

Learning What Works

EVIDENCE FROM SRDC'S SOCIAL EXPERIMENTS AND RESEARCH

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New CEO for SRDC

In July, John Greenwood will be stepping down from his position as Executive Director after almost 11 years with SRDC. The new Executive Director and Chief Executive Officer will be Jean-Pierre Voyer. For the past four years, Mr. Voyer has been the Executive Director of the Policy Research Initiative, an organization attached to the Privy Council Office and responsible for conducting research on cross-cutting social, economic, and environmental issues in support of the Government of Canada's medium-term policy agenda. During his career, Mr. Voyer has held positions in the Department of Finance, the National Union of Government Employees, the Regional and Economic Development Secretariat of the Privy Council Office, and the Economic Council of Canada. From 1994 to 2000 he was Director General of the Applied Research Branch at Human Resources Development Canada (HRDC), which covered a wide spectrum of labour market and social policy issues and provided direction and financial support for large surveys relevant to HRDC's mandate.

Mr. Voyer has represented Canada on numerous occasions at the Organisation for Economic Co-operation and Development (OECD) and at other international meetings. He was Chairman of the OECD Education, Labour and Social Affairs Committee from 1998 to 2000. He currently sits on the research advisory committees of several research projects and organizations, including the Social Sciences and Humanities Research Council of Canada, the University of Ottawa, and Human Resources and Social Development Canada. He is also no stranger to SRDC: between 2000 and 2002 Mr. Voyer served as SRDC's Deputy Executive Director. He holds a Master's degree in Economics from Queen's University and an undergraduate degree in Economics from Université de Montréal.

Making Work Pay Symposium Presents Key Lessons for Developing Income Support Programs That Encourage Work

The *Making Work Pay* Symposium, funded by Human Resources and Skills Development Canada (HRSDC) and organized by SRDC, was held in Ottawa on November 15 and 16, 2005. The aim of the symposium was to help policy-makers and program practitioners bring together research and practical experience on the use of programs designed to encourage work while providing income support. With that aim, the symposium heard about a number of programs in Canadian provinces that try to "make work pay." In addition, they heard from a number of well-known academic

researchers who are using data from Canada's most famous social policy experiment — the Self-Sufficiency Project (SSP). The research findings produced by SSP are available in many reports and working papers published by SRDC; consequently, this article focuses on the presentations made by provincial representatives attending the symposium.

Background

The dilemma of policies designed to fight poverty is that giving money to the poor can decrease their incentive to find and maintain employment and to attain financial self-sufficiency through their work efforts. This is particularly true if the jobs that they can obtain offer low pay — in some circumstances less than the amount that can be received from income assistance. This concern has led to a shift in policy interest toward the provision of “in-work” benefits designed to make work financially attractive. SSP was a test of one such initiative. Other examples include the National Child Tax Benefit and, potentially, the Working Income Tax Benefit (WITB) that was proposed in the federal Finance Minister's economic and fiscal update on the eve of the symposium. At the provincial level, there are ongoing initiatives in many provinces, including British Columbia, Alberta, Saskatchewan, Newfoundland, Ontario, and Quebec.

Lessons learned

The symposium discussed a number of lessons learned about making-work-pay programs. Such programs are

successful, widely accepted, and diverse, including traditional financial incentives such as earnings supplements and tax credits but also housing programs and supplementary health and drug card programs. However, provincial governments sometimes disagree on the elements of making-work-pay strategies. For example, the British Columbia government has eliminated welfare earnings disregards, a policy that allows welfare recipients to retain part of any earnings they receive while on welfare without incurring a dollar-for-dollar reduction in benefits. BC believes this policy promotes welfare dependency by making it easier for many job-ready clients to remain on welfare. In contrast, Ontario believes that it is important that clients increase their earnings while receiving welfare as a first step into the labour market. Consequently, Ontario has made its earnings disregard policy more generous.

The symposium heard that benefit formulas should be simple so that intended beneficiaries can understand the advantages offered by the program and what they have to do in order to receive those benefits. Some potential beneficiaries may fail to apply for benefits because they do not fully understand the benefit formula and, consequently, perceive program participation as risky. The level of perceived risk will increase if the benefit formulas involve retrospective reconciliations that can result in clients having to repay previously received benefits if, for example, they are determined to have accumulated earnings above some threshold level in a given year.

Poor communications strategy can hamper program participation by failing to explain the goals and potential benefits of the program. In addition, poor communications can transform a “good news” story, such as increased benefits for the working poor into a “bad news” controversy, the symposium heard.

Inadequate resourcing of a program can also impede the attainment of the stated policy goals. For example, employment plans and job-search requirements may exist only on paper unless there are adequate resources to implement them effectively. This disparity between policy aims and resources can create the illusion of an employment-oriented policy in a department that is, in practice, continuing mainly to provide income support payments with little in the way of effective ancillary supports and services. In addition, paternalistic practices, such as relieving clients of responsibility for their personal and financial decisions, can increase dependency, the symposium heard.

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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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SRDC Has a New Look

As you have noticed, SRDC's newsletter *Learning What Works* has a new look! In an effort to make our newsletter more attractive and easier for you to read, it has been redesigned. SRDC is in the process of making improvements to several of its communications materials, which has recently included the redesign of our corporate logo and our Web site.

After many years of having separate English and French logos, we now have a single bilingual logo that incorporates the highly recognizable text style of the original SRDC and SRSA initialisms with a stylized red maple leaf. As SRDC is a Canadian organization whose mission is in part "to help policy-makers and practitioners identify social policies and programs that improve the well-being of all Canadians," the red maple leaf was a natural addition to the logo.

We have also recently launched a redesigned SRDC Web site. Next time you visit www.srdc.org, you will notice a brand new look. In addition, our Web site has undergone several enhancements to help you navigate the site more easily and find the information you need. For example the Web site now offers a powerful new Publications Search tool to help you find the SRDC publications most relevant to your work.

Some provinces have chosen to subcontract service delivery to non-governmental agencies in either the for-profit or non-profit sector. These service delivery organizations can be successful in some cases but problematic in others. Establishing processes for determining success, measuring performance, and providing compensation linked to results can be challenging.

Among the emerging priorities is an increased emphasis on job-retention strategies for clients who use welfare frequently and the development of supports for clients with multiple barriers.

Provincial presentations

Most of these "lessons learned" came from a series of presentations by provincial governments on the second day of the symposium. These presentations outlined the policies, accomplishments, and challenges of making work pay in Saskatchewan, British Columbia, Quebec, Newfoundland, Alberta, and Ontario.

Doug Scott, a Senior Policy Analyst at the Saskatchewan Department of Community Resources and Employment, characterized the Saskatchewan welfare system in 1997 as administered through welfare offices with face-to-face contact, heavy caseloads, limited case management, cursory employment plans, and an emphasis on benefit administration. By 2005 the

system had changed radically with a much greater emphasis on the provision of employment assistance, including intensive case planning, and the administration of benefits through regional contact centres and increasingly through the income tax system. In addition, Saskatchewan made a wider range of benefits available to the working poor. For example, provincial and national child tax benefits replaced welfare child benefits, and the Saskatchewan Employment Supplement gave earnings supplements to the working poor. However, Scott also said that take-up of the supplement was slow to build due to communications strategies that too often left clients confused about the nature and purpose of the program. In 2005 Saskatchewan introduced rental subsidies that are available to both welfare clientele and working poor.

Over the last 10 years the "employable" caseload in Saskatchewan has been reduced by half, but there has been little change in the caseload of the not-fully-employable, "which points to the challenge that lies before us," Scott concluded.

Robert Bruce, Manager of Research and Economic Analysis in the British Columbia Ministry of Employment and Income Assistance, said his province has implemented two major waves of welfare reforms, first in 1996, then in 2002. In January 1996 British Columbia introduced BC Benefits, a program that placed strong emphasis on employment and training for

employable welfare recipients; initiated the Family Bonus, which subsequently became the model for the National Child Benefit; and implemented mandatory training for all youth aged 19 to 24 applying for income assistance as well as an optional training program for older clients.

The 2002 reforms were, according to Bruce, “revolutionary in Canada and a huge cultural change for the Ministry.” These reforms included mandatory employment plans for all employable clients, enforcement of sanctions, a mandatory three-week job search for applicants prior to being admitted to the welfare rolls, and a requirement that single parents seek work once their youngest children reach 3 years of age. One controversial reform was the removal of earning exemptions for employable clients. Earnings exemptions are usually thought to encourage employment, but the BC government felt they encouraged a long-term combination of welfare and work. Finally, BC introduced a two-year time limit on the receipt of income assistance for many employable clients. There are a large number of exemptions to the time limits; however, voluntary exits from welfare have been seen to increase as clients approach the two-year limit, which likely results from a combination of the effect of the impending loss of benefits and the priority the Ministry gives to providing services to these clients, Bruce said.

Over the nine years during which these reforms took place, the employable caseload in BC has declined by 113,000 cases (or 83 per cent) even though the definition of “employable” has been expanded to include clients with drug and alcohol problems, mild mental illness problems, or mild medical conditions. Substantial caseload reductions have been seen across all family types. For example, Bruce described how the number of cases represented by single parents with children under 3 years of age had decreased by 43 per cent, even though these clients were exempt from some of the policy changes such as time limits and mandatory job search. In addition, the composition of the current BC employable caseload is approximately the same in terms of education and work experience as it was prior to the reforms, indicating that clients with a range of characteristics experienced similar caseload reductions. Some “barriers” may not be barriers at all, Bruce said. However, he also saw increasing the employment opportunities available to persons with disabilities as a key future priority.

Serge Hamel, Director of Evaluation at the Quebec Ministry of Employment and Social Solidarity, reviewed a number of Quebec programs that have been introduced to make work pay over the past 20 years. In 1988 the Parental Wage Support Program (APPORT) was introduced to provide monthly benefits to families with children as a supplement to earned income. Potential beneficiaries found the complex program difficult to understand, which limited the take-up rate and raised concerns over fairness. For example, monthly benefits were based on projected income for the year but were later reconciled with actual income. Consequently some families had to reimburse benefits. An evaluation of the program found that it increased earnings and the number of weeks worked by participants and decreased benefits received from Employment Insurance, but it increased the total amount of income support received.

Following consultations with SRDC, Quebec introduced a pilot project in 2001 called *Action emploi*, modeled on SSP. This project continued until November 2005 and an evaluation is currently underway. Depending on the results regarding the effectiveness of the program, consideration may be given to implementing a version of it in the future.

In 2005 the Work Premium (prime au travail) was implemented; this program provides an income supplement to low-income workers in the form of a refundable income tax credit. Unlike APPORT, the Work Premium is accessible to all low-income workers, whether they have children or not. Quarterly allocations can be paid in advance to families with children who face immediate financial needs. It is expected that this program will be a better instrument to fight poverty and will be more responsive to the needs of all low-income earners.

Don Norman, Program and Policy Development Specialist with the Newfoundland and Labrador Department of Human Resources, Labour and Employment, described a pilot program that offers an earnings supplement to single parents on welfare. The program is delivered by using an external agency. It begins with six weeks of job-readiness training followed by four weeks of intensive job search. An evaluation of the program found that it was successful in reducing welfare receipt and paid for itself in two and a half years. According to Norman, a number of key factors contribute to the success of the program. First, clients want to take part; they self-identify for the program and

are admitted if they meet the eligibility criteria. Second, the program is delivered by a community agency rather than directly by the department. Agency staff are supportive of clients and play an advocacy role to make sure clients receive the benefits to which they are entitled. Third, participants need to have earnings to qualify for the income support component. The earnings supplement provides greater benefits to those with more hours worked and more earnings (up to a threshold level). Finally, the program provides ongoing employment supports. Norman said that the current plan is to expand the program, which currently operates only in the greater St. John's area, to the challenging area of western Newfoundland, where unemployment is higher and there are more rural areas.

Susan Williams, the Assistant Deputy Minister of the People and Skills Investments Division in the Alberta Department of Human Resources and Employment, emphasized the provision of employment and training services designed to ensure that low-income, low-skilled individuals get the skills they need to advance in the labour market. She said that Alberta currently spends about \$288 million annually in federal and provincial funds to help Albertans upgrade their labour force skills. Williams said that adopting an employment-focused approach was initially a huge shift for many of those in the department. "We are not just about welfare anymore," she said; now the first point of discussion is identifying skill sets and removing barriers to work while discussions about income support come later. Staff spend more time interacting with employers, with training providers, and with the broader community. However, she said that even after eight years the transition is still not complete. Some staff have embraced the changes and are proud to come to work and be able to talk to clients about a positive menu of programs and services, she said. Other staff were more reluctant to buy into the changes, and usually moved on to other areas of responsibility. Williams indicated that she thought Alberta had been successful in putting in place an effective set of programs for helping people participate in the labour market. The focus now is on integrating service delivery and simplifying programs so that they are easier for clients to understand.

Karen Glass, Director of Ontario Works, said that when Ontario Works was launched in 1996 it reduced benefit levels, tightened social assistance eligibility requirements, and imposed an obligation on benefit recipients to participate in employment measures. During the second half of the 1990s, there was a significant caseload

reduction, in part due to welfare reform and assisted by a booming economy. One result, Glass noted, has been that an increasing proportion of the caseload is made up of people with multiple barriers. In addition, the caseload has been slowly but steadily increasing since 2001.

Currently, Ontario Works offers both temporary financial assistance and employment supports to help people move to paid employment. Benefit recipients must participate in activities that will support their progress towards employment. Glass said the benefit levels were "not the richest in the country, but they are not the lowest."

Glass also stated that Ontario has also been attempting to simplify its programs and procedures to make them more cost-effective. For example, a one-step application process has replaced a two-stage process. Glass spoke about a number of recent changes that have been made to strengthen incentives to work. These included a substantial increase in the informal child-care allowance, enhancements to the earned income disregard that exempts 50 per cent of all earnings from employment, and the provision of a transitional health benefit for those leaving social assistance for work.

Glass said "Our clients can get jobs, but they can't keep their jobs." Ontario's JobsNow pilot project targets recipients who have at least 12 months of social assistance receipt over a 36-month period. JobsNow participants are matched to jobs by a company hired by Ontario Works that has experience in delivering employment placement and retention services. Participants receive ongoing job-retention supports for up to 18 months. A 42 per cent placement rate is anticipated during the pilot project, and payments to the company will be based on the income assistance savings that accrue as a result of clients being in jobs.

Glass described how the funding model for Ontario Works delivery partners was also being changed to one that was more results-based. Funding is being directly linked to employment outcomes, such as earnings, increased employment, and enhanced employability. Some outcomes, such as increased employability, will be difficult to measure. It will also be important to recognize that external factors, such as how well the economy is performing, can have a major influence on what happens to the caseload.

A summary of the proceedings of the *Making Work Pay* Symposium is available on the SRDC Web site.

SSP's Impacts on the Distribution of Earnings

Most evaluations of government programs focus on whether a program improves, *on average*, the outcomes of persons who are offered the program. For instance, randomized experiments, such as the Self-Sufficiency Project (SSP), often focus on whether the average outcome of those in the program group is better than, same as, or worse than the average outcome of those in the control group. SSP, for example, found that the offer of a generous earnings supplement to long-term welfare recipients increased average earnings. However, this finding on its own may raise questions about how that

(income assistance plus the earnings supplement for those eligible to receive it), and total income (the sum of earnings and transfers). In doing so, the authors draw on rigorous techniques they developed for another paper soon to be published in the prestigious academic journal *The American Economic Review*. The result of their examination of SSP is a series of easily understood charts that show the differences between the treatment group and the control group distributions of earnings and other outcomes. These differences in distributions have all of the beneficial statistical properties resulting from a randomized experiment.

Understanding the impacts of a program on the distributions of outcomes is important to providing a complete evaluation of its effects.

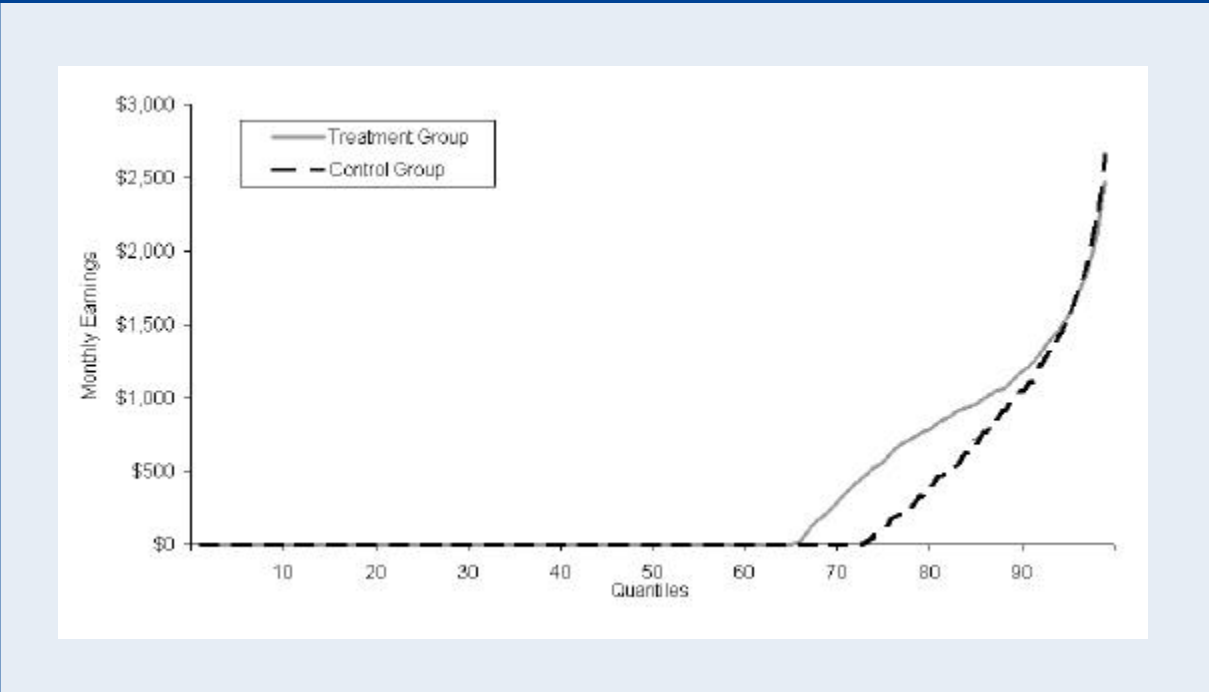
Bitler, Gelbach, and Hoynes first calculate the earnings per month of every person in the program and control groups so that each participant has multiple observations — one for each month of the study. Then, the authors order the monthly earnings observations in each group from lowest to highest to obtain the distribution of monthly earnings for both the program group and the control group.

increase in average earnings is distributed across participants and across time. For example, was the average increase in earnings due to a broadly experienced increase occurring for most people at most times? Or, in contrast, was the change narrowly concentrated at the top or the bottom of the earnings distribution? Is an average increase in earnings concealing decreases in some portions of the earnings distribution and larger offsetting increases in other portions? Have evaluators overlooked important, but offsetting, effects of a program because the average effect is zero? Understanding the impacts of a program on the distributions of outcomes is important to providing a complete evaluation of its effects.

The result is Figure 1 on the next page, which shows the distribution of monthly earnings of the treatment and control groups for Month 1 to Month 48 after random assignment. Monthly earnings are on the vertical axis. The units on the horizontal axis are essentially percentages but, more precisely, are called percentiles or quantiles of the earnings distribution. The best known quantile is the 50th percentile or median, which, in this case, is the smallest level of earnings such that 50 per cent of the observations have earnings below that level and 50 per cent have earnings above that level. Similar figures can be calculated for other percentiles. The solid grey line in Figure 1 presents these quantiles for the program group, while the dashed line presents the quantiles for the control group. The figure shows that most observations of monthly earnings were equal to zero for the first quantiles on the left-hand side of the chart. However, looking at 80th quantile on the horizontal axis and going up to the solid line shows that 80 per cent of the monthly earnings in the program group were less than or equal to \$784. Similarly, the dashed line shows that 80 per cent of the

In a recent SRDC working paper, Marianne P. Bitler, Jonah B. Gelbach, and Hilary W. Hoynes study the effects of SSP on the distribution of earnings, transfers

Figure 1: Distribution of Monthly Earnings for Program and Control Groups, Months 1–48



monthly earnings of the control group were less than or equal to \$388.

Figure 1 shows that simply comparing the average monthly earnings of the program group (\$334) with the average monthly earnings of the control group (\$263) does not tell the whole story. In each group, earnings were below the level of average monthly earnings in most months. For example, almost 80 per cent of the control group monthly earnings were below the average earnings of that group and 73 per cent of control group monthly earnings were zero. However, the highest monthly earnings of both groups were substantially greater than the average monthly earnings.

Since the authors want to discover how SSP changed the distribution of monthly earnings, they focus on the differences between the distributions of monthly earnings in the program and control groups. In Figure 1, these differences are represented by the vertical distance between the (solid) program group line and the (dashed) control group line. For the 80th quantile, this difference is equal to \$396 (\$784-\$388). Similar differences can be calculated for each point on the horizontal axis. These differences are shown in Figure 2 on the next page. One can see that the difference between the distributions of program and control group monthly earnings is \$396 at the 80th quantile just as it was in Figure 1.

Figure 2: SSP Quantile Effects on the Distribution of Monthly Earnings, Months 1–48

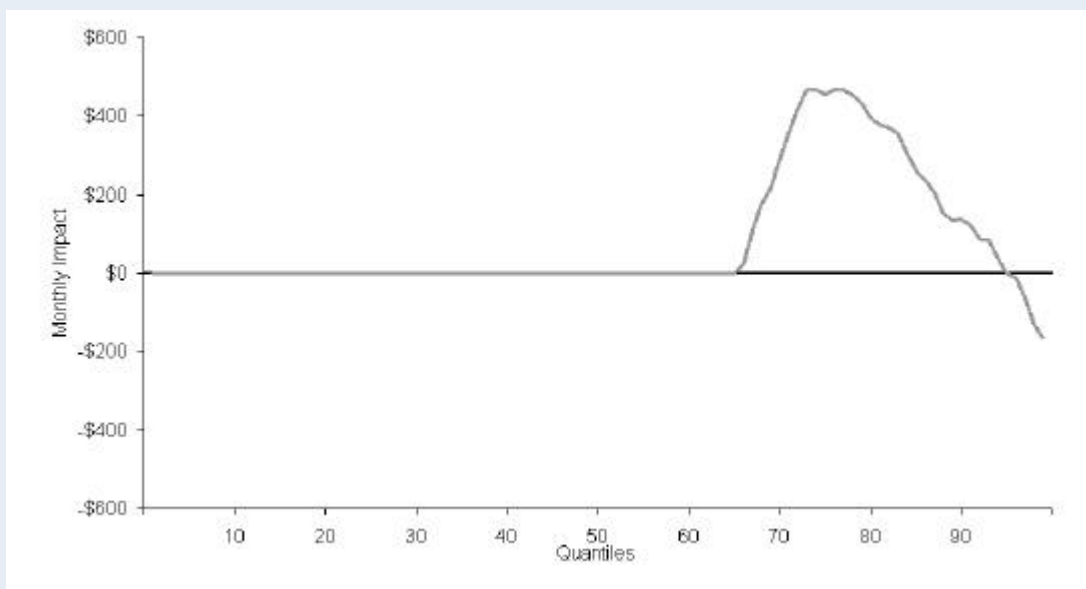


Figure 2 presents the main results of the analysis. It shows that SSP had no effect on the low end of the distribution of monthly earnings. Consequently, the differences between the two distributions on the left hand side of Figure 2 are zero. However, at about the 65th percentile, the differences between the program group and the control group distributions begin to increase. They peak around the 75th percentile at just less than \$470. The difference between the two distributions then falls. At the very top of the distributions, the differences appear to become negative, but these negative effects of SSP are not statistically significant. At different points in the distribution, these differences range from -\$165 to \$470, compared with an *average* treatment effect of \$72. These results clearly

show that presenting the *average* treatment effect is not sufficient to characterize SSP’s effects on earnings. Bitler, Gelbach, and Hoynes present and discuss similar impacts on the distributions of transfers and income in their SRDC working paper.

The authors conclude that their work allows a comparison of the distributions of earnings and income under two different policy regimes — in this case, the SSP program and control groups. While the method does not, in general, reveal the impact of the policy on any specific person or group, it does reveal the impact of the policy on the distributions of earnings, transfers, and income, and these results provide important policy lessons, the authors conclude. First, generous earnings

supplements can increase earnings, but gains at the top and bottom of the earnings distribution are less likely to result. Second, despite this generous incentive, the bottom parts of the earnings distributions are similar across the program and control groups (since a significant proportion of those in both groups continue to have little or no earnings). In fact, the largest gains are concentrated in the top half of the distribution, though not at the highest end of the distribution, Bitler, Gelbach, and Hoynes note.

The results of their analysis have implications for all program evaluations, the authors conclude. They note

that it may be easy to dismiss a program that has little or no effect on the average outcomes. However, programs whose average impact is zero may actually produce substantial, and policy-relevant, effects on the distributions of many important measures. Examining distributional impacts has the potential to uncover widely varying positive and negative effects that might cancel each other out and be concealed if only averages are considered.

Distributional Impacts of the Self-Sufficiency Project by Marianne P. Bitler, Jonah B. Gelbach, and Hilary W. Hoynes is currently available on the SRDC Web site.

Case Coordination and the Hard-to-Employ: An Initiative to Help the Long-Term Unemployed Move Into Work

The Downtown Eastside (DTES) in Vancouver holds the title of one of Canada's poorest postal codes. The area is synonymous with high rates of poverty, substance abuse, poor housing, and high rates of unemployment. In a city with labour shortages and an unemployment rate of three per cent, in the DTES more than one in five people are without work. While there have been initiatives to try and resolve the complex social problems faced by individuals as well as by the area, the statistics continue to demonstrate that the social problems persist.

In 2003 a two-year time limit on income assistance receipt for individuals who are expected to work was introduced. This combined with the general consensus among various stakeholders working in the DTES that current employment initiatives were inadequate to address the special employment needs of the "hard-to-employ" DTES residents. In response to these concerns, the Vancouver Agreement implemented a three-year initiative in the fall of 2004 to help long-term

unemployed residents of the DTES to enter work by providing them with a one-to-one case coordination service. To do this, the Vancouver Agreement received a grant of \$3.25 million from the Ministry of Employment and Income Assistance (MEIA) to develop, implement, and evaluate the Case Coordination Project (CCP). SRDC is conducting an evaluation of the program to determine if, and how, providing intensive one-to-one support to long-term unemployed people helps them move into work.

What is case coordination?

SRDC conducted a review of 10 programs that included intensive case management or coordination approaches for the hard-to-employ. It found that the programs shared a range of 13 components, listed in the table on the next page. The most common features were

- financial or other aid to reduce barriers to assistance,
- intensive personalized assistance,

Components of Case Coordination

Component	Present in the CCP	Access to Other Services
Counselling	✓	
Customized action plans	✓	
Education and training	✓	Make referrals
Financial or other aid to reduce barriers to assistance	✓	
Health services	✓	Make referrals
Intensive personalized assistance	✓	
Individually tailored resources	✓	
Job-preparation and job-search assistance	✓	
Life skills development	✓	
Service referrals	✓	
Site level interagency coordination	✓	
Vocational training	✓	Make referrals
Whole client needs assessment	✓	

- individually tailored resources,
- job-preparation and job-search assistance, and
- whole client needs assessment.

The evidence suggests that programs that are designed to address a broad range of employment barriers may be more effective in helping the hard-to-employ move towards work. The design of the CCP originated from the practical experience of practitioners rather than any single model, but it incorporates the majority of the components listed in the table and highlights a fundamental principle of the project, namely to tackle the underlying causes of the barriers to employment. Currently, there is very little known about which components or combination of these are most important in case coordination.

Case coordination in the DTES

The case coordination model being implemented is a decentralized one in which six case coordinators are employed by six service agencies. The service agencies are responsible for managing the individual case coordinators, and the Vancouver Agreement has responsibility for them in terms of how they implement the model.

To be eligible for CCP, clients have to be on income assistance and residing within the catchment area of two local MEIA offices. MEIA staff determine whether a client is eligible according to a set of agreed criteria, and the case coordinators decide if a client is suitable for the project.

Once a client has been accepted into the project, the case coordinator completes an assessment and develops an individualized employment plan. The case coordinator then works with the client to achieve agreed goals that will help him or her move toward work. The case coordinators have access to client intervention funds to help them achieve these goals. This individual and local pot of money means that the case coordinators are able to respond quickly and creatively to client needs. To facilitate the sharing of practice information, the case coordinators meet bi-weekly to case conference as well as to discuss the

types of interventions and strategies they are implementing.

Evaluating the Case Coordination Project

The goal of this evaluation is to answer the central question: Does providing intensive one-to-one support services and guiding individuals back to work successfully reconnect them to the labour market, and how is this achieved?

The specific research questions are as follows:

- What does it take to successfully implement the intervention — what is case coordination within this context?
- How do hard-to-employ individuals move towards work — what processes are involved?
- Does the project lead to less dependence on income assistance beyond what would have happened in the absence of the project?

A comprehensive research design is being used to address these questions. Implementation research will be used to explore issues around practice and to understand the processes involved. A non-experimental impact analysis will be conducted to explore the effects of the project in terms of receipt of income assistance as well as the amount received and will rely on administrative data from MEIA. In addition, case studies will be conducted with clients to explore the actual process as well as the experience of case coordination. The case studies will focus on the movement of clients towards work and explore the interventions that help or hinder this.

The clients

The clients referred to the CCP are described as being very “wounded and needy.” They lead very fractured and chaotic lives. Almost all have tried other employment initiatives but have been unable to sustain employment and therefore cycle between welfare and work.

During the first year, almost 200 clients have been referred to the project. Three quarters are men, most of whom live alone. Over half of the clients are less than 45 years of age. The majority of the clients have active addictions. More than half the clients experience multiple barriers including health and addiction problems, issues from their personal history, and lack of adequate housing. Based on these statistics, the project appears to be enrolling clients who fit the target population for the intervention.

The case coordinators have spent a large proportion of their time and efforts on making the initial connection with clients, building trust, and addressing clients' basic needs. Many of the clients have a very checkered history with intervention programs and are suspicious about the project (especially new initiatives) and whether it is any different than others they have attended. Therefore, it is important that the case coordinators establish trust with their clients; otherwise they will not be able to tackle some of the underlying problems, which perpetuate the "welfare-work-welfare" cycle.

To do this, some meetings between clients and the case coordinators take place in their offices, others involve going for lunch or coffee. Many of the case coordinators use food as an incentive to encourage clients to show up for these initial meetings. Findings from focus groups conducted with clients suggest that this approach is effective. Clients reported that getting something to eat was the main reason to turn up in the beginning. It was only as the clients recognized that the project was different that the meeting itself was seen as a reason to attend.

The client assessments conducted by the case coordinators reveal that the majority of clients have substantial basic needs that have to be addressed before tackling issues related to education, training, or employment. Basic needs include health, housing, personal hygiene, adequate food, and clothing. For some of the clients it is simply a matter of being referred on to another service agency that can provide these required services and supports.

However, the majority of clients require considerable support to complete tasks such as getting an identification card, attending a health appointment, or finding housing. This often involved helping clients complete forms and photocopy documents and accompanying them to the appointment or office. While these tasks were often the gateway to other services, which is significant in its own right, equally important was the initiation of a process of moving forward and convincing the client that it was possible to address problems.

Providing clients with an opportunity to succeed is seen to be important as well. Many of the clients who attended the focus groups had accepted the label of "failure." They had failed so many times in the past that they simply stopped trying. They saw no point in attempting to change their situation or circumstances, because experience had taught them that they would not succeed. Failure often triggered a downward spiral, so depression, mental health problems, and addictions all deteriorated. The role of the case coordinators in demonstrating that there is potential for change is significant for those clients ready to engage with the project.

The next steps

SRDC's evaluation study is designed to run alongside the project. The first year of the evaluation concentrated on understanding how the project operated, including processes and practices. The second year of the evaluation will examine in detail the actual process of case management so that it will be able to explain why certain interventions with clients are successful and others are not. Interviews with the case coordinators, service providers, and stakeholders will be repeated, but the emphasis will be on changes within the project structure, organization, procedures, and practices. A second round of focus groups will be conducted with clients to gain greater insights into the impact that case coordination has upon the lives of the clients. Finally, work on the non-experimental analysis will begin, which will explore the effect of the project on income assistance receipt.

Institutional Factors Can Affect Policy Reforms

Large changes in social policies and programs can have large but uncertain effects on social norms and on the expectations both of the staff who administer programs and of the clients who benefit from them. These changes can potentially have large positive or negative effects on clients that are in addition to the direct program impacts that are usually measured in the evaluation of social programs. However, the changes to social norms and expectations and their effects on clients and staff are difficult to understand, predict, and measure.

Robert Moffitt, the Krieger-Eisenhower Professor of Economics at Johns Hopkins University, explained to the recent *Making Work Pay* Symposium (see p. 1) that once a program begins to affect a widespread change in behaviour, social norms and expectations begin to change as well, and sometimes these changes are the central goal of the program. Moffitt gave as an example the US welfare reforms in the 1990s, which, among other things, placed limits on how long clients could receive welfare benefits. Moffitt said a key program goal was to change the “culture of welfare” and the expectations of those receiving welfare benefits. The goal was to create an expectation that welfare receipt was temporary and that when people were on welfare, they were expected to work. “Whether you like the reforms or you don’t, I think the reforms achieved that,” Moffitt said.

He also described “institutional effects” as what happens when an innovative program is integrated into existing administrative structures, especially if the program runs counter to existing administrative-cultural norms. For example, prior to the most recent welfare reforms in the US, the welfare system had the culture of a cheque-writing organization; most of the effort went into establishing eligibility and ensuring that everyone received the benefits to which they were entitled. These

institutional factors can impede the promotion of policies to encourage work. Moffitt gave the example of earnings disregards — which encourage work by allowing welfare clients to keep part of their earnings — which were widely thought to function poorly in the United States. For a working client, case workers have to do a lot of work — checking earnings, getting

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information on work-related costs — that is not required in the case of a non-working client. As a result, he suggested, some caseworkers regard having working people on the welfare rolls to be a workload burden and they do not actively encourage clients to take advantage of these provisions. A goal of US welfare reforms was to change the cheque-writing culture into one in which the attainment of work was a major organizational objective.

Moffitt also pointed out that it may be possible to run a new, exciting, small-scale experiment with simplified administration and eligibility conditions and a core group of dedicated staff who want to make the project work. However, these conditions may not be replicable within a large administrative structure and, consequently, the impacts seen in an experiment may not be observed after full implementation. He said the effects of these social and institutional factors are difficult to achieve, model, and predict. For example, small-scale pilot projects often used in random assignment experiments are not large enough to generate social and institutional effects.

Several provincial government speakers also told the *Making Work Pay* Symposium about their experiences with social and institutional change. Not all of these changes were improvements. Rick August, Executive Director of Strategic Policy in the Saskatchewan Department of Community Resources and Employment, told the symposium that, at times, traditional income support programs undermined the traditions of work in some communities. August recounted how Harold Larade from Saskatchewan's Cowessess Reserve described the coming of the welfare system to his community when John Diefenbaker was prime minister. "I was 18 when they started handing out welfare money. I knew welfare was going to spoil us. Even the able-bodied quit working. If you worked, you could not get welfare. Some men never worked again," August quoted Larade as saying.

August said Saskatchewan has developed a distinct underclass of individuals with little education, inadequate literacy or numeracy skills, and little or no "personal work culture." He said more recent changes have attempted to make work more central to the social contract. "Unfortunately, undoing a half a century of marginalizing social policy does not happen overnight. It is not a simple task," he said.

Saskatchewan Senior Policy Analyst Doug Scott also described how paternalistic and intrusive policies of his department can unintentionally foster dependency among clients. "Clients would often describe their lives as awful before they got case worker 'X' and then things got wonderful because case worker 'X' took care of them. That is a pretty paternalistic relationship," he said. Or, the department would undertake to pay bills on

behalf of clients, for example paying a client's utilities bills directly to the utility companies in order to prevent the disconnection of services. While this solved the immediate problem, it left the client with no experience of budgeting for utilities when they left welfare. The department had a similar arrangement for rent payments. Scott said the department is slowly extracting itself from these types of arrangements. "You can't teach people to behave responsibly by taking responsibility away from them," Scott said.

Scott said departmental culture is changing as well. Previously, the service structure was directed primarily toward benefit administration with well over 150 cases per case worker. There was not enough time for workers to do much other than administer benefits; there were very limited case planning activities despite a formal requirement to do so. Caseworkers had little contact with clients except for a mandatory annual review. More recently, however, much of the benefit administration has been shifted to contact centres, leaving more time for department officials to do case planning and employment counselling. Enthusiasm for the change was initially high but has since waned for some staff, Scott said. Some department personnel have successfully made the adjustment to become career and employment counsellors but others have not, Scott said.

Susan Williams, the Assistant Deputy Minister of the People and Skills Investments Division, Alberta Human Resources and Employment, said that her department is still in the midst of a cultural change, begun in 1997, that places far greater emphasis on training and skills upgrading, with a lower emphasis on income support. Williams said that adopting an employment-focused approach has been a huge shift for many of those in the department, and even after eight years the transition is still not complete. Staff face a greater need to interact with employers, training providers, and the broader community, Williams said. Some of them have embraced the change, while others have moved on to other areas of responsibility.

The study of cultural and institutional change has attracted interest in economics but is a well-developed area of study in fields such as sociology.

SSP, Education, and Welfare Exits

Increased education and labour force skills development are often held to be an important method of improving the labour market performance of low-income Canadians. SRDC has just published two working papers — one by Chris Riddell and W. Craig Riddell and another by Jorgen Hansen — that shed some light on the educational upgrading of single parents on welfare. In some aspects, the authors of these papers share similar views; in other respects they come to different conclusions.

The Self-Sufficiency Project (SSP) offered generous earnings supplements to single parent, long-term welfare recipients if they found full-time work quickly. Riddell and Riddell studied educational upgrading among the long-term welfare recipients in the SSP Recipient study in British Columbia and New Brunswick. Hansen studied the effects of education among participants in the SSP Applicant study in which new applicants for income assistance benefits in British Columbia became potentially eligible for the SSP's earnings supplements if they remained on welfare for one year.

Both Riddell and Riddell and Hansen conclude that a substantial amount of educational upgrading is being undertaken by SSP participants. At the start of the Recipient study, Riddell and Riddell find that more than one half of SSP Recipient participants had not completed secondary school; however, among those without a high school diploma, about 20 per cent had completed secondary school 54 months later. During the same period, more than one fifth of those who had never been enrolled in a community college or trade school program at the start of the study had done so by the end of the study.

Similarly, Hansen finds that in the Applicant study 35 per cent of those with less than a high school diploma at the time of the initial interview upgraded their education during the following six years. About 45 per cent of the Applicant study sample used by Hansen had less than high school at the start of the study, but only 28 per cent had less than high school six years later — a decrease of 17 percentage points. Among high school graduates, educational upgrading

was also common. Seventeen per cent had completed vocational school at the start of the study compared with twenty-three per cent six years later, Hansen found.

Both sets of authors note that, in light of the substantial amount of educational upgrading that already occurs among welfare recipients, introducing new educational programs for those receiving income assistance would provide services to a significant number of people who would have upgraded their education and job skills without such a program and, as a consequence, the education program would produce much smaller impacts than would be suggested by a simple comparison of participant education levels before and after the introduction of the program. Hansen also noted that research studies that incorrectly assume education levels remain relatively constant over time may have biased results for variables that are correlated with educational upgrading.

Riddell and Riddell find that the offer of the earnings supplement reduces the educational upgrading of the program group relative to that of the control group. The authors suggest that it is possible the financial incentive encouraged program members to find full-time employment quickly with the consequence that they had less time to upgrade their education. In support of this hypothesis, the authors note that the difference between the educational courses taken by the program group and the control group is greatest when the employment gap between the two groups is largest. The difference in educational upgrading between the two groups is largest at the secondary school level but is also observed among community college programs. The authors conclude that, overall, SSP had the adverse side effect of reducing participants' participation in education.

Riddell and Riddell “match” participants who upgraded their education during the study with participants who did not. They find that that “upgraders” generally achieve larger gains in employment and wage rates than their matched counterparts who did not upgrade their education. For example, the authors find that high school completion is associated with an employment gain of 13 percentage points. Both secondary school completion and enrolment in a college or trade school

program is associated with an 18 per cent wage gain. After a series of statistical tests, Riddell and Riddell conclude that the positive wage and employment gains experienced by dropouts who later completed secondary school, and the positive wage gains experienced by college and trade school enrollees, are a consequence of the educational investments made during the study period.

Riddell and Riddell also find that upgraders are less likely to remain on welfare. However, this may be due to unobserved differences between upgraders and non-upgraders rather than being attributable to their additional education. Overall, the authors conclude that investments in formal education — such as completing secondary school — can yield significant benefits for single parents on welfare.

Hansen focuses on the effects of education on welfare exit and re-entry. He says that it is conventionally assumed that increased formal education results in reduced welfare usage, and, consequently, programs to

increase the formal educational levels of current welfare recipients will lead them to leave welfare earlier and return to welfare less frequently. Hansen states that this conventional wisdom is incorrect, and he concludes that more formal education does not cause lower welfare use. Instead, favourable unobserved characteristics — such as labour-market ability, motivation, and preferences — cause some welfare clients to have both higher levels of education and shorter, less frequent spells on welfare.

Consequently, Hansen concludes that policies aimed at improving the educational attainments of former welfare recipients may have only limited effects on the reliance on income assistance.

The working papers *Educational Upgrading and Its Consequences Among Welfare Recipients: Empirical Evidence From the Self-Sufficiency Project* by Chris Riddell and W. Craig Riddell and *The Effects of Human Capital and Earnings Supplements on Income Assistance Dependence in Canada* by Jorgen Hansen are available on the SRDC Web site.

SRDC Wins New Contract for a Francophone Early Childhood Project

SRDC is pleased to announce that it has been selected by Human Resources and Social Development Canada (formerly Social Development Canada) to manage and evaluate a new pilot project that will deliver enriched child-care services to francophone pre-schoolers in minority francophone communities. This project is part of the Action Plan for Official Languages that was originally announced by the federal government in March 2003.

The Child Care Pilot Project is designed to assist in developing the French language skills, the francophone identity, and the learning capacity of children who live in minority francophone communities. The services being offered to the children and their families will have two main components. The first component will take place directly in daycare centres and will offer preschool-aged children a range of activities intended to develop their French language abilities and their sense of identity. The second component will involve the participation of parents and will consist of a series of literacy workshops for children and their parents with the main purpose of awakening children's interest in reading.

SRDC's role will be to coordinate the implementation of the program and then to rigorously evaluate it to assess the extent to which it achieves the desired outcomes. Five minority francophone communities across Canada will be selected to be the test sites for the project and, within each community, 40 three-year-olds will be selected to take part. The project will use a random assignment design; half of the children will be assigned to the program group; the remainder will be assigned to a control group that will not be eligible to receive the enriched services. Data will be collected on a regular basis from all the children and from their parents in order to determine the impacts of the enriched services on children's development.

For this project, SRDC will be working in collaboration with Human Resources and Social Development Canada as well as with a research group led by Dr. J. Douglas Willms, KSI Research International, which is responsible for developing the data collection instruments. The value of the contract is \$2.8 million over the next two years.

Bulletin Board

Publications

***Distributional Impacts of the Self-Sufficiency Project* by Marianne P. Bitler, Jonah B. Gelbach, and Hilary W. Hoynes**

This working paper examines the impacts of the Self-Sufficiency Project (SSP) on the distribution of earnings, transfers, and income using quantile treatment effect (QTE) estimation. QTE estimates show that the SSP program had heterogeneous impacts on the distributions of earnings, transfers, and total income — heterogeneity that would be missed by looking only at average treatment effects. The authors argue that these findings are consistent with labour supply theory, in which workers respond to financial incentives by changing their hours worked and, in some cases, reducing the reservation wages at which they will just be willing to take a job.

***The Value of Non-market Time Lost During the Self-Sufficiency Project* by David H. Greenberg and Philip K. Robins**

This working paper re-examines the original cost-benefit analysis of Self-Sufficiency Project (SSP). It looks at the non-market time that program participants lost by increasing their work effort, and it considers whether different conclusions regarding the success of the program might be reached if SSP's effect on non-market time is taken into account.

***Understanding the Dynamic Effects of the Self-Sufficiency Project Applicant Study* by David Card and Dean R. Hyslop**

This working paper focuses on the impact of the Self-Sufficiency Project (SSP) Applicant study on IA participation. It shows that the Applicant study created three incentives: (1) an eligibility incentive for everyone in the program group to remain on welfare for a year to become eligible for the subsidy, (2) an establishment incentive for members of the treatment group who satisfied the waiting period requirement to find a job and leave welfare within the next 12 months, and (3) an entitlement incentive for those who established SSP eligibility to work full time and remain off welfare in the three-year period during which subsidy payments were available. Nearly all of the delayed exiters — people who delayed their exit from IA in response to the supplement — left IA within two to three months of the end of the waiting period and became entitled for the SSP subsidy. The paper estimates that roughly two thirds of the peak impact of SSP on welfare participation was attributable to the time-limited entitlement feature of SSP. Those who received subsidy payments tended to remain off welfare, even after the subsidy payments ended. About 60 to 90 per cent of the entitlement incentive effects experienced by members of the treatment group during their three-year period of subsidy eligibility persisted in the immediate post-entitlement period, though the effect faded relatively quickly.

***Evaluating Search and Matching Models Using Experimental Data* by Jeremy Lise, Shannon Seitz, and Jeffrey Smith**

This working paper introduces an innovative test of the quantitative performance of search and matching models that uses information becoming available through social experiments. It presents a prototypical Pissarides matching model and calibrates it to control group data from the Self-

Sufficiency Project (SSP). Then a program group is simulated from a randomized experiment within the model, and the outcomes are compared with those of the program group from SSP to determine whether the model is an appropriate tool to use in estimating the behavioural response to SSP.

The Effects of Human Capital and Earnings Supplements on Income Assistance Dependence in Canada by Jorgen Hansen

This working paper uses data from the Self-Sufficiency Project (SSP) Applicant study to analyze the effects of educational attainment, work experience, work-related training, and earnings supplements on income assistance (IA) dependence. The main objective of the empirical analysis is to estimate the effects of these factors on both IA exit and IA re-entry rates. This paper suggests that, contrary to conventional wisdom, formal education has no significant causal effect on IA use. The paper also finds substantial educational upgrading by single parents in receipt of IA. Higher formal education does not cause lower welfare use. Instead, the paper finds that favourable unobserved characteristics — such as labour market ability, motivation, and preferences — cause some welfare clients to have both higher levels of education and shorter, less frequent spells on welfare. Consequently, the paper concludes that a policy aimed at improving the educational attainments of former welfare recipients may have only limited effects on the reliance on income assistance.

An Econometric Analysis of the Incremental Impact of SSP Plus by Jeffrey Zabel, Saul Schwartz, and Stephen Donald

This working paper evaluates both the short-term and the long-term incremental impact of SSP Plus on the duration of periods of full-time employment and periods during which participants were not working full time. It examines whether SSP Plus had any additional impact on these durations beyond those created by the SSP earnings supplement alone. Estimates of the “effect of the treatment on the treated” are generated, where the “treated” are defined as those in the SSP Plus and regular SSP program groups who qualified for the earnings supplement by finding a full-time job within the first 12 months after random assignment. The study finds evidence of the impact of SSP Plus on unemployment and employment durations during the period when those who took up the earnings supplement were still eligible for that supplement.

An Analysis of the Impact of SSP on Wages by Jeffrey Zabel, Saul Schwartz, and Stephen Donald

This working paper examines wage progression as one theoretical explanation for the existence of a long-term impact on employment due to the Self-Sufficiency Project (SSP). In order to qualify for the supplement, program group members had to find full-time work within one year of random assignment and, once they qualified, they received the supplement while they were working during the subsequent three years. Because of this additional incentive to work, these “take-up” group members acquired more full-time work experience than comparable control group members. The greater full-time work experience should imply, on average, that at the end of the follow-up period the wages of take-up group members were higher than that of comparable control group members. This is referred to as “relative wage progression.” Because of the higher wages, take-up group members should be more likely to

work than comparable control group members even after the supplement period has ended. That is, relative wage progression is one avenue through which SSP might have had long-term impacts on the ability of recipients to work full time.

Educational Upgrading and Its Consequences Among Welfare Recipients: Empirical Evidence From the Self-Sufficiency Project by Chris Riddell and W. Craig Riddell

This working paper examines the extent and nature of educational upgrading among participants in the Self-Sufficiency Project (SSP) and the effect that increases in educational attainment had on the employment, earnings, and reliance on welfare among these long-term welfare recipients. The study shows that there is a substantial amount of educational upgrading among single parents on welfare. SSP program group members acquired less additional education than their counterparts in the control group. One possible explanation is that SSP encouraged full-time employment, leaving less time for acquiring additional education. Those who upgraded their education generally achieved larger gains in employment and wage rates than did their counterparts who did not acquire additional education, the study concludes.

The Effect of the Self-Sufficiency Project on Children by Piotr Wilk, Michael H. Boyle, Martin D. Dooley, and Ellen L. Lipman

This working paper assesses whether the Self-Sufficiency Project (SSP) affected the health, behaviour, and academic achievement of children and whether these effects were sustained beyond the period of the intervention. This study assesses the overall effect of SSP on all the children in the program group as well as the effect on those children whose parents received at least one supplement payment. The results suggest that if a program like SSP was to be introduced to the general population, it would be unlikely to affect children's health, behaviour, and academic achievement, regardless of the level of program take-up.

Human Capital and Search Behaviour by Audra Bowlus, Lance Lochner, Chris Robinson, and Yahong Zhang

This working paper uses a structural search model to examine how changes to different parameters in the Self-Sufficiency Project Applicant study might have changed the outcomes of the study. The model allows for the simulation of changes in the length of time an individual is required to stay on income assistance, the length of time within which a full-time job has to be found, the length of time the bonus can be received, and alternative levels of generosity of the bonus.

Making Work Pay (summary of the "Making Work Pay" symposium)

This publication is a summary of the proceedings of the *Making Work Pay* Symposium, which was held in Ottawa, Canada, on November 15 and 16, 2005. Senior federal and provincial government representatives, international experts, and leading academic researchers who met at this symposium heard both research findings and practical experience about the latest efforts to encourage work among welfare recipients. In addition, several leading academic researchers presented research that used data from Canada's most famous social policy experiment — the Self-Sufficiency Project.

The *Making Work Pay* Symposium was funded by Human Resources and Skills Development Canada (HRSDC), and was organized by SRDC.

Events

SRDC participates in a workshop on social experimentation

On March 27 and 28, 2006, the Policy Research and Coordination Directorate of Human Resources and Social Development Canada (HRSDC) convened a workshop on social experimentation. A broad cross-section of HRSDC staff attended, as did representatives from Service Canada and a number of provincial governments. The lead-off speaker was Jeff Smith from the University of Michigan who explained the benefits of a random assignment design for estimating program impacts. SRDC's Executive Director, John Greenwood, and Sheila Currie, Director of Project Operations, spoke about a number of operational issues associated with designing and implementing social experiments. The workshop also heard from Arthur Sweetman from the Queen's University School of Policy Studies and Andrew Parkin from the Canada Millennium Scholarship Foundation as well as from two representatives of American organizations that have been active in conducting social policy experiments — Peter Schochet from Mathematica Policy Research and James Kemple from MDRC. During the course of the workshop, time was set aside to explore how randomized experiments could be applied to specific issues of interest to those in attendance.

Survey of Parents of Kindergarten Students in Manitoba

The Healthy Child Manitoba Office (HCMO) has commissioned SRDC to conduct a telephone survey of parents of kindergarten students in Manitoba later this year. It will be the second time SRDC has conducted this successful survey. HCMO shared results from the first survey, completed in 2004, with professionals on the front line, school divisions, and parents in order to improve outcomes for children and families.

SRDC with help from POLLARA Inc., the largest Canadian public opinion and marketing research firm, will contact parents in 36 school divisions in May and June 2006. The *Early Development Instrument* (EDI) developed by researchers at the Offord Centre for Child Studies, McMaster University, is administered by teachers of kindergarten students in Manitoba. The EDI results will help Manitoba to know how well its children are prepared to begin their school lives ready to learn and to enjoy the experience. The telephone survey will collect detailed information from parents about the experiences of the children and their families. Parents will be asked for their permission to allow SRDC to combine their child's EDI results with the survey information, which will allow the analysis to reveal more about the relationship between current kindergarten students' readiness to learn and their family background and experiences.

SRDC looks forward to being part of this collaborative process to strengthen the use of research evidence to improve outcomes for children and families.