than increasing job-search intensity or causing job search to begin earlier than it would have otherwise.
- The ESP offer is generally looked upon as a "last resort." Because of this, there could be a concentration of supplement take-up in the latter months of the job-search period.
- The offer might be most attractive to those with the greatest pressure to find work: claimants with dependants and limited sources of alternate income.
- An earnings supplement may be most attractive as a way to make the transition to a new field of work.

RECRUITING THE FOCUS GROUPS

Participants in the job-search focus groups were recruited from the cohort of displaced workers that had been randomly assigned to the supplement group in March 1996. Toronto and Oshawa were the chosen venues because the largest proportions of participants were found in these two locations. Two focus groups were conducted with supplement group members at each location, with participants selected on the basis of gender and education level. Because of the greater proportion of college- and university-educated participants in Toronto, one Toronto group was composed of individuals with higher education levels, and one of lower.[1] Nine individuals took part in each of the four focus groups, for a total of 36 participants: 18 female and 18 male.

Responses to a brief questionnaire completed by focus group participants at the time the groups were held revealed the following characteristics:

- most participants were married or living in a common-law relationship,
- their average age was 40 (although their ages ranged from 24 to 63),
- about half had children,
- most shared household expenses with others,
- most were unemployed at the time the focus groups were held, and
- about half were receiving UI, and just under two-thirds had received UI sometime in the past.

[1]In the context of a discussion about job-search experiences, education level can be a powerful status differential. Therefore, it was felt that the group dynamic would be better served by separating the groups based on education level.

In most respects, focus group participants resembled the larger samples from these two locations, with the exception that two-thirds of focus group members indicated that they had received a severance package from their last place of work. This contrasts with just over one-third of the larger sample who shared this experience.

THE RESEARCH QUESTIONS

In the two-hour discussion period set aside for each group, participants considered and answered the following question areas:

- why they lost their jobs and their reactions to being unemployed,
- how important it was for them to find work when they became unemployed and the reasons behind their response,
- their expectations about finding work — how long it would take, the kind of work they expected to find, and how reality might have changed those expectations, and
- their feelings about the supplement offer and the role it played in their job search.

It wasn't always easy for the women and men in the groups to talk about their situations. Many were very worried about their future prospects, and many were hurt, angry, and confused about losing the jobs they'd held — in many cases, for years. Indeed, work fulfilled many needs beyond those that were purely economic, and participants who hadn't yet found work were anxiously searching for employment. By the time the focus groups were held, many had given up on earlier hopes of finding a job that would give them the same financial or status benefits they had previously enjoyed. However, while this might have been expected to have raised the salience of the ESP offer, this was true only for some participants.

REACTIONS TO BEING UNEMPLOYED

What happens to someone when they become unemployed? What emotions do they experience and how does this affect their outlook on finding new employment? How important is it for them to find new work and what factors influence their sense of urgency?

Hearing the News

Participants attending the four focus groups said they had lost their job for two main reasons: just over half (19 out of 36) said their companies had downsized to cut costs; one-quarter (9 out of 36) said their companies had restructured and, in the process, eliminated their positions.

Learning of their job loss produced different reactions. If the layoff was handled insensitively, or there was some perceived injustice involved, individuals were angry. If they'd been expecting the layoff, had a substantial severance package, or were fairly certain of being recalled, they reacted with equanimity. Some were even relieved when the news finally came. As one participant told us:

> *Like this weight was lifted off my shoulder. We had known since September that there was going to be a lot of us going; we just didn't know who. Things had been going really weird at work . . . I had been looking for quite a long time for*

another type of job but I couldn't make that commitment of UI or anything [sic]. I couldn't go off or quit until I got another job.

There were others who experienced their layoff as a catalyst for change in their lives, and viewed their unemployment as a challenge:

Things had been boiling up and it really forced me to remove myself from the situation that I had been unhappy in for a long, long time, and to look for new challenges . . . Sometimes you need that little push out the door in order for you to sort of clear your head and regroup for battle.

Most participants, however, were devastated to learn of their impending unemployment. Losing their job put them in a state of shock, anxiety, and fear. Teresa had read about the closure of her company in the newspaper: "I just kind of sat there and said, 'Oh my God, here we go!'" Similarly, Jane's story that, "I went to work Sunday morning and I was told I no longer had a job," was not uncommon. Colleen said, "I walked into work, lunch bag in hand, and punched in. The manager called me into the office and told me he'd have to let me go after 14 years. End of story."

For these women, and for many of the other participants attending the focus groups, their shock stemmed not only from the fact that their layoffs came without warning, but also because they had held their jobs for years, and had expected to hold them well into the future. Jane exclaimed, "That was it. After six years!" Julie, in Toronto, said that she and her fellow employees had known the company was in financial straits, but it still had been a shock to be told, by telephone, "Don't come in tomorrow." She added that most of her fellow employees had been with the company for about 30 years; in her words, they were "long-standing employees with obligations." In fact, being unemployed had been especially difficult for many of the older participants, who suddenly found themselves with time on their hands after a lifetime spent working: "I've been working for 40 years. I've always worked." Or, as Sarah pointed out, "I mean I'm 57; I'm not 67, or 77, so I've still got work left in me."

Many individuals — particularly those who did not receive severance packages, or had lower education or skill levels — were filled with anxiety about how they and their families would make it through this time of financial crisis, and their chances of finding a decent job in the future. Several worried that they were too old to get any good jobs, or even to compete with others for entry-level or other low-skill positions. Julie, for instance, was full of fear about her ability to look for a job and find meaningful work:

I was not really even in any shape to go out and look, I hadn't looked for a job in 20 years, I didn't know how to go about it, I didn't have a résumé, I wasn't exactly sure what I wanted to do or what I could do. I couldn't just go out and take anything and spend three weeks there or a month there, just for the money . . . because I wanted to get back into a job that would be a career, not just something.

Older participants in the focus groups cited their age as a potent barrier to their re-entry into the workforce. As Patricia said, "I'm at the age limit, they really don't want me. I'll be 64 in November. They hear the age and then they just look at you: 'What are you looking for?'" Similarly, Ada told us: "At 61, what am I going to do? Who's going to hire me?" Lori was slightly younger than either Patricia or Ada, but knew there were no jobs in her field, and that to find work she was looking at a career change that, at her age, would not be easy. A few others worried because they felt their skills were limited and not particularly transferable.

Sarah, for instance, had worked in a laundry for 20 years until she was afflicted by Carpal Tunnel Syndrome. In her 50s, she worried about her limited skill and education levels, as well as having to compete with younger workers. She said, "It's just so hard, and I feel as though . . . I want work but I don't know what to do about trying to get work."

For some, the shock or fear they had experienced at being unemployed was accompanied by an often debilitating depression that prevented any immediate action to remedy their situation:

> *For about a month and a half I was too paralysed to do anything or look for a new job because I had been with this one company and it was like the family company for so long. I really wondered how I would fare in a new job in a different environment.*

Regan told us he had also been "depressed" by the loss of his job and his inability to find work. He said that after six years with the same agency, he had forgotten how to look for a job. At the time of the group, he was still unemployed and told us: "I feel like I'm not contributing. I'm not doing anything; I'm a nobody; I'm a nothing and, after a while, the days just run together." Being at home was equated by several participants with boredom, inactivity, and meaningless time. Tracy told us that after years of intense involvement in her work, she now knows "every channel on the TV," a fact that doesn't give her any pride. In fact, Tracy said that for a long time she had remained locked in her misery: "I was crying; I was a wreck; because seven years of my life was gone. I didn't know what to do, and I had no severance pay."

And finally, several participants, particularly in Oshawa, said their "biggest fear" was the possibility that, if they did not find work, they would end up on welfare. ("Like I've given up a lot in my life but I've hit rock bottom when I have to go to welfare.")

THINKING AHEAD: THE IMPORTANCE OF FINDING NEW WORK

In view of how devastated these individuals were at losing their jobs, it was not surprising to learn that most — particularly those living in the Oshawa area — attached a great deal of importance to finding a new job, and finding it as soon as possible. Pressure to pay off outstanding debts, or support ongoing family obligations and expenses, drove this urgency for many. But getting back into the workforce was also integral to their self-identity, and brought meaning and purpose to their lives.

Those who cited financial need talked about the sacrifices they had made, and worried about using up savings. Colleen and her husband had just bought a house in Oshawa, and her husband, an autoworker, had recently been laid off when she received her own layoff notice. Although her husband was recalled, Colleen had yet to find work; so, to pay the mortgage, they took in boarders. Similarly, Daniel, a boilermaker from Oshawa who lost his job in a plant shutdown, said: "I've got four kids that aren't working. My wife works only part time, so what has happened was [that] we relied on our savings and they're going fast, and I'm still out of work."

While the need for money provided a very real pressure to find new work, the non-economic benefits of working were seen as being equal, if not greater, in importance. Work gives their lives meaning and purpose ("I like to get up in the morning and know that I have

somewhere to go"), and makes them feel needed and connected to others. Nancy, a secretary, said her self-image "is very tied up in working, in contributing to a teamwork environment." Tracy told us that the people she had worked with were "like my family."

Comments from participants in these focus groups indicated that their self-esteem, confidence, and sense of who they are and what they value is tied to the fact that they spend much of their time as employed members of society. For instance, Keith, a member of the more highly educated group in Toronto, said he needed to work to "pay the bills," but added that this wasn't the only reason finding work was important:

> *You tend to be a little bit defined by our jobs. Just the fact that you can go out and say, for example: "I'm a graphic artist," or "a planner," or whatever. You meet people at a cocktail party, or wherever, and [say] "this is what I do: I collect pogey!" It doesn't work.*

The status conferred by work was also important for Luis, laid off from his job as a lab technician. He said, "If I stay home, I'm going to end up like a housekeeper!" Participants viewed work as an integral part of their self-identity — work is what they do: "I've been working for 40 years. I've always worked."

Several participants also said it was important for them to get back into what they perceived as a competitive market to keep up their skills and remain marketable. And, finally, while family and friends were generally seen as supportive, at times their continuing interest and concern became themselves a pressure — occasionally quite direct — to find work. For instance, Troy said his inaction and boredom at home was "killing" him but was having an equal effect on his wife, who told him: "Find a job or *I'll* kill you."

This sense of urgency was not, however, shared by about one-third of those who attended the groups: individuals who talked about having other income options, like severance packages or unemployment insurance. Andrew had severance to rely on and said he wanted to take some time to look at other areas of work. Rose had a boyfriend who had his own business and she knew she could find work with him. For others, a promise of recall, if only verbal, was enough to allay anxiety about getting back to work — unless the promise ultimately fell through. Leslie, for instance, thought she was looking at a "month-and-a-half vacation" when she was laid off from her job; however, at the time of the focus group, five months later, she was still looking.

Several individuals said that, as time went on and they did not find work, or, as in Leslie's case, did not get recalled, the degree of importance they attached to finding work increased. Dennis said that when he and his wife started having to dip into their savings and investments, his wife said, "I don't care what it is; I don't care what you do. Just find work."

FINDING WORK: THE ROLE OF EXPECTATIONS

When these individuals lost their jobs, what did they think their chances were of finding the same kind of job they'd had, and of finding it quickly? How hard did they look for work, and what strategies did they use to get jobs? When a gap appeared between their expectations and reality, how did that affect their job-search behaviour and their willingness to consider alternative strategies?

Nearly everyone said they had actively searched for jobs. ("I sent out over 30 résumés, I think!") They said they had used a variety of search tactics, including networking, using the computerized job bank at the CEC, distributing résumés, making personal visits and follow-up phone calls, and using placement agencies and job-search resource centres. In addition, all groups felt it was important to be able to project confidence during interviews with prospective employers.

All groups shared the conviction that networking made finding a job easier, and it appeared that most relied on this strategy as an essential part of their job search. This included talking to friends or former co-workers or, when they had expected layoffs, letting other people in their industry know that they would soon be looking for work and would appreciate news of any potential hiring opportunities.

Visiting the CEC to browse the computer job bank was seen by most as an undesirable and not particularly useful activity because "there are jobs listed there, but there aren't that many, first of all, and there are hundreds of thousands of other people glancing at the same data that you are." Mike was particularly negative about using this method: "It's awful, and it's a very cold and disgusting environment."[2] In contrast, Jerry had found looking at the job bank "enlightening" because after being at the same job for 20 years, it made him aware of the changes occurring in the workplace: "It was sort of like the world's passed me by here!"

About half of those attending the groups had thought they would find a job quickly — at a maximum, within three months. But, at the time the focus groups were held, about five or six months after applying for UI benefits, most were still looking for work.

Not surprisingly, participants thought it was tough to find work these days, certainly tougher than any previous job-search experiences they might have had.[3] Mark, who was still looking for work at the time of the group, said: "I've never had a problem getting a job. I've always gone in and talked to the manager. I've never had a second interview; I've always been hired on the spot." Similarly, Tracy, who'd been searching for five months at that point, told us: "A long time ago, before I moved from Peterborough to Oshawa, it only took me a month to get a job, so I figured . . . I'll just get out there and I'll find one right away." Participants thought the labour market had become much more competitive. ("I think there's a smaller pool of jobs than there used to be, and there's a bigger pool of applicants.") Rose, who was looking for secretarial work, said: "I got one response, I have to laugh. It was just an ad in the paper, and I was shortlisted with 50 other people! Out of 800 applicants!" However, while the hiring environment seemed more competitive in areas such as clerical and nursing jobs, and in social agencies downsized following government cutbacks, members of Toronto's more highly educated group — mostly professionals — also shared this sense of competitive pressure. Certainly it was a situation with which Keith, who had been a sales manager in an investment firm, could relate:

> *I thought, you know, I'm reasonably intelligent, I can get along with people, I have a reasonably good skill set, and I really truly believed that I'd have a job in*

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[2]Part of this reaction may have stemmed from the fact that participants perceived this as a method of monitoring their job-search efforts by HRDC staff.

[3]Because of this, it was suggested by several participants that ESP's 30-hour minimum work week criterion was unrealistic and did not reflect the fact that most new jobs involve part-time, temporary, or contract work. Similarly, it was suggested that six months was not enough time to mount an effective job search, and could be an additional source of anxiety. In contrast, a few participants in the more highly-educated Toronto group suggested that the period was possibly too long, that it needed to be shortened in order to "kick start" people.

short order. What was the comedown was that there were 10 other people who were equally bright, or brighter, and who were looking as well.

Maya, from the same Toronto group, said, "I didn't think there was that many graphic artists out there, but apparently there is." Chris, also from that group, had thought that even if he couldn't find the same kind of regular full-time work with benefits that he'd had before, he'd at least be able to find a contract job; but, he said, "everybody's going after contract jobs too. Everybody's going after everything." Participants with limited, specialized, or outdated skills felt particularly threatened. As Jerry told us:

Everything's computerized these days, and I don't have those skills. That's where all the good jobs are: technology. You need training; they look for a lot of education, or else you can drive a delivery truck for $5 an hour. Those are your choices.

The situation is especially grim for older workers like Maya, the graphic artist mentioned earlier. Maya told us she had set her sights considerably lower in her search for new work: "I've gone after everything from hardware shops to [a] bakery — just anything — but they're all part time, minimum wage." Maya felt disadvantaged due to competition from younger workers, even for these kinds of jobs.

Virtually all participants said relocating was not an option, for reasons that included having children in school or a spouse with a secure job. The vast majority said they had altered earlier expectations that they would find jobs equal in pay and substance to those they'd held. Very few stuck to earlier convictions to wait until they had the "right" job. Keith, for instance, told us he had responded to an advertisement for a lower-status job simply to gain interview experience but, he said, "Lo and behold, it was the only job opportunity that came up, and it was for considerably less pay. It's like you take what you can get."

As the following sample of responses taken from across the focus groups illustrates, most participants were considering or were already actively looking for jobs outside their chosen field — jobs that paid less money than they'd previously earned :

When I was first unemployed (about five months before), I wanted to get the same level, same pay, or higher. Those were my expectations. But, as time wears on, I am willing to accept less. I've always had benefits, so that would hurt not getting them, but, as it comes to nearing the end of my unemployment, I would take a job for less money and without benefits.

I realized I had to change my expectations because I realized that that's what gears what you find.

I knew there could be possibilities of similar positions . . . And I've been keeping my feelers in there, but maybe not with as much enthusiasm as I did previously, and know pretty well that I had to find somehow, somewhere, to get me into some other directions.

I probably won't find a job in nursing. I'm going to have to take a position in maybe some other sort of social service type setting, where I can apply some of the knowledge I have, but I won't be paid the nursing salary when I do find work . . . I think that maybe that's what I'm going to have to settle for.

One would expect that lowered job expectations, coupled with an increasing urgency to find work, would signal a heightened receptivity to the supplement offer presented by ESP.

However, while the offer was seen to be attractive, only about one-third of those attending the focus groups considered it a major motivating factor in their job search.

ESP AND THE SUPPLEMENT OFFER

When individuals received the eligibility letter telling them they had been selected to be in the supplement group, how did they respond? Did the knowledge that they did not have to wait until they found a higher-paying job propel them back into the workforce faster? Did it broaden the scope of their search, or otherwise increase their sense of flexibility? Were they able to approach their job search with renewed confidence and, hence, renewed vigour? Or, was the offer even on their minds while they were looking or not looking for work, and did they understand what it was they were being offered?

As discussed in Chapter 7, most participants did understand the offer, but responses made in the focus groups suggest that awareness varied according to the importance placed upon the offer. There was also a difference between what they understood the day they applied for ESP, and what they understood after receiving the eligibility letter and a follow-up phone call from the ESP Payment Office.[4]

Taking them back to their first contact with ESP — the day they applied for UI benefits — participants, particularly those in Oshawa, said they had been pleasantly surprised to hear about the potential supplement offer. Tracy said, "I thought it was very different. I was quite surprised that you would go down to apply for UI and you would be offered a supplement to go to work." Similarly, Kerri expressed surprise that the government was actually offering this kind of incentive: "All the cutbacks that are going on? That they're actually putting something into society? I was stunned." Several others in Oshawa said they could see that the supplement could help their upcoming job search, and that they were hopeful that they would be selected for the supplement group. As Ann told us: "I wasn't too sure that I was going to qualify or not, but I was crossing my fingers that I would get a letter saying I had and I was really pleased that I was chosen."

Toronto participants were more sceptical. Teresa received nods of agreement around the table when she said it was difficult to believe that the government would give you anything: "You're thinking, 'You've got to be kidding me! Why do they want to offer me this extra money? There's got to be a trick here!'" Several other participants said they had filled out the forms but then put it out of their mind, thinking that it wouldn't apply to them because of reasons such as they would be making too much money or be too old.

A few participants in both locations said that, when they were given the forms, they saw them as just that — forms. Jason said that he had paid absolutely no attention to what he was filling in when he applied for ESP. He had been given the ESP application to complete after he had filled out his UI forms, and his only reaction was to think: "Christ, I'm going to be here all bloody day!"

The fact that they were in that particular environment, at that particular time in their lives, had a great deal to do with how much attention they paid to the offer. Several participants said they felt their reaction to ESP was definitely influenced by the feelings they were

[4]Most participants recalled receiving this phone call, in which they were often provided a brief ESP orientation and given an opportunity to ask questions.

experiencing that day, feelings that included not only depression and anxiety, but also anger and resentment toward the UI system and its representatives. The following comments provide a sample of those emotions:

> *I was bawling. I was bawling.*
>
> *I was pretty down.*
>
> *I was just hoping it wouldn't take too long to get it through, especially in January right after Christmas.*
>
> *The only thing I felt was I saw five people in the line in front of me and I figured I'm in a government office, I'm here all day.*
>
> *[Just] going through the system. Like I knew what to expect.*
>
> *When I was standing there I was very angry at my boss. That was all I could think of.*
>
> *It's the first time I've ever collected unemployment and I thought to myself, "Boy, it's just like, I don't know, like you have to go down on your knees to get this money that's kind of due you in a sense."*
>
> *I'm looking around and looking at all these people, and I'm going, well, not trying to be snobbish but, "I'm one of them? I'm unemployed?"*

Strong emotions clouded the minds of many on that day, and made it very difficult for them to concentrate on anything but their misfortune. In fact, a suggestion put forward in several of the focus groups was that ESP's early salience would have been greatly increased if the message had been delivered on a different "channel" and at a different time.

In addition, staff turnover, heavy workloads, and research constraints on the amount of information delivered at the time of ESP application[5] may have resulted in complaints by several participants that CEC staff had given them little encouragement and far too little information. In one case, a participant complained that he would not have known about ESP had he not picked up a brochure and application form left in the CEC waiting room. On the brighter side, there were also participants who said their interest in the project had been kindled by CEC staff enthusiasm and encouragement. And, those whose interest motivated them to read the brochure provided the day they applied for ESP said the information was comprehensive and accessible: "Well it had the question you were asking with the answer right underneath, in English, not government talk."

Whatever their initial reaction, by the time the focus groups were held, early feelings of scepticism and disbelief seemed to have disappeared. Several participants said their interest and comprehension had been stimulated by the letter they had received informing them of their supplement group status. Kerri, for instance, said it wasn't until she got her letter that she actually sat down and read all the documents "and then I realized." Jason, who earlier said he had paid no attention to the forms on that day, told us that when he received his eligibility letter, and actually paid attention to the information included in the accompanying brochure, it "perked" him up. He said, "Now I'm kind of interested in it."

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[5]Because, at this point, claimants enrolling in ESP still stood a 50 percent chance of being assigned to either the standard or supplement group, staff were asked to emphasize that ESP was a study and not to discuss in detail the rules guiding supplement receipt (see Chapter 4 for an expanded discussion of the ESP enrolment process).

Overall, the supplement offer was perceived by those attending the focus groups as offering three kinds of benefits: financial support, personal support, and support for various employment strategies.

Financial Support

Not surprisingly, ESP was seen by many as a means of bridging the earnings gap that could occur in the absence of higher-paying jobs. It was seen as a way for individuals to make a transition to a lower-paying job without too great a sacrifice to their standard of living. In Leslie's words:

> *You made a certain amount of money and you got used to it, paid your bills, and that's what you lived on. And now, if you have to take a pay cut, you say, "Is that going to cover my bills? Am I going to be able to live on that?" But with this program, you say, "Well yeah, I can. I'm a little better off than if I didn't have it."*

David said this was exactly the scenario he was facing:

> *I was earning way more than the max earnings, so I would be taking a huge step down in pay before I was able to benefit from ESP. But what I plan to do in the next few months, I may have to enter at a pretty low wage for maybe half a year. That will help.*

Similarly, Luis said, "In other jobs I see, it's $8 per hour and it's 'Are you crazy? I used to get $14. I don't want to accept $8 to $10 an hour now.'" Luis said now he can consider lab work that would pay him $8 per hour.

Personal Support

Participants also talked about the supplement offer as something that increased their confidence and self-esteem, provided them with a sense of hope for the future, decreased the pressure to find a higher-paying job, and gave them a sense of institutional support — often expressed in quite personal terms. Interestingly, while the majority of comments made in reference to ESP's financial support were offered by men, most comments made about ESP as a source of personal support were made by women.

For several participants, knowledge of the supplement offer took much of the worry out of their job search — it provided a cushion or, as Paul said, a "back up" should his current plans not pan out. For instance, Lori felt fairly certain she would not find a job in her field of nursing, but said that knowing that she could always get the supplement meant "You don't have to worry as much." Mary said that ESP "takes the pressure off" the fact that her current contract would soon run out. Keith said that, for him, ESP provided a "comfort level." Others talked about how knowing the supplement offer was there added confidence to their job search and their future.

Several individuals attending the groups focused on the connection between the supplement offer and the agency making the offer. They were pleased that the government had made such a program available and were encouraged by the support indicated by this gesture. David said he felt "there were a lot of programs that were around, including ESP, for the asking." He added, "This was one of maybe three or four possibilities that are available through the employment centre, and a good one." Patricia, describing ESP as "excellent," also saw it as part of an overall improvement in CEC services and attitude: "I mean I was

very embarrassed, but the encouragement was there for you to go out and find a job, where before, you came out of there depressed." Regan's praise was more grudging. ESP made him feel "hopeful" because "the government's actually trying to do something for me for once."

For some, the source of this unexpected offer took on a more personal face. Tracy described her happiness upon learning of her supplement group status: "When I finally got it, I was so happy. It felt like an opportunity. It was like somebody out in the world cared, and I was all excited about it." This sense that the supplement offer meant that "somebody" cared was echoed by others like Colleen: "It was just very nice to think that someone else was willing to help," and Andrew: "It's nice to know that you could settle for less and somebody would actually support your move."

ESP's benefits in terms of boosting confidence, maintaining dignity, and decreasing worry were also mentioned by several participants. For instance, Patricia, an older woman who was very worried about her ability to compete with younger workers, said: "Well yeah. If they offer you six bucks an hour, you don't feel so bad. You don't have to turn it down because you know you'll get the extra and I think it's worth it. I think it's excellent." Knowing that the supplement would raise his income close to what he was making before gave David the confidence to invest his savings in an expensive training course. And, for Mary, confidence came from just knowing that if it "came down to the wire I could walk out and just get a job and say 'that's just fine, I can do this' and know that I could still maintain or look after the bills I have to look after."

Support for Employment Strategies

Knowing that they could be possibly supplemented for lower-paying work allowed many participants to consider a wider range of jobs than they would have considered without such an offer. In addition, a few individuals acknowledged that the offer had acted as an incentive for them to return to the workforce more quickly and that, because they could offer their services for less, it increased their competitiveness in the job market.

Several saw the offer as something that increased their job flexibility, not just because they could consider jobs that paid less, but also because it might provide an opportunity to enter another field of work. As David said, "I might get a job faster, and it might be a different job." Although Julie lamented that training was not an element of this offer, she pointed out that the supplement would most certainly be an incentive "if what's holding you back is that you're not being paid the same." Similarly, Regan told us:

> *I think with me, I look at more jobs now than I probably would have looked at before, thinking, "Well I couldn't afford to live on that," or "It pays so low, what's the point?" But now that there's this, I can think, "Well, maybe I'm not going to make what I made in my old job but this will make up a good part of it," so I'm looking more widespread now.*

The opportunity to receive the supplement also spurred some to search with renewed vigour and determination. Ann said that knowing her job-search deadline was ahead — even though it was still three months ahead — meant she was "racing against time" to find a job that would qualify. Tracy said learning that she had been selected for the supplement group had lifted her out of a state of self-pity, and motivated her to "search for anything" knowing she could find something that would be personally satisfying.

There were also several individuals who associated the supplement offer with a means of increasing their own competitiveness and marketability by being able to offer their services for less than they could have otherwise. As Jill explained:

> *Because I think that's one of the problems too is that when I go for an interview they can just hire someone for a lot less than I'm asking. So now I'm considering that I may have to go down a little bit and, with the supplement program, maybe it won't be so bad.*

David was quite enthusiastic about this strategic approach:

> *I know I'll be entering into an entry position and it could be a hurdle. If I can tell whoever is hiring me that you can hire me for this, and I'm quite happy to work for the next "x" months, I think that's going to open up a number of doors that would otherwise be shut . . . Don't tell him it's because of ESP!*

Kerri said her ability to use the offer in this way actually made her feel "valuable." When asked why, she said, "because it would make me marketable and, therefore, that gives me value."

Finally, there were a few participants who could see a value in using the supplement as a means of subsidizing an ongoing job search. Jerry felt this was the main incentive offered by ESP. He said, "If you're sitting at home for six months [and] you're not finding work, it might be an incentive just to get out and do something while you're looking for something better." Similarly, Lori said, "It's good while I'm getting my feet wet in whatever job I can get, and see if that works out," and Teresa thought the supplement would give a person "a year to sort everything out and find something [good]."

Importance of ESP in a Job Search

Almost everyone could see ways in which the supplement offer might benefit someone in their job search, and many suggested that, if nothing else, just knowing the offer was there gave them an important psychological cushion and allowed them to at least consider jobs they might not have considered previously. About one-third of those who attended the focus groups told us that the supplement offer played a major role in their job search, allowing them to be more flexible in what they perceived to be an increasingly competitive market. Most of these individuals were still looking for work, lived in the Oshawa area, and felt they were unlikely to find the kind of white-collar and fairly well-paid jobs they had previously held. Although several worried about the change they could be facing, including taking a job with diminished status or that might be boring and repetitive, they were able to see how the supplement might allow them to move into an entry-level job in an interesting field.

The other two-thirds of participants attending these focus groups viewed the supplement offer positively, but accorded it little importance in their own job searches. These people tended to have other income options and fewer dependants. Several had plans that included going to school or pursuing self-employment or contract work. Some were making too much, or too little, money for the supplement to have made much of a difference to their income. Glen, for example, said he had paid little attention to the project literature because his hourly wages as a waiter were too low to allow him to benefit much from the supplement. At the other end of the scale, Sherry explained that the offer was not relevant to her because "based on the skill set that I have, I can't see myself ever dropping salary enough that I would ever get the supplement." She was working at the time the groups were held and her current job

paid only $500 per year less than she had been making, so she questioned whether this small difference was even worth the "hassle" of filling out the necessary paperwork to register her new job. Chris also said he had little financial need for the supplement: "It's nice to have, but it won't make or break us."

There were also those who had already made up their minds about the kinds of jobs they would pursue (including lower-paying jobs) who said the supplement offer had no effect on that decision. As Kerri said, "I already knew I was going to look at other aspects in the job field rather than my own. This has helped me along; it's like given me a boost, but I would have looked as hard . . ." As stated by Jason earlier, he admitted that he had paid no attention to what he was signing the day he filled out the ESP forms at the CEC: "It didn't make a difference to me one way or another. I was determined to get another job, but at the same pay or better." Colleen, one of only two supplement recipients who took part in these groups, told us that although she was happy to be receiving the supplement now, she did not have the potential offer in the back of her mind when she looked for work: "I just knew I had to find work."

There may also have been other factors that contributed to their lack of interest. For instance, on the day they first heard about ESP at the CEC, many found it hard to concentrate on anything but their misfortune. People also often resist change, and taking up the supplement offer would have forced many to consider work outside their field; several participants admitted they found it frightening to conceive of doing anything other than what they had been trained for and had expected to do for their working lives. As Tracy said:

> *My whole experience has been [in] one field for 10 years and, for me, it's like I've never even worked in a store or anywhere else. I wouldn't even know how to work a cash register. So even the real menial jobs, I'm not qualified for them because I don't know anything about them. Like I'm willing to learn; I'm willing to do anything, to take anything, at this point, but I don't know what my chances are so I'm not feeling very confident in that area.*

Tracy and others in her group felt it took real courage to consider changing to another kind of work, not just because of having to acquire a new set of skills, but also because of competition with others who were more qualified. And, as revealed by many participants' comments, this fear extended even to jobs that demanded less complex skills than those previously required. Here the fears tended to centre more on the difficulty of adjusting to jobs that might be less interesting than those they'd held (". . . and it's like you're going to be doing things that are repetitive; day in and day out, the same things, and you think, 'Do I really want to do this?'"); or where their own areas of knowledge and experience would hold little value. ("Will people treat you differently? Treat you like you don't know what you know you know?") Many of the participants had come from jobs in which they had enjoyed some measure of status. Like David, they worried about losing this: "I'm used to being on the board of directors, and to being the person who makes the decision. Now I decide that in order to change I'll be working for a number of people at a lower rung, that's a bit of an adjustment."

Finally, the fact that the focus groups were held when participants were midway through their job-search period, and were not yet panicked by their approaching ESP job-search deadline, may have accounted for the lack of importance they attached to the ESP offer. While several said they were grateful to have this cushion, the fact that they still had another

three months to find a qualifying job meant that panic had not yet set in. Many still considered ESP as a route of last resort ("If you were absolutely desperate, you could take that lesser-paying job . . ."). Julie, for instance, said the offer had already made her more flexible in terms of the jobs she considered but, she said, "as the months go on, and as I get more desperate, it will influence it even more."

Other issues mentioned that may have decreased the offer's salience for some included the following:

- The language used to describe certain elements of the research was problematic for a few participants. The fact that claimants were told that their group status would be decided by a "lottery" type process offended some who thought this was "gimmicky," and made them question the importance and credibility of the project. The use of words like "random" and "qualify" made a few participants wonder if it would be a fair process.
- The supplement was not seen as relevant for low-income earners because they could not benefit. In addition, an older participant said it would not benefit her because it was too difficult for her to learn new skills at her age.
- The fact that the supplement was connected with the government at all bothered some.
- Most of those attending the groups thought the two-year limit for supplement receipt was generous but fair — that it allowed enough time to adjust to a work transition and bring wages up to a comfortable level. There were, however, a few who expressed fears that they might reach the end of their two-year "cliff" without showing progress. It was suggested that some element of training be built into any future program of this sort, or at least it should include some level of skills assessment at the beginning.[6]

At the same time, it should be remembered that while the offer held little importance for most, one-third of those attending the groups said the supplement offer played a major role in their job search, broadening the range of jobs they could consider and boosting their competitive edge.

[6]There were also a few participants who felt the two-year limit was more than fair, and that it might be longer than necessary.

Appendix A:
A Closer Look at the New Employment Insurance Program

The federal government recently overhauled the system of compensating unemployed workers. The scope of the overhaul was symbolized by changing the name from unemployment insurance (UI) to employment insurance (EI). The new system retained the basic system of financing through premiums, but made changes to who gets benefits and how much they get. These changes are summarized in this appendix.

ENTRANCE REQUIREMENT

As of January 1, 1997, people qualify for benefits based on how many *hours* they work rather than how many *insurable weeks* they work.[1] This change extends benefits and premiums to more part-time workers and people in short-duration, seasonal jobs. However, people working slightly more than 15 hours a week face a tougher entrance requirement. For example, under the old system, a person in a high unemployment region who worked 20 hours a week would have to work 12 weeks to be eligible for benefits. Under the new system, the same person would have to work 21 weeks. The new entrance requirement also reduces the incentive for employers to hire large numbers of workers on very short hours to avoid paying EI premiums. The EI entrance requirement still varies according to the regional unemployment rate.

BENEFIT AMOUNT

Under the old UI system, the amount of benefits was calculated as a percentage of the weekly insurable earnings, averaged over the last 12 to 20 weeks of work (depending on the regional entrance requirement). This gave workers an incentive not to work weeks when earnings were low. Under EI, benefits are based on dividing *total earnings* in the previous 26 weeks by the *actual number of weeks* worked during those 26 weeks. This reduces the possibility that a couple of weeks with bad (or good) earnings could substantially affect the benefit level. However, total earnings are never divided by less than the basic entrance requirement plus two weeks. This minimum reduces the benefit paid to people who barely have enough work hours to qualify for EI. An additional change is that maximum insurable earnings have been reduced from $42,380 to $39,000 a year as of July 1, 1996. This maximum will be frozen at that level until the year 2000.

INTENSITY RULE

This rule penalizes heavy EI users. Claimants who have collected more than 20 weeks of benefits in the past five years will have their benefit rate reduced. The basic benefit rate is 55 percent of the average insurable earnings. However, this rate will be reduced by one

[1]Under the former UI program, an insurable week was one with 15 or more hours of work.

percentage point for each 20 weeks of benefits collected in the past five years. The maximum reduction is five percentage points, so the benefit rate cannot fall below 50 percent.

LOW-INCOME FAMILY SUPPLEMENT

A Family Income Supplement has been added to benefits paid to EI claimants in families with annual incomes of less than $26,000. The supplement increases with the number of children in the family. This represents a new direction by giving increased benefits on the basis of need rather than earnings. The Family Income Supplement is payable only to claimants who qualify to receive the Child Tax Benefit and the Working Income Supplement. These claimants are also exempt from the intensity rule.

STRENGTHENED CLAWBACK OF BENEFITS

High-income, heavy users of EI will receive lower benefits. Usually, if a claimant's income exceeds $48,750 at the end of the year, the government takes back (or "claws back") up to 30 percent of the claimant's EI benefits. However, people who have received more than 20 weeks of benefits in the previous five years will have their benefits clawed back when their incomes exceed $39,000. As well, the proportion of benefits they will have to pay back will increase as their income and amount of previously collected benefits increase.

NEW RE-EMPLOYMENT PROGRAMS

The new *Employment Insurance Act* allows EI funds to be used for benefit programs designed to get claimants back to work. These five re-employment benefit programs are:

- **Self-Employment Assistance** — for unemployed people who want to start their own business. It provides financial support and assistance in business planning, plus ongoing coaching during the planning and initial start-up phase of a new business.
- **Skills Loans and Grants** — for people taking courses to upgrade their skills. It provides grants and loans (depending on need) for tuition fees, other training costs (e.g., books and equipment), child care expenses, transportation costs, and living expenses.
- **Job-Creation Partnerships** — linked to community development plans. Partnerships with provinces, private-sector firms, and community agencies provide opportunities for people to acquire skills and work experience while working on projects that support local economic development and foster permanent job creation.
- **Targeted Wage Subsidies** — provides wage subsidies to employers who hire claimants in jobs that will lead to long-term employment with the firm or re-employment elsewhere.
- **Targeted Earnings Supplements** — aimed at making work pay. These provide incentives for the unemployed to take available, low-paying jobs by temporarily topping up their earnings from employment.

Appendix B:
The ESP Sites

This appendix describes the labour force and unemployment rate of either the census area or economic region containing the ESP sites. It also describes local UI claimant populations and site differences in CEC administration.

LABOUR FORCE AND UNEMPLOYMENT RATES AT ESP SITES

This section describes the labour force and unemployment rates at the displaced worker and repeat UI user sites. Note that a particular ESP site often serves only a small portion of the labour force in a given census region.

Table B.1: Labour Force and Unemployment Rates at ESP Sites

Area	Labour Force (000s)	Unemployment Rate (%)
Repeat UI user sites		
St. John's†	94	12.6
Halifax†	182	8.9
Moncton††	91	12.0
Lévis††	192	7.1
Displaced worker sites		
Granby††	680	9.4
Oshawa†	140	8.7
Toronto†	2,321	8.5
Winnipeg†	374	8.2
Saskatoon†	116	8.2

Source: Statistics Canada, Labour Force Survey.
†1995 annual averages for census metropolitan areas.
††1995 annual averages for the economic regions (ERs) in which ESP sites were located (ER 320 for Moncton; ER 425 for Lévis; and ER 435 for Granby).

Displaced Worker Sites

Displaced worker sites include the Granby, Oshawa, Toronto, Winnipeg, and Saskatoon CECs.

Granby CEC

Granby is a town of 43,000 people located 72 kilometres east of Montreal. The area served by the local CEC includes 30 other small communities, serving a total population of 94,000.

Granby has a diverse economy. Most employment is in small- to medium-sized enterprises (99 percent have less than 100 employees). A strong manufacturing base provides almost one-third of the area's jobs. The most important manufacturing industries are:

- transportation equipment (which includes the largest employer by far — the snowmobile and marine equipment production of Bombardier Inc., with more than 2,000 employees — as well as Raleigh Industries' bicycle factory),
- electrical and electronic products (Circo-Craft printed circuit boards and Camoplast fibre optics),
- leather, textiles, and clothing (Balin Inc., Lagran Canada, Production Ranger, J.L. de Ball Canada, and Landes Canada),
- plastic products (Barcana Inc. and G.M. Plastique Groupe Hamelin Inc.), and
- food and beverage processing (Agropur, Trébor Canada, and A. Lassonde Inc.).

However, the fastest growth in employment has been in the service sector. Wholesale and retail trade accounts for about 22 percent of employment. In addition, about 16 percent of employment is in the public sector (public administration, education, health, and social services), including municipal government, the school board, the Granby hospital, and the CEGEP de Granby Haute-Yamaska.

Oshawa CEC

ESP operated in the Oshawa CEC and at its branch offices in Pickering and Whitby. The Oshawa area has a relatively well-diversified employment base:

- About one-third of the area's jobs are in the community, business, and personal services sector.
- Manufacturing industries account for about one-quarter of employment.
- About 17 percent of employment is in wholesale and retail trade.

However, the economic health of the area is highly dependent on the state of the automotive sector, including General Motors (GM) of Canada and many firms supplying parts and services to GM. Employment in Oshawa is also influenced by other cities in and around nearby Metropolitan Toronto. This is due to the significant proportion of the Oshawa labour force that works in other communities.

Toronto Centre CEC

The Greater Toronto Area is the largest metropolitan area of the country, with a total population of 3.7 million and a labour force of 2.3 million. Within this area, ESP operated in the Toronto Centre CEC and the Dufferin Street CEC (a branch office of Toronto Centre when the project began). These CECs served an area with a population of about 337,000 (or just under 10 percent of the metropolitan region).

Employment grew relatively strongly throughout the first half of 1995. However, from mid-1995 to mid-1996, the period of ESP enrolment, the economy grew only weakly. The employment gains in services and manufacturing jobs were mostly offset by losses of finance, construction, and public administration jobs. The unemployment rate fluctuated between

eight and ten percent during this time; it fell during the second half of 1995, but rose during the first half of 1996.

Employment in the area covered by the ESP sites is dominated by the service sector. The breakdown by sector is as follows:

- Some 48 percent of jobs are in the community, business, and personal services sector.
- The public sector (including direct public administration and activities related to education, health, and welfare) accounts for almost one-quarter of employment.
- About 13 percent of employment is in wholesale and retail trade.
- A little more than 11 percent of employment is in the manufacturing industry (although many of these jobs are in head offices rather than in production). Manufacturing is well-diversified by product. The single largest manufacturing group in terms of jobs — printing and publishing — accounts for just under 20 percent of manufacturing employment.

Winnipeg (West and North) CEC

During the enrolment phase of ESP, the CECs in the Winnipeg area underwent a significant organizational change. At present, Winnipeg West and Winnipeg North process all the UI claims received in the Winnipeg area. However, throughout most of the ESP enrolment phase, these two offices covered approximately half of all clients served in the Winnipeg area.

Winnipeg is the capital of Manitoba and the province's largest city. The Winnipeg Census Metropolitan Area has a population of about 617,000. The area included in ESP covers about half that number. The area has a diversified economic base:

- The public and quasi-public sectors are major employers — about nine percent of employment is in direct public administration. A further seven and eleven percent of jobs are in education and health-related activities. Major employers include federal and provincial government departments; the city administration; the Royal Canadian Mint; the Health Sciences Centre; the Victoria General, Grace General, Concordia, Misericordia General, and St. Boniface General hospitals; the University of Manitoba; the University of Winnipeg; Collège Universitaire de St. Boniface; Red River Community College; and the local school boards.
- A diversified manufacturing industry, focused on export markets, accounts for about 15 percent of employment. Key sectors include aerospace (Boeing and Bristol Aerospace); clothing (Nygard International, Peerless Garments, Standard Knitting, and Western Glove Works); food and beverage processing (Beatrice Foods, J.M. Schneider, Burns Meats, Maple Leaf Foods, Jack Forgan Meats, Molson Brewery, and Pepsi-Cola Canada); transportation equipment (Motor Coach Industries, New Flyer Industries); and pharmaceuticals (Apotex).

- Winnipeg is also a key transportation and distribution centre. Almost 10 percent of employment is in transportation, communications, and utilities. Major employers include Manitoba Telephone, Air Canada (including a principal maintenance facility), Air West, CN Rail, and several trucking firms.

Saskatoon CEC

The Saskatoon CEC covers an area with a population of 283,000. Although the total population of Saskatchewan has declined slightly in recent years, Saskatoon's population has shown modest increases, mostly due to migration to the city from rural areas. The area served by the CEC is centred in Saskatoon (population 190,000), but also covers a large number of smaller communities in the surrounding area.

The local economy was relatively stable during the period when applications were accepted for ESP. Major industries are in the service sector and agriculture. Potash mining is also important to the area's economy, with three potash producers among the largest employers.

The breakdown by sector is as follows:

- A little more than half of all jobs in the area are in retail and wholesale trade, and in the community, business, and personal services sector. The larger employers are banks, hotels, restaurant chains, department stores, and automotive sales companies.
- The public sector (public administration, health, and education) accounts for one-quarter of total employment. The largest employers include the federal, provincial, and municipal governments, two hospitals, a university, and the area's school boards.
- About 14 percent of the labour force is directly employed in agriculture. Wheat and cattle are the most important agricultural products, while other important crops include barley, oats, and Canola.
- Manufacturing accounts for only about seven percent of total employment. Many of these jobs are related to the area's agricultural base. Major employers include firms involved in meat packing, dairy products, and other food-processing activities. Other important manufacturing employers are engaged in the electrical products and machinery industries.
- Transportation, communications, and utilities also provide about seven percent of the area's jobs. Major employers include the provincial telephone company, Canadian National (CN), and several trucking companies.

The Repeat UI User Sites

Repeat UI user sites include the St. John's, Halifax, Moncton, and Lévis CEC areas.

St. John's CEC

The St. John's CEC area covers a major portion of the Avalon Peninsula of Newfoundland. It is centred on the city of St. John's and includes such nearby communities

as Mount Pearl, Georgetown, Conception Bay, St. Mary's Bay, and North Harbour. The population of the area served by the CEC is just under 200,000.

The unemployment rate in the St. John's area is high relative to the Canadian average, but low relative to the rest of Newfoundland. Most of the population served by the CEC is in the urban centre of St. John's — the province's capital and financial and administrative centre. The CEC does serve some rural areas whose economies have been devastated by the collapse of the cod fishery, although there has been some recent diversification into fishing for non-groundfish species and developing aquaculture activities. While the urban portion of the CEC has a more diversified economy than the rural portion, urban employment is dominated by service sector jobs.

The breakdown by sector is as follows:

- A little more than 40 percent of employment is in the community, business, and personal services sector. This sector has been expanding — in large part, due to the growth in tourism. Employers of significant size include major hotels such as the Hotel Newfoundland and Delta Hotel.
- A large proportion of jobs are accounted for by public administration and quasi-public-sector activities — mainly in health and education. This sector has become a less vibrant employer due to recent government restructuring and cuts in public-sector spending. Major employers include the federal and provincial governments, the city governments of St. John's and Mount Pearl, education facilities such as Memorial University, Cabot College, and local school boards, and the health facilities operated by the Health Care Corporation of St. John's.
- About 18 percent of jobs are in wholesale and retail trade. This sector has been sluggish over the past couple of years.
- Other major employers include banks, utilities (Newfoundland Power, Newfoundland Hydro, and NewTel Communications, the provincial telephone company), and the Hibernia Management and Development Company (offshore oil and gas development).

Halifax CEC

ESP operated in the Halifax CEC and its branch office, Halifax North. The CEC is located in the Halifax Metropolitan Area, whose population is about 340,000 (a little more than one-third of the total population of Nova Scotia). The metropolitan area includes the cities of Halifax, Dartmouth, Bedford, and smaller surrounding communities (separate CECs operate in Dartmouth and Bedford, which were not included in ESP). The area covered by the ESP site has about 153,000 people.

Historically, Halifax has been the commercial and administrative centre for the Atlantic Provinces. Consequently, the service sector accounts for almost 90 percent of all jobs in Halifax. In addition:

- More than 40 percent of employment is in the community, business, and personal services sector (with health and education accounting for about 13 and 10 percent of all jobs, respectively).
- About 19 percent of jobs are in wholesale and retail trade.

- Direct public administration accounts for about 16 percent of employment.
- The finance, insurance, real estate, and transportation and communications sectors each account for about seven percent of employment.

Moncton CEC

The Moncton CEC, in the southeastern part of New Brunswick, serves an area of 172,000 people (about one-quarter of the provincial population). The CEC serves a total population of 84,000. The major population centre is the city of Moncton, as well as in the adjacent towns of Riverview and Dieppe.

Most recently, Moncton has been establishing itself as a key location for national and regional teleservice and call-centre operations based on superior telecommunications facilities and a bilingual workforce. The growth of the telecommunications sector and other new businesses has left many people optimistic about Moncton's economic future. Employment expanded by 10,000 jobs between 1987 and 1995. But the labour force increased just as quickly during the same period. The net effect is that the Moncton unemployment rate remains substantially higher than the Canadian average.

The breakdown by sector is as follows:

- The public and quasi-public sectors account for about 28 percent of the area's jobs. Major public employers include federal, provincial, and municipal government departments and agencies, two major regional hospitals, a smaller county hospital, a health-care centre, two universities, two community colleges, a Christian liberal arts college, and a residential adult education centre.
- Wholesale and retail trade provides just over 20 percent of employment. There are three large shopping centres and a fourth under development, as well as smaller shopping malls and a variety of specialized shops.
- About 12 percent of employment is in manufacturing. Historically, the Moncton area was a major transportation centre for the Atlantic Provinces. This role in the local economy declined in the 1980s when local rail operations were downsized. However, CN is still one of the area's largest employers.

Lévis CEC

Lévis, with a population of 40,000, is located across the St. Lawrence River from Québec City. Despite its proximity to the provincial capital, Lévis acts as the administrative and commercial centre for the smaller communities on the south shore of the river. The total population of the area served by the CEC is a little more than 100,000. Nearly half of these people live in rural areas.

Lévis is situated in an economic region with relatively low levels of unemployment. The jobless rate was 6.8 percent in mid-1996, and typically runs about three to four percent lower than the average unemployment rate for the province. Many people in Lévis work outside their area of residence. For example, 38 percent of workers residing in the city of Lévis are employed outside the city.

The breakdown by sector is as follows:

- Agriculture is the largest single employer with 41 percent of employment.

- Manufacturing accounts for 21 percent of employment.
- The largest single employer is Le Mouvement Desjardins financial institution, whose offices in the Lévis area employ more than 2,000 people.
- The retail sector has been expanding rapidly as a result of the recent opening of several "big box" warehouse-style retail stores.
- Construction activity in the area has also been relatively strong, buoyed in particular by the major expansion of a food processing plant.
- The situation at the MIL Davie shipyard has significantly deteriorated in recent years. The shipyard was the region's largest employer with 3,000 workers at the beginning of the 1990s. After recent layoffs, employment declined to only a few hundred. No improvement is expected in the short term, but some efforts are currently directed toward modernizing the yard and diversifying its activities (e.g., investments in fabrication of oil and gas drilling equipment and heavy industrial equipment).
- The shutdown of a local slaughterhouse also caused the loss of 100 jobs.

LOCAL UI CLAIMANT POPULATIONS

ESP sites differ in the number of claims they handle, the average duration of those claims, and their average value. As Table B.2 shows, Lévis receives the fewest claims while St. John's, Oshawa, and Winnipeg receive the largest number.[1]

Table B.2: Regular UI Claims Initiated in 1995, by Site and Month

Site	Total Claims	Percentage (%) of Claims by Month											
		Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
St. John's	20,775	10	8	8	8	8	9	6	7	10	11	12	4
Halifax	9,094	10	8	8	9	10	7	9	8	8	9	11	3
Moncton	10,955	10	7	8	6	7	10	7	7	9	11	15	3
Lévis	6,889	9	8	9	6	7	9	9	7	8	10	15	2
Granby	8,584	10	7	9	5	8	14	10	7	7	9	14	3
Oshawa	19,802	9	7	9	7	9	9	12	6	6	7	18	1
Toronto	13,824	10	8	9	7	10	8	13	8	7	7	10	4
Winnipeg	33,066	10	7	9	7	8	8	14	7	8	8	13	1
Saskatoon	13,076	10	6	7	6	8	8	12	7	8	11	16	1
Canada	1,887,618	9	7	9	7	8	8	10	7	8	10	14	3

Source: Special tabulations provided by HRDC Systems Group.

The number of UI claims in Canada broadly tends to go up in the autumn. For example, the number of claims received in Canada doubles from August to November. However, UI claims do not fit closely into a seasonal pattern. For example, a large proportion of claims are received in July and a small proportion are received in December. Often, a month with many claims is followed by a month with few claims. As well, service-based economies, such as

[1]The Winnipeg data comprise the West and North CECs that participated in ESP.

that found in Halifax, have less month-to-month variation in claims than manufacturing economies, such as that found in Oshawa.

Table B.3 shows that the average Canadian UI claim in 1995 was 29 weeks long. The average claim at most ESP sites was of similar length. Surprisingly, Oshawa and Toronto have, on average, longer claim durations than the cities of Halifax and Moncton in the Atlantic Provinces.

Table B.3: Duration of Regular Claims Terminated in 1995, by Site

Site	Average Duration (Weeks)	12 Weeks or Less†	39 to 52 Weeks†
St. John's	33	9%	15%
Halifax	31	8%	26%
Moncton	29	11%	15%
Lévis	27	12%	17%
Granby	28	15%	15%
Oshawa	32	11%	30%
Toronto	32	8%	31%
Winnipeg	30	13%	24%
Saskatoon	28	9%	18%
Canada	29	11%	18%

Source: Special tabulations provided by HRDC Systems Group.
†As a percent of all regular claims at that site.

The individual ESP sites differ more sharply when the proportions of short and long claims are examined. In Canada, 11 percent of claims lasted 12 weeks or less. Five of the nine ESP sites had a similar proportion of short claims. However, Granby had a large proportion of short claims, while Halifax and Toronto had the lowest proportion of short claims.

For Canada, 18 percent of claims were long — between 39 and 52 weeks. Six sites were close to the Canadian average. However, Oshawa and Toronto had a substantially larger proportion of long claims. Indeed, the proportion of long claims in Oshawa and Toronto was twice as high as in Granby and Moncton.[2]

According to Table B.4, the average Canadian claim in 1995 was worth $7,454. Toronto and Oshawa stand out as having had an average claim of about $1,500 higher than this amount. This reflects the higher wages and the longer average claim durations in these two cities. (The concentration of longer claims in Toronto and Oshawa can be seen in Table B.3.) About 25 percent of all claims in Toronto and Oshawa were valued at more than $12,000, compared with 15 percent of Canadian claims. In contrast, Moncton had the least expensive average claim of the nine ESP sites.

In summary, claim intake tended to be high in November and July, but low in August and December. Claims in Halifax, Lévis, Winnipeg, and Saskatoon were broadly similar to those in Canada as a whole. Granby and Moncton had shorter and less expensive claims than the

[2]St. John's had a low proportion of claims between 39 and 52 weeks, but had a larger proportion of claims lasting longer than 52 weeks; 6.9 percent of all claims were longer than 52 weeks. These very long claims usually were made by clients taking UI-approved job skills training. These clients were unlikely to become involved in ESP and, consequently, were not included in the fourth column of Table B.3.

Canadian average. In contrast, St. John's, Toronto, and Oshawa had longer and more expensive claims.

Table B.4: Value of Regular Claims Terminated in 1995, by Site

Site	Average Claim	$2,000 or Less†	$12,000 or More†
St. John's	$7,794	9%	15%
Halifax	$7,093	10%	15%
Moncton	$6,585	12%	10%
Lévis	$7,350	12%	16%
Granby	$6,813	14%	12%
Oshawa	$8,861	9%	26%
Toronto	$8,939	5%	23%
Winnipeg	$7,063	12%	14%
Saskatoon	$6,767	9%	11%
Canada	$7,454	9%	15%

Source: Special tabulations provided by HRDC Systems Group.
†As a percent of all regular claims at that site.

SITE DIFFERENCES IN CEC ADMINISTRATION

This section focuses on differences in administrative practices among local CECs, which sometimes made it more difficult to put ESP into operation. The following problems presented themselves at some sites:

- they had problems introducing the Applysis computerized application system,
- they were undergoing reorganization and staff reductions, which resulted in high staff turnover, reassignment, and training, or
- they varied in the number of claimants who mailed in their UI applications (mail-in clients proved to be less likely to participate in ESP than clients who applied for UI in person).

The effect of these problems on ESP can be seen by looking at how CEC staff introduced ESP to UI claimants. Local CEC staff were responsible for convincing UI claimants to participate in ESP. The "selling" of ESP was usually done when the claimant walked into the local CEC to apply for UI. Typically, the process went like this:

1 Claimants first went to a CEC receptionist.

2 The receptionist either gave claimants UI application forms or directed them to a computer where they could fill out an application online. (Computerized applications required less time to process and left staff more time to advise clients on ESP. However, at some sites, the computer application system did not always work or was infrequently used by applicants.)

3 After the claimants completed their application forms, they met with a Client Service Representative (CSR).

4 The CSR reviewed the application to ensure it was completed correctly, informed claimants of their rights and obligations, and approved non-

contentious UI claims. In addition, the CSRs determined whether claimants were eligible for ESP and attempted to convince them to participate in the program.

However, this typical process was sometimes disrupted by the closure, consolidation, and reorganization of CECs at some sites. In turn, these disruptions sometimes resulted in staff being reassigned or given unfamiliar responsibilities (e.g., staff trained in ESP procedures were laid off or given other duties). Consequently, replacement staff had to be trained to perform ESP recruitment while the study was in progress. This training took place while staff were also being trained in other unfamiliar CEC duties (e.g., CSRs were also being trained to handle both UI claims and CEC employment programs). In addition, some were required to work directly with clients for the first time. Naturally, inexperienced staff were sometimes less efficient at their new tasks than their more experienced counterparts. This learning period left less time for ESP recruitment.

Finally, some sites had a large proportion of clients who mailed in their UI applications rather than submitting them in person. These clients required substantially more effort to contact and recruit into ESP than those who applied for UI in person at the CEC.

The extent of these administrative problems varied considerably between sites. These variations are described in the following subsections.

Table B.5: Enrolment Period, Staff Participation, and Proportion of Mail-In Applications, by Site

Site	Enrolment Start Date (1995)	Enrolment End Date (1996)	Number of Staff	Number of ESP Staff	(%) of Mail Applications
St. John's	May 19	May 31	80	34	35
Halifax	April 21	April 30	44	14	< 5
Moncton	March 23	March 29	90	28	30
Lévis	Sept 15	June 28	43	13	20–25
Granby	June 22	June 28	47	10	5
Oshawa	July 7	June 28	142	20–22	< 5
Toronto	June 8	June 28	175	10–22	< 3
Winnipeg	May 26	June 28	127	23	0
Saskatoon	June 15	June 28	125	22	23

Source: Dates reflect actual dates when enrolment began and ended at each site. Estimates of staff complements and the proportion of UI claims received by mail were provided by CECs.

St. John's CEC

St. John's comprises a single CEC office. This CEC had staff equivalent to about 80 full-time positions. About 34 staff worked directly with ESP. The office had recently lost 15 to 20 positions; most of these were term positions. The downsizing was disruptive to the CEC, but an extensive training program allowed for a consistent group of trained front-end staff to recruit claimants into ESP. An additional change was that the office was gradually shifting to a system of "case management," under which CEC staff would deal with both UI and employment programs. A large proportion of clients, 35 percent, mailed in their UI applications.

Halifax CEC

At the time of enrolment, the Halifax CEC included a main office and a satellite office in Halifax North. There were 44 staff, of which about 14 were directly involved with ESP. Both offices lost the equivalent of 16 full-time positions during the program, including one person involved with ESP. The Halifax North office was permanently closed toward the end of ESP enrolment. However, the downsizing had little operational effect on ESP. The computerized application system was in place when ESP started. Fewer than five percent of applications were received by mail. In contrast to other sites, the recruitment of ESP participants was not handled by CSRs but by more senior Employment and Insurance Officers (E&IOs).

Moncton CEC

The Moncton CEC serves as a main office. One of its satellite offices, Sackville, also participated in ESP. Downsizing made it necessary to train more staff to do ESP orientations. The computerized application system was not used in Moncton during ESP intake. About 30 percent of UI claimants sent in their applications by mail. Finally, the Moncton CEC handles its UI claims through three virtually independent sub-units. Claimants are assigned to a sub-unit according to their SIN. This unique organizational structure made it more difficult to keep recruitment procedures consistent throughout this CEC.

Lévis CEC

Initially, the Lévis CEC was a main office with no satellite offices. It had 43 employees, of which 13 were directly involved in ESP. During ESP enrolment, Lévis became a satellite office of another CEC. Lévis was also affected by a reorganization that involved cross-training staff members to handle insurance claims, employment services, and old-age pension applications. About 20 to 25 percent of UI applications were received by mail. (Lévis began as a displaced worker site in June, 1995, but later became a site for repeat UI users in September 1995.)

Granby CEC

Initially, Granby had 47 staff. Of these, about 10 were directly involved in ESP. The office lost four staff during the year. In addition, Granby became a satellite office of the St. Hyacinthe Human Resources Centre. As in Lévis, Granby staff were kept busy by a reorganization so that staff could process insurance claims, employment services, and old-age pension applications. About five percent of clients mailed in their applications; however, most of these were sickness claims.

Oshawa CEC

The Oshawa CEC is the main office, with satellite offices in Whitby, Pickering, Cobourg, and Port Hope. Oshawa had about 120 staff, while Whitby had 2 staff and Pickering had 20. About 20 to 22 staff were directly involved in ESP. There was considerable staff turnover during the ESP recruitment period. In addition, the Whitby office was closed. As well, Cobourg and Port Hope were placed under the Peterborough CEC and, consequently, had minimal participation in ESP. The computerized application system was introduced, but was not functioning 40 percent of the time. Fewer than five percent of applications were received by mail.

Toronto Centre CEC

The Toronto Centre CEC is one of 17 CECs in Metropolitan Toronto, with a satellite office on Dufferin Street. Toronto Centre had about 150 staff while the Dufferin Street branch had about 25. Between 10 and 22 staff were directly involved in ESP. Downsizing caused the front-end staff to change dramatically. Toronto Centre was amalgamated with two other CECs and the Dufferin Street office was assigned to a different CEC. The computerized application system was not operating 30 percent of the time. Fewer than three percent of clients mailed in applications.

Winnipeg CEC

The Winnipeg ESP site initially consisted of two CECs — West and North. However, due to CEC amalgamation, North's ESP operations were taken over by a combined North-East CEC for the final two months of applicant intake. North had 69 staff, with 13 working directly in ESP. West had 58 staff, with 10 working directly in ESP. The computerized application system was used by less than 50 percent of West's UI applicants and by 50 to 60 percent of North's UI applicants. North's ESP applications dropped off after personnel changes were made. No mail-in UI applications were screened for ESP eligibility in Winnipeg.

Saskatoon CEC

Saskatoon is the main CEC, with one satellite office in Humbolt. There were about 125 staff, of which 22 were directly involved in ESP. ESP occurred during preparations for Saskatoon to take over as the main office for all of Northern Saskatchewan. Many of the front-end staff working on ESP were promoted to insurance agents, causing large staff changes among those enrolling claimants into ESP. The computerized application system was introduced, but was infrequently used by claimants. About 23 percent of applications were received by mail. This made Saskatoon the only displaced worker site with a substantial proportion of mail-in applications.

Appendix C:
Displaced Worker Screening Form

For use as of January 1996

EARNINGS SUPPLEMENT PROJECT

SCREENING FORM

NAME _____ SIN _____

(1) Have you received <u>regular</u> UI benefits at any time during the last three years?

(An example for figuring 3 years ago: if it is January 1996, have you received regular UI benefits since January 1993?)

- O YES (go to question #1a)
- O NO (go to question #2)

(1a) During this 3 year period, when you received UI was it only for temporary layoffs after which you returned to the same job?

- O YES (go to question #1b)
- O NO (stop)

(1b) Will you be returning to your last employer?

- O YES (stop)
- O NO or Not Sure (go to question #2)

(2) Before your most recent job ended, were you employed continuously for three years? *("Employed continuously" means you have worked continuously for the last three years except for gaps of three weeks or less if you changed jobs, or any temporary layoffs after which you returned to the same employer.)*

- O YES (give application)
- O NO (stop)

(Jan. 96)

Appendix D:
Comparison of Standard and Supplement Groups

Table D.1: Comparison of Displaced Worker Standard and Supplement Groups

	Standard Group	Supplement Group	Difference	Significance Level (p-value)
Displaced worker sample size	4,063	4,081		
Number of years worked for last employer (%)				
Less than 1 year	16.5	16.2	-0.3	0.883
1–2 years	14.2	13.7	-0.5	0.809
3–5 years	26.1	26.3	0.2	0.917
6–9 years	22.3	21.9	-0.4	0.839
10 years or more	20.9	21.9	1.0	0.613
Average number of years with last employer	6.5	6.7	0.2	0.189
Earnings/week in last job (%)				
Less than $200/week	3.2	3.2	0.0	1.000
$200–$399/week	21.4	21.9	0.5	0.803
$400–$599/week	31.6	31.7	0.1	0.957
$600–$799/week	22.2	23.0	0.8	0.687
$800–$999/week	12.1	10.9	-1.2	0.573
$1,000/week or more	9.6	9.3	-0.3	0.889
Average earnings/week in last job ($)	608.50	606.57	-1.93	0.786
Average acceptable minimum weekly salary ($)	526.70	526.59	-0.11	0.984
Occupation in last job (%)				
Managerial, administrative	23.4	23.2	-0.2	0.918
Teaching	1.9	1.7	-0.2	0.928
Clerical	17.4	17.6	0.2	0.921
Sales	8.3	8.1	-0.2	0.925
Services	9.0	9.9	0.9	0.669
Farming	2.7	2.6	-0.1	0.964
Processing	2.7	2.5	-0.2	0.927
Fabricating	7.7	7.8	0.1	0.963
Construction	6.1	6.1	0.0	1.000
Transportation	3.0	3.0	0.0	1.000
Other	17.7	17.7	0.0	1.000
Industrial classification of last job (%)				
Manufacturing	19.3	19.7	0.4	0.841
Construction	7.0	6.9	-0.1	0.963
Transportation	4.0	4.2	0.2	0.926
Trade	18.3	17.6	-0.7	0.728
Finance, etc.	8.2	8.4	0.2	0.925
Community services	13.7	13.5	-0.2	0.923
Business and personal services	15.8	15.2	-0.6	0.769
Public administration	6.2	5.4	-0.8	0.710
Other	7.6	9.0	1.4	0.510

Table D.1: Comparison of Displaced Worker Standard and Supplement Groups (cont'd)

	Standard Group	Supplement Group	Difference	Significance Level (p-value)
Displaced worker sample size	4,063	4,081		
Main reason job ended (%)				
Company closed	13.4	13.4	0.0	1.000
Position abolished	18.8	18.1	-0.7	0.733
Workload reduction	47.3	47.4	0.1	0.952
Quit job	8.5	8.9	0.4	0.854
Fired or dismissed	11.7	11.9	0.2	0.925
Self-operated business failed	0.3	0.3	0.0	1.000
Recall expectation (%)				
Did not expect recall notice	65.4	65.9	0.5	0.701
Expected recall notice, no specific date	21.0	20.7	-0.3	0.879
Expected recall notice, specific date	6.1	6.4	0.3	0.889
Not sure	7.4	7.0	-0.4	0.852
Member of a union in last job (%)	21.5	21.0	-0.5	0.582
Highest education credential (%)				
University	14.8	14.6	-0.2	0.923
College	15.9	15.7	-0.2	0.922
High school	46.1	45.3	-0.8	0.672
Less than high school	23.2	24.4	1.2	0.638
Age (%)				
Less than 20 years	0.2	0.3	0.1	0.963
20–24 years	7.0	7.2	0.2	0.925
25–34 years	32.3	32.4	0.1	0.956
35–44 years	29.4	29.4	0.0	1.000
45–54 years	20.4	19.4	-1.0	0.614
55 years or older	10.7	11.2	0.5	0.811
Average age (yrs)	39.2	39.2	0.0	1.000
Received severance from last employer (%)	31.0	31.1	0.1	0.922

Table D.2: Comparison of Repeat UI User Standard and Supplement Groups

	Standard Group	Supplement Group	Difference	Significance Level (p-value)
Repeat UI user sample size	1,707	1,707		
Number of years worked for last employer (%)				
Less than 1 year	29.8	28.9	-0.9	0.758
1–2 years	9.3	9.7	0.4	0.904
3–5 years	17.8	17.5	-0.3	0.924
6–9 years	18.5	20.2	1.7	0.587
10 years or more	24.5	23.7	-0.8	0.792
Average number of years with last employer	6.3	6.2	-0.1	0.666
Earnings/week in last job (%)				
Less than $200/week	5.0	4.2	-0.8	0.814
$200–$399/week	25.0	23.8	-1.2	0.692
$400–$599/week	35.6	35.3	-0.3	0.914
$600–$799/week	18.8	21.5	2.7	0.385
$800–$999/week	9.8	9.3	-0.5	0.880
$1,000/week or more	5.8	5.9	0.1	0.976
Average earnings/week in last job ($)	547.10	558.98	11.88	0.234
Average acceptable minimum weekly salary ($)	495.09	498.70	3.61	0.647
Occupation in last job (%)				
Managerial, administrative	3.8	3.7	-0.1	0.976
Teaching	7.6	7.7	0.1	0.976
Clerical	12.2	12.4	0.2	0.950
Sales	1.8	2.3	0.5	0.883
Services	11.8	11.5	-0.3	0.926
Farming	4.5	3.5	-1.0	0.766
Processing	3.7	3.8	0.1	0.976
Fabricating	5.0	5.2	0.2	0.952
Construction	27.5	26.1	-1.4	0.633
Transportation	8.4	9.1	0.7	0.830
Other	13.5	14.7	1.2	0.705
Industrial classification of last job (%)				
Manufacturing	8.2	10.0	1.8	0.581
Construction	30.8	29.4	-1.4	0.625
Transportation	6.6	6.8	0.2	0.952
Trade	5.6	5.2	-0.4	0.904
Finance, etc.	1.4	1.5	0.1	0.977
Community services	19.1	19.3	0.2	0.948
Business and personal services	9.7	10.1	0.4	0.902
Public administration	9.4	9.4	0.0	1.000
Other	9.2	8.3	-0.9	0.783
Main reason job ended (%)				
Company closed	1.4	1.4	0.0	1.000
Seasonal work ended	66.9	65.9	-1.0	0.619
Position abolished	2.0	1.9	-0.1	0.977
Workload reduction	28.4	30.2	1.8	0.537
Quit job	0.9	0.2	-0.7	0.844
Fired or dismissed	0.4	0.4	0.0	1.000

Table D.2: Comparison of Repeat UI User Standard and Supplement Groups (cont'd)

	Standard Group	Supplement Group	Difference	Significance Level (p-value)
Repeat UI user sample size	1,707	1,707		
Recall expectation (%)				
Did not expect recall notice	5.1	5.8	0.7	0.834
Expected recall notice, no specific date	65.1	65.6	0.5	0.805
Expected recall notice, specific date	23.1	22.6	-0.5	0.869
Not sure	6.6	6.0	-0.6	0.857
Member of a union in last job (%)	36.0	39.0	3.0	0.071
Highest education credential (%)				
University	7.8	7.6	-0.2	0.952
College	8.9	7.8	-1.1	0.739
High school	46.3	45.8	-0.5	0.844
Less than high school	37.0	38.8	1.8	0.508
Age (%)				
20–24 years	3.0	2.7	-0.3	0.929
25–34 years	28.1	28.2	0.1	0.972
35–44 years	32.8	33.6	0.8	0.775
45–54 years	25.1	24.4	-0.7	0.814
55 years or older	11.0	11.1	0.1	0.975
Average age (yrs)	40.8	40.8	0.0	1.000
Worked 30 hours or more in last job (%)	88.5	89.3	0.8	0.460

Appendix E:
Characteristics of Displaced Workers

Table E.1: Characteristics of the Layoff Job for Displaced Workers, by CEC and Overall

	Granby	Oshawa	Toronto	Winnipeg	Saskatoon	Full Sample
Displaced worker sample size	535	2,941	1,759	1,281	1,628	8,144
Number of years worked for last employer (%)						
Less than 1 year	16.1	13.6	14.7	18.4	21.7	16.4
1–2 years	15.9	13.2	14.8	14.0	13.4	13.9
3–5 years	21.6	26.0	32.1	21.8	25.3	26.2
6–9 years	23.1	24.1	22.3	21.2	18.8	22.1
10 years or more	23.1	23.2	16.1	24.7	20.8	21.4
Average number of years with last employer	6.6	7.1	5.9	7.0	6.0	6.6
Number of years worked in same industry (%)						
Less than 1 year	11.6	5.0	5.7	7.8	7.0	6.5
1–2 years	15.3	7.2	9.1	8.8	8.3	8.6
3–5 years	22.9	22.4	30.2	20.6	24.9	24.3
6–9 years	22.9	23.5	22.8	20.7	22.1	22.6
10 years or more	27.3	41.8	32.1	42.0	37.7	38.0
Number of companies worked for in past 5 years						
1 company	63.2	64.7	59.2	61.3	57.3	61.4
2–3 companies	33.0	33.4	37.9	35.2	36.9	35.4
4–5 companies	3.6	1.7	2.2	2.9	4.8	2.7
6–9 companies	0.2	0.1	0.5	0.4	0.7	0.4
10 companies or more	0.0	0.0	0.2	0.2	0.2	0.1
Average number of hours worked/week	39.0	39.2	40.2	40.9	41.5	40.1
Worked 30 hours/week or more in last job (%)	92.8	90.9	94.0	93.8	91.7	92.3
Earnings/week in last job (%)						
Less than $200/week	4.2	3.0	2.1	3.4	4.3	3.2
$200–$399/week	30.3	16.8	16.1	27.6	29.2	21.7
$400–$599/week	42.2	30.5	29.4	32.6	31.9	31.6
$600–$799/week	15.8	25.8	25.3	17.6	20.1	22.6
$800–$999/week	4.2	12.0	14.2	12.4	9.3	11.5
$1000/week or more	3.3	12.1	13.0	6.5	5.2	9.4
Average earnings/week in last job ($)	490.88	642.73	677.66	563.30	540.30	607.53

Table E.1: Characteristics of the Layoff Job for Displaced Workers, by CEC and Overall (cont'd)

	Granby	Oshawa	Toronto	Winnipeg	Saskatoon	Full Sample
Displaced worker sample size	535	2,941	1,759	1,281	1,628	8,144
Earned at/above max. UI insurable earning (%)	6.7	21.3	24.0	16.6	12.7	18.5
Number of persons at same location (%)						
1–19 persons	40.2	40.1	38.2	42.2	54.5	42.9
20–99 persons	36.3	28.0	26.7	27.5	27.3	28.0
100–499 persons	13.9	19.9	20.4	18.2	13.3	18.0
500 persons or more	9.6	12.1	14.6	12.1	4.9	11.0
Number of persons at all locations in Canada (%)						
1–19 persons	30.7	27.6	27.8	28.1	36.5	29.7
20–99 persons	30.5	20.6	19.3	18.5	21.6	20.8
100–499 persons	13.8	18.2	20.5	16.3	15.4	17.5
500 persons or more	25.0	33.6	32.4	37.1	26.6	31.9
Occupation in last job (%)						
Managerial, administrative	14.8	24.4	30.9	21.0	17.7	23.3
Teaching	0.6	1.4	1.2	1.6	3.6	1.8
Clerical	12.9	19.8	19.8	17.2	12.8	17.5
Sales	7.9	9.4	8.1	6.9	7.4	8.2
Services	8.2	8.0	12.0	8.3	10.6	9.5
Farming	2.1	1.9	0.6	3.0	6.0	2.6
Processing	6.0	1.8	1.5	3.1	3.7	2.6
Fabricating	24.3	7.8	4.8	8.1	5.2	7.8
Construction	2.6	5.1	1.3	8.4	12.3	6.1
Transportation	3.4	3.5	1.5	3.4	3.4	3.0
Other	17.4	17.0	18.4	19.0	17.3	17.7
Industrial classification of last job (%)						
Manufacturing	46.2	20.2	14.2	22.1	13.1	19.5
Construction	3.4	6.7	2.7	9.1	11.5	6.9
Transportation	2.4	3.8	1.9	6.1	6.1	4.1
Trade	16.6	21.4	13.9	16.9	17.2	17.9
Finance, etc.	5.2	9.4	13.1	5.4	4.6	8.3
Community services	6.4	13.4	15.3	11.7	15.9	13.6
Business and personal services	10.3	13.2	24.5	13.3	13.5	15.5
Public administration	1.5	4.2	7.8	7.3	6.8	5.8
Other	8.0	7.7	6.6	8.2	11.3	8.3
Member of a union in last job (%)	24.5	20.2	15.4	25.6	24.8	21.2

Table E.2: Characteristics of the Layoff for Displaced Workers, by CEC and Overall

	Granby	Oshawa	Toronto	Winnipeg	Saskatoon	Full Sample
Displaced worker sample size	535	2,941	1,759	1,281	1,628	8,144
Recall expectation (%)						
Did not expect recall notice	58.6	69.4	75.5	60.8	54.4	65.7
Expected recall notice, no specific date	30.7	18.0	13.4	23.3	28.8	20.8
Expected recall notice, specific date	4.3	4.8	3.4	8.6	11.0	6.3
Not sure	6.4	7.8	7.7	7.4	5.8	7.2
Main reasons job ended (%)						
Company closed	12.5	14.6	13.1	14.5	11.1	13.4
Position abolished	18.0	18.4	23.6	16.5	14.8	18.5
Workload reduction	48.0	46.4	41.4	51.6	51.7	47.3
Quit job	6.3	8.4	5.7	8.7	13.2	8.7
Fired or dismissed	14.8	11.8	16.1	8.5	8.8	11.8
Self-operated business failed	0.4	0.3	0.2	0.2	0.4	0.3
Advance notice of job loss (%)						
1 week or less	57.4	51.2	47.7	49.7	39.7	48.3
Between 1 week and 1 month	23.9	25.4	24.8	26.7	31.9	26.7
1–3 months	11.4	13.5	17.2	12.0	16.3	14.5
3–6 months	4.0	5.6	6.4	8.0	5.9	6.1
More than 6 months	3.3	4.4	3.8	3.7	6.2	4.4
Received severance from last employer	26.7	36.1	37.7	28.3	18.3	31.1

Table E.3: Characteristics of the UI Claim after Layoff for Displaced Workers, by CEC and Overall

	Granby	Oshawa	Toronto	Winnipeg	Saskatoon	Full Sample
Displaced worker sample size	535	2,941	1,759	1,281	1,628	8,144
Average weekly benefit at start of claim ($)	268.08	319.61	325.84	291.09	285.79	306.33
Maximum weekly benefit at start of claim ($)	464.00	465.00	465.00	465.00	465.00	465.00
Minimum weekly benefit at start of claim ($)	64.00	65.00	61.00	57.00	63.00	57.00
Average weekly insurable earnings ($)	484.43	583.70	596.60	529.64	518.19	558.37
Average number of weeks of UI benefit entitlement	42.6	39.0	38.8	35.4	35.6	38.0
Number of insured weeks of employment	48.7	47.0	48.2	45.0	43.8	46.4

Table E.4: Characteristics of Displaced Workers at Time of Application to ESP, by CEC and Overall

	Granby	Oshawa	Toronto	Winnipeg	Saskatoon	Full Sample
Displaced worker sample size	535	2,941	1,759	1,281	1,628	8,144
Age (%)						
Less than 20 years	0.4	0.2	0.1	0.5	0.4	0.3
20–24 years	9.3	6.8	2.6	8.7	10.6	7.1
25–34 years	30.5	29.6	38.3	29.6	33.7	32.4
35–44 years	31.8	29.0	27.5	31.5	29.9	29.4
45–54 years	19.8	22.2	18.9	19.6	17.0	19.9
55 years or older	8.2	12.2	12.6	10.0	8.4	10.9
Average age (yrs)	38.4	40.1	39.8	38.6	37.5	39.2
Gender (%)						
Male	51.8	48.1	43.5	59.6	56.1	50.8
Female	48.2	51.9	56.5	40.4	43.9	49.2
Highest education credential (%)						
University	8.1	9.1	31.2	9.9	12.9	14.7
College	10.4	20.3	17.8	12.0	10.4	15.8
High school	43.5	47.4	36.4	52.0	48.5	45.7
Less than high school	38.0	23.2	14.6	26.1	28.3	23.8
Other education received (%)						
Trade/vocational diploma/certificate	24.2	22.8	25.2	28.8	25.8	25.0
Apprenticeship diploma	6.8	6.0	3.0	5.1	5.4	5.2
Number of people in household (%)						
1 person	21.2	10.7	36.2	13.0	17.8	18.7
2 persons	32.0	28.9	32.7	30.7	32.3	30.9
3 persons	17.8	23.7	13.6	23.8	19.0	20.2
4 persons or more	29.0	36.6	17.5	32.5	30.8	30.2
Number of people who contribute to household income (%)						
1 adult	40.0	29.8	50.0	31.9	36.8	36.6
2 adults	58.3	61.2	43.0	57.9	57.3	55.8
3 adults	1.3	6.6	4.7	7.2	4.7	5.6
4 adults or more	0.4	2.4	2.3	2.9	1.2	2.1
Average acceptable minimum weekly salary ($)	426.94	552.69	611.95	475.63	462.00	526.65

Table E.4: Characteristics of Displaced Workers at Time of Application to ESP, by CEC and Overall (cont'd)

	Granby	Oshawa	Toronto	Winnipeg	Saskatoon	Full Sample
Displaced worker sample size	535	2,941	1,759	1,281	1,628	8,144
Acceptable minimum salary (%)						
Not less than earnings in last job	31.8	33.5	41.6	31.8	33.2	34.8
1–10 percent less	17.8	18.6	19.6	17.3	18.9	18.6
11–20 percent less	22.1	17.2	15.1	16.2	15.8	16.6
More than 20 percent less	28.4	30.7	23.8	34.7	32.1	29.9
To get a job, percent who would be willing to:						
Take additional training						
Yes	80.2	89.9	89.0	88.8	87.0	88.3
No	7.8	2.9	3.9	3.4	3.3	3.6
Not sure	12.1	7.2	7.0	7.8	9.7	8.1
Move permanently						
Yes	15.3	15.3	20.0	18.8	18.3	17.5
No	59.7	63.8	59.1	57.9	59.0	60.6
Not sure	25.0	20.8	20.9	23.3	22.7	21.9
Move for part of each year						
Yes	21.4	10.8	16.4	16.9	19.4	15.4
No	54.6	68.6	62.3	60.3	59.2	63.1
Not sure	24.0	20.6	21.3	22.8	21.4	21.5
Work for lower wage						
Yes	61.7	56.2	47.5	51.2	49.3	52.5
No	20.7	22.1	28.3	23.7	27.0	24.6
Not sure	17.6	21.7	24.2	25.0	23.8	22.9
Work in different occupation or industry						
Yes	82.3	79.1	74.8	77.7	77.7	77.9
No	7.4	6.2	9.8	6.8	7.3	7.4
Not sure	10.4	14.7	15.4	15.5	15.0	14.7

Table E.5: Characteristics of Displaced Workers, by Gender

	Male	Female
Displaced worker sample size	4,134	4,010
Number of years worked for last employer (%)		
Less than 1 year	18.7	14.0
1–2 years	14.7	13.1
3–5 years	23.2	29.3
6–9 years	20.5	23.8
10 years or more	22.9	19.9
Average number of years with last employer	6.7	6.4
Earnings/week in last job (%)		
Less than $200/week	1.1	5.4
$200–$399/week	14.0	29.6
$400–$599/week	30.0	33.3
$600–$799/week	25.7	19.4
$800–$999/week	15.2	7.6
$1000/week or more	13.9	4.8
Average earnings/week in last job ($)	688.50	523.14
Average acceptable minimum weekly salary ($)	587.66	463.02
Occupation in last job (%)		
Managerial, administrative	21.3	25.4
Teaching	1.0	2.5
Clerical	6.2	29.1
Sales	7.9	8.5
Services	7.5	11.5
Farming	4.2	0.9
Processing	3.5	1.7
Fabricating	11.2	4.2
Construction	11.7	0.3
Transportation	5.4	0.5
Other	20.1	15.2
Industrial classification of last job (%)		
Manufacturing	24.5	14.3
Construction	12.3	1.4
Transportation	6.3	1.9
Trade	18.6	17.2
Finance, etc.	5.5	11.3
Community services	7.2	20.3
Business and personal services	11.1	20.1
Public administration	6.1	5.5
Other	8.5	8.1
Main reasons job ended (%)		
Company closed	12.3	14.6
Position abolished	16.2	20.8
Workload reduction	54.2	40.1
Quit job	4.9	12.6
Fired or dismissed	12.1	11.5
Self-operated business failed	0.3	0.3

Table E.5: Characteristics of Displaced Workers, by Gender (cont'd)

	Male	Female
Displaced worker sample size	4,134	4,010
Recall expectation (%)		
Did not expect recall notice	57.9	73.6
Expected recall notice, no specific date	26.6	14.9
Expected recall notice, specific date	7.8	4.7
Not sure	7.7	6.7
Member of a union in last job (%)	24.6	17.8
Highest education credential (%)		
University	14.1	15.3
College	13.1	18.6
High school	43.7	47.7
Less than high school	29.0	18.5
Age (%)		
Less than 20 years	0.3	0.2
20–24 years	8.1	6.1
25–34 years	34.2	30.4
35–44 years	28.4	30.4
45–54 years	18.0	21.8
55 years or older	11.0	10.9
Average age (yrs)	38.7	39.7
Received severance from last employer (%)	28.9	33.3

Table E.6: Characteristics of Displaced Workers, by Recall Expectations

	Expected Recall	Did Not Expect Recall
Displaced worker sample size	2,202	5,912
Number of years worked for last employer (%)		
Less than 1 year	22.8	14.0
1–2 years	13.9	13.9
3–5 years	22.9	27.5
6–9 years	20.7	22.5
10 years or more	19.6	22.1
Average number of years with last employer	5.8	6.9
Earnings/week in last job (%)		
Less than $200/week	2.5	3.4
Between $200–$399/week	24.6	20.5
Between $400– $599/week	34.6	30.5
Between $600–$799/week	22.5	22.7
Between $800–$999/week	9.6	12.2
$1000/week or more	6.2	10.6
Average earnings/week in last job ($)	567.24	622.89
Average acceptable minimum weekly salary ($)	495.27	538.52
Occupation in last job (%)		
Managerial, administrative	8.0	29.1
Teaching	2.0	1.7
Clerical	11.4	19.8
Sales	4.0	9.8
Services	8.7	9.7
Farming	7.8	0.7
Processing	3.8	2.2
Fabricating	12.3	6.0
Construction	17.3	1.9
Transportation	4.7	2.3
Other	20.0	16.8
Industrial classification of last job (%)		
Manufacturing	23.3	18.1
Construction	19.1	2.5
Transportation	5.6	3.6
Trade	10.3	20.8
Finance, etc.	2.2	10.6
Community services	13.0	13.8
Business and personal services	10.9	17.2
Public administration	6.5	5.6
Other	9.2	7.9
Main reason job ended (%)		
Company closed	3.9	16.9
Position abolished	5.2	23.4
Workload reduction	87.5	32.6
Quit job	1.3	11.4
Fired or dismissed	2.0	15.4
Self-operated business failed	0.1	0.4

Table E.6: Characteristics of Displaced Workers, by Recall Expectations (cont'd)

	Expected Recall	Did Not Expect Recall
Displaced worker sample size	2,202	5,912
Recall expectation (%)		
Did not expect recall notice	0.0	90.1
Expected recall notice, no specific date	76.8	0.0
Expected recall notice, specific date	23.2	0.0
Not sure	0.0	9.9
Member of a union in last job (%)	32.1	17.2
Highest education credential (%)		
University	7.8	17.2
College	11.5	17.4
High school	43.9	46.4
Less than high school	36.8	19.0
Age (%)		
Less than 20 years	0.3	0.3
20–24 years	9.9	6.1
25–34 years	33.8	32.0
35–44 years	29.7	29.3
45–54 years	17.4	20.7
55 years or older	8.8	11.7
Average age (yrs)	37.7	39.7
Received severance from last employer (%)	4.8	41.0

Appendix F:
Characteristics of Repeat UI Users

Table F.1: Characteristics of the Layoff Job for Repeat UI Users, by CEC and Overall

	St. John's	Halifax	Moncton	Lévis	Full Sample
Repeat UI user sample size	1,520	294	862	738	3,414
Number of years worked for last employer (%)					
Less than 1 year	27.5	25.5	37.5	25.4	29.3
1–2 years	9.8	8.6	10.7	7.9	9.5
3–5 years	18.6	21.4	14.4	18.0	17.7
6–9 years	19.7	19.0	18.3	20.1	19.4
10 years or more	24.5	25.5	19.1	28.6	24.1
Average number of years with last employer	6.2	6.5	5.2	7.4	6.2
Number of years worked in same industry (%)					
Less than 1 year	5.2	5.2	7.8	13.6	7.7
1–2 years	4.1	2.4	5.4	6.1	4.7
3–5 years	21.4	20.8	20.0	19.4	20.5
6–9 years	21.0	22.2	25.3	22.1	22.4
10 years or more	48.3	49.3	41.6	38.7	44.6
Number of previous employers (%)					
1 company	57.5	60.4	58.4	56.2	57.7
2–3 companies	34.2	28.6	34.9	34.9	34.0
4–5 companies	6.5	5.7	4.4	5.9	5.8
6–9 companies	1.4	1.8	1.8	2.3	1.7
10 companies or more	0.5	3.5	0.5	0.7	0.8
Average number of hours worked/week	42.0	38.9	41.4	41.1	41.4
Worked 30 hours/week or more in last job (%)	87.2	89.4	88.0	93.1	88.9
Earnings/week in last job (%)					
Less than $200/week	5.0	3.2	5.8	2.8	4.6
$200–$399/week	23.9	23.2	30.3	19.1	24.4
$400–$599/week	36.4	44.7	35.6	30.0	35.5
$600–$799/week	21.1	16.2	20.1	19.8	20.2
$800–$999/week	7.2	9.5	5.8	18.8	9.6
$1000/week or more	6.4	3.2	2.4	9.7	5.8
Average earnings/week in last job ($)	553.31	532.22	491.01	631.95	553.06
Earned at/above max. UI insurable earning (%)	11.5	10.2	6.9	25.6	13.3

Table F.1: Characteristics of the Layoff Job for Repeat UI Users, by CEC and Overall (cont'd)

	St. John's	Halifax	Moncton	Lévis	Full Sample
Repeat UI user sample size	1,520	294	862	738	3,414
Number of persons at same location (%)					
1–19 persons	53.2	44.6	55.4	60.3	54.6
20–99 persons	20.6	35.2	25.0	30.5	25.1
100–499 persons	11.2	13.6	13.0	6.6	10.9
500 persons or more	15.1	6.6	6.5	2.6	9.5
Number of persons at all locations in Canada (%)					
1–19 persons	40.2	33.6	42.4	53.0	43.0
20–99 persons	14.9	16.4	17.2	25.1	17.9
100–499 persons	12.5	15.3	14.4	11.0	12.9
500 persons or more	32.4	34.7	26.1	10.9	26.2
Occupation in last job (%)					
Managerial, administrative	4.3	4.4	4.2	1.9	3.8
Teaching	8.9	13.7	8.8	1.2	7.6
Clerical	15.8	20.1	8.1	7.0	12.3
Sales	1.8	2.7	2.8	1.5	2.1
Services	11.7	10.2	15.0	8.3	11.7
Farming	2.5	4.4	5.1	5.6	4.0
Processing	2.3	0.3	6.4	5.0	3.8
Fabricating	3.9	2.7	5.0	8.7	5.1
Construction	26.7	21.2	24.0	32.7	26.8
Transportation	9.3	8.2	7.9	8.9	8.8
Other	12.8	11.9	12.8	19.2	14.1
Industrial classification of last job (%)					
Manufacturing	6.3	2.7	11.4	14.9	9.1
Construction	29.3	23.2	27.4	37.7	30.1
Transportation	8.0	6.1	4.3	7.2	6.7
Trade	5.4	4.4	6.0	5.1	5.4
Finance, etc.	1.6	0.3	1.4	1.5	1.4
Community services	18.6	44.0	21.9	7.3	19.2
Business and personal services	8.6	11.6	12.3	9.1	9.9
Public administration	14.9	5.1	6.3	3.4	9.4
Other	7.3	2.4	9.0	13.8	8.7

Table F.2: Characteristics of the Layoff for Repeat UI Users, by CEC and Overall

	St. John's	Halifax	Moncton	Lévis	Full Sample
Repeat UI user sample size	1,520	294	862	738	3,414
Main reason job ended (%)					
Seasonal work ended	67.4	67.1	70.7	59.0	66.4
Company closed	1.2	1.8	1.8	1.3	1.4
Position abolished	2.8	2.1	1.4	1.0	2.0
Workload reduction	28.2	26.9	25.2	37.4	29.3
Quit job	0.4	1.4	0.7	0.3	0.5
Fired or dismissed	0.1	0.7	0.1	1.1	0.4
Advance notice of job loss (%)					
1 week or less	36.6	29.2	41.8	52.7	40.8
Between 1 week and 1 month	34.4	18.4	25.1	33.0	30.3
1 month or more	29.0	52.4	33.1	14.3	28.9
Recall expectation (%)					
Did not expect recall notice	5.9	8.3	4.5	4.5	5.4
Expected recall notice, no specific date	70.4	44.4	57.9	71.9	65.4
Expected recall notice, specific date	16.2	41.7	31.6	19.0	22.9
Not sure	7.5	5.6	6.0	4.6	6.3
Member of a union in last job (%)	41.8	42.0	23.5	43.3	37.5

Table F.3: Characteristics of the UI Claim after Layoff for Repeat UI Users, by CEC and Overall

	St. John's	Halifax	Moncton	Lévis	Full Sample
Repeat UI user sample size	1,520	294	862	738	3,414
Average weekly benefit at start of claim ($)	284.62	286.03	263.22	320.41	287.08
Maximum weekly benefit at start of claim ($)	448.00	448.00	448.00	461.00	461.00
Minimum weekly benefit at start of claim ($)	49.00	63.00	61.00	72.00	49.00
Average weekly insurable earnings ($)	513.92	517.82	475.13	583.45	519.49
Total number of weeks of UI benefit entitlement	32.3	29.2	28.4	27.2	29.9
Number of insured weeks of employment	25.0	34.3	27.2	30.3	27.5

Table F.4: Repeat UI Users' History of Regular UI Benefits for Three Years Prior to Random Assignment, by CEC and Overall

	St. John's	Halifax	Moncton	Lévis	Full Sample
Repeat UI user sample size	1,520	294	862	738	3,414
Number of regular UI paid weeks in the three years prior to random assignment (%)					
Less than 26 weeks	6.4	30.6	4.9	7.0	8.3
26–52 weeks	16.7	24.1	23.5	29.7	21.9
53–78 weeks	23.9	32.0	39.9	53.5	35.0
More than 78 weeks	53.0	13.3	31.7	9.8	34.8
In the three years prior to random assignment:					
Average number of regular UI paid weeks	74.6	48.7	65.4	56.5	66.1
Median number of regular UI paid weeks	81.0	49.1	69.0	59.6	64.7
Average total regular UI benefits paid ($)	19,999.90	12,451.50	15,796.50	16,975.10	17,634.70
Average weekly regular UI benefits paid ($)	263.60	252.20	239.10	300.60	264.40
Average payment in:					
1st year prior to random assignment ($)	6,116.20	3,748.80	4,763.70	5,254.80	5,384.60
2nd year prior to random assignment ($)	6,639.00	4,262.60	5,578.50	5,479.00	5,915.80
3rd year prior to random assignment ($)	7,244.70	4,440.10	5,454.30	6,241.40	6,334.30

Table F.5: Characteristics of Repeat UI Users at the Time of Application to ESP, by CEC and Overall

	St. John's	Halifax	Moncton	Lévis	Full Sample
Repeat UI user sample size	1,520	294	862	738	3,414
Age (%)					
20–24 years	2.6	1.7	3.4	3.4	2.9
25–34 years	28.3	33.3	27.8	26.3	28.2
35–44 years	35.6	31.0	31.4	31.2	33.2
45–54 years	23.8	24.1	23.9	27.8	24.7
55 years or older	9.7	9.9	13.5	11.4	11.0
Average age (yrs)	40.4	40.4	41.1	41.2	40.8
Gender (%)					
Male	62.6	52.7	60.1	78.3	64.5
Female	37.4	47.3	39.9	21.7	35.5
Highest education credential (%)					
University	8.1	18.5	7.3	3.1	7.7
College	8.6	6.3	8.8	8.2	8.4
High school	50.5	47.0	41.2	42.2	46.0
Less than high school	32.8	28.2	42.7	46.4	37.9
Other education received (%)					
Trade/vocational diploma/certificate	39.4	42.4	25.2	36.1	35.4
Apprenticeship diploma	10.8	12.1	8.2	14.1	11.0
Number of people in household (%)					
1 person	8.6	17.4	12.9	19.8	12.9
2 persons	20.9	32.8	33.1	25.3	25.9
3 persons	24.3	23.9	22.0	19.9	22.7
4 persons or more	46.2	25.9	32.0	35.0	38.4
Number of people who contribute to household income (%)					
1 adult	31.9	37.5	30.4	46.8	35.2
2 adults	58.3	53.6	60.8	50.8	56.9
3 adults	6.5	7.6	5.9	1.8	5.4
4 adults or more	3.3	1.4	2.9	0.5	2.4
Average acceptable minimum weekly salary ($)	489.24	494.18	453.87	563.81	496.90
Acceptable minimum salary is: (%)					
Not less than earnings in last job	47.4	43.9	52.9	46.1	48.2
1–10 percent less	16.2	18.7	17.5	16.3	16.8
11–20 percent less	11.8	12.6	10.6	11.9	11.6
More than 20 percent less	24.7	24.8	19.0	25.7	23.5

Table F.5: Characteristics of Repeat UI Users at the Time of Application to ESP, by CEC and Overall (cont'd)

	St. John's	Halifax	Moncton	Lévis	Full Sample
Repeat UI user sample size	1,520	294	862	738	3,414
To get a job, percent who would be willing to:					
Take additional training					
Yes	84.2	82.4	79.6	67.4	79.2
No	4.6	5.9	6.7	13.8	7.2
Not sure	11.2	11.7	13.7	18.8	13.5
Move permanently					
Yes	17.7	19.0	12.3	11.8	15.1
No	54.3	61.7	69.3	66.6	61.5
Not sure	28.0	19.3	18.3	21.6	23.4
Move for part of each year					
Yes	36.0	23.4	17.6	30.8	29.1
No	39.5	58.8	62.1	47.7	48.7
Not sure	24.5	17.9	20.3	21.4	22.2
Work for lower wage					
Yes	36.2	49.0	28.3	39.3	36.0
No	37.9	34.5	48.9	36.8	40.1
Not sure	26.0	16.6	22.8	23.9	23.9
Work in different occupation or industry					
Yes	72.0	64.4	68.5	73.0	70.7
No	9.0	15.6	12.8	13.3	11.5
Not sure	19.0	20.1	18.7	13.7	17.8

Table F.6: Characteristics of Repeat UI Users, by Gender

	Male	Female
Repeat UI user sample size	2,202	1,212
Number of years worked for last employer (%)		
Less than 1 year	33.3	22.2
1–2 years	10.6	7.6
3–5 years	16.0	20.7
6–9 years	17.1	23.4
10 years or more	23.0	26.1
Average number of years with last employer	6.0	6.7
Earnings/week in last job (%)		
Less than $200/week	1.5	10.2
$200–$399/week	13.8	44.0
$400–$599/week	35.4	35.8
$600–$799/week	27.2	7.0
$800–$999/week	13.7	1.9
$1000/week or more	8.3	1.2
Average earnings/week in last job ($)	637.18	397.09
Average acceptable minimum weekly salary ($)	566.70	369.71
Occupation in last job (%)		
Managerial, administrative	2.6	5.8
Teaching	2.2	17.4
Clerical	2.3	30.6
Sales	1.3	3.5
Services	6.5	21.1
Farming	4.8	2.5
Processing	3.4	4.4
Fabricating	7.0	1.7
Construction	41.1	0.9
Transportation	12.7	1.7
Other	16.1	10.5
Industrial classification of last job (%)		
Manufacturing	10.1	7.3
Construction	45.0	3.0
Transportation	9.0	2.6
Trade	5.2	5.8
Finance, etc.	1.1	2.0
Community services	7.7	40.1
Business and personal services	4.5	19.6
Public administration	7.5	12.8
Other	9.7	6.9
Main reasons job ended (%)		
Company closed	1.0	2.1
Seasonal work ended	65.5	68.2
Position abolished	1.4	3.0
Workload reduction	31.4	25.5
Quit job	0.3	1.0
Fired or dismissed	0.4	0.3

Table F.6: Characteristics of Repeat UI Users, by Gender (cont'd)

	Male	Female
Repeat UI user sample size	2,202	1,212
Recall expectation (%)		
Did not expect recall notice	4.8	6.6
Expected recall notice, no specific date	72.2	52.9
Expected recall notice, specific date	16.2	35.0
Not sure	6.8	5.4
Member of a union in last job (%)	35.8	40.7
Highest education credential (%)		
University	4.1	14.3
College	7.2	10.5
High school	43.9	49.9
Less than high school	44.8	25.3
Age (%)		
20–24 years	3.5	1.7
25–34 years	30.0	24.8
35–44 years	33.5	32.7
45–54 years	21.8	30.0
55 years or older	11.2	10.8
Average age (yrs)	40.2	41.9
Worked 30 hours/week or more in last job (%)	96.4	75.2

Table F.7: Characteristics of Repeat UI Users, by Recall Expectations

	Expected Recall	Did Not Expect Recall
Repeat UI user sample size	2,982	398
Number of years worked for last employer (%)		
Less than 1 year	26.0	54.9
1–2 years	8.8	14.4
3–5 years	18.5	10.8
6–9 years	20.4	11.3
10 years or more	26.2	8.7
Average number of years with last employer	6.7	3.0
Earnings/week in last job (%)		
Less than $200/week	3.8	9.6
Between $200–$399/week	23.9	27.1
Between $400–$599/week	36.7	26.8
Between $600–$799/week	20.8	16.1
Between $800–$999/week	9.2	12.0
$1000/week or more	5.5	8.3
Average earnings/week in last job ($)	553.79	553.81
Average acceptable minimum weekly salary ($)	500.23	478.17
Occupation in last job (%)		
Managerial, administrative	3.6	5.0
Teaching	7.5	8.3
Clerical	12.7	10.1
Sales	1.9	2.8
Services	11.0	16.1
Farming	4.3	1.8
Processing	3.8	3.5
Fabricating	4.9	6.5
Construction	27.1	25.6
Transportation	8.9	7.3
Other	14.2	13.1
Industrial classification of last job (%)		
Manufacturing	9.4	7.5
Construction	30.4	29.4
Transportation	6.5	7.8
Trade	5.0	8.5
Finance, etc.	1.5	1.0
Community services	19.4	16.6
Business and personal services	9.0	15.8
Public administration	9.8	6.3
Other	9.0	7.0
Main reason job ended (%)		
Company closed	0.5	8.0
Seasonal work ended	69.8	41.0
Position abolished	1.2	7.7
Workload reduction	28.2	37.2
Quit job	0.1	3.7
Fired or dismissed	0.1	2.4

Table F.7: Characterisitcs of Repeat UI Users, by Recall Expectations (cont'd)

	Expected Recall	Did Not Expect Recall
Repeat UI user sample size	2,982	398
Recall expectation (%)		
Did not expect recall notice	0.0	46.2
Expected recall notice, no specific date	74.1	0.0
Expected recall notice, specific date	25.9	0.0
Not sure	0.0	53.8
Member of a union in last job (%)	39.1	25.4
Highest education credential (%)		
University	7.0	13.6
College	7.9	11.8
High school	46.5	43.2
Less than high school	38.6	31.5
Age (%)		
20–24 years	2.7	4.0
25–34 years	27.3	34.4
35–44 years	33.2	33.4
45–54 years	25.3	19.6
55 years or older	11.4	8.5
Average age (yrs)	41.0	38.8
Worked 30 hours/week or more in last job (%)	88.6	91.8

Appendix G:
Multivariate Analysis of Supplement Take-Up

Table G.1: Coefficient Estimates from Cox Regression for Supplement Take-Up, Displaced Workers

Explanatory Variables	Relative Risk[†]	Significance Level (p-value)
Recall expectation		
Did not expect recall notice	3.89***	0.0001
Not sure	3.02***	0.0001
Age		
Less than 30 years	3.92***	0.0001
30–44 years	3.09***	0.0001
45–54 years	2.16***	0.0003
Average prior weekly insurable earnings		
$400–$599/week	2.82***	0.0001
$600–$799/week	4.29***	0.0001
$800/week or more	4.52***	0.0001
Sites		
Granby	2.40***	0.0001
Oshawa	1.11	0.4317
Winnipeg	2.01***	0.0001
Saskatoon	2.40***	0.0001
Number of people who contribute to household income		
1 person	1.29	0.2122
2 persons	1.36	0.1069
Number of people in household		
1 adult	0.74**	0.0425
2 adults	0.90	0.2642
Gender		
Male	1.09	0.3457
Number of years worked for last employer		
Less than 1 year	1.36**	0.0398
1–2 years	0.97	0.8615
3–5 years	1.06	0.6591
6–9 years	1.20	0.1420
Highest education credential		
University	0.68**	0.0136
College	1.07	0.6299
High school	1.09	0.4490
Received severance		
Yes	1.25**	0.0140
Member of a union in last job	1.01	0.9512
Total number of weeks of UI benefit entitlement		
39–42 weeks	1.20*	0.0799
43–50 weeks	1.18	0.2005

[†]Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; and * = 10 percent.

Table G.2: Coefficient Estimates from Cox Regression for Supplement Take-Up, Repeat UI Users

Explanatory Variables	Relative Risk[†]	Significance Level (p-value)
Expected recall		
Did not expect recall notice	4.11***	0.0002
Not sure	3.64***	0.0010
Age		
Less than 30 years	2.28	0.2159
30–44 years	2.31	0.1806
45–54 years	0.99	0.9878
Average prior weekly insurable earnings		
$400–$599/week	1.08	0.8392
$600–$799/week	1.84	0.1346
$800/week or more	0.91	0.8790
Site		
Halifax	1.39	0.4535
Moncton	1.73*	0.0992
Lévis	0.94	0.8670
Number of people who contribute to household income		
1 person	0.58	0.2947
2 persons	0.34**	0.0245
Number of people in household		
1 adult	0.79	0.5854
2 adults	1.22	0.5684
Gender		
Male	1.39	0.3629
Number of years worked for last employer		
Less than 1 year	1.79	0.2293
1–2 years	1.94	0.2601
3–5 years	1.83	0.2529
6–9 years	2.23	0.1092
Highest educational credential		
University	0.89	0.8484
College	1.32	0.6071
High school	1.80*	0.0642
Member of a union in last job	1.65*	0.0839
Weeks of UI benefit entitlement		
27–32 weeks	0.60	0.1254
33–50 weeks	0.59	0.1371

[†]Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; and * = 10 percent.

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