

Comments on:  
*“The Self-Sufficiency Project:  
Three Randomized Experiments  
for Welfare Recipients in Canada”*  
by Philip K. Robins

Denis Fougère  
Paris, 22 May 2008

# The SSP experiment

- Certainly the most important (and convincing) experiment of an in-work benefits program
- Conducted in two Canadian provinces (British Columbia and New Brunswick)
- Follows-up are long (requirement for estimating medium-term effects) : 7 years for the SSP Recipient and Applicant Studies
- Several outcomes: full-time employment, number of hours worked, individual wages, household income, *school achievement of young children*
- Three SSP experiments to examine various potential impacts of the program (entry effects, impact of employment services)

# Main features of the SSP supplement

- Limited to single parents who had been on welfare for at least a year
  - targeted to a disadvantaged group
  - It reduces the incentive for people to enter the welfare system in order to receive the supplement
- Benefits available to people who worked 30 hours or more, and who left welfare
  - Intended to limit the ability to use the supplement to cut back the work effort (like previous NIT programs)
- The SSP supplement varied with individual earnings rather than family income
  - Unaffected by family composition and unearned income
- Supplement payments were available for a maximum of 3 years

# Comparison with the French « *Prime pour l'emploi* » (1)

- PPE = an earned-income tax-credit that was launched in 2001
- The tax-credit is paid to individuals while being means-tested on total household income (both husband and wife can receive the credit)
- Eligibility conditions are rather « loose »:
  - Individuals annual earnings must be above a minimum threshold (3,200 euros in 2001 and 3,500 euros in 2005)
  - Full-time equivalent earnings must be below a maximum level (15,000 euros in 2001; 23,000 euros for the married with non-employed spouses or earnings less than 3,200 euros)
  - Total “taxable” household income must be lower than a given threshold (12,000 euros for singles; 24,000 euros for married couples; this threshold rise by about 3,000 euros for each dependent child)

# Comparison with the French « *Prime pour l'emploi* » (2)

- Consequence: the targeted group is quite large:
  - according to fiscal administrative records, 8.7 million households received the tax credit in 2001
  - the average tax credit per household was 290 euros per year, varying between 30 and 500 euros
- Only one (non-experimental) evaluation (E. Stancanelli, to appear in the *Journal of Public Economics*):
  - The employment rate of married women has decreased of 3.2 percentage points (adverse effect)
  - The impact is positive and weakly significant for women living in couples but not married
  - But statistically insignificant for lone mothers

# Main results of the SSP experiments

- Small entry effects (a modest increase in the fraction of welfare applicants who remained on assistance for a year or more)
- Large effects on full-time employment (> 30 hours a week) and on income during the three first years
- But no long-term effects (after three years):
  - Recipients take low-wage jobs to qualify
  - These low-wage jobs are unstable and exhibit no wage growth
  - Necessity to complete the supplement with training (acquisition of human capital)?
- “A sizable positive net benefit to society”:
  - This statement results from a cost-benefit analysis based on accepted wages

# Remarks and questions (1)

- “SSP resulted in increases in both low-wage jobs (between \$7 and \$8 per hour) and relatively high-wage jobs (\$10 and more per hour)” (*Michalopoulos, Robins & Card, JPubE, 2005*)
- But, in the 25<sup>th</sup> month, only 54.3% of persons in the program group (vs. 41.7% in the control group) were working
- Thus the estimated impact of the program on wages may be biased, because of sample selection:
  - wages are only observed for those who are employed, and employment status itself is affected by the program
- Here the sign and the amplitude of the potential bias are difficult to predict
- **Suggestion:** A possibility would be to implement David Lee’s procedure for bounding treatment effects on wages in presence of sample selection and without requiring restriction exclusions (Lee, 2008)

# Remarks and questions (2)

- “The attrition rate was modest, since 86 percent of the baseline sample completed all surveys”
- But attrition could correspond to *dropouts*
- Sufficient conditions for identifying the average effect of the SSP supplement on recipients (the so-called effect of the treatment on the treated) in presence of dropouts ( $D=0,1$ ) are :
  1.  $\Pr (D = 0 / R = 1, X ) = \Pr (D = 0 / R = 0, X )$  for every  $X$   
i.e. the probability of dropping out is the same for controls and treated with the same covariates  $X$
  2.  $E ( Y / R = 1, D = 0, X ) = E ( Y / R = 0, D = 0, X )$  for every  $X$   
i.e. the mean outcome of the treatment group dropouts is the same as that of the control group dropouts  
(see Heckman, Smith and Taber, 1998)
- **Question:** Are these two conditions verified here?

# Remarks and questions (3)

- “SSP was a voluntary alternative to welfare ”
  - But the participants were randomly assigned to either the program group, which was offered the SSP earnings supplement, or the control group, which was not
  - Within this randomization design, is it possible to identify the individual propensity to choose voluntarily the SSP supplement (rather than welfare)?
  - Assessing the degree of individual consent is crucial for the success of a reform
- Could you say more about the heterogeneity of effects on employment and wages? (according to age, level of education, number and age of children, etc.)