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Employment in the Social Economy as an alternative to passive income transfers: Experimental Results

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Income support for the Unemployed in Canada

Welfare

- Income of last resort, legislated and administered by provinces
- Granted on the basis of needs + means-tested
- No time limit, but some conditions may apply for employable individuals
- Level of income support below poverty lines:
 - Single employable: between \$3,048 to \$6,444 a year (in 2012)
 - Couple with two children: between \$9,828 and \$14,473 a year (in 2012)

\$1 CAD = .75 EUR

Income support for the Unemployed in Canada

Employment/Unemployment Insurance:

- For laid-off employees having worked a minimum number of hours (from 420 to 700 hours depending on regional unemployment rate)
- Level of support: 55% of insurable earnings
- Maximum weekly benefits: \$501 (\$22,545 a year)
- Maximum duration: between 14 to 45 weeks depending on the unemployment rate in the region
- Insurance benefits also available when participating to active programs

The Problem

- Certain regions face sustained periods of high chronic unemployment:
 - Often arises from the decline of a core traditional industry
 - Jobs are scarce and the local economy lacks diversity
- Unemployment insurance and Welfare only offer passive and partial solutions
- Long-term unemployed face high risks of deteriorating skills and employability
- Training programs not promising in light of poor demand conditions

An new program model

- Putting the Social economy to contribution
- In 1999, Government of Canada proposed to test an alternative to EI and Welfare in Cape Breton Region, N.S.
- The Community Employment Innovation Project (CEIP) was conceived, implemented and evaluated by SRDC from 1999 to 2008.
- Labour market context has not changed that much.

| Unemployment rates (%) | 1999 | 2005 | 2012 |
|------------------------|------|------|------|
| Canada | 7.6 | 6.8 | 7.2 |
| Nova-Scotia | 9.6 | 8.4 | 9.0 |
| Cape Breton Region | 17.6 | 14.4 | 14.5 |

CEIP – A Demonstration Project

- A test of community-based employment in the social economy as an alternative to passive transfers
- **For Individuals:**
 - Preserves employability through faster re-employment
 - Provides opportunities for skill development and strengthening of social capital
- **For Communities:**
 - Study of a model which utilizes strengths of local communities to create jobs
 - Aims to support their capacity growth and improve organizations in the social economy

CEIP – The Program Model

- **The offer to Individuals**
 - 3 years of full-time employment, on locally developed projects in exchange for entitlements to UI or welfare
 - 35 hrs/wk, \$2-3/hour above min wage, medical benefits
 - Support Services: Job-readiness training
- **The offer to Communities**
 - 6 communities offered a free workforce of 750 workers for up to five years
 - Each community was required to elect a representative board, develop a strategic plan, and approve projects
 - Control given to communities – links projects to local needs

CEIP – The Program Model

- **How is CEIP different from earlier community-based job initiatives?**
- **Earlier programs have generally involved “transitional community jobs”**
 - Characterized by *short term, single placement, low-skilled* positions
 - Projects had little relationship to broader community development goals
 - Pre-post evaluations only

The Program Model

- **How is CEIP different from earlier community-based job initiatives?**
- **CEIP aimed to maximize opportunities for human and social capital development**
 - Longer duration employment – 3 years
 - Multiple and varying placements
 - Meaningful jobs and projects, linked with community goals
 - Rigorous evaluation with random assignment

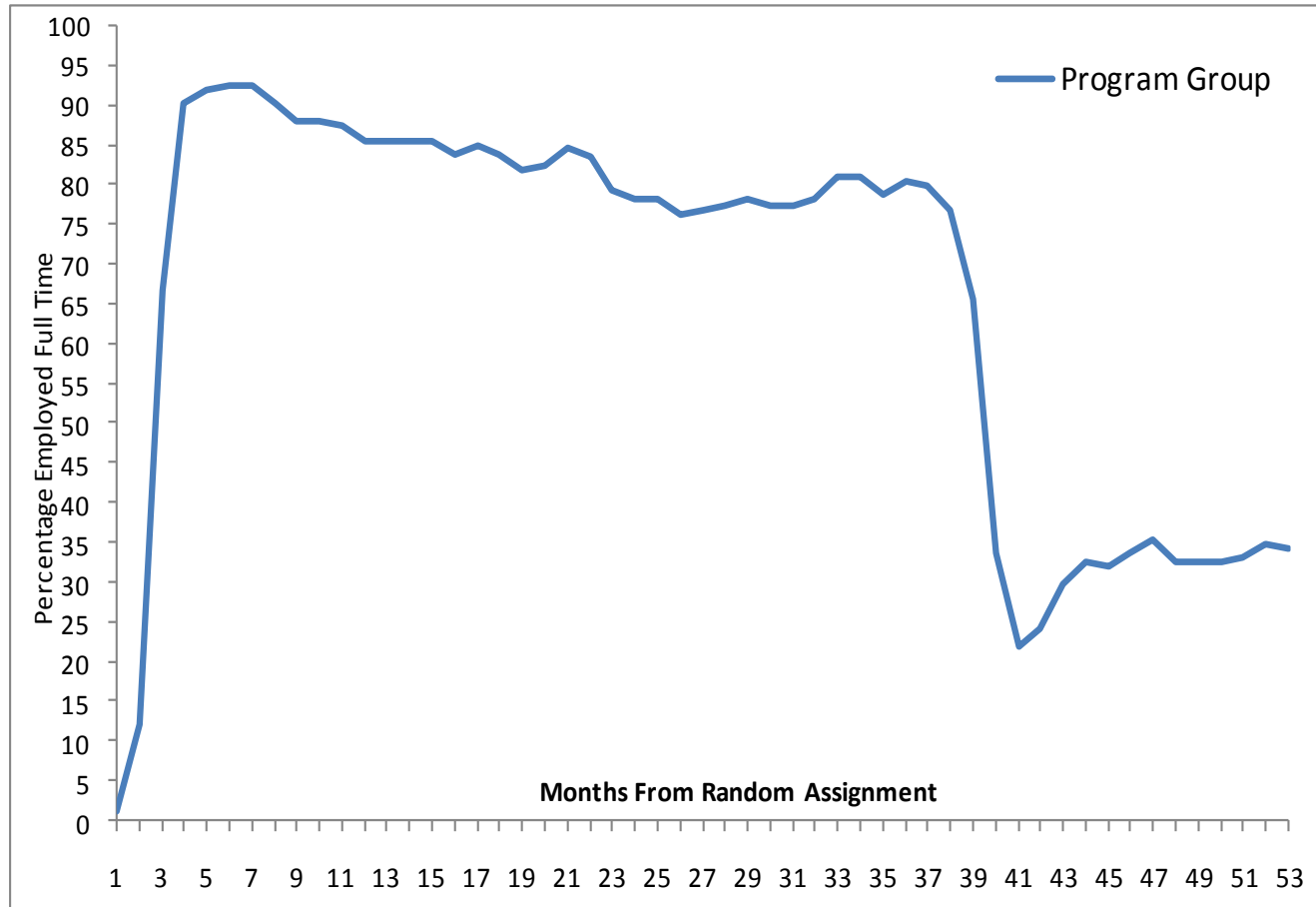
Research Questions

- **For Individuals**
 - Will unemployed workers accept CEIP jobs at low wages?
 - Will CEIP provide a sustained period of work and enhance skills and networks in a way that improves employability?
- **For Communities**
 - Can communities organize, mobilize, and develop projects that provide meaningful work while meeting local needs?
 - Will planning for and operating these projects enhance capacity and support community development?
- **For Governments**
 - Is CEIP a cost-effective way to achieve these dual individual and community goals?

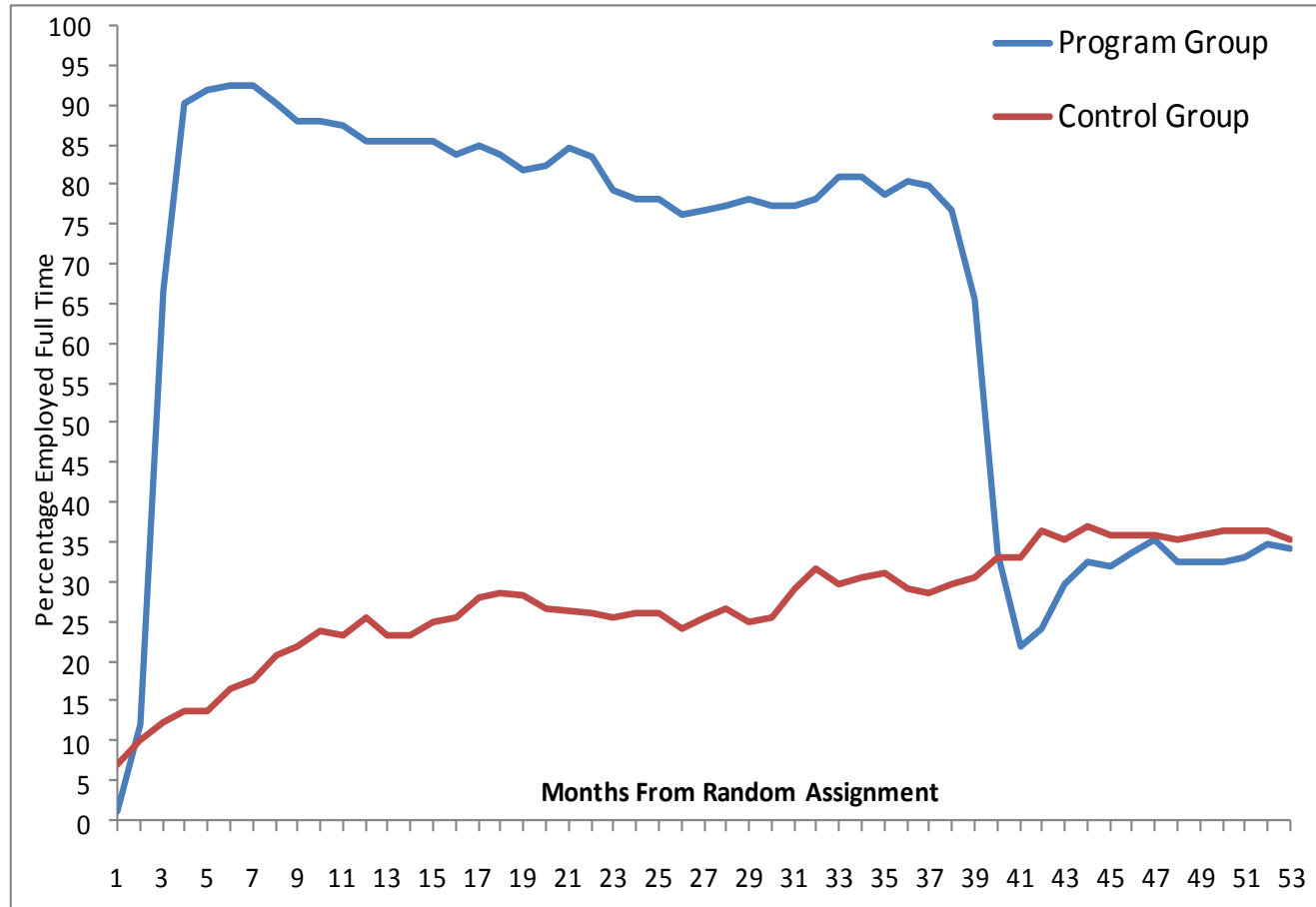
Methodology

- **Random assignment design for study of participant impacts**
 - 1500 participants (1000 from UI, 500 from welfare)
 - Half randomly assigned to receive program
 - Other half served as control group
- **Quasi-experimental design for community effects**
 - 6 participating program communities
 - 7 non-participating matched comparison communities
- **Data Sources**
 - 3 waves of participant and community surveys – before, during, and up to one year after the program
 - Administrative data on UI and welfare covering 6 years

Results: Full Time Employment



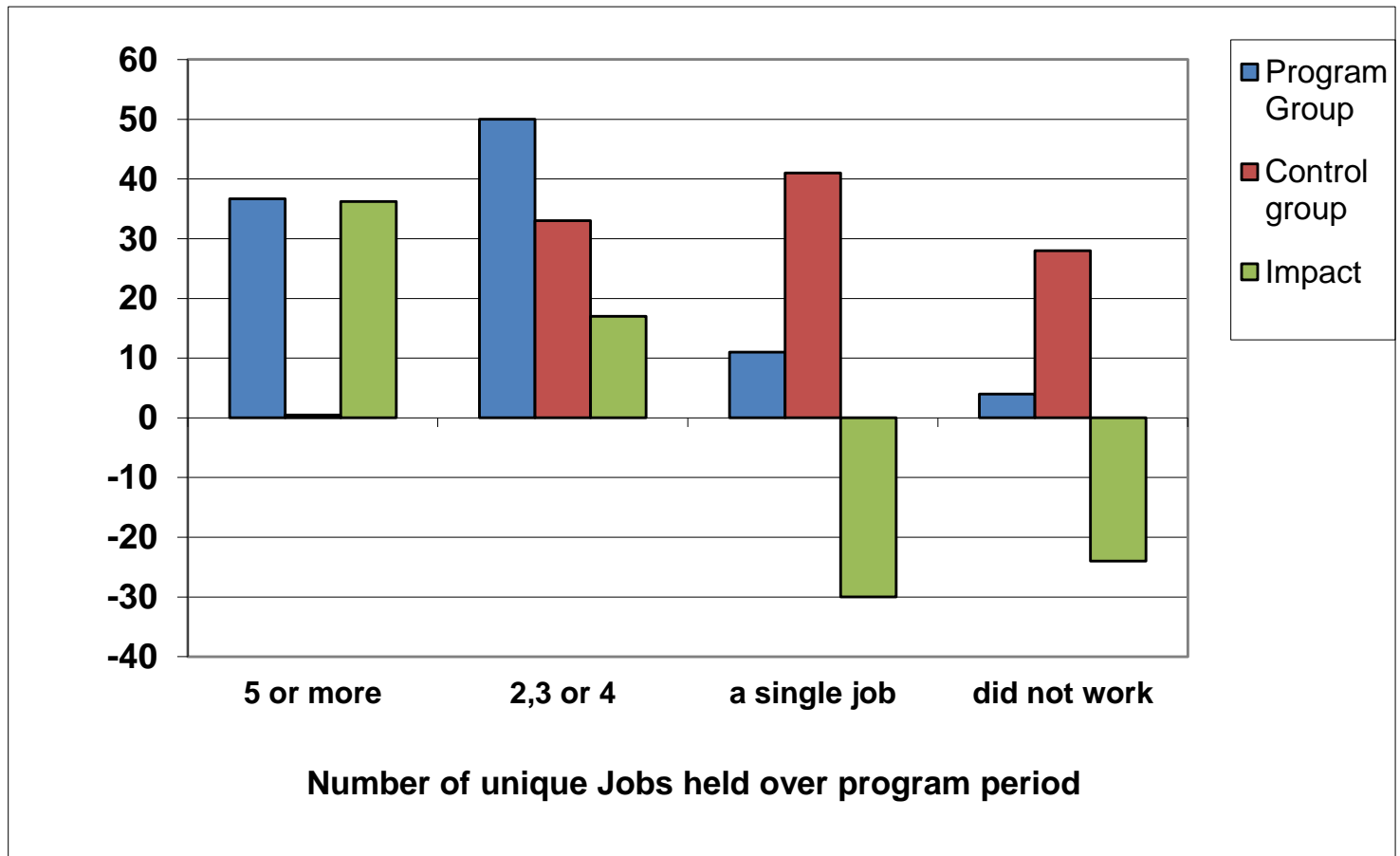
Results: Full Time Employment



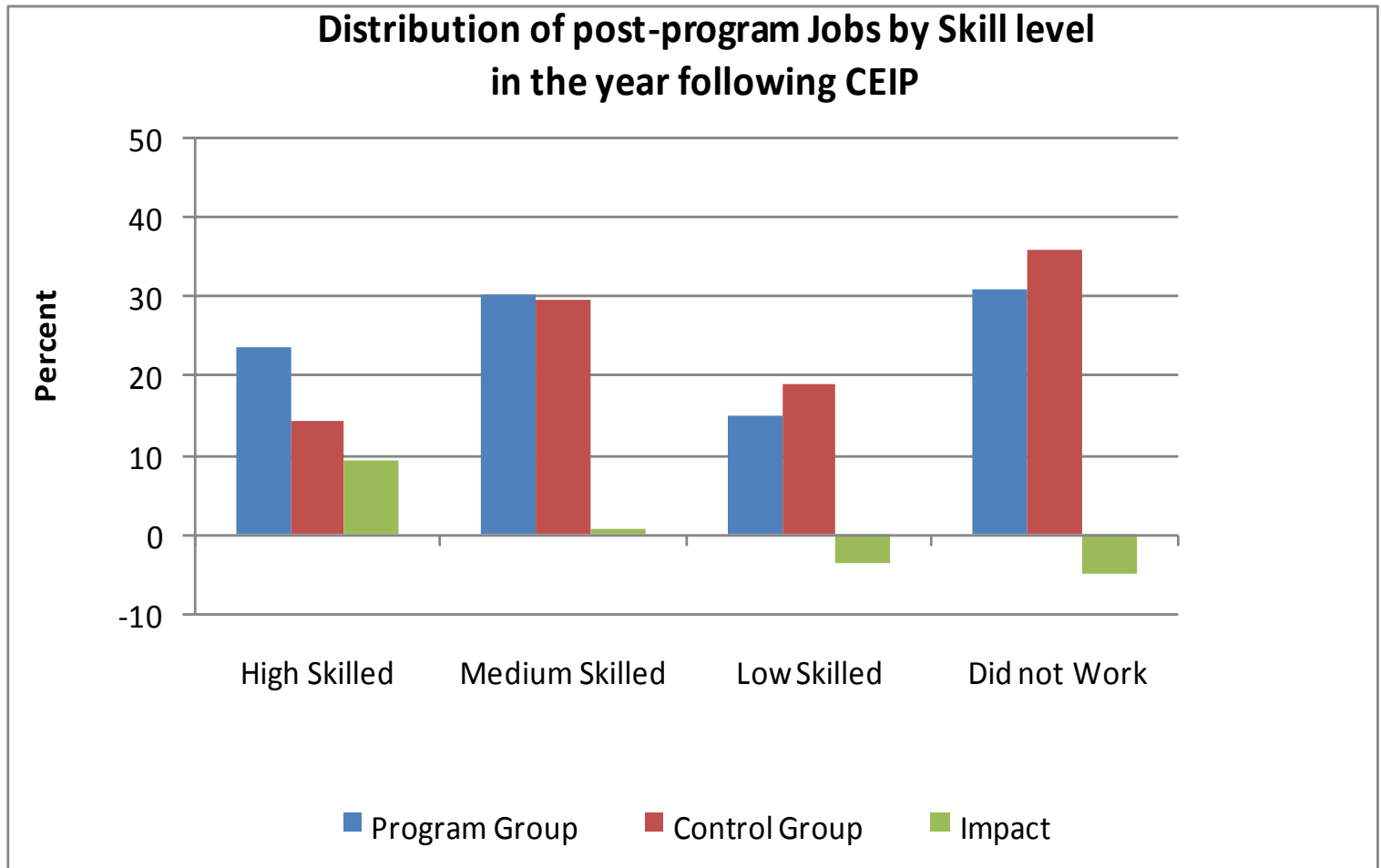
Accelerated Return to Work

- **Massive impacts on full time work during the program represent an acceleration of re-employment**
 - 95 percent of program group are working in first 3 months
 - Less than 10 percent in the control group
 - While employment rates are similar after the program, control group has worked substantially LESS over 3 years
- **Impacts show that participants have benefited from accelerated re-employment and more diverse work experience**
 -Increased skills, wages, and incomes
 -Large reductions in poverty
 -Enhanced social networks and social engagement
 -Longer term independence from welfare

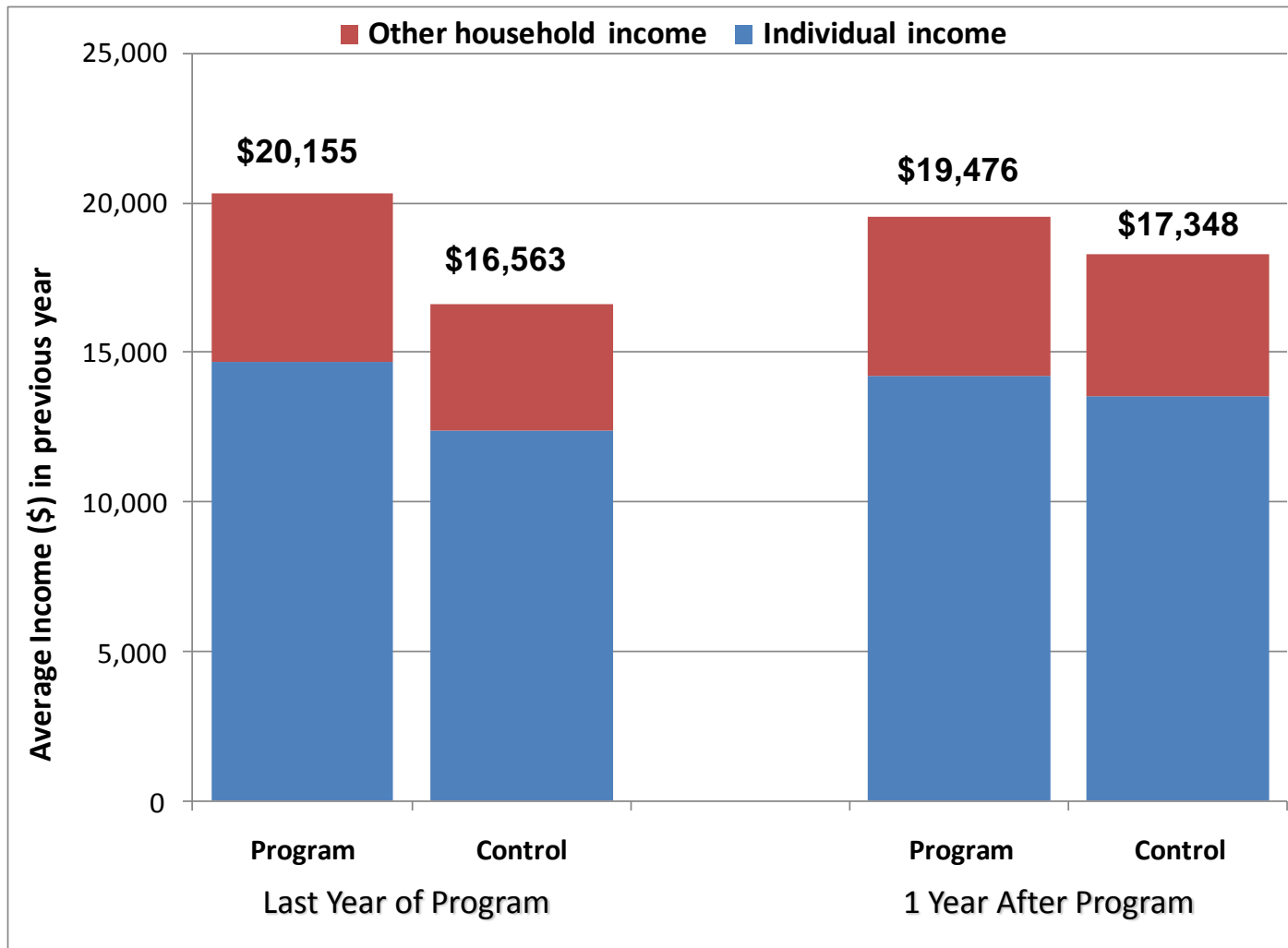
Jobs: Diversity of Work Experience



Jobs: Higher skilled post-program jobs

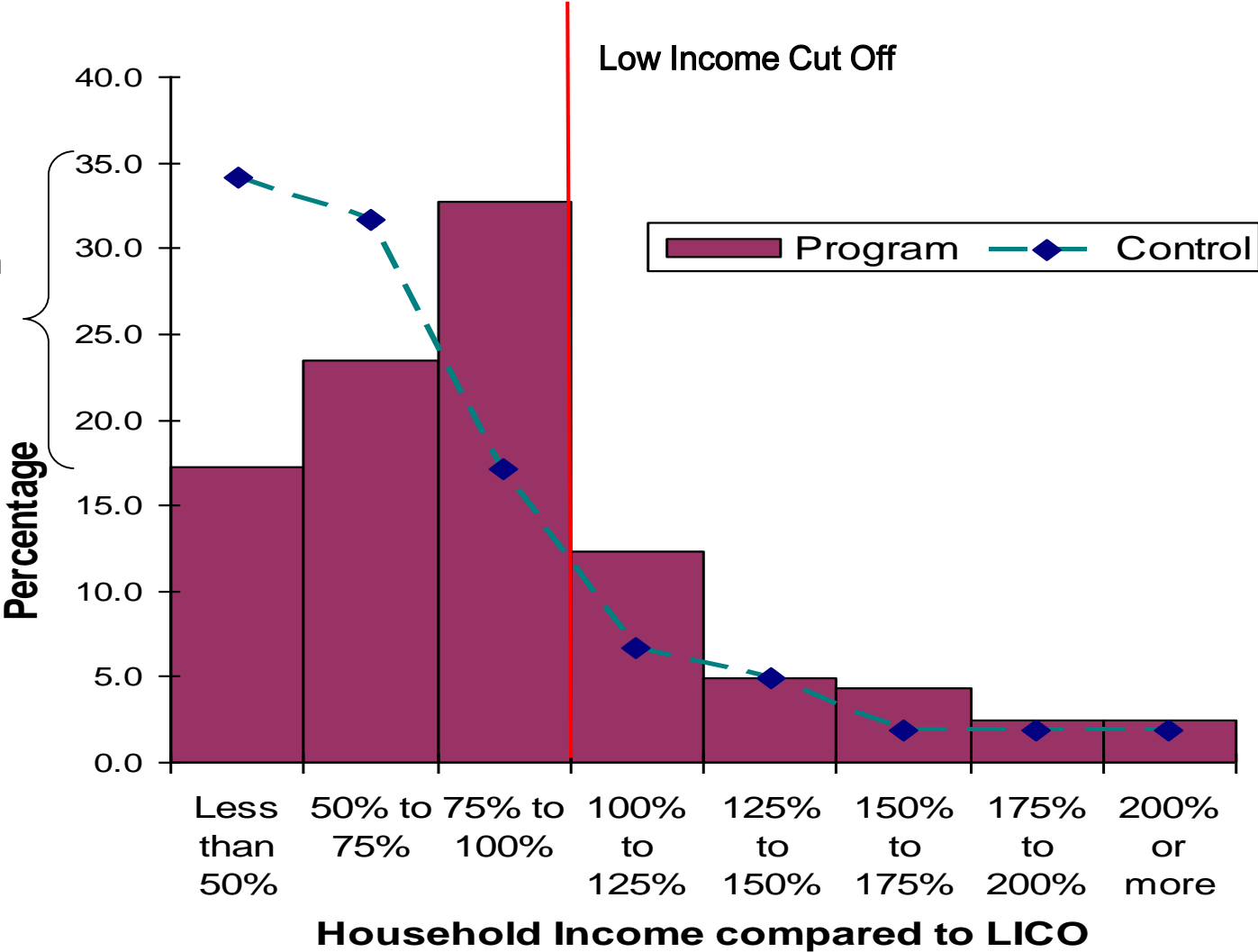


Increased Household Incomes



Poverty Reduction

17 percentage point reduction at the lowest income level



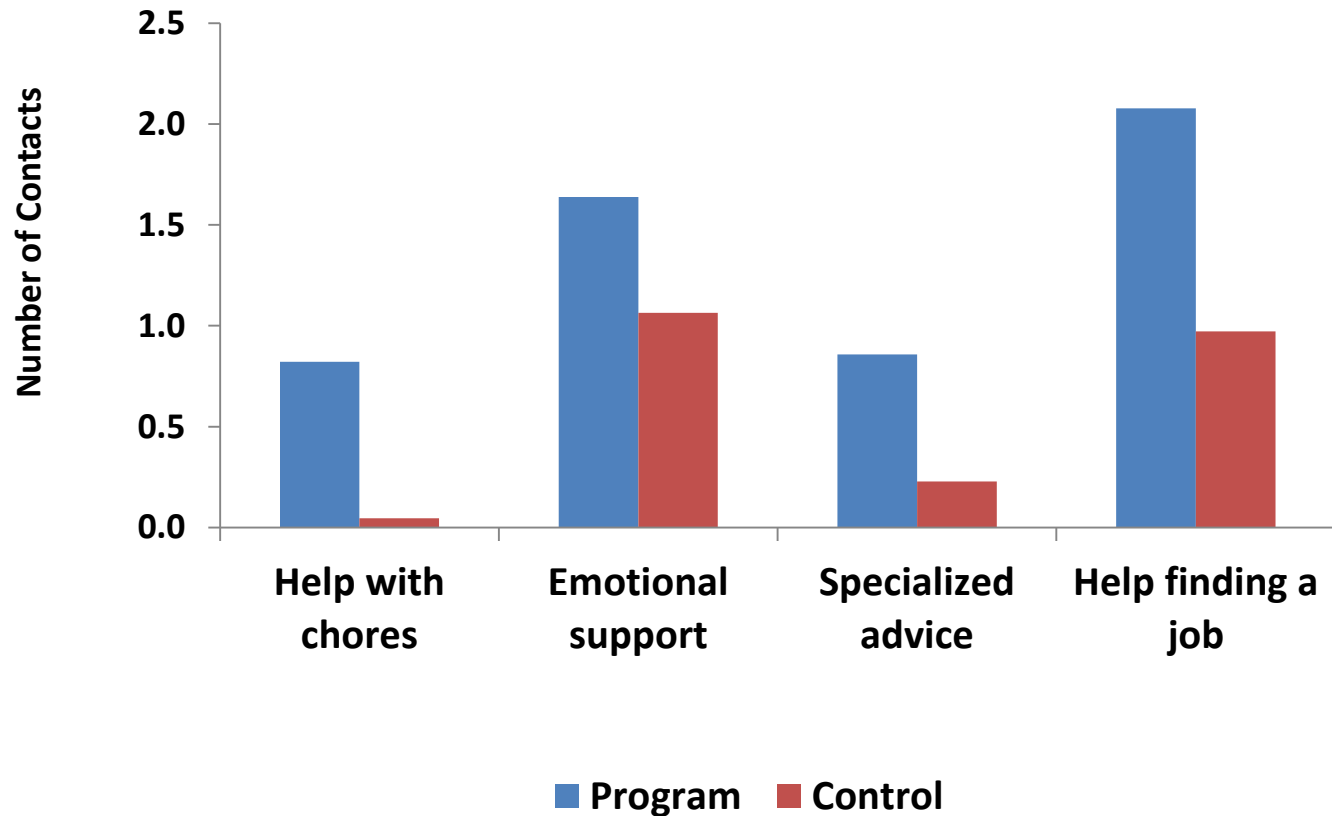
Social Capital

- Social capital defined as ***resources that are accessible within social networks*** – *supports that can be obtained from those you know*
- Larger, less dense, less homogeneous networks advantageous
- CEIP measured size, density, and homogeneity of participant networks
- Focused on contacts that could provide
 - Help finding a job
 - Specialized advice
 - Emotional support
 - Help with household activities

Enhanced Social Capital

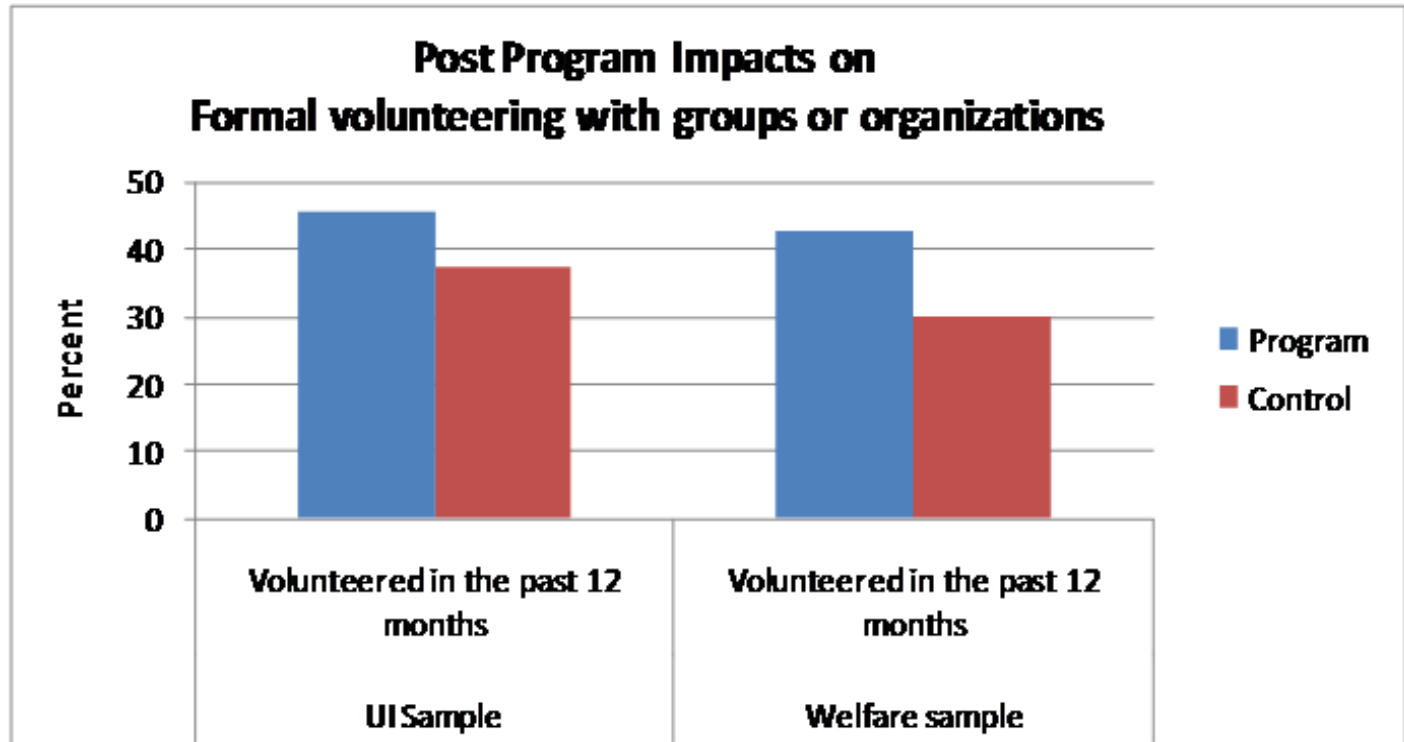
Network Size:

Change in # of contacts from
Baseline to 1-Year after the program

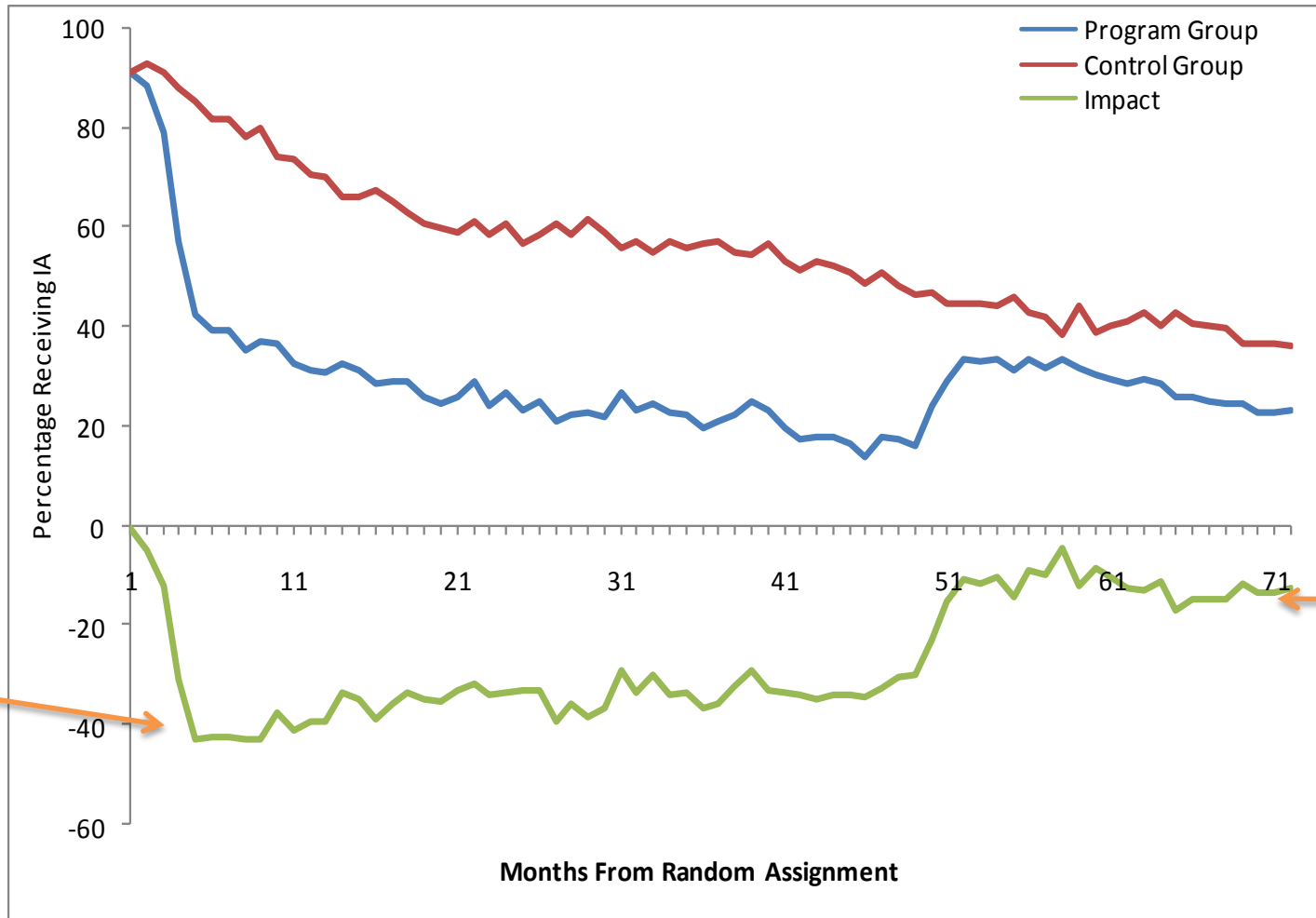


Enhanced Social Engagement

- Volunteering is important for individuals and communities
- Can be an avenue to skill development, improves social inclusion, and is a resource for community organizations



Permanent Reductions in Welfare Receipt



A stable 42 percentage point reduction in welfare receipt during program

A sustained 12 point reduction in welfare receipt for 3 years after the program

Cost-Benefit Analysis

- **General approach:** place a dollar value on CEIP's effects
- **Experimental Impact Study:** drives benefits and costs (e.g. program-control group differences in earnings, taxes, and transfers)
- **Community Effects:** conservative estimates of the value from CEIP jobs and volunteering (10th percentile of equivalent market wage)
- **Unit Costing Analyses:** operating and administrative costs of the program included; research costs excluded
- **Discounting, Inflation Adjustment:** all estimates are in constant 2002 dollars and discounted
- **Data Sources:** participant surveys, admin records, costing and time studies, and fiscal reports

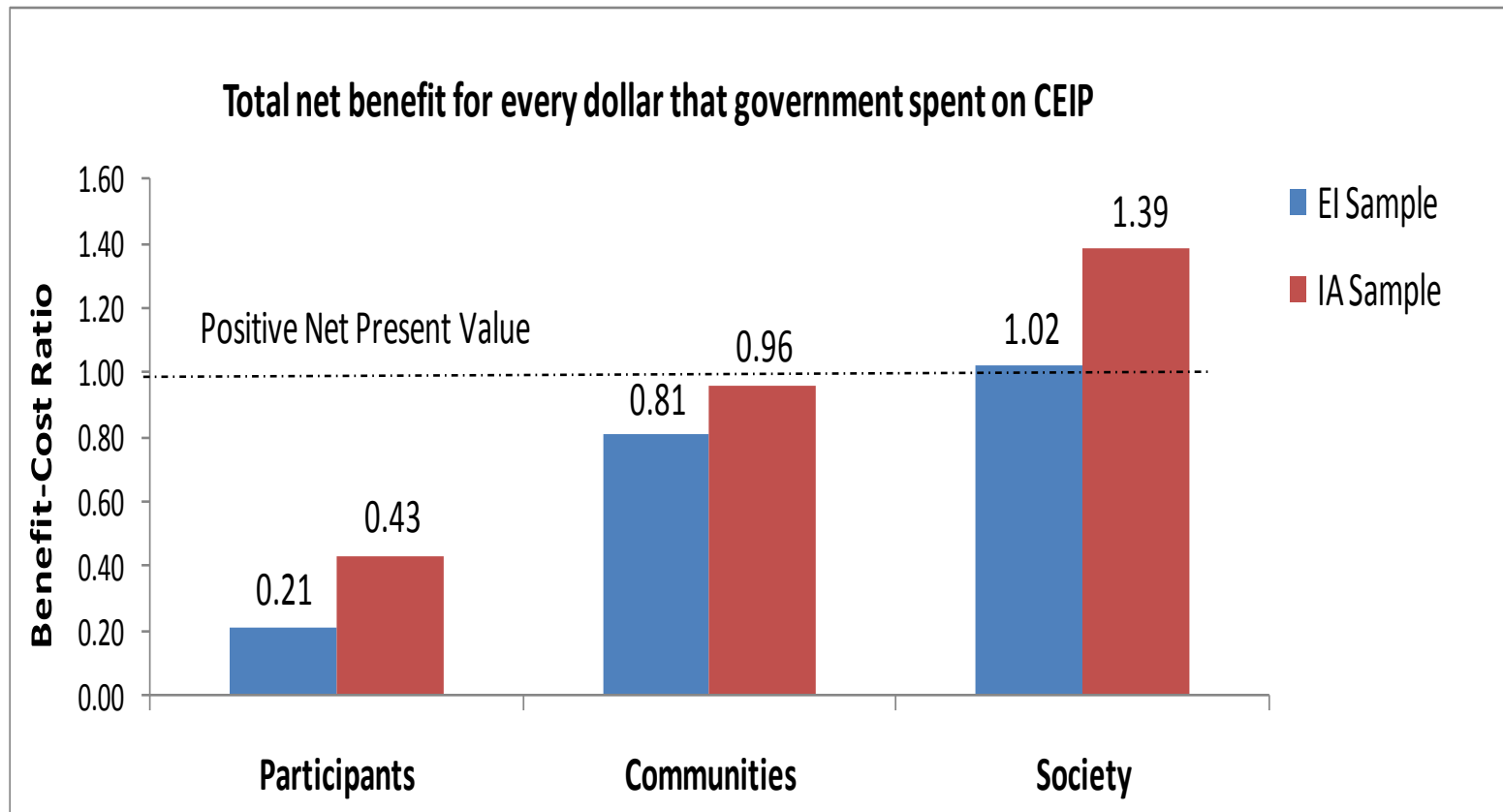
Cost-Benefit Analysis

Net benefits and costs over the full 54-month follow-up

| Component of Analysis | Accounting Perspective | | | |
|--|------------------------|---------------|----------------|--------------|
| | Individuals | Communities | Government | Society |
| Monetized components | | | | |
| Participant Impacts | | | | |
| CEIP earnings | 34,344 | 0 | -34,344 | 0 |
| Foregone non-CEIP earnings | -10,974 | 0 | 0 | -10,974 |
| Transfer payments (EI & IA) | -11,836 | 0 | 11,836 | 0 |
| Tax payments (taxes and premiums) | -3,559 | 0 | 2,921 | -638 |
| Other household member earnings | 2,035 | 0 | 0 | 2,035 |
| Third Sector Organizational Effects | | | | |
| Value from CEIP jobs (to sponsors) | 0 | 20,024 | 0 | 20,024 |
| Volunteering (CEIP induced) | 0 | 2,404 | 0 | 2,404 |
| CEIP administrative costs | 0 | 0 | -4,274 | -4,274 |
| Admin costs of EI & IA transfers | 0 | 0 | 471 | 471 |
| Net Benefit/Cost per Program Group Member | 10,010 | 22,428 | -23,390 | 9,048 |

Benefit-Cost Ratio

- CEIP is very cost effective considering the combined benefits to individuals and communities
- Particularly for welfare recipients – **\$1.39 in net benefits per dollar spent**



Conclusions

Will the unemployed accept community jobs at relatively low wages?

- Take-up rates fairly high, particularly among the welfare sample
- High and stable rates of participation throughout the eligibility
- Very high rates of program satisfaction

Will CEIP provide a sustained period of employment that enhances longer-term employability?

- Large and stable impacts on full-time employment during eligibility
- However, post-program employment rates are not sustainable
- Nonetheless, several indications of improved employability
- Increases in skills, job quality, social capital, and volunteering
- Permanent reductions in welfare receipt

Conclusions

Is CEIP a cost-effective approach to achieving dual employment and community development goals?

- CEIP is very cost-efficient compared to programs with similar objectives
- However, benefits arising from participation of welfare sample are much greater than those from the EI sample
- As a result, CEIP would be a program better targeted at Welfare recipients
- Furthermore, benefits accruing to communities are much larger than those for participants
- Hence, CEIP is a suitable policy tool only if one has dual objectives that include job creation and supports for communities and the social economy