

Learning What Works

Evidence From SRDC's Social Experiments and Research

Volume 1, Number 2

Spring 2001

Will the Working Poor Save to Invest in Human Capital?

Insights From a Laboratory Experiment

As a leader in the area of demonstration projects and program evaluation, SRDC has to keep up with the latest methodological breakthroughs. In recent years, experimental economics is a research field that has gained in popularity and entered the mainstream of economic analysis. Experimental economics uses controlled laboratory settings with financial incentives to study people's economic behaviour. In these experiments, subjects are placed in identical settings and they typically make decisions involving real money. This experimental approach can be used to infer preferences or behavioural propensities.

As part of the design phase for its *learn\$ave* demonstration project, SRDC is using experimental economics to shed light on the behaviour and preferences of the working poor with respect to saving for learning activities. While laboratory experiments have been developing in the academic arena for some time, they have yet to be used in conjunction with large-scale

demonstration projects or social experiments conducted in real-life settings. Although social experiments, using random assignment to program and control groups, remain the most powerful methodology available to isolate the impact of proposed changes in programs or policies, laboratory experiments can be used as a complementary approach to generate valuable information for the design of those social experiments and, perhaps, preview some of their forthcoming results.

learn\$ave, a large demonstration project being undertaken by SRDC and Social and Enterprise Development Innovations (SEDI) is using individual development accounts (IDAs) to test whether low-income people can be encouraged to save money to increase their human capital and, in turn, their long-run standard of living. (See "Knowledge in the Bank" in *Learning What Works*, Volume 1, Number 1, for a description of this project.) For each dollar that participants put in their IDA,

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LEARNING WHAT WORKS is published by the Social Research and Demonstration Corporation (SRDC).

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program sponsors contribute matching dollars up to a predetermined limit. The matched funds must be used for post-secondary education, training, or small business start-ups. This success of the project depends on the *ability* of the target population (individuals with family income less than 120 per cent of Statistics Canada's low income cut-off) to save and on their *willingness* to save for this particular purpose.

Experiment designed around *learn\$ave* parameters

SRDC assembled a team of experimental economists — Claude Montmarquette from the University of Montreal and Centre interuniversitaire de recherche en analyse des organisations (CIRANO), Catherine Eckel from Virginia Polytechnic Institute and State University, and SRDC Research Associate Cathleen Johnson — to design a laboratory experiment that could answer questions posed by SRDC researchers during the planning phase of *learn\$ave*.

The laboratory experiment focused on three major questions: (1) Will the working poor invest in education for themselves or their children? (2) Are these subjects willing to delay consumption for substantial returns on their investment? and (3) How do these subjects react to risky choices? (The attitude towards risk is an important factor in understanding the decision to invest in human capital.) Answers to these questions should inform the key research question: Given the right incentive, will the working poor save to invest in human capital?

You must choose A or B:

- Choice A: \$100 one week from today
- Choice B: \$400 in your own training or education

These two choices are represented by the two following pictures. Please circle your choice:



\$ 100 one week from today

Choice A



OR

\$400 in your own training or education (expenses refunded)

Choice B

Laboratory experiments are typically conducted using undergraduate students in computerized laboratories. The team chose instead to design the experiment around the parameters of the *learn\$ave* project. Lilia Goldfarb from the Montreal YMCA organized the recruitment efforts through community groups whose membership consisted primarily of the working poor. Every effort was made to make the experiment accessible and non-threatening to all the subjects. No computers were used in the administration of the experiment and simple devices like bingo balls and dice were used to generate random draws.

Subjects were provided with a series of choices with cash and non-cash prizes. The choices were carefully designed to support the three major questions above. There were a total of 64 choice questions, including

investment preference and time preference questions. The subjects made all their choices with the understanding that one of these choices would be selected at random at the conclusion of the experiment, and they would receive payments according to their choice for that particular question. In all, 256 subjects participated in several sessions over a three-week period in November 2000. Each session took an hour and a half to complete and subjects earned, on average, \$123.

The figure above is an example of one choice question from the experiment for which all subjects indicated a preference. There were three questions in this particular series with \$200, \$400, and \$600 as the values of educational investment to be weighed against \$100 cash (one week from the day the experimental session was

conducted). Theoretically, it would have been ideal to have subjects save their own funds in exchange for an amount of educational investment. That is the realistic condition under which the *learn\$ave* demonstration project will be conducted. The laboratory alternative to having subjects save their own funds was to give subjects the choice between \$100 in cash and \$X for their own training or education. In this context, high payoffs create salient decisions. Subjects had to give up \$100 to select the educational outcome. Given the range of the subjects' income, \$100 represented a substantial amount of money to them. The nature of the alternative to cash also created the necessity for the experimenter to offer high payoffs. Lower levels of investment in training and education would be difficult for subjects to use without additional contributions from their own savings. As an added benefit,

A still-unanswered question is the extent to which behaviour in the laboratory predicts behaviour in the field.

the high payoffs caught the attention of the subjects and they paid close attention to the procedure.

A majority of subjects chose the earliest payoff regardless of the rate of return

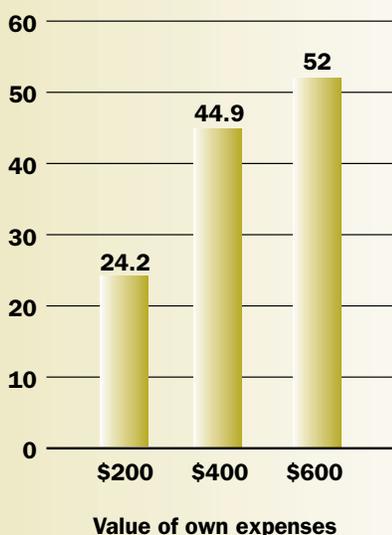
The most striking result thus far from the laboratory experiment centres on the series of questions related to the question illustrated in the figure on the previous page. When subjects are presented with the opportunity analogous to the *learn\$ave* matching offer (that is, a 3 to 1 matching grant) 44.9 per cent of subjects accept the offer of education and training. As described, this choice entails giving up \$100 of cash to receive \$400 to spend on their own education or training. Note that a real savings program — like the one to be tested under *learn\$ave* would require participants to invest their own funds and give up some current consumption to do so. For that reason, we expect the take-up rates for the education and training investment choice to be less than those indicated in the chart shown on the left.

When the incentive is increased to simulate a matching grant of 5 to 1 instead of 3 to 1, 52 per cent of participants choose an investment of \$600 in their own education as an alternative to \$100 cash. This indicates that almost half of the participants either do not have the *ability* to contribute \$100 in education expenses or do not have the *desire* to pay for education for themselves. Given that the average family income of the participants was between \$20,000 and \$25,000, it is reasonable to suspect that the cash alternative to investing in education was very attractive.

Further analysis into the determinants of choosing cash over paid educational expenses pointed to impatience, aversion to risk, age, and years of schooling. Older individuals in our sample were more likely to take the cash rather than invest in human capital. Subjectively, older adults may have a lower expected rate of return from an investment in human capital. The average number of years of schooling for participants in the experiment was 13.6 years with 78 per cent graduating from high school. Counterintuitively, individuals that had more years of schooling were more likely to take the cash over additional education and training. It may be that these individuals have experienced a failure in the past by investing in education and see further investment in education as a no-win situation.

A measure of impatience was constructed from the choice questions submitted to participants. A series

Percentage of participants choosing own education over \$100 one week from today



of choice questions required that subjects indicate a preference between cash sometime in the near future or at some later date with a return of 10 per cent, 50 per cent, 200 per cent, or 380 per cent. The measure of impatience was simply calculated as the number of times out of 37 opportunities each participant chose the earliest payoff. This measure of impatience turned out to be a strong determinant in participants' decisions to choose cash over human capital investments in

the experiment. Analysis confirms that subjects overwhelmingly chose the earliest payoff with little consideration for the rate of return. The experiment also provided rich information on the propensity of working poor parents to invest in their children's education. These results along with a complete description and analysis of the laboratory experiment will soon be published in an SRDC working paper.

A still-unanswered question about these laboratory experiments is the extent to which behaviour in the laboratory predicts behaviour in the field. What is clear at this time however is that laboratory experiments can be an inexpensive method of enriching the design of demonstration projects and putting some boundaries around expected key outcomes. ♦

High Seasonal Wages Make It Difficult to Lure Repeat EI Users to Year-Round Employment

Failure of financial incentives to induce repeat Employment Insurance (EI) users to seek off-season or year-round work may be linked to the fact that they are paid high wages, on average, when they are working. Even though repeat and non-repeat users seem willing to accept roughly equal percentage pay cuts in a new job, it may be more difficult for repeat users to find jobs that are acceptable because they are used to higher wages. These observations are based on empirical findings from a recent study published by the Social Research and Demonstration Corporation (SRDC).

The repeat users component of SRDC's Earnings Supplement Project (ESP) offered a wage supplement to randomly chosen EI claimants who had filed claims in

each of the three previous years if they quickly found re-employment but had to take a pay cut to do so. The supplement was intended to encourage re-employment, to promote year-round employment patterns, and to stimulate "off-season" employment by encouraging lower *reservation wages* — the lowest wage at which an individual would accept a new job.

ESP found that less than half of those eligible for the wage supplement were interested in participating in the program and, of those who volunteered and were randomly assigned to the supplement group, only five per cent ever returned to work and took a wage loss qualifying them for the supplement. The vast majority of the sample, therefore, were essentially unaffected by the offer of a supplement. (See box for

a description of the Earnings Supplement Project.)

To better understand the circumstances and possible program needs of those who make frequent use of EI benefits, a survey of EI beneficiaries was added to the ESP research program. The Survey on Repeat Use of Employment Insurance (SRUEI) examined the 1997 employment experiences of a nationally representative sample of individuals who received regular EI benefits in 1996. In order to increase the usefulness of the data for the analysis of the frequent use of EI benefits, those who were repeat EI users (defined as those who had received benefits in at least three of the five years between 1992 and 1996) were oversampled in the survey.

In his study “Reservation Wages and Job-Search Behaviour: Evidence From the Survey on Repeat Use of Employment Insurance,” Stephen Jones uses the SRUEI data to examine the determinants of reservation wages and their role in job-search behaviour in order to assess whether there are significant differences in wage expectations of repeat and non-repeat EI users.

One possible reason why repeat users did not take up the supplement offer may be that they have especially high reservation wages so that even the generous ESP wage supplement was insufficient as an incentive to induce them to accept new jobs. Jones addresses this hypothesis by calculating the reservation wage ratios (RWRs) of repeat and non-repeat EI users. An RWR is the ratio of the reservation wage to the highest past wage reported on the survey. An RWR of 0.85, for example, indicates that the respondent is willing to accept a wage offer that is 85 per cent of the highest pre-layoff wage.

The mean RWR among all SRUEI respondents who looked for work while unemployed in 1997 was 0.895. However, the average RWR of repeat EI users was lower than that of non-repeat users, meaning that repeat users would be willing to accept a new job at a proportionately lower rate than non-repeat users. This difference is found only in men; the RWR of female repeat and non-repeat users is the same.

In light of these findings, the study concludes that repeat users status is not associated with more inflexible reservation wages relative to past

The Earnings Supplement Project

The Earnings Supplement Project (ESP), conducted by the Social Research and Demonstration Corporation (SRDC), provided temporary payments to two groups of applicants for Employment Insurance (EI) — displaced workers and frequent users of EI benefits — if they quickly found re-employment but had to take a reduction in pay to do so. Workers applying for benefits from the EI program were told that if they took a new full-time job within a specific period of time, and if that job paid less than the job from which they had been laid off, ESP would make up 75 per cent of the earnings loss for up to two years. For example, if an EI recipient accepted a new full-time job that paid \$10 per hour, and if his previous job had paid \$20 per hour, he would receive an “earnings supplement” of \$7.50 per hour for up to two years.

Methodology

Between March 1995 and June 1996 ESP offered the earnings supplement to two separate groups of EI claimants at nine employment insurance offices across Canada. The first was a group of 8,144 “displaced workers” defined, for the purposes of the project, as claimants who had been working continuously for at least three years before becoming unemployed and who did not expect to be recalled to the job they had lost. The second group consisted of 3,414 “repeat users,” defined as claimants who were applying for EI benefits for at least the fourth consecutive year. The displaced workers were given 26 weeks to find a new full-time job; if that new job paid less than the job from which they had been displaced, they were eligible for the earnings supplement. Repeat claimants were given only 12 weeks to find a new job.

Volunteers were recruited from among EI claimants who were part of the two groups. Among those who volunteered, half were randomly assigned to the program group and offered the earnings supplement; the other half to the control group, which was not offered the earnings supplement.

Findings

The offer of the earnings supplement had a small and short-lived impact on the re-employment of displaced workers. Those in the ESP program group were four per cent more likely to be employed during the first six months after random assignment, but by the 11th month, all differences in the employment of program and control group members had disappeared. Therefore, the ESP offer sped up re-employment slightly, but did not increase the longer-run rate of re-employment. For the relatively small group of individuals who received it, however, the supplement provided much-needed income and a welcome sense that the government cared about their economic well-being.

continued on page 6

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The results of the repeat EI users component of ESP were more disappointing. Only a relatively small proportion of repeat users of EI were even interested in volunteering for the demonstration and, of those who volunteered and were assigned to the treatment group, only five per cent ever received a supplement payment. Using administrative data, no significant difference in the subsequent use of EI benefits was found between the program and control groups. ♦

wage levels compared with non-repeat users.

However, that repeat users may have had lower reservation wage ratios than non-repeat users does not imply that the *level* of their reservation wages was lower. A second empirical point highlighted by Jones' work is that repeat EI users in the SRUEI had both higher past wages and higher reservation wages than non-repeat claimants. The average past wage of repeat users was about \$2.20 per hour greater than the average past wage of non-repeat users. The average reservation wage of the repeat users was \$1.62 higher than the average of non-repeat users. That is, even though the reservation wages of

repeat users were higher than those of non-repeat users, their past wages were even higher still, so that RWRs were lower for repeat users.

These two empirical findings — that repeat users have similar or lower RWRs but that they have higher reservation and past wages — suggest an interpretation for the ESP repeat user experiment. The idea was to induce repeat users to take off-season jobs or year-round jobs. But if repeat users had high wages in the jobs that they normally held during the season, and if the only other jobs available to them paid significantly lower wages, then they would not take these new jobs even with the temporary two-year ESP supplement. Perhaps designers

of the repeat user component of ESP thought that the past wages of repeat users were lower, and their prospects of recall less certain, than they actually were.

The study raises an important question in understanding the repeat use of EI. Is the reservation wage ratio for repeat users realistic given the job market prospects they are facing? Although repeat users are willing to accept jobs that pay 90 per cent of their pre-layoff wages, there may be no such jobs available.

“Reservation Wages and Job-Search Behaviour: Evidence From the Survey on Repeat Use of Employment Insurance” is contained in *Essays on the Repeat Use of Unemployment Insurance*, a volume of essays based on the SRUEI data and published by SRDC. A companion volume, *The Frequent Use of Unemployment Insurance*, presents a descriptive analysis of the responses to the SRUEI. ♦

Repeat EI Users — A Complex Reality

The Employment Insurance (EI) system is a cornerstone of Canada's income security policies. The main aim of the program is to provide financial assistance to workers who are temporarily unemployed and thereby help them rejoin the labour force.

Over the last few years, several studies have highlighted the perverse effects of a program that tends, in the view of certain analysts, to subsidize firms and workers who deliberately engage in a practice of temporary layoffs

instead of providing insurance against the risks associated with unexpected periods of unemployment. According to a recent survey about frequent EI use, half the individuals receiving EI benefits in 1996 were repeat users.

When the federal government created the Employment Insurance program in 1996 (replacing the previous Unemployment Insurance program), one of its objectives was specifically to limit frequent and systematic recourse to EI benefits. For example, introduction of the “intensity

**Over the period 1992 to 1997,
42 per cent of the women and
52 per cent of the men who
received EI benefits made
at least three claims.**

rule” had the effect of lowering the benefit rate for frequent claimants in order to reduce long-term dependence on the EI system. It is still too early to assess the impact of the intensity rule on worker behaviour and, in fact, one of the objectives of the government’s Bill C-2 to amend the *Employment Insurance Act* is to abolish the rule. Therefore, a better understanding of the characteristics of EI claimants is essential to any in-depth analysis of the public policy issues involved in providing assistance to workers facing difficult employment challenges.

In a study commissioned by the Social Research and Demonstration Corporation (SRDC), entitled “A Typology Analysis of the Users of Canada’s Unemployment Insurance System: Incidence and Seasonality Measures,” David Gray and Arthur Sweetman show that the conventional typology of two categories of EI users — frequent and occasional claimants — is an oversimplification. In reality, there are many different interactions between claimant work history and EI use, and this heterogeneity makes the task of analyzing which reform options would best meet the needs of vulnerable workers even more complex.

Published in the SRDC’s *Essays on the Repeat Use of Unemployment Insurance*, the Gray and Sweetman study makes use of the longitudinal administrative file of Human Resources Development Canada data with insight and originality. These data document EI claims from 1992 to 1997 that were made by workers receiving benefits in 1996.

The two-part study contributes fresh insight into the EI usage pattern from 1992 to 1997. The first part of the study consists of an in-depth analysis of repeat use of the program, not only in terms of the number of benefit

claims during the period, but also in terms of the duration and amounts of the benefits involved. The second part consists of an exhaustive typological analysis of claimants in which nine different categories of claimants are derived from the same three program use incidence measures.

Gray and Sweetman’s first analysis finds that, based at least on the period under study, repeat use of EI is certainly not an isolated phenomenon — 32 per cent of female users and 39 per cent of male users made more than four regular claims, and 42 per cent of the women and 52 per cent of the men made at least three claims. Naturally, repeat claims for non-regular benefits (such as maternity, parental, sickness, or training) were not as frequent as those for regular benefits. In addition, benefit periods for male claimants were generally longer than those for women and the amounts of their benefits were also much higher.

The authors’ second analysis presents a typology of EI system users that clearly reflects a heterogeneous pattern of interactions between claimant work history and use of the EI system. Occasional users were broken down into two categories: “classic-displaced” and “twice-unlucky.” The first group consisted of claimants who had made only one benefit claim during the six-year period from 1992 to 1997. They had been dismissed from jobs in which they had been working for a considerable period of time and generally maintained very close contact with the labour market. The second group was very similar to the first, except that they had been dismissed twice during the six-year period.

Repeat users were broken down into six categories based on their EI history: “perpetual” (those who had maintained active claims for more than 90 per cent of the time during the six years), “strictly seasonal,” “mostly seasonal,” “frequent but non-seasonal” (those who had submitted claims in each of the six years, but not at the same time of year), “mostly frequent but non-seasonal,” and “other frequent” users (a residual category for users who do not meet the criteria for any of the eight other groups). The authors also recognized a separate “relatively new entrant” category for workers who had only recently entered the labour force.

Typology of Canadian Employment Insurance Claimants, 1992–1997

User Type	Characteristics	Proportion of all EI users (%)	
		Female	Male
Occasional			
1. Classic-displaced	<ul style="list-style-type: none"> • Only one EI claim in six years • Dismissed from a relatively permanent job and maintaining very close contact with the labour market 	14.1	9.8
2. Twice-unlucky	<ul style="list-style-type: none"> • Two EI claims in six years • Maintaining very close contact with the labour market but being unlucky enough to be dismissed from two jobs in six years 	19.0	13.7
Frequent			
3. Perpetual	<ul style="list-style-type: none"> • Maintained an active claim for more than 90 per cent of the time in six years • Performed short-term jobs, often while still maintaining an active EI claim 	3.5	5.5
4. Seasonal	<ul style="list-style-type: none"> • An EI claim in each of the six years, submitted during the same eight-week period of the year • Temporarily laid off from work and maintaining close contact with the labour market 	6.3	4.1
5. Mostly seasonal	<ul style="list-style-type: none"> • An EI claim in four or five of the six years, submitted during the same eight-week period of the year • Laid off temporarily and maintaining quite a close contact with the labour market 	10.5	10.8
6. Frequent but non-seasonal	<ul style="list-style-type: none"> • An EI claim in each of the six years but with no seasonal claim pattern • Low-paying, unstable employment with little job security and/or frequent, foreseeable, and recurrent interruptions 	2.4	3.4
7. Mostly frequent but non-seasonal	<ul style="list-style-type: none"> • An EI claim in four or five of the six years but with no seasonal claim pattern • Low-paying, unstable employment with little job security and/or frequent, foreseeable, and recurrent interruptions 	12.8	19.0
8. Other frequent	<ul style="list-style-type: none"> • Catch-all category for all other repeat users 	20.3	20.4
Other			
9. New entrants into the labour force	<ul style="list-style-type: none"> • With less than five years' work experience when EI claim submitted in 1996 	10.9	13.2
Total		100	100

The statistical profile of each of these categories clearly shows that repeat EI users do not conform to a single, uniform pattern. For instance, it turns out that there are relatively few seasonal workers (i.e. those who work for the same months each year for the same employer and who receive EI benefits during the other months of the year). Many repeat users are definitely non-seasonal with very unstable, piecemeal, and often unpredictable employment patterns. Some of these tend to combine a number of jobs for short, intermittent periods and thereby become eligible for EI benefits. Such frequent but non-seasonal users represented approximately 15 per cent of female claimants and 22 per cent of male claimants during the 1992–1997 period.

“Classic-displaced” workers represented 14.1 per cent of female claimants and 9.8 per cent of male claimants. These proportions are relatively low when considering that the EI program was originally conceived to meet the needs of this category of worker, which typically maintains close contact with the labour market while dealing with the challenge of unemployment.

Gray and Sweetman’s study provides new insight into the work history patterns of workers who use the EI system. The complexity of the “EI-dependence” phenomenon and the diversity of individual circumstances revealed by their study will certainly make experts think twice before making any specific recommendations concerning income security policy. ♦

Will You Marry Me?

Can an Earnings Supplement Affect the Marital Behaviour of Welfare Recipients?

Social assistance is commonly blamed for discouraging marriage and encouraging divorce because eligibility requirements often penalize individuals financially who are married or live in common-law relationships. But what if social assistance recipients were offered the opportunity to leave welfare and become self-sufficient? Would their marriage behaviour change?

The Self-Sufficiency Project (SSP) tested a program to “make work pay” by offering a generous earnings supplement to single parents — about 95 per cent of whom were women — who found full-time employment within a year of being randomly assigned to the program group. The earnings supplement

lasted for three years and was not affected by subsequent changes in recipients’ family composition.

In a newly published working paper from the Social Research and Demonstration Corporation, Kristen Harknett and Lisa A. Gennetian examine the effect SSP had on marriage. (The authors note that “marriage” is broadly construed as legal marriage or common-law marriage because common-law marriages in Canada entail similar rights and responsibilities to legal marriages, and are treated similarly by the social assistance system.) SSP provides a unique opportunity to study how an improvement in economic circumstances can affect the marriage behaviour of welfare recipients. One interesting feature

of the project is that it was run in two geographically and culturally diverse regions — British Columbia and New Brunswick.

Understanding if and how policies affect marriage behaviour is important for several reasons. There is some evidence to suggest that children in one-parent families are disadvantaged on a broad array of outcomes compared with those in two-parent families. Part of this difference results from greater poverty among one-parent families. Thus, children may benefit from policies that simultaneously increase a family’s self-sufficiency by increasing employment and earnings, and increase likelihood of marriage, particularly among biological parents.

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Policies that facilitate a desired marriage or enhance marital stability may also facilitate long-term independence from public assistance. Remarriage is the most common route to recovery from the decline in standard of living that women and children face after divorce, and is also a common way off of social assistance.

SSP produced an ambiguous marriage effect

In *How an Earnings Supplement Can Affect the Marital Behaviour of Welfare Recipients: Evidence From the Self-Sufficiency Project*, the researchers suggest that there are several ways SSP could affect women's marriage decisions. With increased economic opportunities, women may choose to delay but not to forego marriage. SSP could also increase marriage rates as an indirect effect of increasing employment and income. Employment could increase marriage by exposing women to new social networks through work or by increasing their appeal to prospective spouses. Extra money could also facilitate marriage

by alleviating financial stress in a relationship. On the other hand, women's employment might result in increased marital friction.

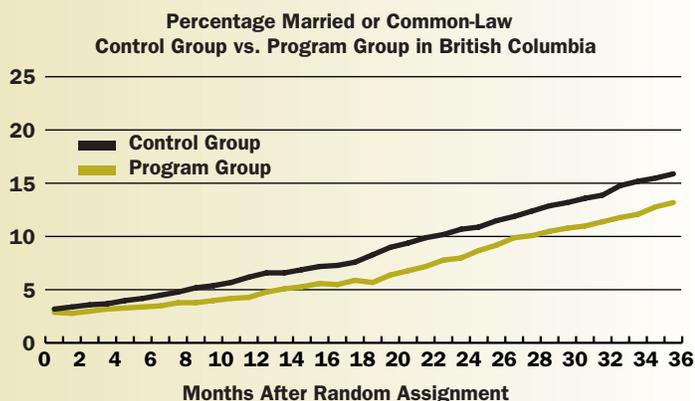
As it turns out, SSP has both a positive and a negative effect on the incidence of marriage. In British Columbia SSP decreased the probability of respondents marrying during the first three years of the program by almost three percentage points, an 18 per cent decrease relative to the control group. In contrast, in New Brunswick SSP increased the probability of respondents marrying by almost four percentage points, a 20 per cent increase compared with the control group.

The researchers conclude that the opposite direction of the marriage effect in each province does not appear to be related to differences between the provinces in SSP impacts on employment and income. Nor does the difference seem to result from any observable differences in the characteristics of

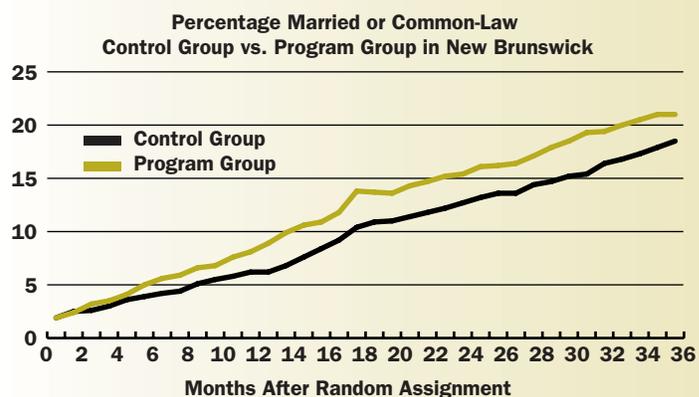
sample members in both provinces. The authors suggest that unobserved characteristics, such as the local marriage markets and culture, play a role in explaining the disparateness in marital impact. The area of New Brunswick where SSP was tested has a much larger proportion of Catholics and rural residents, while the British Columbia test region is primarily Protestant and urban. The larger concentration of Catholics and rural residents in New Brunswick may be associated with more traditional marital values.

Although the overall rate of marriage is similar in the two provinces, the mean age at marriage is one year younger in New Brunswick than in British Columbia. Furthermore, comparing the rate of marriage for the control groups of the two provinces shows that marriage is much more common in the New Brunswick sample than in the British Columbia sample in spite of the fact that the British Columbia

The Self-Sufficiency Project decreased marriage in British Columbia ...



... but not in New Brunswick.



economy is stronger and the pool of employed males is probably larger.

Marriage effect is not predictable

What are the policy implications of these results? Since the SSP program did not penalize marriage, one might regard the earnings supplement as allowing women greater freedom to choose whether or not to marry. The earnings supplement is like a large raise in salary and is completely portable — the additional income can be enjoyed regardless of changes in household composition.

Yet, the report's findings suggest that the supplement's effect on marriage is not clearly predictable. In New Brunswick, where the demand or "taste" for marriage may be greater, the program enabled more women to marry. In British Columbia, where the taste for autonomy, at least in the short term, may be greater, the program enabled more women to remain single. Indeed, there is qualitative evidence that SSP allowed women in British Columbia to leave abusive relationships.

It is still possible that a longer-term follow-up of the marriage rate will

not show significant differences between participants in the program and control groups, especially after the three-year SSP supplement period has ended. British Columbia program group members may be choosing to postpone rather than forego marriage in order to wait for a better opportunity. Conversely, in New Brunswick SSP may be causing people to marry sooner than they otherwise would have. Additional data that will be available in the near future will be used to further examine how SSP affects marriage. ♦

Breaking Down Employment Barriers for Disadvantaged Youth

Many out-of-work, out-of-school youth face almost insurmountable barriers in connecting to the world of work. A number of projects have been set up that use real-life work situations as a way of reconnecting these young people with society and giving them a bridge to employment. The Social Research and Demonstration Corporation (SRDC) has published the results of a case study of two pioneering programs for street youth in Vancouver — *BladeRunners and Picasso Café: A Case Study Evaluation of Two Work-Based*

Training Programs for Disadvantaged Youth, by Sheila Currie, Kelly Foley, Saul Schwartz, and Musu Taylor-Lewis.

Some youth are being left behind

Despite high levels of joblessness relative to older Canadians, youth unemployment has been rapidly declining in recent years. In 2000 the unemployment rate for youth was 12.6 per cent — almost double the national average, but over four percentage points lower than it was in 1996. This apparent improvement in

the overall employment prospects of young people masks deep variations in the opportunities available to individuals within this population.

High youth unemployment rates are driven by the portion of young Canadians with low levels of education. In 1998 the unemployment rate for young Canadians with a university degree was 8.9 per cent, only about one half of a percentage point higher than the national average. Yet among young people with only a high school diploma, the unemployment rate was 14 per

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cent; and for youth with less than eight years of education, the rate is over 25 per cent.

For many of these unemployed youth, low levels of education correspond with low levels of literacy and numeracy. Such youth often have inadequate skills and experience to compete in labour markets that increasingly require advanced training. Changes in the level of education required by employers have meant that some youth are being left behind. Indeed, in 1997, 1 in 10 young people aged 15–19 was out-of-school and out-of-work.

Defining “success” poses a challenge

Over the last two years, the Canadian government has devoted almost half a billion dollars to its flagship program, the Youth Employment Strategy (YES), which supports various initiatives to improve youth employment in Canada.

Unfortunately, it is not clear what, if anything, “works” for out-of-school, out-of-work youth. Evidence from large-scale evaluations in the United States has produced discouraging results. The best known of these evaluations — the National *Job Training Partnership Act* (JTPA) study — used random assignment experimental techniques to evaluate the collection of programs that were funded by JTPA. According to the evaluation, JTPA had no effect on participants’ wages and no effect on earnings or receipt of social assistance. In Canada no strong evidence has yet been produced by any YES evaluation.

Despite these bleak results, and similarly poor results from other evaluations, some researchers and practitioners continue to believe that some things *do* work for out-of-school, out-of-work youth. Yet discovering how to design a program that can have an impact on young people’s lives remains a challenge. Part of the difficulty lies in defining and measuring “success” for disadvantaged youth.

Fundamentally, success ought to be defined over the long-term — over the life of the individuals involved — but this is often not possible in an evaluation. The traditional means of defining success using short-run outcome measures, such as high school completion or employment rates, have not proven to be informative for employment programs aimed at troubled youth.

Disadvantaged youth typically do not follow a straight path from being out-of-work, out-of-school to being a stable worker earning a living wage. Often they have experienced or are experiencing emotional and physical abuse, drug and alcohol addiction, failure in school, and involvement with the criminal justice system. Consequently, they must take intermediate steps before they are job-ready. Disadvantaged youth tend to follow a “two-steps forward, one-step backward” path as they move into the labour market. Snapshot attempts to describe their progress toward their ultimate goals are often inadequate.

For many of these unemployed youth, low levels of education correspond with low levels of literacy and numeracy. Such youth often have inadequate skills and experience to compete in labour markets that increasingly require advanced training.

SRDC’s youth programs evaluation study

In 1998, SRDC embarked on a study of two work-based employment programs for out-of-school, out-of-work youth — BladeRunners and Picasso Café. This research was supported by Human Resources Development Canada, the British Columbia Ministry of Community Development, Co-operatives and Volunteers, the National Literacy Secretariat, and the ARCO Foundation. Given the number of individuals to be observed and the relatively short time period during which the research would be undertaken, a case study approach was determined to be the best available means to understand how the programs were contributing to the young people’s lives.

BladeRunners and Picasso Café were selected for study because they both seemed to possess some of the programmatic characteristics that were associated in the literature with programs that might make a difference — a focus on hands-on-training, mentoring or adult support, and access to a broad array of support services.

BladeRunners provides disadvantaged youth with an opportunity to gain experience and training in construction and related trades. The youth interact with BladeRunners coordinators (who provide intense one-on-one mentoring) while participating in classroom and on-site training. A large part of the program includes placement on construction sites, where participants work for wages that are substantially higher than the minimum wage. Employers receive subsidies from the government that they pass on to participants. The ultimate goal of the program is for a BladeRunner to be indentured as an apprentice in a building trade.

Picasso Café also provides training and work experience for disadvantaged youth; however, in this program the training is provided in the food service industry. Students at Picasso Café can specialize in food preparation or service as they earn credits toward certificates from Vancouver Community College. Because all of the students are social assistance recipients when they begin the program they receive a

small supplement to their welfare benefits. Picasso Café is unique in that the students undergo training while working in a restaurant open to the public. Although most of the training occurs in the Picasso Café, upon completion of the program students are placed in external restaurants for additional experience and potentially to obtain permanent employment.

Intensive mentoring seems to be the crucial element for program success.

After extensive conversations and focus groups with participants, program staff, and organizations that employ program participants, the SRDC researchers identified some salient themes that help describe how these programs operate and how they might affect young people's lives. They found that the key factors shaping the programs fell within the areas of program participation and content, program management and structure, and relationships with the external community.

Not all potential participants are ideal candidates for the programs evaluated. It seems important for programs to engage in some kind of meaningful screening process to determine whether participants have reached a point of psychological "readiness." Even after having demonstrated some readiness, youth continue to need support in the programs.

As suggested by the literature, intensive mentoring seems to be the crucial element for program success. BladeRunners participants and staff described how co-ordinators formed one-on-one, trusting, and meaningful relationships with the participants. These relationships were as valuable to the staff as they were to the young people and appear to be a promising means of providing youth with the guidance they need.

Being able to determine whether a program can have a lasting and positive effect on the lives of young people is the ultimate goal of research into this area. And while comparatively little is understood about the impact of these programs on youth, the BladeRunners and Picasso Café study has provided valuable information about how employment programs for street youth operate and, perhaps, taken policy-makers a step closer to a definitive answer to the question of what works for street youth. ♦

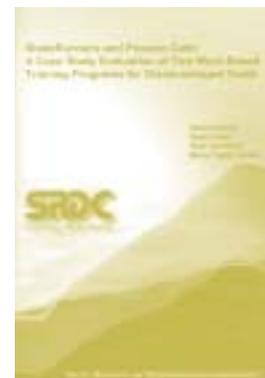
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Breaking Down Employment Barriers for Disadvantaged Youth (p. 11)

BladeRunners and Picasso Café: A Case Study Evaluation of Two Work-Based Training Programs for Disadvantaged Youth, by Sheila Currie, Kelly Foley, Saul Schwartz, and Musu Taylor-Lewis

In 1998 SRDC developed and began a case study of two pioneering programs for street youth in Vancouver. BladeRunners places youth on construction sites while encouraging them to work toward an apprenticeship in the building trades. Picasso Café provides a place for young people to train and to earn college credits in food preparation or food service.



Will You Marry Me? (p. 9) (Working Paper)

How an Earnings Supplement Can Affect the Marital Behaviour of Welfare Recipients: Evidence From the Self-Sufficiency Project, by Kristen Harknett and Lisa A. Gennetian

Because welfare policies have long been accused of contributing to the breakdown of the nuclear family, policy-makers have an interest in ensuring that welfare and employment policies, at a minimum, do not discourage marriage or encourage marital breakups. Using data from the experimental evaluation of the Self-Sufficiency Project, this paper examines how an earnings supplement contingent on work can affect the marital behaviour of single-parent welfare recipients.



High Seasonal Wages Make It Difficult to Lure Repeat EI Users to Year-Round Employment (p. 4)

Repeat EI Users — A Complex Reality (p. 6)

Essays on the Repeat Use of Unemployment Insurance, edited by Saul Schwartz and Abdurrahman Aydemir

Essays written by Canadian academics based on data from the Survey on Repeat Use of Employment Insurance (SRUEI).

The Frequent Use of Unemployment Insurance in Canada, by Saul Schwartz, Wendy Bancroft, David Gyarmati, and Claudia Nicholson

To better understand the circumstances and possible program needs of those who make frequent use of EI benefits, a survey of EI beneficiaries was undertaken. The Survey on Repeat Use of Employment Insurance (SRUEI) examined the 1997 employment experiences of a nationally representative sample of individuals who received regular EI benefits in 1996.

