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.

<table>
<thead>
<tr>
<th>Unemployment rates (%)</th>
<th>1999</th>
<th>2005</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>7.6</td>
<td>6.8</td>
<td>7.2</td>
</tr>
<tr>
<td>Nova-Scotia</td>
<td>9.6</td>
<td>8.4</td>
<td>9.0</td>
</tr>
<tr>
<td>Cape Breton Region</td>
<td>17.6</td>
<td>14.4</td>
<td>14.5</td>
</tr>
</tbody>
</table>
CEIP – The Program Model

• For Individuals
  – 3 years of full-time employment on locally developed projects in exchange for entitlements to UI or welfare
  – Wage + benefits: $3 above min-wage, medical benefits
  – Case manager: employability assessment and job-matching to ensure alignment with worker and employer needs

• For 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 “subsidized job” initiatives?

• Earlier programs have generally involved “transitional jobs”
  – *short term, single placement, lower-skilled* positions
  – Projects with little relationship to broader community goals
  – No tangible link to local labour market needs
  – Pre-post, non-experimental evaluations only
CEIP – The Program Model

• How is CEIP different from earlier “subsidized job” initiatives?

• CEIP aimed to maximize opportunities to increase employability
  – Longer duration employment – 3 years
  – Multiple and varying placements
  – Jobs designed to match a local need
  – Spanning all 10 of Canada’s occupational classifications
Methodology

• Random assignment design for study of participant impacts
  – 1500 participants (1000 from UI, 500 from welfare)
  – Half randomly assigned to program group, half to control
  – No differences in baseline characteristics between groups

• 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

Program Group

Percentage Employed Full Time

Months From Random Assignment

[Graph showing the percentage of people employed full-time over time, with a sharp decline starting at around 50 months from random assignment.]
Results: Full Time Employment

Program Group
Control Group

% Employed Full Time vs. Months from Random Assignment
A Positive or Negative Result?

• Some characterized it as positive – in-program impacts 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

• Some view as negative – no sustained employment impacts after the program has ended
A Positive or Negative Result?

- Answer is ...it depends
- How employability may have changed as a result of the accelerated re-employment
- Need to look at longer-run impacts – more than 12 months
- Need a comprehensive evaluation framework that provides evidence of changes in things such as
  - Job diversity and Job quality
  - Increased skills, wages, and incomes
  - Enhanced social networks and social engagement
  - Longer term independence from social transfers
Jobs: Diversity of Work Experience

Number of unique Jobs held over program period

- Program Group
- Control group
- Impact

- 5 or more
- 2,3 or 4
- a single job
- did not work
Jobs: Higher skilled post-program jobs

Distribution of post-program Jobs by Skill level in the year following CEIP

- High Skilled
- Medium Skilled
- Low Skilled
- Did not Work

Program Group
Control Group
Impact
Increased Household Incomes

- **Average Income ($)** in previous year:
  - Program: $20,155
  - Control: $16,563
  - Program 1 Year After: $19,476
  - Control 1 Year After: $17,348

**Comparison:***
- **Other household income**
- **Individual income**
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

- Help with chores
- Emotional support
- Specialized advice
- Help finding a job

Number of Contacts

- Program
- Control
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.

**Post Program Impacts on Formal volunteering with groups or organizations**

<table>
<thead>
<tr>
<th></th>
<th>Program</th>
<th>Control</th>
</tr>
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<tbody>
<tr>
<td>Volunteered in the past 12 months</td>
<td>UISample</td>
<td>Welfare sample</td>
</tr>
<tr>
<td>Percent</td>
<td>45%</td>
<td>35%</td>
</tr>
<tr>
<td>Percent</td>
<td>35%</td>
<td>25%</td>
</tr>
</tbody>
</table>
Welfare Receipt

Program Group

Percentage Receiving IA
A sustained 12 point reduction in welfare receipt for 3 years after the program
Breadth of impacts

• Positive impacts on a range of outcomes
  – Indicators of enhanced employability
  – Independence from welfare
  – Improved incomes and quality of life

• However, they affect a relatively small percentage of sample
  – 10-15 percentage point impacts
  – While it appears transformative for the lives of some....

......does this justify the investments?
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

<table>
<thead>
<tr>
<th>Component of Analysis</th>
<th>Accounting Perspective</th>
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<tbody>
<tr>
<td></td>
<td>Individuals</td>
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<tr>
<td><strong>Monetized components</strong></td>
<td></td>
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<tr>
<td><strong>Participant Impacts</strong></td>
<td></td>
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<tr>
<td>CEIP earnings</td>
<td>34,344</td>
</tr>
<tr>
<td>Foregone non-CEIP earnings</td>
<td>-10,974</td>
</tr>
<tr>
<td>Transfer payments (EI &amp; IA)</td>
<td>-11,836</td>
</tr>
<tr>
<td>Tax payments (taxes and premiums)</td>
<td>-3,559</td>
</tr>
<tr>
<td>Other household member earnings</td>
<td>2,035</td>
</tr>
<tr>
<td><strong>Third Sector Organizational Effects</strong></td>
<td></td>
</tr>
<tr>
<td>Value from CEIP jobs (to sponsors)</td>
<td>0</td>
</tr>
<tr>
<td>Volunteering (CEIP induced)</td>
<td>0</td>
</tr>
<tr>
<td>CEIP administrative costs</td>
<td>0</td>
</tr>
<tr>
<td>Admin costs of EI &amp; IA transfers</td>
<td>0</td>
</tr>
<tr>
<td><strong>Net Benefit/Cost per Program Group Member</strong></td>
<td>10,010</td>
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</table>
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, wages, income, and social capital
- Permanent reductions in welfare receipt
Is CEIP a cost-effective approach to achieving dual employment and community development goals?

- Cost-efficient compared to programs with similar objectives
- However, program is 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