



TESTING A COMMUNITY-BASED JOBS STRATEGY FOR THE UNEMPLOYED

Early Impacts of the Community Employment Innovation Project

EXECUTIVE SUMMARY

NOVEMBER 2006

A project sponsored by

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David Gyarmati

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ABOUT THE SOCIAL RESEARCH AND DEMONSTRATION CORPORATION

The Social Research and Demonstration Corporation is a non-profit organization and registered charity with offices in Ottawa and Vancouver. SRDC was created specifically to develop, field test, and rigorously evaluate social programs. SRDC's two-part mission is to help policy-makers and practitioners identify social policies and programs that improve the well-being of all Canadians, with a special concern for the effects on the disadvantaged, and to raise the standards of evidence that are used in assessing social policies. As an intermediary organization, SRDC attempts to bridge the worlds of academic researchers, government policy-makers, and on-the-ground program operators. Providing a vehicle for the development and management of complex demonstration projects, SRDC seeks to work in close partnership with provinces, the federal government, local programs, and private philanthropies.

ACKNOWLEDGEMENTS

The Community Employment Innovation Project (CEIP) is the result of collaboration among a large number of organizations and individuals. We would like to acknowledge and thank those who have been instrumental to CEIP's success so far. First and foremost, we would like to thank CEIP's funders, Human Resources and Social Development Canada (HRSDC) and the Nova Scotia Department of Community Services (NS-DCS). We also acknowledge the contributions made by the dedicated volunteers who served on CEIP community boards as well as the many organizations that sponsored projects in their communities. Similarly, we want to express special thanks to the individual participants in CEIP, both those who worked on projects and those members of CEIP's control group, who are telling us how much difference this intervention makes.

We are grateful to the many others who contributed to this project in both an implementation and research capacity. A complete list is included in the full report.

The Authors

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PREFACE

Despite the addition of new social goals in recent years, the main purpose of the Employment Insurance (EI) program in Canada remains the provision of a temporary earnings replacement for unemployed workers while they are searching for another job. The system works well in areas of the country where new job openings occur on a regular basis or where economic slowdowns last only for short periods of time. However, there are regions in Canada that have seen their economic base weakened considerably as the primary local industry, most often resources-based, could not resist international competition, changes in consumer preferences, or any other type of shock affecting its profitability. In these areas, chronic unemployment sets in rapidly and the EI system is at best a partial solution to the problem.

Industrial Cape Breton is one such example. Once a thriving industrial area based on coal mining and steel making, over the last half century the region has been in decline. Despite government interventions, few new opportunities have materialized to replace the still-eroding core of the Cape Breton economy. The result has been chronic high unemployment and significant out-migration, particularly among youth.

Innovative responses are needed. In that spirit, Human Resources and Social Development Canada (HRSDC) conceived the Community Employment Innovation Project (CEIP) — a long term research and demonstration project that is testing an alternative form of income transfer payment for the unemployed in areas of chronic high unemployment. It is an active re-employment strategy, which takes the form of a “community wage” paid to unemployed individuals who volunteer to work on locally developed community-based projects. Beyond the need for immediate employment, CEIP hopes to influence participants’ longer-term employability by helping preserve and possibly improve both their human and social capital.

Although CEIP’s designers saw community-based employment as a promising approach, there was considerable uncertainty about how it would actually work. Its effectiveness was unproven, as various forms of job-creation programming had been tried, but few had been carefully evaluated. The expenditures associated with a new initiative can be justified only if the benefits they produce outweigh the costs or if it can be shown that the net benefits exceed those of the programs it would replace. Consequently, HRSDC and the Nova Scotia Department of Community Services (NS-DCS) decided to fund a test of community-based employment, under real-world operating conditions, and to evaluate it using the most rigorous evaluation methods available.

The report presents interim results from CEIP’s impact study, assessing the effects of the project on individuals who were working in community-based employment through CEIP. Although the results are preliminary, in that they cover only the first 18 months of a three-year eligibility period, the findings to date are promising. Future reports will assess the effects of CEIP on communities as well as the longer-term impacts on individuals.

Jean-Pierre Voyer
Executive Director



INTRODUCTION

The Community Employment Innovation Project (CEIP) is a long-term research and demonstration project that is testing an alternative form of support for the unemployed in areas of chronic high unemployment. It aims to encourage longer-term employability of participants while supporting local community development. CEIP was implemented in the Cape Breton Regional Municipality (CBRM) in Nova Scotia beginning in 1999. The project was conceived by Human Resources and Social Development Canada (HRSDC) and is funded jointly by HRSDC and the Nova Scotia Department of Community Services (NS-DCS). The project is managed by the Social Research and Demonstration Corporation (SRDC), a non-profit social policy research organization that specializes in developing, implementing, and evaluating large-scale, long-term demonstration projects to test innovative social policies and programs.

CEIP is a long-term research and demonstration project that is testing an alternative form of support for the unemployed in areas of chronic high unemployment.

CEIP is testing an alternative form of payment to Employment Insurance (EI) and income assistance (IA) recipients. It proposes an “active” re-employment strategy in the form of a “community wage” paid to unemployed individuals who volunteer to work on locally developed community-based projects. CEIP offered up to three years of employment on community-based projects, which provided participants with a significant period of stable earned income and an opportunity to gain varied work experience, acquire new skills, and expand their networks of contacts. In short, beyond addressing the immediate need for employment, CEIP hoped to influence participants’ longer-term employability by helping preserve and possibly improve both their human and social capital.

CEIP has been set up as a demonstration project using a multiple methods approach to evaluate its effects on both individuals and communities. This includes a random assignment evaluation design — widely accepted as the most reliable way to estimate a program’s impacts — in order to assess the effect of CEIP on individuals who take part in the program. This report presents the results of the impact analysis through 18 months of program participation. The impact of CEIP on program group members’ employment levels, earnings, transfer receipt, and overall income levels are reviewed. Beyond economic outcomes, the report also considers impacts of CEIP on social capital, volunteering, health and well-being, attitudes, and residential mobility, among others.



CEIP PROGRAM MODEL

The Offer to Individuals

An invitation to participate in CEIP was offered to a random sample of EI beneficiaries from the CBRM who were at least 18 years of age and had received between 10 and 13 weeks of benefits on their claim. To avoid selecting individuals who might re-enter the workforce quickly following their selection, individuals also had to have 12 or more weeks of entitlement remaining on their claim. Similarly, the CEIP offer was also made to a random sample of IA recipients who were residents of the CBRM and at least 18 years of age.

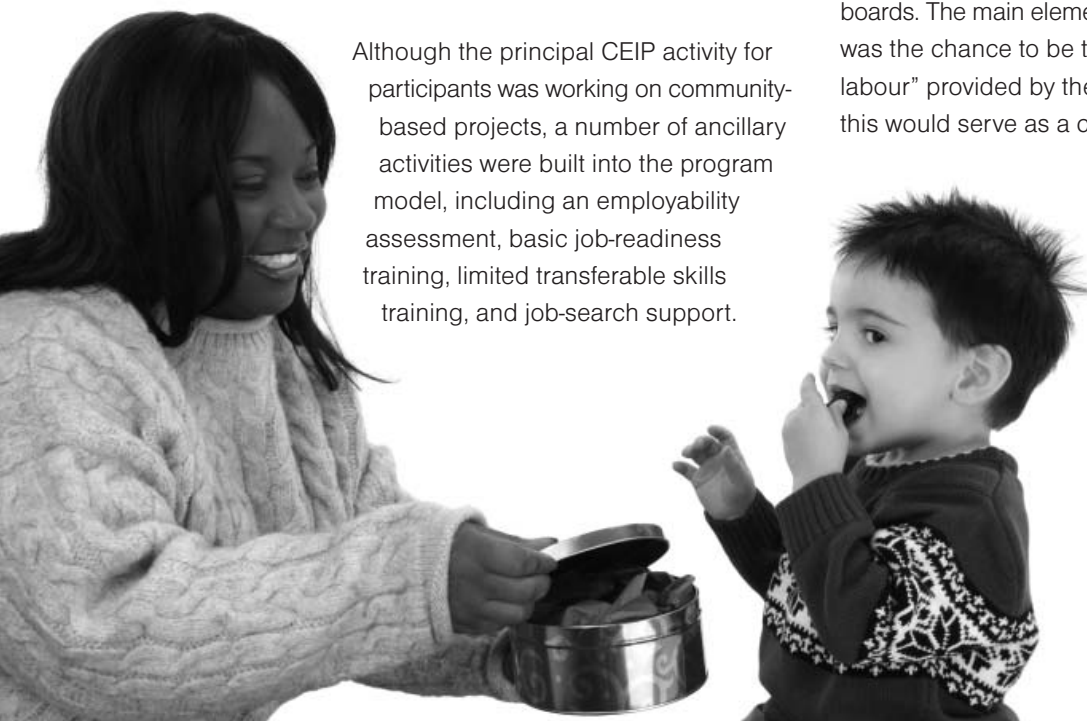
The core of the CEIP offer made to eligible individuals was the chance to exchange their entitlements to EI or IA for the opportunity to work for up to three years on projects in selected communities in the CBRM. In most respects, CEIP employment was set up to replicate a “real job.” Participants were required to work for 35 hours a week. In return, they were paid a community wage. Initially set at \$280 a week, the community wage, which was indexed to increases in the provincial minimum wage, eventually rose to \$325 a week. CEIP employment was insurable under the EI program and covered by the Nova Scotia Workers’ Compensation program and the Canada Pension Plan.

Although the principal CEIP activity for participants was working on community-based projects, a number of ancillary activities were built into the program model, including an employability assessment, basic job-readiness training, limited transferable skills training, and job-search support.

The Role of Communities

A small number of communities in industrial Cape Breton were selected to take part in CEIP. These communities were as much “participants” in CEIP as the individuals who were enrolled in the project. While individual participants were given the opportunity to take part in employment, the responsibility for generating the employment opportunities rested with the communities.

The role played by the communities had two main dimensions. First, each community had to create a democratic structure to make decisions regarding the use of CEIP resources. These CEIP community boards were initially charged with developing strategic plans and setting priorities for the kinds of projects that would have access to workers supplied by CEIP. Second, the communities were responsible for organizing specific projects that would employ CEIP workers to help address the community needs that were identified. Any community organization or individual could develop a proposal to sponsor a project (although they must have had the capacity to manage the project, including providing any other resources that might have been needed, such as facilities, tools and equipment, supervisors, and workers with specialized skills). Responsibility for deciding which proposals would be approved and granted access to the pool of CEIP workers rested with the community boards. The main element of CEIP’s offer to communities was the chance to be the beneficiaries of the “free labour” provided by the project, and it was hoped that this would serve as a catalyst for community action.



CEIP EVALUATION DESIGN

CEIP has been set up as a demonstration project to assess the feasibility of implementing a community-based jobs program for the long-term unemployed, to estimate the benefits generated by such a program, and to determine whether it would be socially and fiscally advantageous for governments to introduce such an intervention on a wide scale. In evaluating the benefits of the project, CEIP is considering both those that accrue to individuals who work on the community-based projects and those that are experienced by the communities where the projects take place.

Working on community-based projects offers participants an opportunity to gain work experience, acquire new skills, and develop new social networks.

How might CEIP's program model produce beneficial effects? First, for the individual participants, the program offered a chance to re-integrate into the labour market faster than they otherwise would have, helping to avoid the erosion of skills and social networks that may result from prolonged unemployment. Working on community-based projects offers participants an opportunity to gain work experience, and acquire new skills. By providing a significant stable period of work, CEIP may help to preserve and possibly enhance participants' employability, leading to more employment and increased earnings in the future as well as reduced reliance on transfers. In addition to adding to "human capital," CEIP may also contribute to an individual's "social capital." Participants who work together may develop stronger peer support networks. Project participation also brings participants into contact with project-sponsoring organizations and with individuals and organizations that benefit from the services being

provided. This gives participants a chance to develop stronger social networks in the community.

For the communities, CEIP may provide a positive contribution to community development. The products or services provided by the community projects are focused on needs identified at the local level, and can thus directly provide value to the community. The availability of the free labour provided by CEIP participants, as well as the services provided by the organizations employing them, may strengthen existing community organizations or lead to the creation of new ones. The volunteers who participate on community boards or who get involved in sponsoring projects may themselves develop new skills or stronger social networks. Over the longer run, a community's resiliency and its capacity to overcome adversity may be enhanced.

Finally, for the governments that are funding CEIP and for society as a whole, this program model may be a cost-effective alternative to traditional transfer payments. While governments may need to provide a short period of community wages for participants as well as the initial support to help communities organize themselves and develop appropriate projects, these costs may be covered through savings in EI and IA payments and increased taxes from employment over the long run.

The evaluation strategy for CEIP is designed to address all these issues and includes four main components: implementation research, an individual impact study, a community effects study, and a benefit-cost analysis. This report is concerned primarily with the second element of the research design — the individual impact study.

Methodology

The goal of the individual impact analysis is to measure the changes in outcomes that CEIP produces for the individuals who take part. The difference between the observed outcome of program participants and what the outcome would have been without the program is called an “impact.” The measure of what the outcome would have been in the absence of the program is called the “counterfactual.” Most commonly, a counterfactual is created by identifying a “comparison group” that resembles as closely as possible the group that takes part in the program. It is generally accepted that the best method of creating a comparison group is by means of random assignment. The process of random assignment ensures that there are no systematic pre-existing differences between the program and control groups. They differ only in that one group is eligible for the program and the other is not. Therefore, any differences that are observed over time in the experiences of the two groups can be attributed with confidence to the program.

The goal of the individual impact analysis is to measure the changes in outcomes that CEIP produces for the individuals who take part.

The primary data source used for this initial impact study is the 18-month follow-up survey. Statistics Canada administered this as a telephone survey to program and control group members 18 months after their enrolment in the study. The survey covered all of the key outcomes of interest that could not be analyzed through administrative data sources, including employment history, personal and household income, social capital, household composition, attitudes, and health and well-being.

Recruitment

During the enrolment phase, 5,980 eligible EI beneficiaries and 804 eligible IA recipients were randomly selected and mailed letters of invitation to an information session where they would learn about CEIP and be given the opportunity to volunteer. The attendance rate to information sessions was 27 per cent among EI beneficiaries and 69 per cent among invitees from the IA caseload. The vast majority of those who showed up at an information session volunteered for CEIP by signing the enrolment form. Of the 1,620 EI beneficiaries who attended, 1,006 signed the enrolment form. Among IA recipients, 516 of the 557 attendees did so. Half of the enrollees from both the EI and IA samples were then randomly assigned to the program group, who were eligible for CEIP, and the other half to the control group, who were not.



The focus of this report is on the 1,363 CEIP enrollees who completed the 18-month survey: 898 EI beneficiaries (470 program group; 428 control group) and 465 IA recipients (237 program group; 228 control group). A preceding report — *The Community Employment Innovation Project: Design and Implementation* (2003) — provides a detailed review of the implementation of CEIP including the process of engaging communities, the establishment of the CEIP program office in Cape Breton, and the recruitment of study participants.

PARTICIPATING IN CEIP

Following random assignment, the vast majority of program group members signed a Project Participation Agreement (PPA) and went on to participate in CEIP-related activities during the 18 months post-enrolment. On a monthly basis, participation rates peaked for the EI sample at 77 per cent, during the fourth month after enrolment, and gradually declined over the next 16 months. The highest level of participation among IA program group members was observed during the fifth month after enrolment, at 89 per cent, and declined very slowly over the remaining follow-up period.

CEIP Projects and Work Placements

The primary activity that participants were engaged in during their eligibility was community-based work placements on projects that were developed by communities. A total of 292 CEIP projects were created by the five participating communities during the first three and a half years, which generated a total of 1,224 positions and 1,885 work placements for participants, allowing many to work in multiple positions. Since recruitment occurred over a two-year period, it took three and a half years for all sample members to have been in the program for at least 18 months — the period covered in this report.

The largest category of community needs targeted through CEIP projects was community services, which included community outreach programs and service clubs. The second and third largest categories of project involved churches and charities and those that provided some form of recreational services to the community. This was followed by projects in the area of arts and culture and services to seniors, youth, and the disabled. These projects generated a wide range of job opportunities for CEIP participants spanning all 10 of the National Occupational Categorizations (NOC). The largest category was by far service positions, followed by natural and applied sciences and business, finance, and administration.

SUMMARY OF FINDINGS

During the first year and a half of the program, CEIP provided a significant stable period of full-time employment to both EI and IA program group members, over and above what they would have achieved without the program. Impacts on earnings were substantial, as were reductions in reliance on EI and IA benefits. This translated into increased income, particularly for the IA sample, where large reductions in the incidence of low income were observed. Associated with this improved income and employment stability were some small but positive impacts on social networks, life satisfaction, and attitudes to work. These early results are encouraging as they cover a relatively short follow-up period. There was not a strong expectation that impacts would be observed, beyond employment and earnings, after only half of the eligibility period had passed.

The major findings of this report can be summarized as follows:

CEIP led to substantial increases in employment and earnings for both EI and IA program group members.

Increases in full-time employment among the program group were expected, by design, as CEIP directly offered full-time work. Nonetheless, it is important to assess employment levels, compared with the control group, in order to measure the magnitude of the incremental effect of CEIP, over and above what would have occurred in the absence of the program. At its peak, as shown in Figure ES.1, CEIP led to nearly a 60 percentage point increase in full-time employment among EI program group members compared with that experienced by the control group.

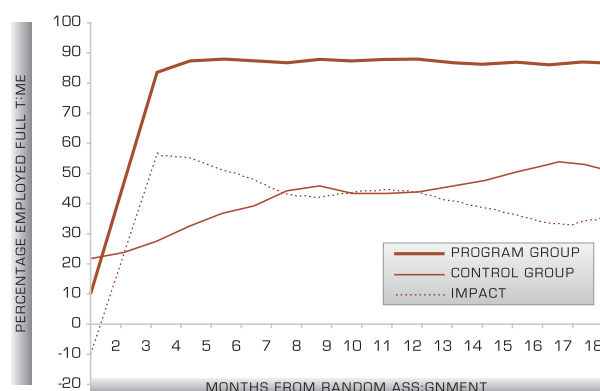


Figure ES.1:
Full-Time Employment Rates – EI Sample

Among IA program group members, as shown in Figure ES.2, a striking 80 percentage point increase was observed. These figures illustrate the rates of full-time employment among EI and IA sample members throughout the first 18 months of CEIP eligibility. Though the impacts began to decline from their peak, they were sustained at a high level throughout 18 months, suggesting that a more significant and stable period of employment was in fact achieved through CEIP over and above what would have been experienced without the project.

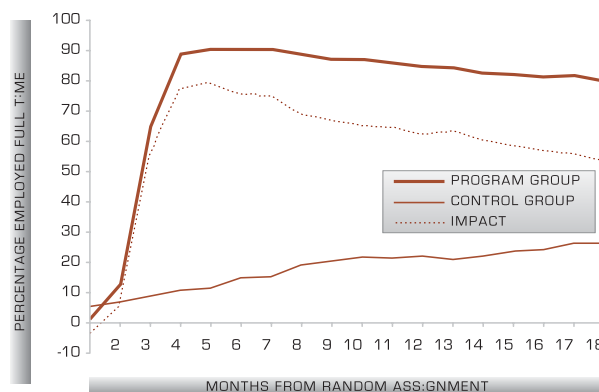


Figure ES.2:
Full-Time Employment Rates – IA Sample

CEIP also had a dramatic effect on the monthly earnings of IA program group members, who achieved average monthly earnings of over \$1,100 in the second quarter of the follow-up period, compared with only \$150 for the control group. At its peak, CEIP also doubled the earnings of program group members in the EI sample as they received on average approximately \$1,250 per month compared with nearly \$650 for the control group.

CEIP significantly reduced reliance on EI and IA benefits.

CEIP's largest effect on EI receipt occurred early in the follow-up period, as the program encouraged participants to leave EI sooner than they otherwise would have. By Month 4, program group members were 61 percentage points less likely to be receiving EI than the control group. However, the impact diminished quickly as control group members also began to leave EI, as they exhausted their claim or were successful in finding a job. By Month 18, CEIP reduced EI receipt by only 15 percentage points. CEIP also had a large effect on IA receipt, approximately halving the proportion of the program group receiving IA benefits. However, unlike EI, the decrease in IA receipt was sustained throughout the 18-month follow-up. By Month 18, there was still a 32 percentage point reduction in the rate of IA receipt among the program group.

CEIP had a positive effect on wages for many program group members.

CEIP led to an increase in the receipt of wages between \$2 and \$3 above the minimum wage among both the EI and IA program groups (by 51 and 63 percentage points respectively). Most of this increase arises simply from the higher levels of employment that are attributable to CEIP. More notably, CEIP led to increased wages for many who would have worked for lower pay without the program, evident from proportion of control group members who were working at lower wages than what CEIP offered (8 per cent of the EI sample and 11 per cent of the IA sample). At the same time, CEIP also led to a lower proportion of wage earners in the EI sample receiving more than \$3.00 per hour above minimum wage (16 percentage points fewer receiving more than \$3.00 per hour above minimum wage in the program group than in the control group). No negative effect on the receipt of higher wages was observed in the IA sample.

CEIP significantly increased the family income of IA program group members above Statistics Canada's low income cut-offs (LICOs).

CEIP had a large and significant effect on IA program group members' household income, increasing it by over \$5,500, nearly 40 per cent higher than the household income of control group members. This translated into a significant reduction in poverty levels among IA households, which were 18 percentage points less likely to have incomes below the LICOs compared with the control group. The largest effect occurred at the lowest income range where program group members were 23 percentage points less likely than the control group to have a household income below 50 per cent of the LICOs. Among EI program group members, although CEIP had a positive effect on personal income, it appeared to reduce the amount of income received by other household members, such that CEIP's effect on total family income is unclear.

CEIP led to small increases in the size of program group members' social networks while reducing their density and homogeneity.

In addition to providing quicker re-integration to the labour market and employment stability, CEIP also aimed to provide participants with opportunities for the development of social capital. Consistent with recent conceptual developments, CEIP measures social capital in terms of networks of contacts and the resources that are available within them.

Although there was not a strong expectation that impacts would be observed after only half of the eligibility period, CEIP has led to an increase in the size of social networks, particularly among the IA program group. Figure ES.3 illustrates that although there was little effect on the size of social networks among the EI sample, IA program group members were nearly 10 percentage points more likely to have more than 10 contacts in their network when compared with the control group. Evidence suggests that this resulted from the development of linking social capital ("vertical" links to contacts in higher socio-economic strata or in positions of power or influence), as significant effects were seen only on the number of contacts who can provide specialized advice. There were no analogous effects on bonding social capital (strong ties an individual has to people similar to himself or herself who can provide social supports).

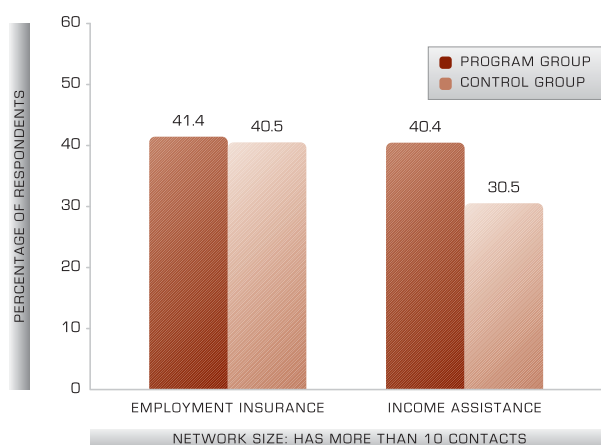


Figure ES.3:
Impacts on Social Capital – Network Size

Beyond the size of social networks, the density and homogeneity of contacts within a network have been identified as important characteristics in the development of social capital. “Density” refers to the extent to which contacts in a network know one another, while “homogeneity” refers to the similarity between contacts on a range of demographic characteristics. Less dense and more heterogeneous networks are associated with the development of bridging and linking social capital, which CEIP aims to improve, and may help individuals better lever their contacts to develop new opportunities, including improved job prospects. Figure ES.4 illustrates that CEIP had a positive effect on network density among both EI and IA samples, where 5.4 percentage points fewer program group members reported that all of their contacts knew each other, reflecting a less dense network. There were also small decreases in the homogeneity of networks, particularly among the EI sample, with respect to their gender and place of work (not shown).

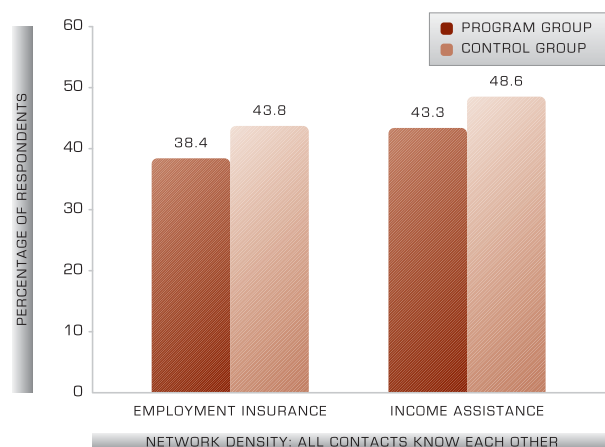


Figure ES.4:
Impacts on Social Capital: Network Density

A number of other small positive effects were observed on the extent of volunteering, life satisfaction, attitudes to work, and residential mobility.

Figure ES.5 illustrates the effects of CEIP on the extent of volunteering. “Formal volunteering” refers to unpaid activities offered through an organization or community

group. In contrast, “informal volunteering” refers to unpaid assistance an individual offers directly, as opposed to through an organization. The figure suggests that CEIP led to an increase in the extent of formal volunteering, particularly among the EI program group, where 12 percentage points more individuals reported volunteering compared with the control group. There was also an increase of 2.4 hours per month in the average amount of time volunteered by the EI program group (not shown).

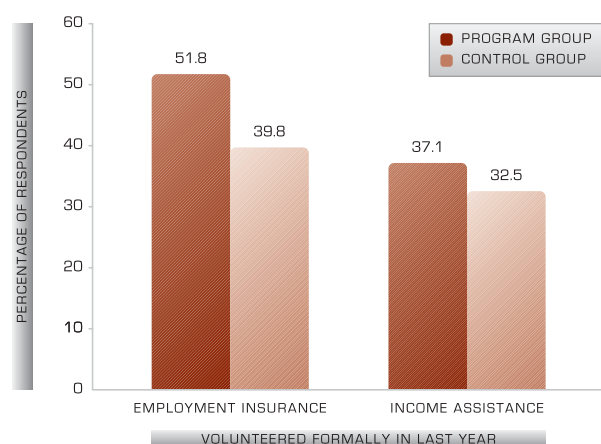


Figure ES.5:
Impacts on Volunteering

CEIP also had a small but favourable impact on subjective well-being and appears to have reinforced some of the existing positive beliefs of sample members on particular measures related to work (improved feelings towards work and further support from family in taking a job). With respect to mobility, CEIP did not have an impact on out-migration at the 18-month point, but it did lead to small changes in residential movement within communities and to other areas of Cape Breton.

SUMMARY

The 18-month impact results demonstrate that, as hypothesized, CEIP has provided a significant stable period of full-time employment to both EI and IA program group members, over and above what they would have achieved without the program. Impacts on earnings were substantial, as were reductions in reliance on EI and IA benefits. This translated into increased income for participants, particularly for the IA sample, where large reductions in the incidence of low income were observed. Associated with this improved income and employment stability are some small but positive impacts on social networks, volunteering, life satisfaction, and attitudes to work.

As hypothesized, CEIP has provided a significant stable period of full-time employment to both EI and IA program group members, over and above what they would have achieved without the program.

But will CEIP's impacts at 18 months translate into improvements in participants' longer-term employability and quality of life? This is one of the primary questions the project is attempting to address, but it can only be answered in later stages. The next planned report will draw on data from the 40-month follow-up survey, which is four months after the end of CEIP eligibility. Data from the final 54-month follow-up survey, administered over a year and a half after the end of the program, will be used to assess the longer-run impacts of CEIP.



FULL REPORT

Testing a Community-Based Jobs Strategy for the Unemployed: Early Impacts of the Community Employment Innovation Project

by David Gyarmati, Shawn de Raaf, Claudia Nicholson, Darrell Kyte, and
Melanie MacInnis (November 2006).

OTHER CEIP PUBLICATIONS

The Community Employment Innovation Project: Design and Implementation

by John Greenwood, Claudia Nicholson, David Gyarmati, Darrell Kyte, Melanie MacInnis,
and Reuben Ford (December 2003).

A Model of Social Capital Formation

(working paper 03-01 published in English only)
by Cathleen Johnson (January 2003).

A Review of the Theory and Practice of Social Economy/ Économie Sociale in Canada

(working paper 02-02 published in English only)
by William A. Ninacs with assistance from Michael Toye (August 2002).

O t t a w a O f f i c e

55 Murray Street, Suite 400

Ottawa, Ontario K1N 5M3

Tel.: 613.237.4311

Fax: 613.237.5045

V a n c o u v e r O f f i c e

100 West Pender Street, Suite 202

Vancouver, British Columbia V6B 1R8

Tel.: 604.601.4070

Fax: 604.601.4080

www.srdc.org