Learning What Works

Evidence from SRDC's Social Experiments and Research

Volume 2, Number 1 Spring 2002

The Self-Sufficiency Project After 54 Months

New Report Provides a Wealth of Policy Insight and Knowledge

SRDC has released major new findings from the Self-Sufficiency Project (SSP) — a comprehensive evaluation of an innovative approach to encourage work among long-term welfare recipients in British Columbia and New Brunswick. *Making Work Pay: Final Report on the Self-Sufficiency Project for Long-Term Welfare Recipients* analyzes the effects of SSP on the lives of the original group of long-term welfare recipients who participated in the program. The study is based on data collected four and a half years after participants first entered the program. Because the evaluation of SSP was rigorous and encompassed a broad range of measures, the results provide important evidence for policy-makers.

Although the SSP study began 10 years ago, its findings address still-relevant questions such as: Who is most likely to take up an offer of a generous earnings supplement?; What are the short- and long-term effects of such a program on employment, earnings, welfare receipt, and poverty?; and What are the net costs to government when encouraging work with an earnings supplement?

The study found that SSP had a tremendous impact on the lives of the participants. Within 18 months of the program's outset, SSP had doubled full-time employment. Most of SSP's effects were concentrated in the second and third years of the program. During this period, SSP reduced reliance on income assistance (IA) while increasing income and reducing poverty. The program's impact on full-time employment persisted for over four years, and SSP continued to reduce IA receipt for more than five years. Moreover, SSP produced these impacts at a relatively low cost to government. After accounting for this cost, SSP produced a net benefit for society.

SSP was a random-assignment social experiment, an evaluation methodology commonly held as the best way to estimate the impact of a program. Random assignment ensures that participants' outcomes result from the program rather than from the personal characteristics of

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Learning What Works is published by the Social Research and Demonstration Corporation (SRDC).

SRDC's two-part mission is to help policy-makers and practitioners identify and implement 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 and programs.

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An electronic version is available at www.srdc.org

ISSN 1496-8622

candidates and possible staff bias in the selection process. In this way, SSP provides reliable evidence of what financial incentives can accomplish for long-term welfare recipients.

The Self-Sufficiency Project actually comprises three linked studies: the "recipient study," SSP Plus, and the "applicant study." Participants in the recipient study and SSP Plus were lone parents who had been receiving IA for a considerable period of time — at least one year and for most much longer. The applicant study involved participants with a shorter history of welfare receipt — new applicants for income assistance, these new applicants became eligible for SSP's financial incentive after receiving IA for exactly 12 months.

Making Work Pay reports on the recipient and the SSP Plus studies. The final report on the applicant study will be published later this year.

In both the recipient and SSP Plus studies, if participants left IA for full-time work within one year of enrolling in the study, they could receive an earnings supplement in each of the next 36 months that they were employed full time and not receiving IA. The supplement amount was designed to make work pay more than welfare and had the potential to double earnings from minimum-wage work. The highlighted box above provides a more detailed account of SSP's features.

In the SSP Plus study, a small group of long-term welfare recipients in New Brunswick were offered pre- and post-employment services in addition to the financial incentives. The evaluation of SSP Plus assessed the incremental impact of offering the financial incentive in combination with services.

Key Features of the SSP Earnings Supplement

Full-time work requirement. Supplement payments were made only to eligible single parents who left income assistance and worked at least 30 hours per week.

Substantial financial incentive. The supplement equaled half the difference between a participant's earnings and an "earnings benchmark." During the first year of operations, the benchmark was $30,000 in New Brunswick and $37,000 in British Columbia. The benchmark was adjusted over time to reflect changes in the cost of living and the generosity of income assistance. The supplement was reduced by 50 cents for every dollar of increased earnings. Unearned income (such as child support), earnings of other family members, and number of children, did not affect the amount of the supplement. The supplement roughly doubled the earnings of many low-wage workers (before taxes and work-related expenses).

One year to take advantage of the offer. A person could sign up for the supplement if she found full-time work within the year after random assignment. If she did not sign up during that year, she could never receive the supplement.

Three-year time limit on supplement receipt. A person could collect the supplement for up to three calendar years from the time she began receiving it, as long as she was working full time and not receiving income assistance. No one was required to participate in the supplement program, however. Participants could decide at any time to return to income assistance, as long as they met the eligibility requirements for income assistance.

The impacts of both SSP and SSP Plus were evaluated using a random assignment methodology. This means that participants in the study were randomly assigned, without regard for their personal characteristics, to either a control or a program group. Members of the program group were offered the SSP supplement while members of the control group could not receive the SSP supplement. Both groups could continue to participate in or receive any other services for which they were normally eligible. Comparing the outcomes of the program group with those of the control group reveals the impact SSP had on participants. In the SSP Plus study a third randomly assigned group was offered both the supplement and employment services.

Who took up the supplement?

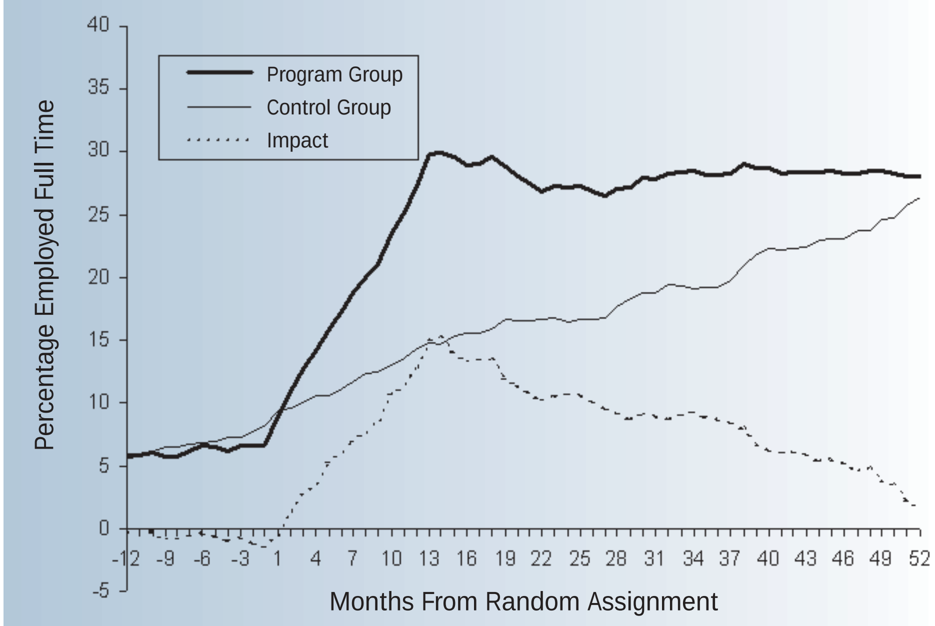
About a third of all program group members in the recipient study initiated the supplement by leaving welfare for full-time work within a year. Supplement takers tended to be more job-ready and faced fewer employment barriers than non-takers. Non-takers most commonly reported that they did not initiate the supplement because they could not find a job. Personal or family responsibilities also prevented many from taking up the supplement.

For those who did initiate the supplement, it was potentially a source of considerable income. The average supplement taker received over $18,000 in supplement payments during their three-year eligibility period. The average monthly payment was $820, or nearly enough to cover the average monthly rent and grocery bill.

Supplement payments were not, however, evenly distributed among all takers; some program group members received more than others. The top 25 per cent of takers received 43 per cent of all supplement dollars paid out, while the bottom 25 per cent received only 7 per cent. For the most part, this disparity occurred not because monthly supplement payments were higher, but because some takers received the supplement in many more months than other participants.

Figure 1

Percentage Employed Full Time by Months From Random Assignment



SSP's economic impacts

Although only a third of program group members became takers, the supplement offer had a large effect on a range of outcomes, including employment, earnings, income, and poverty. Within three months of random assignment, SSP had already begun to significantly increase full-time employment, and this impact persisted for another four years. As shown in Figure 1, the effect of the supplement offer was strongest in the second year of the program; while 16 per cent of the control group was working full time, nearly twice as many members of the program group were working full time.

SSP provided only a temporary supplement; payments ended three years after take-up. Therefore, over the course of the fourth year, fewer and fewer members of the program group were eligible for the supplement. However, despite the declining numbers of supplement recipients, SSP increased full-time employment by 6.1 percentage points in the fourth year. Five years after random assignment, the 36-month supplement eligibility period had elapsed for virtually all of the supplement takers. Yet, in the first quarter of Year 5, SSP still encouraged an additional 3.3 percentage points of full-time employment.

Because SSP had such a large and sustained impact on full-time employment, it also increased earnings in the first four years after random assignment. In the second year after random assignment, average earnings for program group members were $1,212 higher than for control group members as a result of the supplement offer. In total, during the follow-up period, the average program group member earned over $3,000 more than the average control group member (and remember that most of this increase was driven by the minority of program group members who were working full time, which was never more than 30 per cent in any month).

SSP's impacts on employment and earnings meant that fewer members of the program group were dependent on IA. In each of the five years after random assignment, fewer members of the program group received IA and average payments were also lower. In the second year of the follow-up, SSP had reduced average payments by more than $1,200. In the fifth year after random assignment, although the supplement was no longer available, the receipt of IA was 3.4 percentage points lower among program group members.

While other welfare-to-work programs have also been successful in reducing dependence on social assistance, SSP is unique in that IA receipt fell without an attendant rise in poverty. Indeed, the opposite was true: SSP increased incomes and reduced poverty. In the 6 months prior to interviews conducted 18 months and 36 months after enrolment, SSP was found to be increasing monthly income by more than $100 on average. As a result, in the second and third year of the program, fewer people experienced incomes below the low income cut-off (LICO). After the 36-month supplement eligibility period had expired for most program group members, incomes were similar to those in the control group.

Effects on families and children

The large impacts that SSP had on employment and income could have had effects on participating families beyond those intended by the program. Leaving welfare for full-time work was likely a difficult transition for participants and could have contributed to some negative outcomes (for example, the need to balance work and parenthood might have weakened parental functioning). The study did not detect any such consequences. SSP did not increase the likelihood that parents were at risk of depression, nor was there any increase in parenting problems.

In fact, some children appear to have benefited from SSP. Children who were pre-schoolers (aged 3–5 years) at the time of random assignment and whose parents were members of the program group scored higher on standardized math tests three years after random assignment. Parents in the program group were also more likely to report that their children were doing better in school than the parents of similar children in the control group. Four and a half years after random assignment, when the chil-

What Happened After the "Cliff"?

For long-term welfare recipients, the SSP supplement offer presented the possibility of a considerable increase in the income they were accustomed to while on income assistance (IA). However, the supplement was time limited. For the people who received supplement payments on a stable and continuous basis, the expiration of the 36-month eligibility period could have brought about a sudden and substantial decline in income. Because supplement payments ended completely after a fixed time period, rather than declining slowly over time, the expiry of supplement eligibility became known as the "cliff."

Using both qualitative and quantitative data, *Making Work Pay: Final Report on the Self-Sufficiency Project for Long-Term Welfare Recipients* describes the experience of losing the supplement for the group of intensive takers who received SSP supplement payments regularly toward the end of their three-year supplement eligibility period. As the cliff approached, many of these participants reported that they felt confident they could maintain their self-sufficiency without the supplement. For some former welfare recipients this confidence was based on the feeling that they were in a strong financial position. As one participant put it:

> *I am very confident for one reason: I have already had two promotions at my job and was told in December I am up for a big boost here.*

For other participants, confidence resulted more from a change in attitude. For example, as one intensive supplement taker explained:

> *[I am] extremely confident because it is a new chapter in my life. I think that in the three years I was on the program, it built up my confidence and my self-esteem so much and now I don't think that this job is enough for me. It's like I know I can reach out there and get more and do more things.*

As the three-year supplement period was drawing to an end, those who had been receiving SSP supplement payments regularly lost, on average, about $600 per month in supplement income. Despite such a substantial decline in supplement income, average income from all sources dropped by less than $400 per month. This is in part because earnings increased over the same time period. Families also appeared to have compensated for the loss of income by reducing their expenditures and savings and increasing their debt. However, families did not report experiencing more hardship, as measured by the use of food banks, difficulty getting groceries, or problems with paying hydro or gas. This group, who faced the biggest income losses as the supplement expired, actually had higher income and employment rates at the end of the follow-up period than either the control group or others offered the supplement. Those who experienced the cliff were not worse off relative to others.

dren were between 7½ and 9½ years of age, they were still doing better in school, on average, than their counterparts in the control group.

For the group of children who were between 13 and 15 years of age at random assignment, SSP may have had some negative but temporary effects. Three years after random assignment, the young adolescents whose parents were in the program group were more likely to have reported that they drank and engaged in delinquent activity and their parents were more likely to report that their young adolescents were performing below average in school. None of these negative impacts, however, appeared to have had any longer term consequences. At the end of the follow-up, when the young adolescents were between 17½ and 19½ years of age, those in the program group were no more or less likely to have dropped out of school or to have been out of school and out of work. The short-term negative impacts may have reflected a difficulty in adjusting to their mothers' employment but do not appear to have seriously affected these young people in the longer run.

The costs and benefits

The new report assesses the costs in relation to the benefits SSP produced. While it is clear that SSP produced some very positive results, the cost of a program like SSP may look prohibitively high. Certainly the generosity of the supplement led to large government expenditures; not surprisingly, the largest cost associated with the program was the supplement itself. But these costs were largely offset by reductions in IA payments and additional revenue from income and payroll taxes.

In total, SSP cost the government $2,691 per program group member, measured over a five-year period; a modest cost compared with other successful welfare-to-work programs. As a result of that expenditure, program group members received, on average, financial benefits totaling $5,256 — almost double what it cost the government. Put another way, each dollar of additional income SSP generated for program group members cost the government only 51 cents. On balance, SSP represented a net gain for society of over $2,500 per program group member.

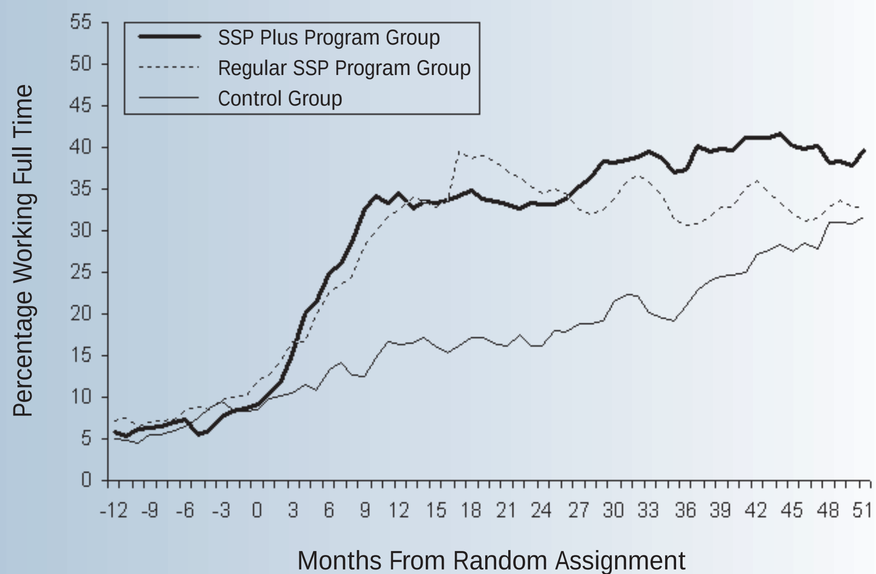
Do services make a difference?

Although the supplement offer produced many positive impacts, most program group members in the recipient study did not take up the offer. Many long-term welfare recipients face barriers to employment, such as low levels of education and limited work experience. The offer of the supplement alone was not sufficient for most participants to overcome these barriers. The SSP Plus study tested whether adding a range of pre- and post-employment services would allow more program group members to take advantage of the supplement offer, leading to larger impacts on outcomes such as employment, IA receipt, earnings, and income.

Making employment services available increased the proportion of program group members taking advantage of the supplement by 14 percentage points — half of all SSP Plus program group members began full-time work within a year of joining SSP. Figure 2 shows, however, that for the first three years the services did not lead to increases in the impacts on full-time employment.

Figure 2

Monthly Full-Time Employment Rates Among SSP Plus, Regular SSP, and Control Group Members



During this period, SSP Plus also did not have an impact on IA receipt, earnings, or income over and above those produced by financial incentives alone. In the fourth year after random assignment, however, the services had incrementally increased full-time employment by 7.5 percentage points, increased earnings by nearly $1,600, and reduced the proportion receiving IA by 11.1 percentage points. It appears that the services had helped SSP Plus program group members remain self-sufficient when the supplement was no longer available to them.

SSP contributes to policy knowledge

One significant contribution of the SSP study is the benefit it brought to hundreds of Canadian families. SSP increased full-time employment and reduced dependence on income assistance while also providing additional income for participants. SSP also meant that some families spent less time living in poverty. For children who were pre-school aged when the program began, SSP improved their scores on standardized tests and their achievement in school.

Another important contribution is the development of policy knowledge. Because this study is one of the largest and most rigorous social experiments in Canada, policy-makers can have confidence in these findings. Scarce resources mean that governments cannot afford to implement or maintain programs and policies that are not effective. SSP has established that random-assignment social experiments can provide the evidence policy-makers need to create programs that encourage self-sufficiency among long-term welfare recipients.◆

Situating CEIP in the Context of the Social Economy

A Hybrid Model of the Old and the New

“Even the reduction of unemployment levels in recent years and the decrease in welfare rolls due to policy changes have not bridged the gap between ‘haves’ and ‘have-nots,’ and a number of population groups are still prevented from accessing the resources offered by Canadian society to enhance their well-being,” says Bill Ninacs in a working paper commissioned by SRDC.

In *Situating the Community Employment Innovation Project: A Review of the Theory and Practice of Social Economy/Économie Sociale in Canada and its Relevance to the Community Employment Innovation Project* Ninacs further argues that, “programs enacted to decrease poverty do not always meet fully the needs of the targeted individuals and often inadvertently contain barriers that lessen the chances for some of these people to become employed or to accumulate assets. As a consequence, new policies and programs that can address these problems are actively being sought.”

Over the past three years SRDC has been working with Human Resources Development Canada, the Department of Community Services of Nova Scotia, Statistics Canada, and four Cape Breton community agencies, as well as with volunteers in the Cape Breton Regional Municipality on the design and implementation of the Community Employment Innovation Project (CEIP).

CEIP grew out of the belief that community organizations can play an important role in helping unemployed people at risk of economic and social exclusion in areas struggling with high unemployment. The project not only provides opportunities for gaining valuable work experiences and acquiring new skills, but also seeks to develop local capacity by challenging residents of communities to work together to find new approaches for generating employment opportunities and to determine the nature of the work to be carried out.

Interested community members are encouraged to join together to form community-based boards, which would take on the responsibility of finding organizations and individuals who would be prepared to sponsor projects. The projects would then provide employment for both Employment Insurance (EI) and income assistance recipients prepared to participate on a volunteer basis for up to three years. Each board is required to develop a strategic plan outlining priorities for the community which would be used as a measure of which sponsored projects should receive employees drawn from the pool of volunteer participants. The sponsored projects are expected to be not-for-profit and to contribute to the well-being of the community as well as that of the individual participant.

The rules of operation for the community boards and the sponsorship of community projects place CEIP firmly in what is termed the "social economy." The organizational structure of CEIP places it neither in the private nor the public sector, but rather at the intersection between the two. Two models of social economy were actively considered for CEIP in the design phase of SRDC's work. In the first model the principles were those of the new social economy as it has unfolded, particularly in Quebec, in recent years. The second model was that in operation in Ireland and more characteristic of community development projects in the European Economic Community. The design of CEIP borrowed more from the Irish than from the Quebec model.

The origins of social economy

The first co-operative organizations in which workers established mechanisms either for producing or for purchasing together began to appear in the latter half of the 19th century in England and then in France.

According to Ninacs, early "economists such as Charles Gide (1847–1932) and Léon Walras (1834–1910), began investigating these organizational structures, especially the consumer co-operatives, and began using the term 'social economy' to describe what they believed was a science or, at the very least, an academic discipline . . . . In fact, little theoretical construction was accomplished until a meeting of the minds between two French scholars. Henri Desroches and Michel Rocard revived the concept in the 1970s and provided the social economy with sufficient legitimacy to see it incorporated into legislation in France and elsewhere in Europe."

In this recent revival of interest in the social economy a distinction has been made between "the 'old' social economy, focused on the development of the co-operative as an alternative model of business enterprise, and the 'new' one, with the social economy being seen as a fundamental part of a new socio-economic regulatory mechanism. These competing perspectives have also been referred to as the pragmatic/reformist vision (old) and the social change/utopian (new) one."

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The old social economy

Ninacs uses a definition from the work of Desroches in which the old social economy is described as "another way of doing business." The old social economy is generally associated with co-operative, mutual, and non-profit organizations that incorporate the principle of "people before capital." They have a democratic decision-making framework which uses a "one person, one vote" formula. Old social economy organizations are often associated with a financial structure "that disallows individual benefit in both decision-making and the distribution of surpluses (both in terms of annual profits and accumulated reserves should the enterprise cease to exist)."

This definition is broad enough that it could apply to some private sector businesses, public sector agencies, and to other mixed organizations. In Ninacs' view "each enterprise has to be analyzed on a case-by-case basis to determine if it has the necessary characteristics. For example, a business owned by workers in whole or in part could belong to the social economy if it incorporates formal mechanisms for balancing financial returns and social objectives and if it guarantees worker participation in its governance systems."

"This way of seeing the social economy is, to a great extent, founded on the belief that social goals are attained through the structural components of co-operatives themselves, since democratic decision-making levels the relationship between rich and poor members, because local participation in economic development is ensured through boards of directors made up of members of the community served by the organization, because dividends are based on services received by members and not on personal wealth, and because local control over assets is guaranteed by the fact that accumulated reserves cannot be transferred."

The new social economy

Ninacs' paper relies on the work of French social scientist Jean-Louis Laville for a definition of the new social economy. In the Laville's view, "social economy enterprises emerge from a reciprocal impulse that brings together potential users and professionals (eventual staff) who jointly develop the supply and demand of services. Through discussion and exchange, individual needs are transformed into collective ones during this pre-start-up phase and it is the ongoing reciprocity that allows those involved to spot new needs and to respond to them by mobilizing public or voluntary resources."

Following this approach, a new social economy enterprise "calls upon both market and public redistribution forces, notably when it operates in fields where multiple issues need to be addressed and where the State is seen as having some responsibility (such as certain personal services). Once set up, it forms a hybrid economic model within which commercial activities (self-financing through sales of goods or services), non-commercial but monetary activities (public funding, donations from churches and foundations), and non-monetary activities (volunteer work of members and others) are intertwined." It is the presence of these three forms of economic activity that are central to Laville's vision of the social economy.

As Ninacs notes, "the ability to bring the various forms of economic activity together within an enterprise framework as well as the capacity to engage both users and service providers in democratic decision-making processes confer a unique socio-economic regulation role upon the social economy, especially regarding labour-intensive activities, such as the provision of personal services. Furthermore, this vision of the social economy recognizes reciprocal (non-commercial and non-monetary) transactions as economic activities in their own right. By doing so, it places the social economy as a fundamental component of a new type of economic development that some call a 'plural economy.'" This perspective on the social economy is widely shared among scholars who refer to it as the Quebec model.

Generally speaking, those who speak of "newness" related to the evolution of the social economy over the past 35 years or so are referring to the presence of new types of people who become promoters or members, new stakeholders, new fields of activity, new organizational forms, and new internal and external dynamics. In the new social economy, groups of individuals tend to play a more deciding role in enterprise viability and the enterprise itself contributes to social change. But there is also an attempt to satisfy new needs not taken on by either the market or the state and also to create new ways of giving people a place and a role in economic and social life. This ties the new social economy to social innovation, while its introduction of new types of production, or ways of exploiting new markets, brings it into the realm of economic innovation.

But there is also an attempt to satisfy new needs not taken on by either the market or the state and also to create new ways of giving people a place and a role in economic and social life.

Organizations of the social economy

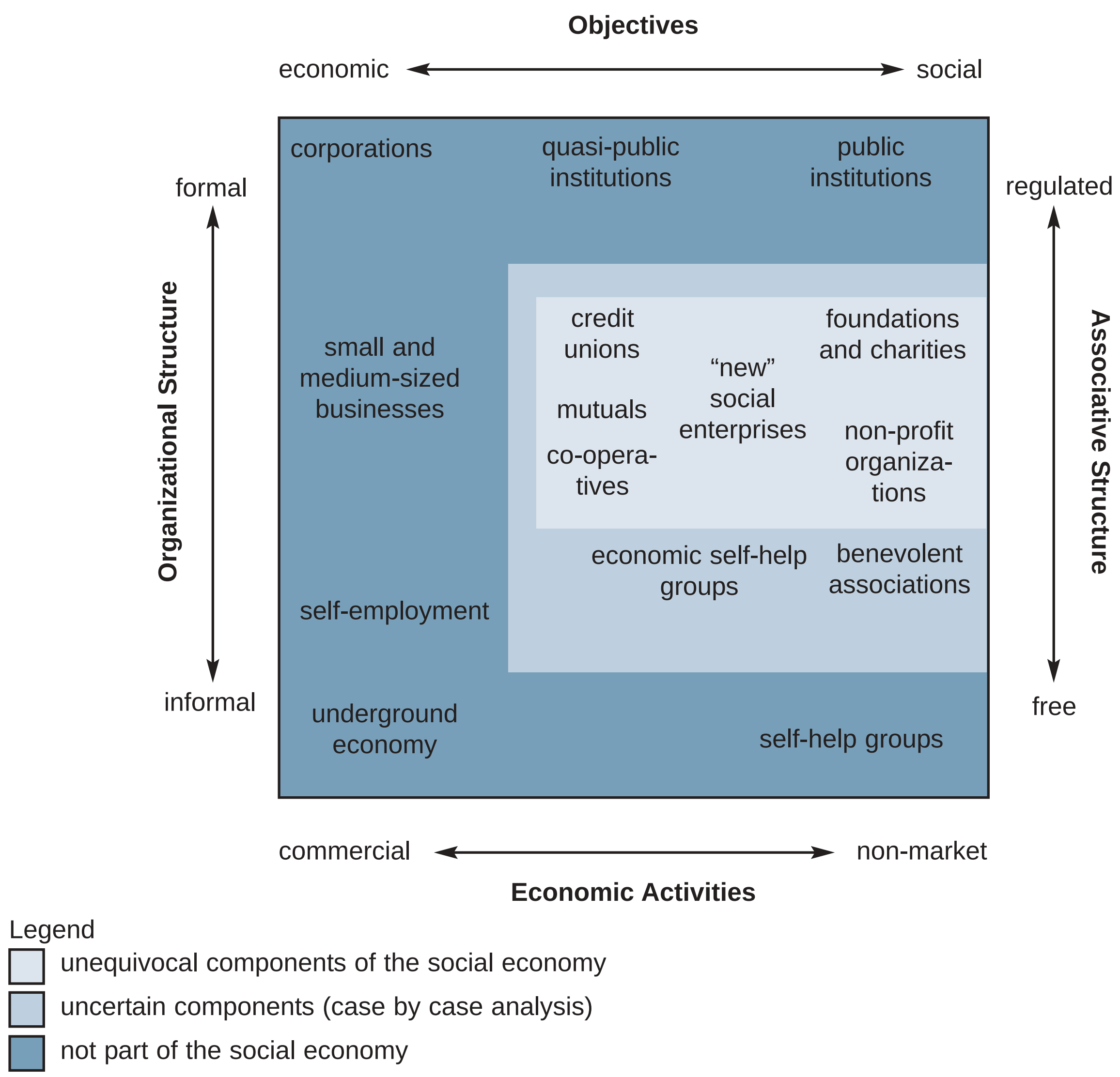
In an attempt to bring together, for analytic purposes, the views of four scholars on what constitutes the social economy, Ninacs develops what he calls the Social Economy Quadrilateral (see diagram next page). In it he links the objectives and values of the social economy drawn from the work of Jacques Defourny, the organizational and associative structures found in the work of Desroches and in Claude Vienney, and the types of economic activities and players in the work of Laville. As for the new social economy organizations themselves they "are basically the same as the ones of the old social economy: co-operative, mutual, and non-profit organizations, as well as any private sector enterprises, and relatively autonomous public sector agencies that formally possess the characteristics of the co-operative model."

Situating CEIP

In focusing on the characteristics of the new social economy, this background paper assists us in understanding the similarities and differences between the Quebec model and the CEIP model of community economic development. While CEIP's projects share many characteristics with the new social economy, there are two they largely do not share. The first is the emphasis on the production of goods and services for sale. The rules of operation for CEIP place the emphasis on employment and training of participants and the improvement of the community rather than on commercial success. In the CEIP model, projects are expected to contribute to an improved environment for both private and social economy projects. In the Quebec model, projects are developed because they can make a direct financial contribution to their own viability.

The second point that the CEIP model does not share with a range of social economy models, including the Quebec model, is the principle of active membership of participants. Many social economy initiatives are based on membership that confers rights and responsibilities of participation particularly in decision making. In the CEIP model, citizens in the five participating communities have the potential to vote at the annual general meeting of the community board, a situation like that of other non-profit organizations. The community boards are elected and function like the executive of the organization. Project sponsors are largely community non-profit organizations that have their own membership and elected executive. What is the role of the participants in the CEIP model? While they could be members of their community board and they could be members of the executive of a sponsoring organization, their membership in these organizations is not integrated in the way that it would be in a co-operative organization. ◆

The Social Economy Quadrilateral



Friends and Dividends

Social Capital and the Community Employment Innovation Project

A topic that is the source of stimulating debates and discussions among social scientists these days is the concept of social capital. These discussions, however, have focused mainly on definitions and conceptualization work, with less effort spent on studying the formation and resulting consequences of social capital accumulation. The Community Employment Innovation Project (CEIP) offers a unique opportunity to make progress in this regard. In a forthcoming SRDC working paper, entitled *A Model for Social Capital Formation*, SRDC research associate Kate Johnson explores the definition, sources, and policy implications of social capital. This exploration constitutes the foundation for a model of social network evolution that can be used to study the potential sources, development, and consequences of social capital in the context of CEIP.

Social capital as in "social networks"

While there are many definitions of social capital, the most suitable for CEIP draws on a micro-level explanation that emphasizes the role of social networks and social ties. This definition was pioneered by sociologists who have investigated the impact of social networks on individual economic outcomes. French sociologist Pierre Bourdieu (1986) defined social capital as "made up of social obligations [connections], which is convertible, in certain conditions, into economic capital . . ." and again as "the aggregate of the actual or potential resources that are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition."

According to this definition, social capital is the value of social obligations or contacts formed through the medium of social networks. This definition is frequently used to explain an individual's access to employment, mobility, and entrepreneurial success.

Connecting people

CEIP has the capacity to affect social networks, and therefore social capital, by bringing together people who might not otherwise meet. In the first phase, CEIP requires that selected communities in Cape Breton establish volunteer boards to mobilize community consensus and support in the planning and setting of priorities for the kinds of projects local citizens wish to see undertaken.

As network links are formed and maintained [individuals] begin to accumulate social capital. Like any other asset, social capital pays a return and depreciates over time.

Secondly, project participants in CEIP — EI recipients or social assistance recipients — are recruited and assigned to work in the selected communities on a number of projects over a maximum of three years. During this three-year period, participants are expected to develop human and social capital by working in teams with CEIP and non-CEIP co-workers at various jobs.

A model of social capital formation

Before now, social capital has been the subject of much theoretical discussion, but it has not been formally modeled using individual incentives to create or sever network links. In her paper, Johnson investigates a model of social capital formation based on the propositions that relationships can be both beneficial and costly and that individuals rationally form and sever relationships according to the cost and benefit of those relationships. Being "connected" greatly benefits an individual, yet maintaining relationships is costly. As a consequence, individuals limit the number of their active relationships. As network links are formed and maintained they begin to accumulate social capital. Like any other asset, social capital pays a return and depreciates over time.

In the model, each individual's utility depends on the net benefits from each relationship in each period of time. Net benefits depend on the history of links with their associated maintenance costs and benefits. Relationships that are maintained over time pay net utility or net benefit that individual i receives from individual j. Suppose individual i and individual j are not linked and therefore have to decide whether to establish a mutual link. Individuals i and j consider the net benefit of connecting to each other. If both individuals perceive a benefit, then each will consent to forming a link. If either individual would be worse off in forming the link, then the link will not be formed. Choosing to link with all individuals that offer a positive net benefit maximizes total benefit for each individual. Each linking decision is independent.

The net benefit to individual *i* in maintaining a relationship over time with individual *j* is a function of six factors:

1) *Iij* — whether the link is present or not in the current period;

2) *Vij* — the value of the link *ij* in the current period attributable to current interaction;

3) *Sij* — the social capital for individual *i* based on the history of the relationship between *i* and *j*;

4) *Rj* — the reputation of individual *j*: how well individual *j* interacts with other individuals, or simply *j*'s history with all other individuals;

5) *Dj* — the number of individuals that individual *j* is connected to (if *j* is connected to too many people this will cause congestion in the network and *i* may not get as much benefit from *j* as anticipated); and

6) *Cij* — the cost of connecting to individual *j*. The cost of connection is simply the cost of maintaining a relationship. Both individuals incur this maintenance cost. The model is designed to allow for different costs which ensures that each individual is faced with a variety of potential relationships ranging from inexpensive to very costly.

Each of these six factors is described in greater detail in Johnson's paper. As well, a functional form for the net benefit is specified and results of simulations run to gather insights into the formation of social capital are also described.

Implications for CEIP research

The six factors described above can be used to analyze network formation during the CEIP experience for both the program and control groups. The repeated interaction by individuals over the term of CEIP should enhance each participant's social network because it allows an opportunity for new links to form between individuals. Because CEIP guarantees an income to participants over three years, this project stabilizes income and may mean that individuals become more reliable in meeting the maintenance costs of their relationships. Furthermore, with an increase in this positive, relationship-building interaction, the magnitude of social capital (*Sij*) and reputation (*Rj*) should increase over the span of CEIP. Additionally, perhaps CEIP can affect the congestion of networks (*Dij*). If part of a network is congested, the only way to create a new relationship is to sever an existing relationship. This substitution is of course up to the participants, but if they have the opportunity to form a new relationship and do so by severing an existing relationship, the logical conclusion is that these new relationships are perceived as more valuable.

Because CEIP guarantees an income to participants over three years, this project stabilizes income and may mean that individuals become more reliable in meeting the maintenance costs of their relationships.

Finally, the most important effect of CEIP on the creation of social networks is that it reduces the cost of connecting for all participants for the duration of the project. Project sponsors, voluntary project managers employing CEIP participants, may be individuals that participants would not otherwise meet if not for the CEIP experience. As well, CEIP participants are often assigned to projects outside of their community of residence. This practice will help those participants to meet others outside of their community, thus decreasing the cost of connection to individuals outside of their network. Theoretically, if linking costs can be decreased, new relationships have a chance to form and persist. The expectation is that this type of activity will create social links where there were none and increase social capital.

Network size, density, and homogeneity are all factors affecting the benefits of connections. By simply decreasing the cost of connecting for community members and individual participants, the CEIP should have a positive effect on network size. As for network density and homogeneity, these may increase or decrease. If the expectation is that less dense and less homogeneous networks lead to the types of social capital that help individuals confront poverty and take advantage of new opportunities then it is hoped that the progressive intervention of CEIP can help build more diverse and less dense networks in addition to larger networks to help the people of Cape Breton. ◆

A Decade of Demonstration Projects

SRDC — Celebrating 10 Years of Excellence in Social Policy Research

On December 10, 2001, the Board of Directors, management, and staff of the Social Research and Demonstration Corporation were pleased to host a reception in our Ottawa office to celebrate SRDC's 10th anniversary.

A little more than a decade ago, a number of senior officials in the then-Department of Employment and Immigration had an idea. Deputy Minister, Arthur Kroeger; Barry Carin, the Assistant Deputy Minister, Strategic Policy; and Louise Bourgault, Director General, Innovations Branch, wanted to launch a demonstration project to show the effects that a strategy to "make work pay" would have on the ability of long-term welfare recipients to make the transition to full-time employment. This idea eventually became the Self-Sufficiency Project (SSP) — a 10-year, randomized trial that enrolled over 9,000 families in two provinces in three linked experiments. However, it was recognized early on that it would be no easy matter to find an organization capable of putting such an ambitious project into the field — an organization that could undertake the design, implementation, operations, and evaluation of a complex, long-term project. And so SRDC was born.

Incorporated as a not-for-profit corporation on December 10, 1991, SRDC took on the task of building a consortium to design and operate SSP. Initially, SRDC was seen as a one-project organization, set up solely to run SSP. SRDC stayed small, made extensive use of external contractors, and it was expected that when SSP ended SRDC would cease operations. However, in 1994, SRDC was engaged to develop a second experiment, and it began to look like there was a place for a permanent organization, at arms-length from government, that could undertake rigorous social policy research in the form of large-scale demonstrations. SRDC expanded its core capacity and began to actively promote the use of well-thought-out and carefully designed demonstrations as a way of generating evidence to guide policy development.

Over the past 10 years, the organization has expanded in size and in the scope of its activities. With 40 employees, SRDC now operates out of three offices — in Ottawa, Vancouver, and Sydney, NS — and its projects have had research sites in every province. SRDC continues to advocate the use of random-assignment evaluation designs as the most reliable method of producing estimates of program impacts, and so far it has been engaged in four demonstrations involving the random assignment of 30,000 people. In addition, SRDC has been pioneering the use of experimental economics, or "laboratory experiments," to study individuals' responses to new government initiatives. It has been undertaking multiple-methods case study research at the community level, and exploring innovative approaches to combining quantitative and qualitative research techniques to better understand not just whether an intervention works, but how it works.

Since its inception, SRDC has remained focused on its two-part mission — finding ways to improve the effectiveness of social polices, and raising the standards of evidence that are used to assess such policies. In partnership with government policy-makers and researchers at both the federal and provincial level, SRDC has been conducting high quality research on a range of pressing social policy issues. In November 2000, SRDC received an award for Outstanding Contribution to Policy Research from the federal government's Policy Research Initiative, and the February 2001 federal Speech from the Throne referenced SRDC's Self-Sufficiency Project as an example of a successful initiative that should form the basis for further federal-provincial social policy experimentation.

Perhaps the clearest indication of the value of SRDC's work, however, is the growing number of federal and provincial departments and agencies that have been turning to SRDC for advice, assistance, and to support new projects. Such an endorsement ensures that SRDC will be around to celebrate many more anniversaries.◆

John Greenwood
Executive Director

Jean-Pierre Voyer
Deputy Executive Director

Bulletin Board

Publications

Available now:

Will the Working Poor Invest in Human Capital? A Laboratory Experiment, by Catherine Eckel, Cathleen Johnson, and Claude Montmarquette.
This paper presents the results of a laboratory experiment involving approximately 250 subjects in the Montreal area. The experiment focused on three main questions: (1) Will the working poor invest in various assets?; (2) Are these subjects willing to delay consumption for substantial returns?; (3) How do these subjects view risky choices? Answering these questions will also inform the key research question: Given the right incentive, will the working poor save to invest in human capital?

Forthcoming:

Making Work Pay: Final Report on the Self-Sufficiency Project for Long-Term Welfare Recipients, by Charles Michalopoulos, Doug Tattrie, Cynthia Miller, Philip K. Robins, Pamela Morris, David Gyarmati, Cindy Redcross, Kelly Foley, and Reuben Ford.
The latest in a series, this 54-month report analyzes the effects of SSP on the lives of the original group of long-term welfare recipients who participated in the program. The study is based on data collected four and a half years after participants first entered the program.

Situating the Community Employment Innovation Project: A Review of the Theory and Practice of Social Economy/Économie Sociale in Canada and Its Relevance to the Community Employment Innovation Project, by William A. Ninacs with assistance from Michael Toye.
A thoughtful working paper exploring the historical perspectives and definitions of the "old" and "new" social economies in an attempt to offer a broader context to the Community Employment Innovation Project.

A Model for Social Capital Formation, by Cathleen Johnson
This document explores the definition, sources, and policy implications of social capital and sets out a foundation for a model of social network evolution that can be used to study the potential sources, development, and consequences of social capital in the context of the Community Employment Innovation Project.

Events

HRDC's "Ready, Set, Go!" conference

The Applied Research Branch of Human Resources Development Canada hosted *Ready, Set, Go! Improving the Odds through Integrated Research, Policy and Practice* in Ottawa, January 29 through to February 1 of this year. SRDC executive director John Greenwood spoke at the "Generating Evidence to Guide Policy: A Look at Good Practice" workshop and was a speaker at a session discussing the Self-Sufficiency Project. As well, director of community studies and project director for the Community Employment Innovation Project (CEIP) Allan Moscovitch, and research associate Dan Bunbury (from SRDC's Sydney office) gave separate presentations on CEIP.

SRDC workshops on labour market integration of government-assisted refugees

Forty-eight participants from eight different provinces attended two SRDC workshops in February 2002 to discuss possible interventions to improve the integration of government-assisted refugees (GARs) into the labour market.

The workshops, sponsored by Citizenship and Immigration Canada (CIC), were held in Calgary and Toronto. CIC was interested in learning effective ways to increase language acquisition in order to improve labour market outcomes for government-assisted refugees in the years immediately following their arrival to Canada. Participants were invited to debate the merits and viability of taking four proposed interventions forward as research demonstration projects.

CEA annual meeting

SRDC is organizing two sessions at the *36th Annual Meeting of the Canadian Economics Association*, to be held this year in Calgary from May 30 to June 2. The research papers to be presented at the sessions will analyze the circumstances of workers who face barriers to year-round employment and rely on Employment Insurance (EI) benefits on a regular basis. This initiative is part of SRDC's Earnings Supplement Project (ESP), which seeks to explore factors leading to the frequent reliance on EI, and to provide empirical and analytical evaluations that are essential in formulating policy to improve the employment situation of these workers.

IDA Learning Conference

SRDC presented its progress on the *learn*$ave demonstration project at the *2002 IDA Learning Conference: International Perspectives on Asset Building,* held in Windsor, Ontario, from April 4 to April 6.

Individual development accounts (IDAs) and similar initiatives, such as *learn*$ave, that help families save, acquire assets, and build secure financial futures were the main focus of this international meeting.

Project manager Paul Kingwell, laid out the details and progress of *learn*$ave, the largest single project of its kind in the world, before a panel of experts. With the completion of the research design, the project has entered the recruitment and enrolment phase. SRDC is currently conducting implementation research at 10 sites across Canada. ◆