

Learning What Works

Evidence from SRDC's Social Experiments and Research

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New Options to Improve EI

The Final ESP Report is Released

As demonstrated in the past few years, the Employment Insurance (EI) program remains an important policy instrument for the federal government to use to respond to the changing economic realities of the Canadian labour market. For instance, employed Canadians can now gain access to up to six weeks of compassionate care benefits if they need to leave work to provide support to a gravely ill family member.

Delivered as a special benefit under the EI program, these benefits are designed to recognize the responsibilities that workers may have to their families and to provide them with financial assistance when those responsibilities require them to be absent from work. As such, they represent a further measure by the government to support working Canadians with family responsibilities, and follow in the wake of amendments to the maternity and paternity benefit measures in 2001 that eased eligibility requirements and extended the length of time new parents could receive benefits.

Extending EI coverage to other types of work interruptions raises an important question: who is the EI program intended to serve? In the 1940s the original framers envisioned a program that would provide benefits to workers

in the form of an insurance-based system. Both workers and their employers would pay unemployment insurance premiums while the workers were employed, and then workers would receive benefits if they found themselves unemployed. Throughout the years successive governments have altered the focus and the scope of the program, fuelling a never-ending debate over the merits of returning the program to its original insurance principles.

Extending EI coverage to other types of work interruptions raises an important question: who is the EI program intended to serve?

While delivering special benefits represents a move away from the original vision of the program, it is aimed at better reflecting the realities of many working Canadians who must balance their work with their family responsibilities.

The debate over EI coverage serves as the context for *Understanding Employment Insurance Claims Patterns: Final Report of the Earnings Supplement Project*, a report recently published by

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the Social Research and Development Corporation (SRDC). Co-authored by Shawn de Raaf, Anne Motte, and Carole Vincent of SRDC, this final Earnings Supplement Project (ESP) report highlights recent research that explores the factors that contribute to workers' use of EI.

While this research shows that many workers have long-lasting annual patterns of work and EI receipt, an important lesson learned is that policies that focus narrowly on addressing workers' frequent use of EI are misdirected. Instead, policies should more broadly address the barriers to employment faced by workers who have inadequate skills or education, whether they rely on EI or not. In fact, while some workers who face these barriers are able to find employment that enables them to qualify for benefits, research indicates that there may be many more workers who face these same barriers but are unable to qualify for benefits. With an increasing number of Canadians employed in non-standard and more precarious forms of employment, whether or not EI is adequately addressing the needs of working Canadians is therefore a timely question.

The Earnings Supplement Project

The publication of the final ESP report brings closure to the Earnings Supplement Project, a demonstration project designed to test whether the offer of a temporary earnings supplement would increase re-employment among two groups of unemployed workers: frequent EI claimants and displaced workers. The poor response to the supplement offer among ESP participants — particularly frequent claimants — led to the design of the

Survey on Repeat Use of Employment Insurance (SRUEI), a survey with a national scope that aimed to capture information that would lead to a better understanding of the unique circumstances and needs of frequent claimants.

Two earlier SRDC reports that analyze findings from the SRUEI provide important insights into the diverse circumstances of claimants who frequently claim EI benefits. In particular, they show that frequent claimants, like occasional claimants, can be found in all regions of Canada, all industries, and in a wide range of occupations. However, they are comparatively older, less educated, and a disproportionate number of them are men.

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When workers' relationships with their employers are examined, many frequent claimants are found to have long-standing relationships with the firms that laid them off, and expect to be recalled again by the same employer. This relationship, often referred to as an "implicit contract," sheds some light on frequent claimants' disinterest in the original ESP offer; since these workers have high expectations of being recalled in the future, they would have lower motivation to seek a new job, especially if it paid less.

Another important finding is that while frequent claimants may be as willing as occasional claimants to accept a wage cut when searching for a new job, the fact that frequent claimants have, on average, higher past wages could mean that they would be less likely to find available jobs that they would be willing to take. This finding provides an additional explanation for the lack of take-up of the ESP offer by frequent claimants. The earnings supplement that was offered may not have adequately accounted for frequent claimants' "reservation wage" — the lowest wage that they are willing to accept.

The series of in-depth analytical studies on the SRUEI also provides a unique perspective on frequent claimants' range of experiences with the EI program. One study provided a further disaggregation of claimants into nine different types, depending on their claim patterns and characteristics.

This typology allows researchers to move beyond simple dichotomies, such as frequent versus occasional or seasonal versus non-seasonal, to give a picture of the heterogeneity of frequent claimants. While many frequent claimants are found to have a seasonal pattern of claiming EI benefits, a sizable proportion regularly claim EI benefits in a non-seasonal fashion.

This suggests that many claimants are in precarious employment, which provides them enough work to qualify for benefits but no guarantee of another job when their benefits run out. The heterogeneous nature of frequent claimants may explain the relative ineffectiveness of policies aimed at reducing frequent use. Whether they are based on incentives, such as the ESP offer, or disincentives, such as EI rules that penalize claimants according

to their past claim patterns, these approaches fail to address the individual barriers to employment faced by unemployed workers who have come to rely on EI year after year.

More recently the final phase of ESP expanded the scope of its EI research to further explore claimants' patterns of work and EI receipt. This research produced a series of working papers that analyze the circumstances and barriers faced by workers who are at risk of becoming unemployed, and who consequently must rely on EI benefits. The research was aimed at addressing three broad research questions: Who are the workers who do not have secure, year-round employment and must depend on benefits? What barriers to employment do they face? What can be done to better address their needs? The final ESP report summarizes the findings from the working papers in order to elicit key policy lessons that can guide the future development of EI. Placed within the context of a discussion of the principles underlying the present-day EI program, this research leads the authors to identify policy options that are worth exploring further in order to make EI more responsive to the realities of today's labour market, while at the same time addressing potential disincentives and inequities in the current system.

Lessons Learned About EI

The final ESP report contains a series of lessons learned from research on work and EI use. Exploiting datasets such as Statistics Canada's longitudinal Survey of Labour and Income Dynamics (SLID), workers' long-term work and EI claim patterns are examined to understand better their relationship with the program and its

impact on their labour market decisions. These data sets also permit researchers to examine the impact of EI on other household members, a perspective that is often lacking in previous research. Despite the fact that EI does not take into account claimants' household circumstances when determining their eligibility and the length of EI entitlement, EI can play an important role in mitigating the shock that the unemployment of one household member has on other household members.

The authors find that while over half of all seasonal job losses lead to an EI claim, only one third of seasonal workers receive benefits after each of their seasonal job losses.

One of the principal lessons learned about EI is that workers have complex relationships with the program that involve both their employment opportunities and the labour market adjustments they make to comply with EI's myriad rules and provisions. For instance, one study examines a common criticism of EI — that the relative generosity of benefits in high unemployment regions inhibits workers from moving to other regions where employment conditions are better. *In Employment Insurance and Geographic Mobility: Evidence From the SLID*, Rick Audas and Ted McDonald (2003) find, however, that there is no strong evidence that EI inhibits mobility, even when it is examined at the intraprovincial level — a perspective that had yet to be examined in the

literature on EI and geographic mobility. This study shows that the relationship between EI and the decision to migrate is complex and depends on individuals' degree of attachment to the labour market, since only those who work few weeks per year were found to be more likely to move following the tightening of the EI program in the mid 1990s.

Another way that EI can influence worker behaviour is through the complexity of its rules, and therefore, claimants who know the program the best will be in the best position to benefit from its rules. For example, when claimants' behaviours are examined within the context of one of EI's more complicated provisions, one that permits claimants to accept available work while continuing to receive benefits, claimants with the most experience with EI are found to make the greatest use of this provision in ways that could facilitate their claiming benefits again in the future.

In *The Impact of the Allowable Earnings Provision on EI Dependency*, David Gray and Shawn de Raaf (2002) analyze the relationship between the use of this provision, referred to as the "allowable earnings provision," and individual claim patterns. They demonstrate that claimants' experience with EI can lead to marked differences in the ways that this provision is used. They also find that working while on claim has a mixed impact on short-term and long-term EI claim patterns. While working on claim may lead to shorter periods of time in receipt of benefits, it may also increase the probability of claiming again. Therefore, this research addresses the possibility that the allowable earnings provision may be encouraging participation in non-standard employment (augmented

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by intermittent periods of EI receipt), and discouraging the search for stable full-year employment that the provision's designers had originally intended.

Another hotly debated issue with respect to EI's impact on labour market attachment is the coverage of seasonal workers — workers who experience annual periods of unemployment at the same time every year. Given that seasonal claims represent a large share of all frequent EI claims, it is surprising that very little research to date has examined the extent to which seasonal work leads to EI receipt. In *Seasonal Employment and Reliance on Employment Insurance: Evidence From the SLID*, Shawn de Raaf, Costa Kapsalis, and Carole Vincent (2003) attempt to fill this gap by identifying a sample of seasonal workers according to their employment patterns over a five-year period and then examining the extent to which their seasonal job losses lead to EI benefit receipt.

The authors find that while over half of all seasonal job losses lead to an EI claim, only one third of seasonal workers receive benefits after each of their seasonal job losses. When compared with all seasonal workers, those who frequently claim benefits face the highest barriers to finding secure employment; they are older, less educated, and living in regions with higher unemployment rates. However, the authors' findings caution the reader from concluding that those seasonal workers who do not rely on EI are necessarily doing better in the labour market. These workers, who have the highest likelihood of not having accumulated sufficient hours to qualify for benefits in the first place, are also the most likely to be working multiple jobs at the time of

their seasonal job loss and to be re-employed part-time instead of full-time.

If frequent claimants cannot be understood simply as being seasonal workers or as workers living in high unemployment regions, what are the factors that lead to individuals maintaining a pattern of frequent use over time? In *Dynamics of Reliance on EI Benefits: Evidence From the SLID*, Shawn de Raaf, Anne Motte, and Carole Vincent (2003) attempt to address this issue, and find that stereotypical determinants of frequent EI use do not hold true when claim patterns are

If frequent claimants cannot be understood simply as being seasonal workers or as workers living in high unemployment regions, what are the factors that lead to individuals maintaining a pattern of frequent use over time?

examined over time. While such commonly identified factors as gender and region of residence are important determinants of initially becoming a frequent claimant, only workers' education and occupation and the conditions of the local labour market increase the probability that they will maintain their frequent claim pattern over time. In addition, this research indicates that exposure to the EI program and workers' own unobserved tastes and preferences play an important role in explaining long-term EI claim patterns. By moving beyond

simple determinants of frequent EI use, this research points to the more fundamental barriers faced by workers who are unable to move into full-year employment.

Much of the research on EI to date has focused on the individual claimant, but workers' patterns of EI receipt may reflect, to some extent, the demand side of the labour market. Lately a growing body of research indicates that firms are an important piece in the EI frequent claimant puzzle. Over the past decade many economists have supported the view that the absence of a link between the amount of EI premiums and firms' actual layoff patterns, or the lack of "experience rating," means that the EI program gives no disincentive to firms to lay off workers temporarily during business slowdowns. In *Who Benefits from Unemployment Insurance in Canada: Regions, Industries or Individual Firms?*, Miles Corak and Wen-Hao Chen (2003) show that a considerable number of firms were predictably and persistently receiving subsidies through the EI program over the 1986 to 1996 period, in that their employees' receipt of EI was higher than the premiums paid into the program. They find that a firm's own practices or characteristics are twice as important as the industry or geographic location of the firm in explaining whether it is subsidized by EI. This finding points to the need to investigate further the practices and characteristics that differentiate firms according to their employees' use of EI.

Another area worth further exploration is the impact of EI on household labour market decisions. Policies in Canada are placing greater emphasis on workers' needs to bal-

ance work and family life, exemplified by the expansion of EI special benefits in recent years to provide better coverage and more generous benefits to workers with family responsibilities. While not specifically designed to address workers' family responsibilities, EI regular benefits may represent an even more important form of support to families. Regular benefits can help offset the shock to the family's finances when a member loses his or her job.

In Employment Insurance and Family Response to Unemployment: Canadian Evidence from the SLID, Rick Audas, and Ted McDonald (2004) provide a first look at the role regular EI benefits play in spousal labour supply decisions when the main income earner experiences a job loss. While in general the main income earner's eligibility for EI is found to have little impact on the spouse's decision to seek employment or to work more, it does appear to have a significant impact when children are present in the household or when the job loss occurs for reasons that are by nature non-seasonal, and therefore are most likely unpredictable. This finding suggests that EI may be reducing the need for a spouse to seek employment after a family member's job loss, thereby giving families greater flexibility in balancing their work and family responsibilities. However further research is warranted before conclusive policy lessons can be drawn.

Priorities for Future Research and Possible Interventions

This research provides the important insight that frequent use of EI should not be viewed simply as workers becoming familiar with the program

and learning how to benefit from its rules and provisions. Instead, a recurring theme from each of the working papers is that frequent use is symptomatic of workers' inability to gain year-round employment due to their lack of skills, education, or job opportunities in the region in which they live. By expanding the scope to all workers at risk of job loss, the research also shows that workers who do not rely on EI are not necessarily doing better in the labour market, emphasizing the need to avoid focusing only on the unemployed who are able to qualify for benefits.

This research also provides an opportunity to examine the EI program itself in order to understand its shortcomings and identify areas for future research. The current program is designed to achieve a number of different goals — providing temporary income support to workers who lose their jobs, facilitating training opportunities for workers who need to upgrade their skills to increase their employability, and supporting workers with family responsibilities. However, the evolution of the program over time has also led to a system that may not fully reflect the realities of the present-day labour market, warranting a revisiting of EI's eligibility and entitlement rules. In particular, the present system may not adequately account for the circumstances of workers who are not eligible for benefits.

de Raaf, Motte, and Vincent point out that EI's hours-based system for determining eligibility and entitlement does not compensate every hour worked in the same way across and within EI regions. Consequently, it potentially excludes the growing number of Canadians who are

working in non-standard employment by choice or by circumstances such as having family responsibilities or work-limiting disabilities. As well, it gives an advantage to workers who have greater flexibility to work more hours per week: those who are unable to maintain as intensive a working schedule receive lower benefit payments for the same number of hours worked during the qualification period. This leads the authors to conclude that further research is needed to explore alternatives to labour market attachment as the key determinant for EI eligibility criteria.

The authors conclude that more research is needed on how to make the EI program more responsive to the realities of today's labour market, while at the same time addressing potential disincentives and inequities in the current system. On the workers' side, this could include research on the disincentives within the EI program itself to seeking standard employment. More importantly, there needs to be more research on the barriers faced by many workers who cannot secure employment due to inadequate skills or education, regardless of whether they rely on EI or not. On this front, more emphasis could be placed on employment-oriented training programs and basic adult education, including literacy. The research findings also suggest that policies should not neglect the role that employers play in their employees' EI use. Further research is needed on the practices that should be encouraged on the part of firms to help reduce the need for their employees to establish claims for EI benefits. ♦

Implementing a Test of Community-Based Employment

The Design and Implementation of CEIP

Conceived by the federal department of Human Resources and Skills Development (HRSD) and jointly funded by HRSD and the Nova Scotia Department of Community Services (NSDCS), the Community Employment Innovation Project (CEIP) is an experimental social policy demonstration initiated to test an alternative form of transfer payment for the unemployed in areas of chronic high unemployment.

In CEIP, eligible individuals from the Cape Breton Regional Municipality (CBRM) agree to exchange their Employment Insurance (EI) or income assistance (IA) entitlements for full-time hourly employment, gaining valuable skills and experience. CEIP employment comes in the form of locally developed community projects, and lasts for up to three years.

The Social Research and Demonstration Corporation's recent publication of *The Community Employment Innovation Project: Design and Implementation* represents a major CEIP milestone. The report is the first major report in an ongoing series that will document SRDC's comprehensive evaluation of CEIP. In addition to outlining the research design and program model, the report looks at the early implementation of CEIP and provides answers to questions such as:

- Would communities and selected individuals in Cape Breton volunteer to take part in CEIP?
- Who would CEIP attract, and why would some choose not to volunteer?
- How do the two subgroups (EI and IA) that comprise the CEIP research sample compare with the broader EI and IA populations and with each other?
- Did those who volunteered for CEIP understand the offer?
- Were participant recruitment and early program operations implemented effectively?
- What were some of the early views of participants towards CEIP once they had begun working?

Offer to Individuals

CEIP employment was designed to replicate standard employment conditions. Participants are required to work 35 hours per week in return for their wages, which are insurable under the EI program and covered by both the Nova Scotia Workers' Compensation program and the Canada Pension Plan (CPP). The weekly wage offered by CEIP is currently \$312.50, and changes in response to increases in the Nova Scotia provincial minimum wage, statutory holidays are paid, "personal

days" accumulate and can be taken as paid vacation or as sick days, and an optional medical plan is available.

Participants are free to leave CEIP temporarily to pursue other work or educational opportunities within their three-year eligibility period. However, they must continue to make a choice between CEIP and traditional income support: participants who accept regular EI benefits or IA as their primary source of income lose their eligibility for CEIP.

While the central element of the CEIP offer is three years of paid employment in community projects, a number of supplementary activities have been built into the program model.

Supplementary Program Activities

Employability Assessment

Participants undergo a two-week orientation that includes an employability assessment to identify basic training needs and to aid in the process of matching participants to suitable jobs.

Job-readiness Training

All participants receive some job readiness training prior to initial placements, and certain participants may receive additional job readiness training to help them with issues identified during performance assessment.

Transferable Skills Training

Participants receive some transferable skills training in the form of short courses in first aid, occupational health and safety, and computer literacy.

Employment in “Transitional Jobs”

Some “transitional jobs” projects have been developed by the Atlantic Coastal Action Plan – Cape Breton, one of CEIP's local delivery partners, and are available to participants who are “between assignments” or assessed as not yet “job ready.”

Self-directed Projects

Although local communities develop the vast majority of projects, participants are provided with an opportunity to develop self-directed projects of their own. As part of this option, participants are offered one week of entrepreneurial training, and an additional 11 weeks to develop a project.

Job Search and Portfolio Development

Participants are allowed up to seven hours a week during their final three months of program eligibility to conduct a job search. Toward the end of CEIP eligibility, portfolio development assistance is also provided to help participants compile detailed resumes and references that highlight the new skills and work experience acquired during CEIP.

The Role of Communities

CEIP employment opportunities are generated by selected communities within the CBRM. The role of each CEIP community has two main parts. During the first part, the community creates the democratic structures required to support local CEIP activi-

ties. A representative community board must be formed to assess community resources and needs and to develop a strategic plan that will guide project development. During the second part, the community board must solicit, approve, and monitor projects that will employ CEIP workers and meet the needs of the community.

Any community organization that has the capacity to manage a project can develop a proposal to sponsor a project and present it to the community board. However, board decisions are

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governed by the priorities set out in their strategic plan, and must adhere to five broad CEIP guidelines. The guidelines are meant to ensure that approved projects are consistent with the wishes of the greater community, and that the profits of the project are distributed to the community at large instead of to a small group of individuals. The guidelines require projects that are unethical or unlawful to be rejected, and existing jobs in the community must not be displaced by project-generated jobs.

The main attraction that CEIP has for communities is the “free labour” provided by the project. However, because communities vary in their capacity to support CEIP activities, community boards are eligible for a

planning grant of up to \$30,000 to be used to defray the costs of engaging in the project. Additional funds are also available to hire technical assistance and community development expertise to help community boards undertake activities such as strategic planning, community mobilization, and marketing and communication activities.

Evaluation Design

Why could CEIP produce benefits to individuals and communities?

First, the program offers participants the following three key opportunities, all of which may enhance chances of future employment:

- three years of stable employment
- valuable work experience
- a chance to improve social networks through work placements

Second, the program could improve community development both through the process of communities mobilizing their involvement in CEIP, and through the products or services that the community projects provide. As a result, the community's capacity to meet challenges could be enhanced. CEIP could also prove to be a cost-effective alternative to traditional transfer payments for both the governments that are funding it, and society as a whole.

The CEIP evaluation strategy is designed to assess the effects of CEIP on individuals and communities. It includes four main components:

- Implementation research to carefully document how the project was implemented, in order to

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assess how closely the program in the field matched the original design, and identify delivery issues that aid in understanding how and why the program had its observed effects.

- An individual impact study using a random assignment design to compare the experiences of those in the CEIP program group with the experiences of a control group who are not eligible to work on CEIP community-based projects. Random assignment ensures that there are no systematic differences between the two groups before the project began. As a result, any observed differences between the two groups following random assignment can be reliably attributed to CEIP.
- A community effects study using both a “theory of change” approach and a quasi-experimental comparison community design to

evaluate the effects on the communities that participated in CEIP.

- A benefit–cost analysis to compare the economic benefits to both the participating individuals and the participating communities with the cost of producing those benefits.

The CEIP Communities

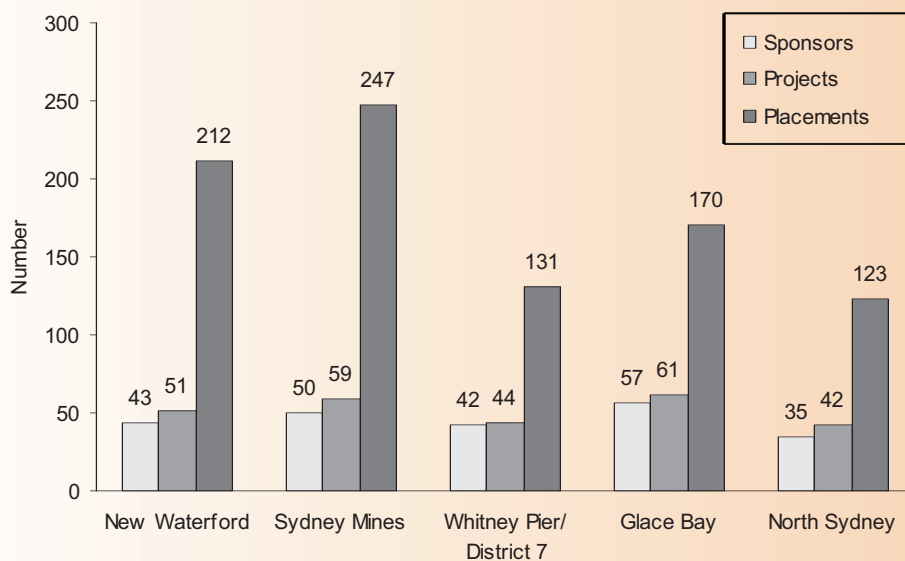
Industrial Cape Breton was selected as the project site for CEIP because it is an area of chronic high unemployment. The region has been undergoing a process of “de-industrialization” associated with the decline of historic core industries such as coal mining and steel production. The regional unemployment rate has remained high compared to provincial and national rates, and the area has a history of grass-roots community development, which made the region suitable for an intervention such as CEIP.

The following six communities were given the opportunity to take part in CEIP: pre-amalgamation towns of New Waterford, Glace Bay, Dominion, North Sydney, Sydney Mines, and the neighbourhood of Whitney Pier/District 7.

Concentrating CEIP activities in a limited number of communities and neighborhoods in the region increases the likelihood of producing detectable community effects.

The initial “invitation” to communities to take part in CEIP was made by means of a public meeting held in each community. The selected communities had to volunteer for CEIP by means of a show of support by a majority of individuals in attendance. Next, each community had to form a community board that was representative of the community, and then submit the board for acceptance by the Project Implementation Committee (PIC). Each board had to create a strategic plan that clearly identified the needs and priorities of its community. The strategic plans also had to be sent to the PIC for approval. Five of the six communities completed this process. Dominion formed a community board but did not complete the strategic planning process.

From October 2000 to the end of March 2003 the remaining five community boards approved 257 projects from 227 different sponsors (the implementation report uses data only through the first quarter of 2003). Projects vary in duration, and not all 257 are currently operating. Community boards will continue to approve projects until the operational phase of CEIP ends in July 2005.



Enrolling CEIP Participants

Eligible individuals were randomly selected from the region's EI and IA files and invited to an information session where they were provided with the information necessary to make an informed judgment regarding program participation. A total of 1,522 individuals—1,006 EI beneficiaries and 516 IA recipients—joined CEIP during the period from July 2000 to June 2002. Those who joined filled out an enrollment form indicating voluntary participation and agreed to the release of data for research purposes. Half of those who signed up were assigned to the program group. The remaining half were assigned to the control group, and could not take part in CEIP's community employment but continued to be eligible to receive all other benefits, programs, and services for which they qualified. These two groups together make up the CEIP research sample.

Characteristics of the Research Sample

Although the participants drawn from EI and IA subgroups are both from disadvantaged populations, they can be expected to differ in some respects. Using data obtained from the CEIP enrolment form, a number of observations can be made about the composition of these subgroups:

- EI subgroup members are more likely to be men (58.4 per cent) than the IA subgroup members, who are more likely to be women (61.8 per cent).
- The EI subgroup members are slightly older (average age of 40 years) than the IA subgroup members (average age of 35 years).

- The EI subgroup members have higher average education levels than the IA subgroup members. For example, 69 per cent of EI subgroup reported having a high school diploma, compared with 60.7 per cent of IA subgroup. Similarly, a higher percentage of EI subgroup members (43.7 per cent), had a trade or vocational diploma than the IA sample (36.9 per cent).
- EI subgroup members are more likely to have an annual household income of less than \$30,000, while the IA subgroup members are more likely to earn less than \$20,000 a year. Not surprisingly, a higher percentage of the EI subgroup (74 per cent) reported working 10 or more years since the age of 16 than the IA subgroup (33 per cent).
- The EI and IA subgroup members do share some similarities. A high percentage of both the EI and IA subgroup members (97.6 per cent and 97.1 per cent) reported a willingness to take additional training to improve job prospects. Also, the vast majority of both EI and IA subgroup members reported living in Cape Breton all their lives and, not surprisingly, have dense and homogeneous social networks.
- The EI subgroup members who volunteered for CEIP differ from the broader EI population in industrial Cape Breton in that they are more likely to be women, more likely to be 45 to 54 years of age, and tend to have a lower average weekly EI benefit rate.

There were also a few differences between the IA subgroup members

and the broader industrial Cape Breton IA population in that the IA subgroup members are less likely to be women, and more likely to be 35 to 44 years of age.

Response to the CEIP Offer

In order for CEIP to be given a fair test, it was important that eligible individuals understood the offer well enough to make an informed choice. Results from surveys with volunteers suggest that they understood the CEIP offer. Generally, most were aware of the main features of CEIP and made an informed choice to volunteer. In order to assess the wider applicability of the program, it is also helpful to understand why some of those who were eligible chose not to accept the offer. Results from surveys with non-volunteers suggest that EI-eligible individuals who refused the offer mostly believed the community wage to be too low, or expected to return to a previous job. In contrast, the most common reason given by IA non-volunteers for not joining CEIP related to personal, family, or health problems.

Developing the CEIP Office and Project Operations

The successful implementation of CEIP required a program with a unique set of services and delivery partners. SRDC successfully used a consortium approach to build a local CEIP office to administer the program services. The consortium is made up of four local organizations: the Cape Breton Family YMCA, Breton Business Center, Breton Rehab Services, and the Atlantic Coastal Action Program – Cape Breton.

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The CEIP office was officially opened in August of 2000 on the main street in the former city of Sydney. The office played a central role in the recruitment process supporting the outreach and intake, conducting orientations and assessments, and providing job-readiness training for new participants. Since the end of the recruitment period, the primary responsibilities of the CEIP office have involved the ongoing coordination of job-matching and participant management.

No Major Bumps in Early Implementation

One of the primary goals of implementation research is to assess whether program implementation matched the intended program model. In addition, implementation research provides information on how services are organized and delivered that can inform ongoing program adjustments and help interpret any subsequent observed impacts. The problems encountered and corrective actions taken form the basis of CEIP “lessons learned,” which will also be invaluable for any future implementation of CEIP. The following are among the key implementation research findings to date:

Participant selection and recruitment were carried out according to the original design. Both the EI and IA selection criteria were applied appropriately and consistently, resulting in a randomly selected sample that was consistent with the target groups. However, the employability criterion that was applied by NSDCS was more inclusive than SRDC expected, resulting in the inclusion of some individuals who have severe employability issues.

Individuals who joined CEIP were well informed about the offer and made an informed choice to participate. Effective procedures were put in place to ensure only randomly selected individuals were invited to and attended information sessions, and appropriate timelines were observed for delivery and acceptance of the offer.

Random assignment procedures were implemented fairly with appropriate procedures to protect the integrity of the experiment. There were no systematic differences between program or control group members.

The employment stability offered by CEIP was a relief to many participants who were not accustomed to labour market security.

Procedures were effective in ensuring that control group members did not gain access to CEIP services.

The CEIP office did not hire sufficient additional staff to compensate for an increase in the number of participants enrolling. Priority was necessarily given to activities related to sample intake to ensure recruitment was not compromised. As a result, some of the regular responsibilities of staff were postponed or became secondary activities during the intake period.

Assessing the employability of participants was more difficult than anticipated. The assessment tools used were able to identify those with serious job readiness deficiencies but staff reported that they were not sensitive

enough to identify some participants with less serious concerns. These individuals would have benefited from job readiness training, but were not identified using the assessment tools.

Due to the difficulty in identifying the job readiness training requirements of participants and in coordinating the delivery of appropriate modules, the CEIP office provided up-front job-readiness training to a much wider group of participants than originally planned. Early in the enrollment phase, the CEIP office began giving job readiness training to virtually all participants in the second week of the orientation period.

The Project Management Information System (PMIS) helped maintain the integrity of the experiment by strictly controlling the initial intake of the sample and tracking the status of potential participants throughout the period of the CEIP offer. CEIP staff did note a few system limitations, which included the lack of functionality for tracking participant time reports and for tracking training activities. These limitations were addressed in a subsequent PMIS release.

For the most part, the participant payment system provided speedy and reliable payments to participants and was flexible enough to cope with a variety of circumstances. However, the compliance of project sponsors with the requirement to submit prompt and accurate time reports for all participants has been more difficult to obtain than expected.

Participants Upbeat Regarding Program Participation

The Community Employment Innovation Project: Design and Implementation includes a detailed look at the early opinions and expectations that CEIP

participants had for the project. Personal interviews were conducted with 28 program group members six months after they had enrolled in CEIP.

For the most part, participants viewed their CEIP experiences in a positive light at the time of the interviews. The employment stability offered by CEIP was a relief to many participants who were not accustomed to labour market security. Many saw CEIP as a stepping-stone to future employment. Many noted the potential for CEIP to enhance their skills and social networks. Participants whose expectations were not met at the time of the interviews believed

they would be met before their program eligibility ended. A participant expressed this view by saying, “The good [points] overwhelm the bad ones [in] CEIP. What am I going to gain? I might not be gaining new skills right now, but I know somewhere in the three years...I am going to gain new skills. I have that to look forward to.”

Future Research

The Community Employment Innovation Project: Design and Implementation shows that the early implementation of the project was both largely successful and consistent with the research design, and that the integrity of the

study was maintained. Several important conclusions and “lessons learned” have been drawn from early implementation research efforts. However, CEIP is a long-term project scheduled to continue until 2008. The next major report, planned for later this year, will continue to analyze CEIP implementation with a focus on the engagement and mobilization of communities in reaction to the CEIP offer. In 2005 the first in a series of a comprehensive community effects reports will be released. Following that, the initial participant impact study that uses data from the 18-month follow-up survey will be available, giving the first look at CEIP’s impacts on participants. ♦

Wanted: People Who Would Like a 300 % Return on Their Savings

An Early Look at learn\$ave

For the past two and a half years, a very attractive offer has been advertised in various parts of Canada: save \$1,500 and receive an additional \$4,500 in return. To some, the offer was too good to be true. To others, it was too good to refuse.

To collect this impressive return, interested individuals had to enroll in *learn\$ave* — a demonstration project designed by the Social Research and Demonstration Corporation (SRDC) and SEDI (Social and Enterprise Development Innovations), funded by the federal Department of Human Resources and Skills Development

(HRSD), and delivered by local agencies at 10 sites across Canada.

learn\$ave is intended to rigorously test the proposition that low-income people can find a way to save for education, training, or funding the start of a new small business, in order to improve their standard of living. The catalyst leading to increased savings is the offer to match participants’ savings on a three-to-one basis, as long as these savings are spent on prescribed goals. Attendance at financial management training sessions delivered by local agencies is also expected to help participants increase their savings.

learn\$ave has been designed to determine, with a high degree of confidence, whether matched credits and financial management training make a difference to people as they strive to achieve their goals. As part of the experimental design, those who enrolled in the study at *learn\$ave*’s three primary sites — Vancouver, Toronto, and Halifax — were randomly assigned to either a program group (*learn\$ave* “participants”) or a control group. The activities and experiences of each group will be tracked over a period of four and a half years. Any differences that are

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observed over time between the program and control groups — in accumulated savings, progress towards goals, or long-term employment and earnings — can then be attributed to *learn\$ave*.

The same benefits and services are made available to participants at each of the three primary sites. However, at seven secondary sites — Calgary, Winnipeg, Grey–Bruce Counties (Ontario), Kitchener–Waterloo, Fredericton, Montreal, and Digby County (Nova Scotia) — benefits and services vary. At these secondary sites, research is exploring the effects these variations may have on the savings behaviors of specific groups of participants.

learn\$ave's design called for close to 5,000 individuals to be enrolled from

among the low-income populations at the 10 sites. By January of 2004 enrolment was completed and the crucial first phase of the project came to a successful conclusion. However, this first phase was not completed without some difficulty; despite the generous nature of the offer, it took over two years of recruitment in some of Canada's largest cities to reach the enrolment target.

Why did recruitment proceed so slowly and which recruitment methods worked best?

For the first few months after the project launch in mid-2001, *learn\$ave* enrolment was slow, with monthly enrolment well below expectations. During this period, agencies delivering *learn\$ave* relied heavily on other local organizations that had close, ongoing

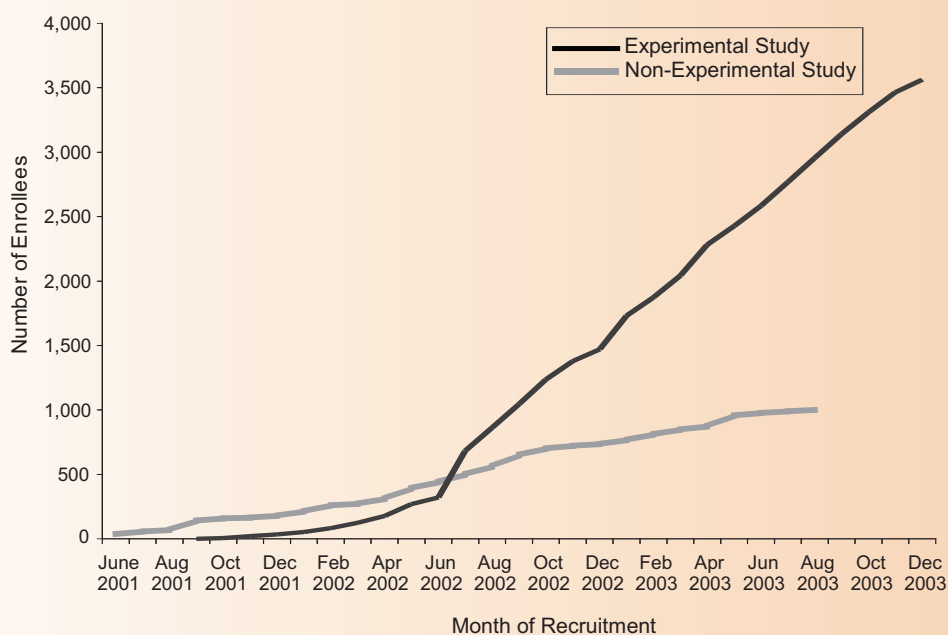
contacts with low-income Canadians, and could therefore easily promote *learn\$ave* to their clientele. However, when enrolment continued to be slow, the delivery agencies began to place greater emphasis on other methods.

The change in emphasis was most evident in Toronto, where the focus of recruitment activities shifted abruptly in May 2002 with the launch of a broad-based publicity campaign that involved media interviews, advertisements in newspapers and the transit system. Subsequent research shows that 32 per cent of enrollees in the more populous primary sites heard about *learn\$ave* through the media.

Overall, recruitment at the other seven sites followed a steadier pace. This may be due at least in part to the larger number of sites — slow recruitment at some sites tended to offset brisk recruitment at others in any given month. For example, Fredericton filled many of its spaces very quickly at the beginning of the recruitment period, while Montreal began more slowly.

Ultimately, the most effective method of recruitment at the smaller secondary sites was “word-of-mouth” — prospective applicants heard about *learn\$ave* from friends, relatives and acquaintances. At the secondary sites, 40 per cent of enrollees found out about *learn\$ave* through word-of-mouth — more than twice as many as the next most effective method. Word-of-mouth was also very effective at the primary sites, where 30 per cent of enrollees heard about *learn\$ave* in this manner. However, although valuable, word-of-mouth takes time to spread and establish its full effectiveness in reaching potential participants.

learn\$ave Recruitment Trends



Although it took time for the delivery agencies to discover what recruitment method worked best and for marketing initiatives to gain momentum, *learn\$ave*'s lack of universal appeal may be the greatest recruitment challenge. A three-fold return on savings may not always be enough to overcome the constraints imposed by circumstances in many people's personal lives and by the "fine print" in *learn\$ave*'s generous offer.

Who among the eligible population decided that *learn\$ave* was an opportunity too good to refuse?

If *learn\$ave* had universal appeal, the profile of participants' personal characteristics would match that of the eligible population. However, when *learn\$ave* participants are compared with the eligible population (as

approximated by individuals in the 2001 Census who conform closely with *learn\$ave*'s eligibility criteria), results indicate that individuals from specific groups within the eligible population enrolled more often than others.

Overall, participants differ significantly from the eligible population in a number of important areas.

learn\$ave participants are more likely to be single and less likely to be currently married or living common-law. Participants are also younger than the eligible population, with a much higher proportion between 21 and 40 years of age.

Formal education and training appear to be important to *learn\$ave* participants. About 90 per cent of participants are high school graduates (com-

pared with under three quarters of the eligible population). In addition, many participants have either completed post-secondary courses or are currently furthering their education or training. About 40 per cent have a university degree, diploma, or certificate at the bachelor level or higher (only about one quarter of the eligible population has an equivalent level of education). Participants were also more likely to be in school part time when they applied for *learn\$ave* and had a slightly higher average annual income (about \$1,000 more per year than in the eligible population).

A much higher proportion of participants had recently immigrated to Canada. More than one third had arrived in Canada since 1998 (less than one fifth of the equivalent Census population had immigrated between 1996 and the date of the 2001 Census). The *learn\$ave* offer has been particularly attractive to Chinese-born immigrants: about one quarter of participants are Chinese-born, which is more than twice the proportion found in the eligible population.

The participant profile that seems to be emerging is one of individuals who believe in education and learning, have reached a turning point in their lives, and are more willing and able than average to finance a sustained savings effort. In short, these are the people whose goals and motivations fit best with *learn\$ave*'s key features.

Are *learn\$ave* participants able to save?

While it is still quite early in the savings phase of the project, there are already encouraging signs that participants are finding the money to save

Eligibility for *learn\$ave*

To be eligible for *learn\$ave*, one must:

- live within prescribed boundaries defining the ten sites,
- be the only person in an economic family seeking participation,
- possess a valid social insurance number,
- be between 21 and 65 years of age (with some exceptions for individuals 18 to 20 years of age),
- have a pre-tax income below 120 per cent of the appropriate Statistics Canada low income cut-off (LICO),
- have financial assets that do not exceed the lesser of 10 per cent of annual income, or \$3000,
- not be in school full time.

The Ten *learn\$ave* Sites

Primary sites: Vancouver, Toronto, and Halifax

Secondary sites: Calgary, Winnipeg, Grey–Bruce Counties, Kitchener–Waterloo, Montreal, Fredericton, and Digby County

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on a regular basis: almost 90 per cent of participants have opened *learn\$ave* bank accounts.

Participants with accounts are saving an average of \$54 per month. Most of this savings activity has occurred between the second and thirteenth month following enrolment. Overall, participants have been able to earn substantial matching credits with their savings. By the end of February 2004, participants had saved a total of \$2.3 million of their own money. In turn, they earned a total of \$7 million in matched credits, for a grand total of \$9.3 million in savings and credits.

Upcoming Publications

The recently published *Helping People Help Themselves: An Early Look at learn\$ave* is the first report in an SRDC research reports series that examines the *learn\$ave* demonstration. The next report in the series is scheduled for release in late 2004, and will provide an in-depth review of the activities that took place while *learn\$ave* was designed and implemented, and provide comprehensive descriptions of the research and evaluation strategy. Further reports will focus on longer-term results and impacts as they develop, until the scheduled end of the project in 2009. ♦

Original Targets

The original project design called for up to 1,275 applications to be accepted at each of the three primary sites; each of the seven secondary sites was allowed to accept up to 150 applications. At each primary site 75 spaces were available for income assistance (IA) recipients. At each secondary site, a maximum of 25 per cent of accepted applicants could be in receipt of IA at the time of application.

Match Rates

At the primary sites each dollar saved earns \$3 in credits (a 3:1 match rate). At the secondary sites, the match rate varies from 2:1 in Kitchener–Waterloo to 5:1 in Montreal.

Savings Amount Limits

A net deposit of at least \$10 is required for a month to qualify as an “active savings month.” Any monthly deposits over a \$250 limit are not eligible for matched credits. At the primary sites a maximum of \$1,500 in savings is eligible for credits. At the secondary sites the maximum amount ranges from \$900 in Montreal to \$2,000 in Fredericton.

Savings Period Limits

After 12 active savings months have accumulated, a participant can claim his or her savings and matched credits and spend them on an approved purchase related to education, training, or starting a new small business. With the exception of Calgary, which has a two-year limit, savings can be deposited for up to three years after enrolment into the program.

Financial Management Training

Most participants are expected to attend 15 hours of compulsory training. The training sessions are intended to enhance participants’ financial literacy, and include money management skills such as budgeting, use of credit, and spending. The sessions also encourage participants to build on their personal skills and knowledge to allow them to reach their goals. Some secondary sites provide more than 15 hours of training.

Case Management

Participants who are required to attend training sessions also have access to case management services from the local delivery agencies to help them save and meet their goals.

Bulletin Board

Publications

Helping People Help Themselves: An Early Look at learn\$ave, by Paul Kingwell, Michael Dowie, and Barbara Holler, with Liza Jimenez

This report presents preliminary observations from the learn\$ave project. It is the first published report about the project, which has now completed its recruitment phase with 4,827 people enrolled at ten sites across Canada. The report covers recruitment methods and results up to mid-2003, six months prior to the end of the recruitment period. It presents a profile of participants and compares it with a profile of the eligible population. Participants' early savings activities are also presented along with early indications of the extent to which participants have spent their savings and matched credits provided through project funding. Finally, the report describes participants' own views of their experience in learn\$ave.

Understanding Employment Insurance Claim Patterns: Final Report of the Earnings Supplement Project, by Shawn de Raaf, Anne Motte, and Carole Vincent

This report contains a series of lessons learned from the Social Research and Demonstration Corporation's research on work and reliance on Employment Insurance (EI) benefits. These lessons lead to the general conclusion that workers' frequent reliance on EI should not be viewed simply as a problem of workers becoming familiar with the program and learning how to benefit from its rules and provisions; rather, in many cases, it is a symptom of their difficulties in finding year-round employment due to inadequate skills, insufficient education or limited job opportunities in their region. The lessons also caution against concluding that non-reliance on

EI necessarily reflects better labour market outcomes. For many workers, their non-reliance on EI can reflect the barriers they face in securing stable employment or their inability to qualify for benefits. The report concludes by examining the EI program itself to better understand its shortcomings and to identify priorities for future research.

New Evidence From the Self-Sufficiency Project on the Potential of Earnings Supplements to Increase Labour Force Attachment Among Welfare Recipients, by Kelly Foley

This working paper examines possible long-run effects of the Self-Sufficiency Project (SSP) on labour force attachment. It looks at whether the requirement to find full-time work in the first year of the program in order to receive the SSP supplement caused participants to take lower quality jobs and subsequently leave these jobs.

Employment, Earnings Supplements, and Mental Health: A Controlled Experiment, by Pierre Cremieux, Paul Greenberg, Ronald Kessler, Philip Merrigan, and Marc Van Audenrode

Using the Self-Sufficiency Project (SSP) as the primary data source, this working paper investigates the relationship between employment and mental health. It explores whether poor mental health reduces the probability of securing employment in response to an SSP-type initiative, whether working improves mental health, whether SSP is cost-effective for persons with long-term emotional problems, and whether SSP is more cost-effective than mental health treatment in increasing full-time employment.

Who Benefits From Unemployment Insurance in Canada: Regions, Industries, or Individual Firms? by Miles Corak and Wen-Hao Chen

This working paper shows that from 1986 to 1996 the Canadian unemployment insurance (UI) program redistributed significant monies between industries and provinces and that there are a considerable number of firms in Canada that are predictably and persistently receiving subsidies through the UI program. Previous studies have shown that the major flow of funds is from the service industries toward the primary sector and construction and from Ontario toward the provinces east of it. Corak and Chen's study corroborates those findings but moves beyond aggregate analyses and shows that a firm's own behaviour, practices, or characteristics are twice as important as its industry or geographic location in explaining whether or not it is a net beneficiary of or net contributor to the UI program.

We've moved!

SRDC Head Office is now located at:

55 Murray Street
Suite 400
Ottawa, Ontario
K1N 5M3

Our phone/fax numbers remain the same.
Please update your address book accordingly.

This change does not affect our Branch offices.

Learning What Works

The Dynamics of Reliance on EI Benefits: Evidence From the SLID, by Shawn de Raaf, Anne Motte, and Carole Vincent

This working paper examines the work and Employment Insurance (EI) reliance patterns of a cross-section of Canadian workers who had at least one work interruption in the 1993 to 1995 period or the 1996 to 1998 period. The authors analyze the factors that contribute to a worker being an intense relier on EI benefits in the first period and then examine the factors that contribute to a worker being an intense relier again in the following period. This unique approach allows workers who remain in EI dependency over the long-term to be distinguished from those who are transitioning into and out of EI dependency. The findings reveal that the employment opportunities of the region in which the worker lives, the lack of a high school diploma, and the type of job held by the worker are all significant contributors to long-term EI dependency. However, the findings also reveal that the factors commonly identified as key contributors to frequent EI reliance, namely gender and region of residence, do not contribute to a worker being reliant on EI in the long term once the workers' past reliance is taken into account.

The Community Employment Innovation Project: Design and Implementation, by John Greenwood, Claudia Nicholson, David Gyarmati, Darrell Kyte, Melanie MacInnis, and Reuben Ford

This is the first report from the Community Employment Innovation Project (CEIP). CEIP is a long-term demonstration project taking place in Cape Breton that is designed to measure the effects, on individuals and on communities, of providing community-based employment opportunities to the long-term unemployed. This report presents the basic design of the project, its implementation in the field, and early observations of implementation issues.

Events

SRDC participates in a national conference on welfare-to-work

On November 16th, 17th and 18th 2003, the Community Services Council of Newfoundland and Labrador hosted the national Welfare to Work: The Next Generation conference in St. John's New Brunswick. John Helliwell, a Visiting Economist at the Bank of Canada and a member of SRDC's Board of Directors, gave the keynote address.

SRDC Principal Research Associate Reuben Ford took part on a panel addressing the use of incentives to facilitate welfare-to-work transitions, and presented the final results of SRDC's Self-Sufficiency Project. SRDC also organized a separate panel to discuss the Community Employment Innovation Project, which it is currently operating in Cape Breton. The panel comprised SRDC Research Associates David Gyarmati and Darrell Kyte, who presented an overview of CEIP and discussed the network-based approach to social capital that is being explored in the project, and Angus Gillis, the Chair of the New Waterford Innovation Society, who discussed how CEIP is being perceived at the community level.

SSP's final results presented to the Association for Public Policy Analysis and Management in Washington

The annual meeting of the Association for Public Policy Analysis and Management (APPAM) was held in Washington, DC on November 6th and 8th, 2003, and SRDC was there. Reuben Ford presented the paper: Can Financial Work Incentives Pay for Themselves? Drawing on findings from the Self-Sufficiency Project, the paper demonstrates that well designed financial incentive programs can not only encourage employment and raise the incomes of poor families, but they do not necessarily entail any significant additional cost to government.

SRDC article in Horizons

Last fall's edition of the Policy Research Initiative's journal *Horizons* (Vol. 6, No. 3) was a special issue on the theme of "social capital." Included among the articles in that issue is "Social Capital, Network Formation and the Community Employment Innovation Project" by SRDC Research Associates David Gyarmati and Darrell Kyte. The article discusses various definitions of social capital and, in particular, the network-based concept that has been operationalized in a model of social network formation in CEIP.

Special Panel presentation at upcoming CEA Meetings

SRDC is organizing a special panel session for the 38th Annual Meeting of the Canadian Economics Association, to be held in Toronto at the beginning of June. The general theme of the panel will be research findings from the Self-Sufficiency Project, which tested the effects of a "make work pay" strategy on the welfare-to-work transitions of lone parents.

SRDC article on experimentation published in the UK

An article on social experiments by SRDC staff was recently published in the United Kingdom. The October 2003 issue of the National Institute Economic Review (No. 186) included "Evaluation using Random Assignment Experiments: Demonstrating the Effectiveness of Earnings Supplements" by SRDC Senior Research Associate Doug Tattrie and Principal Research Associate Reuben Ford. The article discusses the strengths and weaknesses of experimental designs and uses SRDC's Self-Sufficiency Project to demonstrate the kinds of valuable policy-relevant evidence that can be produced by a well designed experiment.

learn\$ave discussed at conference on asset-building

The federal government's Policy Research Initiative recently organized a conference to explore the potential of asset-based social policies. Held in Gatineau, Quebec on December 8th and 9th 2003, the conference discussed the current state of evidence regarding the advantages and limitations of asset-based policies and considered the issues and challenges that need to be addressed if this approach is to be incorporated into Canadian social policy (see www.policyresearch.gc.ca for more information). The findings to date from the *learn\$ave* demonstration (see *Wanted: People Who Would Like a 300 % Return on Their Savings*) were presented during a panel discussion on individual development accounts targeted to low-income groups. SRDC's Executive Director, John Greenwood, and Jennifer Robson-Haddow from SEDI (Social and Enterprise Development Innovations), SRDC's *learn\$ave* partner, made the presentation on *learn\$ave* as members of a panel that included speakers from Canada, the United Kingdom, and the United States.

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