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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 – 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

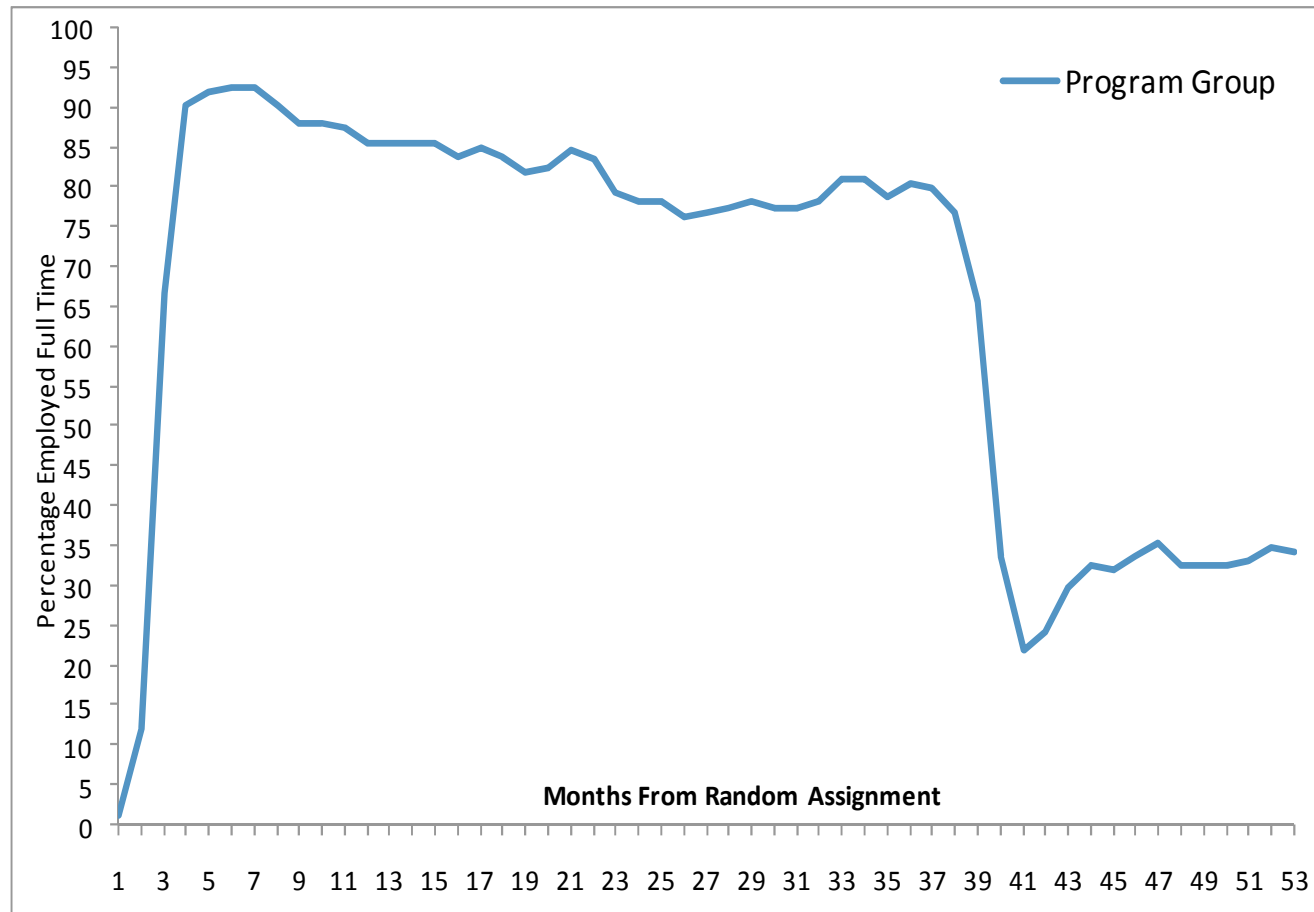
CEIP – The Program Model

- **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

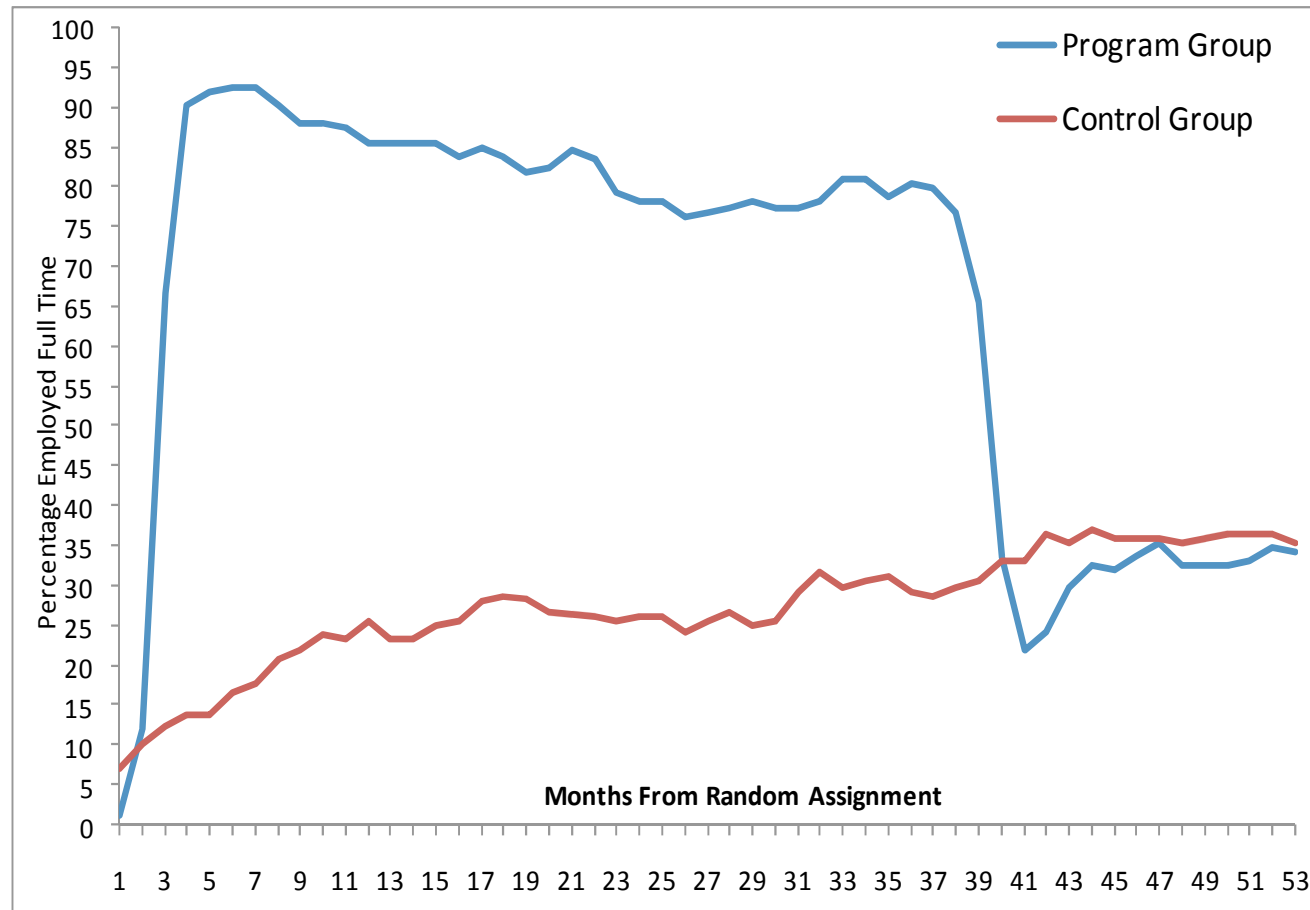
Methodology

- **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



Results: Full Time Employment



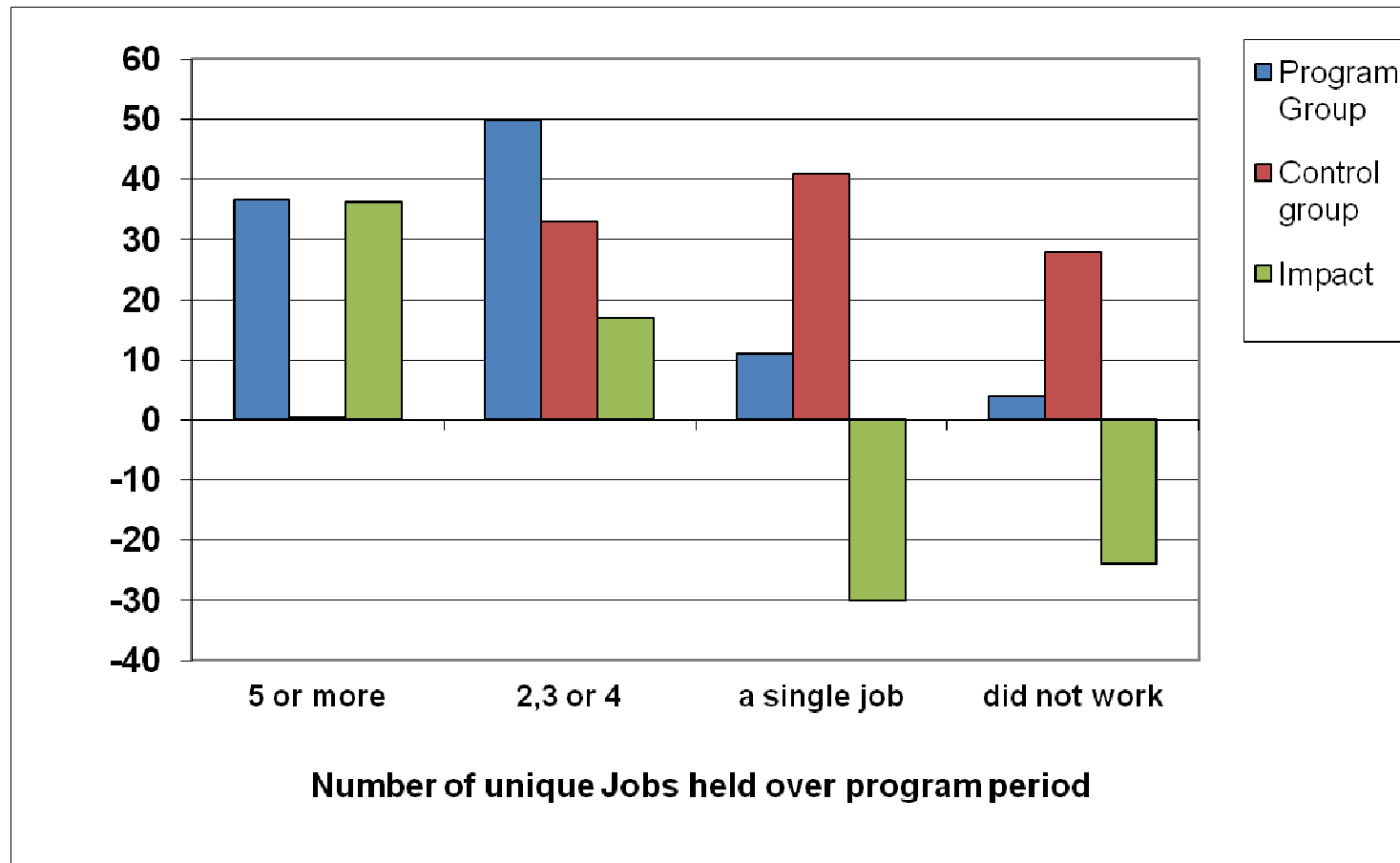
A Positive or Negative Result?

- **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**

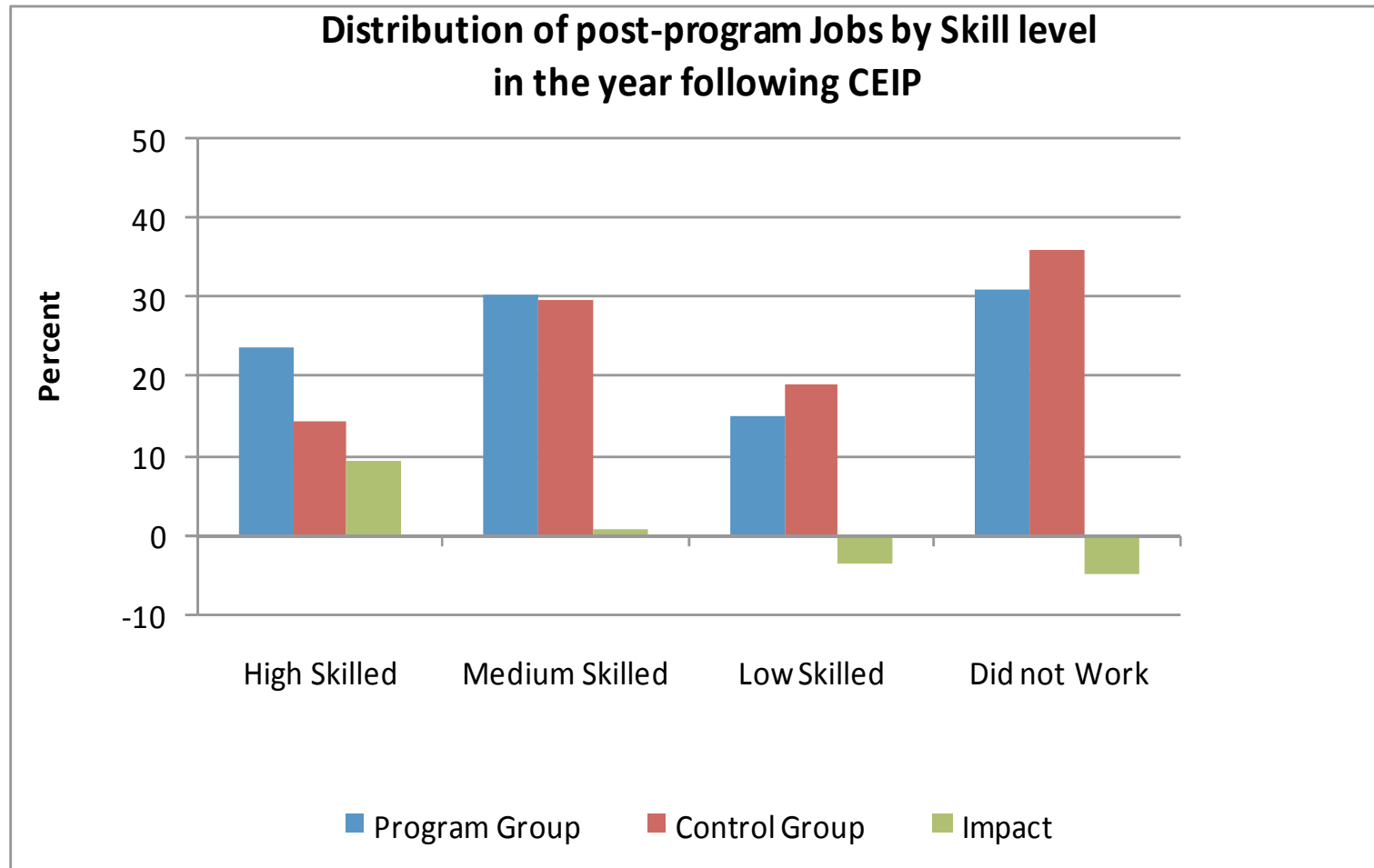
A Positive or Negative Result?

- 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

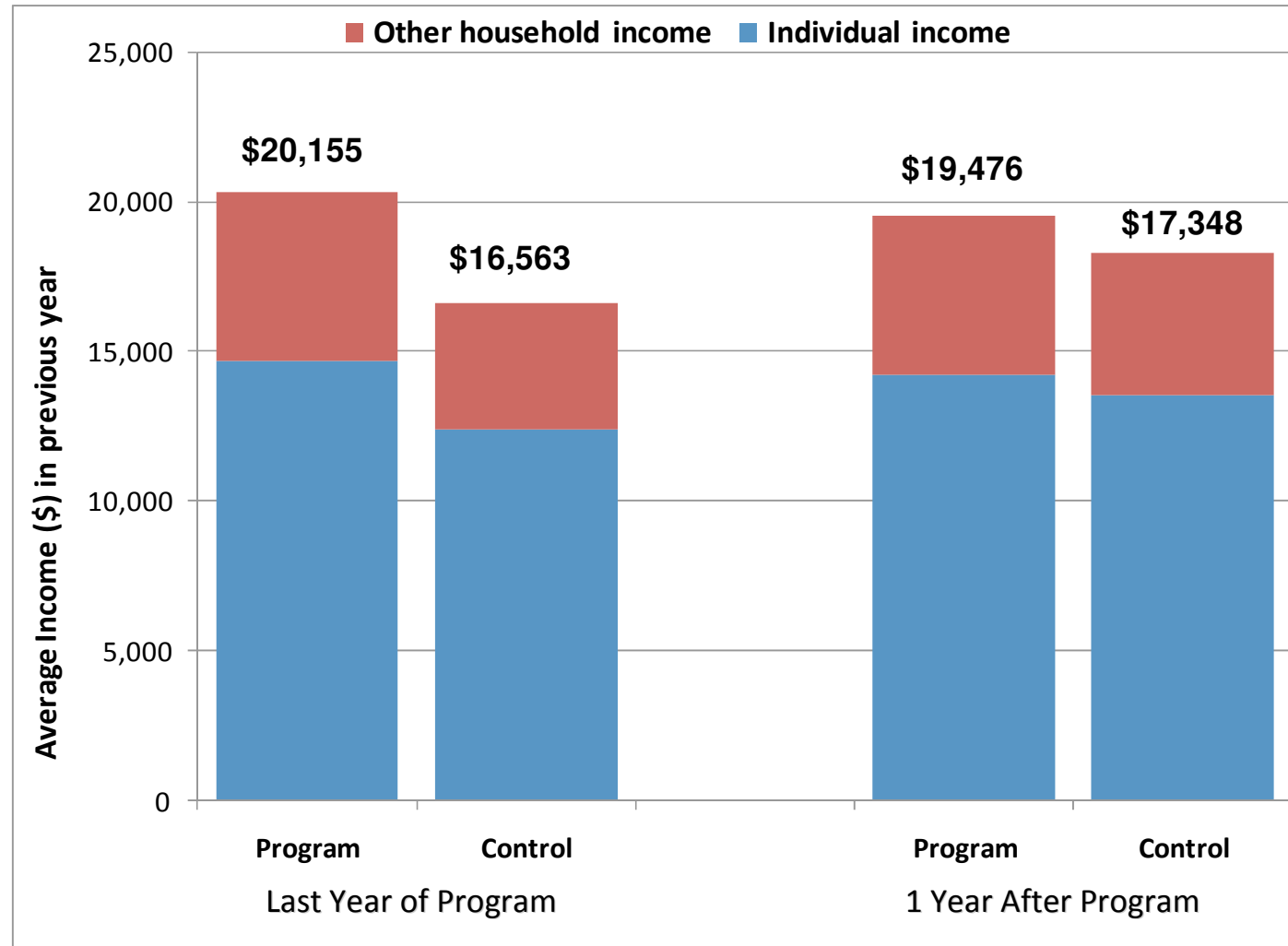
Jobs: Diversity of Work Experience



Jobs: Higher skilled post-program jobs

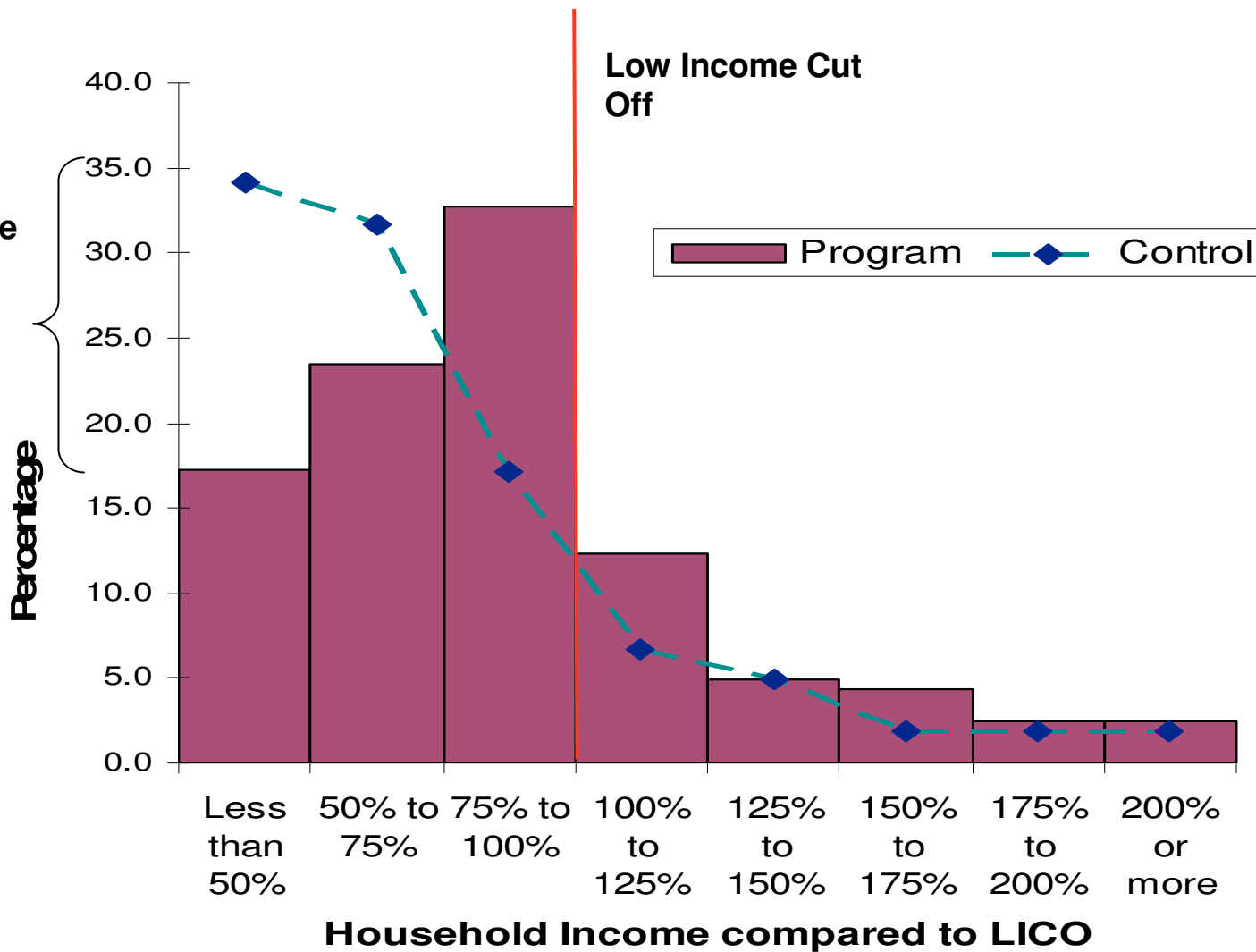


Increased Household Incomes



Poverty Reduction

17 percentage point reduction at the lowest income level



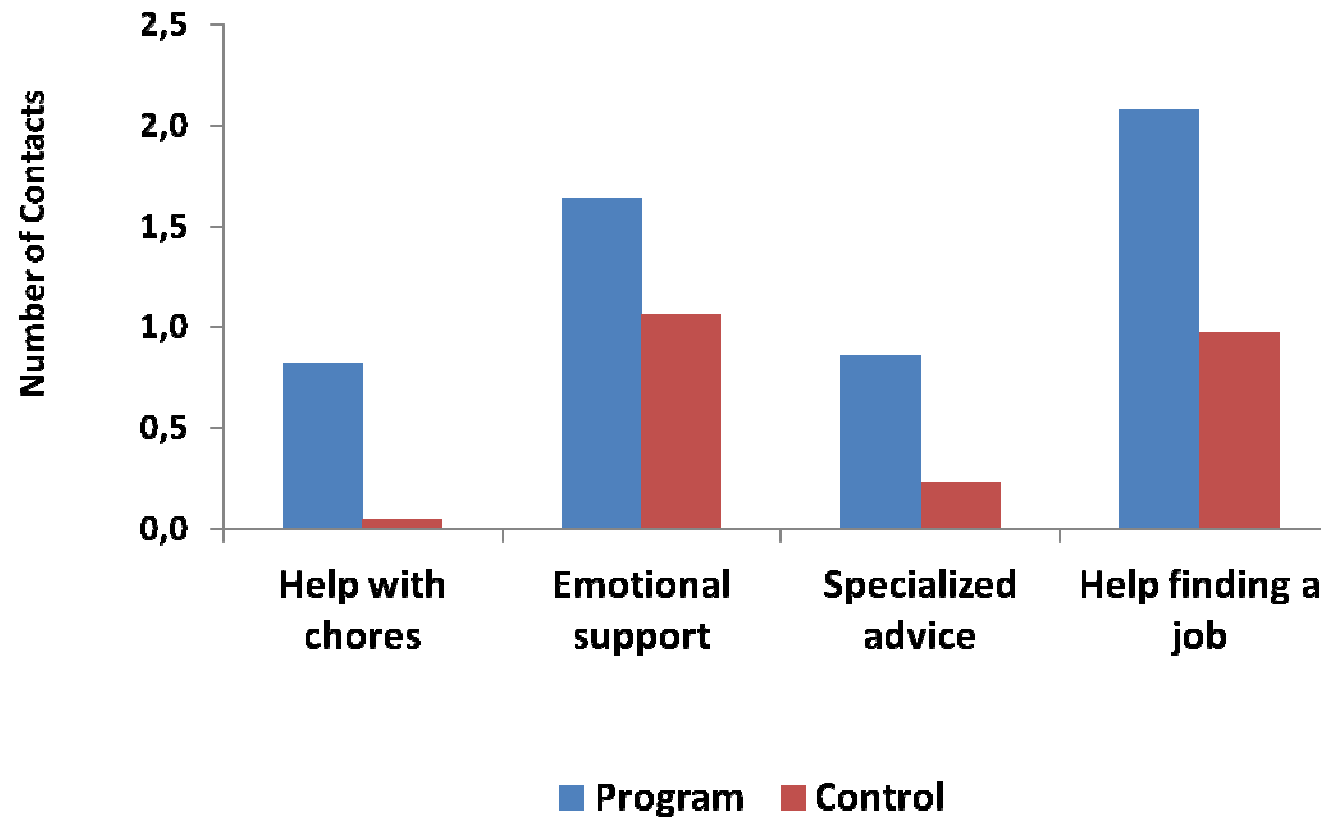
Social Capital

- 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

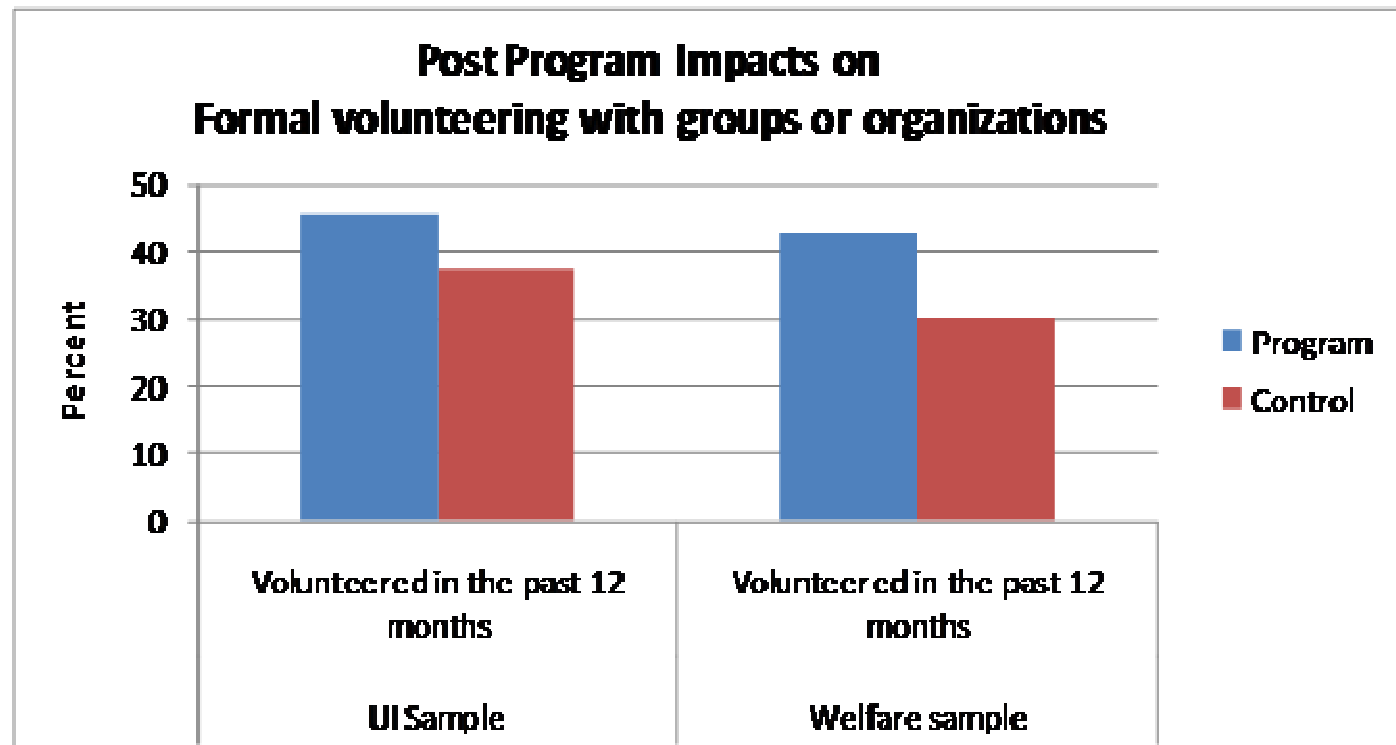
Network Size:

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

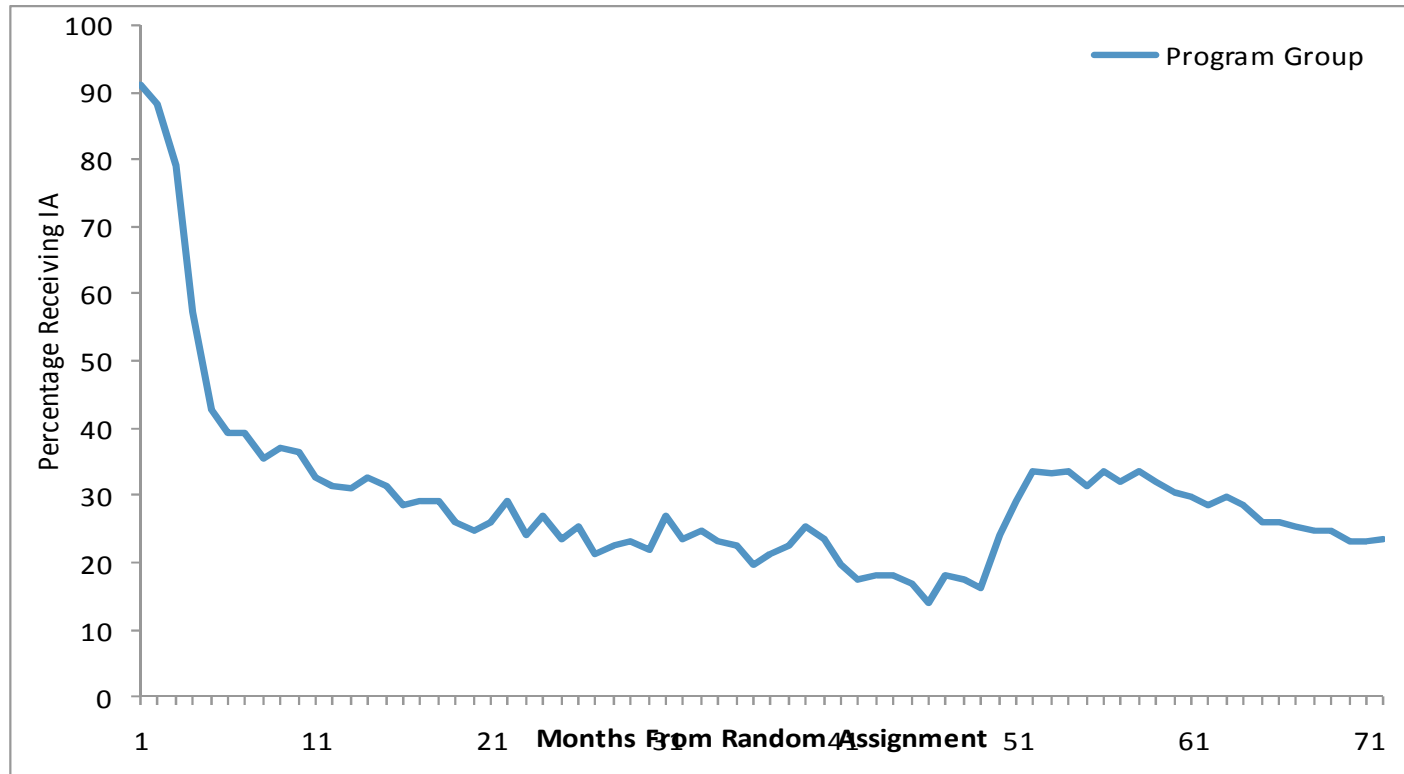


Enhanced Social Engagement

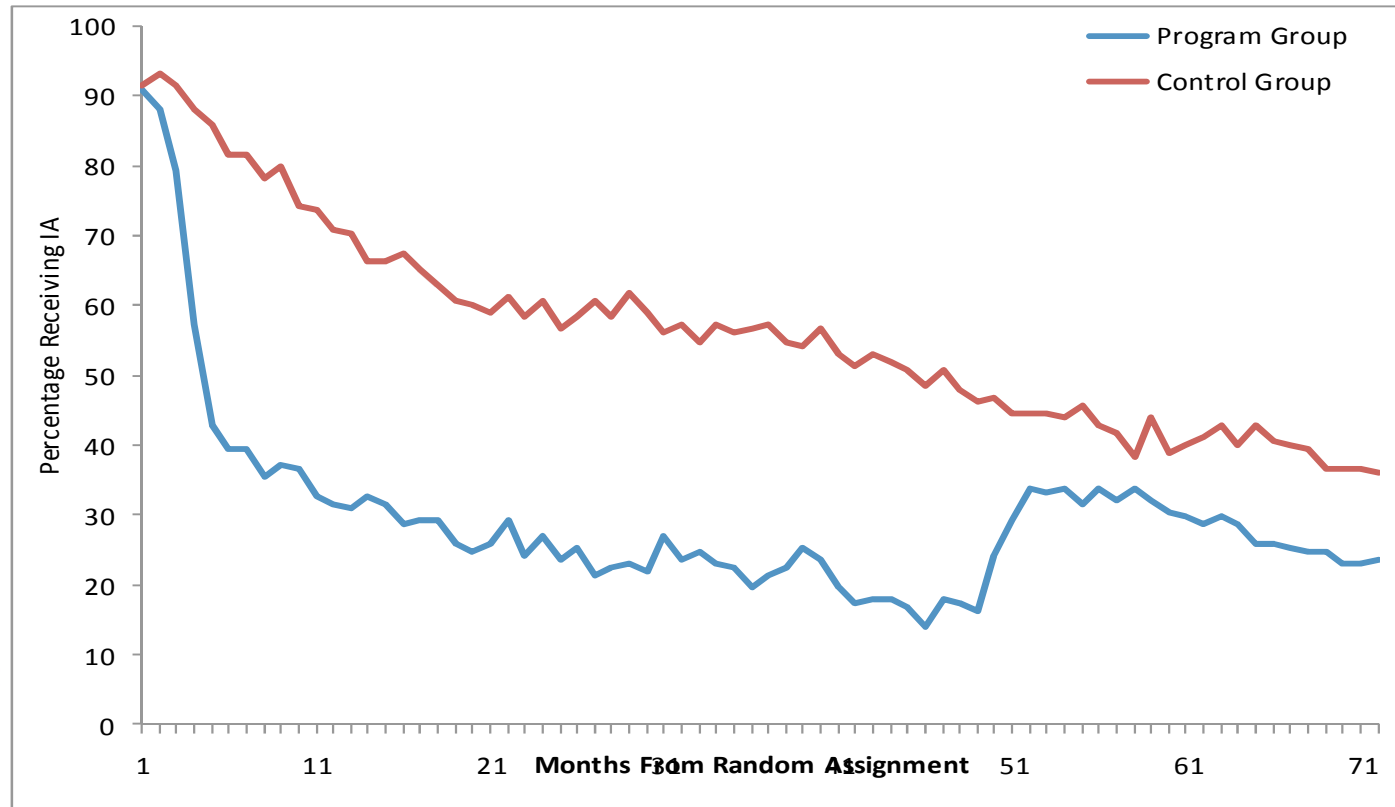
- Volunteering is important for individuals and communities
- Can be an avenue to skill development, improves social inclusion, and is a resource for community organizations



Welfare Receipt



Permanent Reductions in Welfare Receipt



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

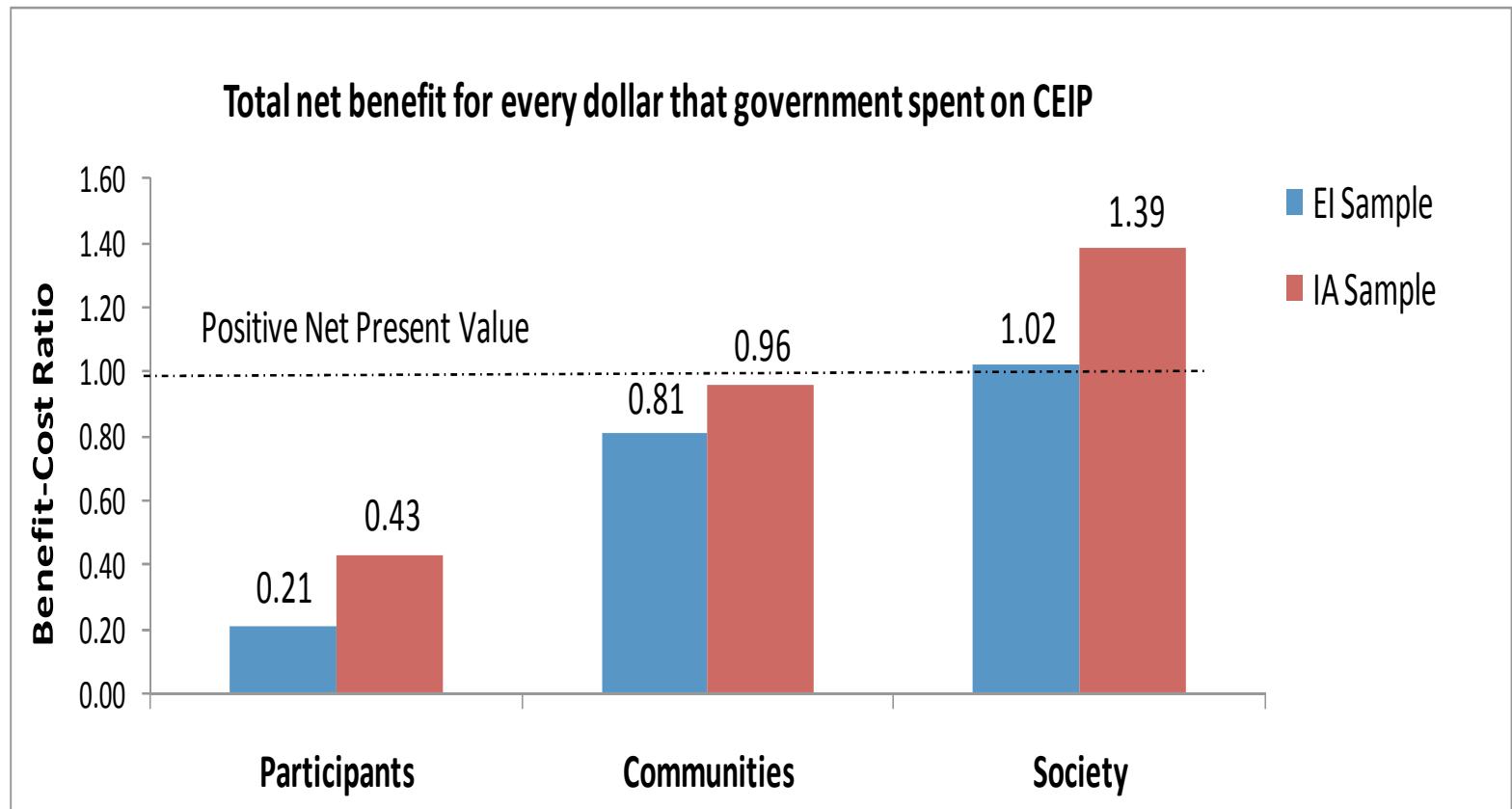
Cost-Benefit Analysis

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

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, wages, income, and social capital
- Permanent reductions in welfare receipt

Conclusions

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