

EXECUTIVE SUMMARY

Making Work Pay

Final Report on the Self-Sufficiency Project for Long-Term Welfare Recipients

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Other SRDC reports on the Self-Sufficiency Project (SSP):

Creating an Alternative to Welfare: First-Year Findings on the Implementation, Welfare Impacts, and Costs of the Self-Sufficiency Project. Tod Mijanovich and David Long. December 1995.

The Struggle for Self-Sufficiency: Participants in the Self-Sufficiency Project Talk About Work, Welfare, and Their Futures. Wendy Bancroft and Sheila Currie Vernon. December 1995.

Do Financial Incentives Encourage Welfare Recipients to Work? Initial 18-Month Findings from the Self-Sufficiency Project. David Card and Philip K. Robins. February 1996.

When Work Pays Better Than Welfare: A Summary of the Self-Sufficiency Project's Implementation, Focus Group, and Initial 18-Month Impact Reports. March 1996.

How Important Are "Entry Effects" in Financial Incentive Programs for Welfare Recipients? Experimental Evidence from the Self-Sufficiency Project. David Card, Philip K. Robins, and Winston Lin. August 1997.

Do Work Incentives Have Unintended Consequences? Measuring "Entry Effects" in the Self-Sufficiency Project. Gordon Berlin, Wendy Bancroft, David Card, Winston Lin, and Philip K. Robins. March 1998.

When Financial Incentives Encourage Work: Complete 18-Month Findings from the Self-Sufficiency Project. Winston Lin, Philip K. Robins, David Card, Kristen Harknett, and Susanna Lui-Gurr. September 1998.

Does SSP Plus Increase Employment? The Effect of Adding Services to the Self-Sufficiency Project's Financial Incentives. Gail Quets, Philip K. Robins, Elsie C. Pan, Charles Michalopoulos, and David Card. May 1999.

The Self-Sufficiency Project at 36 Months: Effects of a Financial Work Incentive on Employment and Income. Charles Michalopoulos, David Card, Lisa A. Gennetian, Kristen Harknett, and Philip K. Robins. June 2000.

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When Financial Incentives Pay for Themselves: Interim Findings From the Self-Sufficiency Project's Applicant Study. Charles Michalopoulos and Tracey Hoy. November 2001.

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Executive Summary

This is the final report of the Self-Sufficiency Project (SSP), a study of long-term welfare recipients. SSP is a research and demonstration project designed to test a policy innovation that makes work pay better than welfare. Conceived and funded by Human Resources Development Canada (HRDC), managed by the Social Research and Demonstration Corporation (SRDC), and evaluated by the Manpower Demonstration Research Corporation (MDRC) and SRDC, SSP offered a temporary earnings supplement to selected long-term income assistance (IA) recipients in British Columbia and New Brunswick. The earnings supplement was a monthly cash payment available to single parents who had been on income assistance for at least one year and who left income assistance for full-time work. The supplement was paid on top of earnings from employment for up to three years, as long as the person continued to work full time and remained off income assistance. While collecting the supplement, the single parent received an immediate payoff from work; for a person working full time at the minimum wage, total income before taxes was about twice her earnings.¹ The accompanying text box briefly describes the key features of the supplement offer.

Key Features of the SSP Earnings Supplement

- **Full-time work requirement.** Supplement payments were made only to eligible single parents who worked at least 30 hours per week and left income assistance.
- **Substantial financial incentive.** The supplement equalled half the difference between a participant's earnings and an "earnings benchmark." During the first year of operations, the benchmark was \$30,000 in New Brunswick and \$37,000 in British Columbia. Unearned income (such as child support), earnings of other family members, and number of children did not affect the amount of the supplement. The supplement roughly doubled the earnings of many low-wage workers (before taxes and work-related expenses).
- **One year to take advantage of the offer.** A person could sign up for the supplement if she found full-time work within the year after random assignment. If she did not sign up during that year, she could never receive the supplement.
- **Three years of supplement receipt.** A person could collect the supplement for three calendar years from the time she began receiving it, as long as she was working full time and not receiving income assistance.
- **Voluntary alternative to welfare.** No one was required to participate in the supplement program. After beginning supplement receipt, people could decide at any time to return to income assistance, as long as they gave up supplement receipt and met the IA eligibility requirements.

¹The feminine pronoun is used throughout this report because the vast majority of single parents receiving income assistance are women.

To measure the effects of its financial incentive, SSP was designed as a social experiment using a rigorous random assignment research design. In the SSP “recipient study,” the subject of this report, a group of about 6,000 single parents in British Columbia and New Brunswick who had been on income assistance for at least a year were selected at random from the IA rolls. Half of these people were randomly assigned to a program group and offered the SSP supplement, while the remainder formed a control group. This report describes the impacts of the supplement offer through four and a half years after random assignment, with information on welfare use through the beginning of the sixth year after random assignment. The key questions of this report are whether the SSP program increased parents’ earnings and income, whether it reduced reliance on welfare, whether it harmed or benefited children, how much it cost, and whether the supplement offer had ongoing effects in the period after parents were no longer eligible to receive it.

THE FINDINGS IN BRIEF

Because the evaluation of SSP assigned people to the program and control groups at random, the *impact* or effect of the supplement offer is measured as the difference in employment, earnings, income, and other outcomes between the two groups. These comparisons indicate that SSP increased full-time employment, earnings, and income, and reduced poverty.

- **One third of the long-term welfare recipients who were offered the SSP earnings supplement worked full time and took up the supplement offer.** To receive the supplement, people in the program group had to work full time within a year of entering the study. Thirty-six per cent of them took up the supplement in this way and were then eligible to receive the supplement for the next three years. On average, these supplement takers received the supplement for 22 months over their three years of eligibility and received more than \$18,000 in supplement payments over that time.
- **SSP increased employment, earnings, and income, and reduced welfare use and poverty.** By the end of the first year after random assignment, program group members were twice as likely as control group members to be working full time, and the effect of SSP on employment continued to be strong through most of the follow-up period. As a result, SSP increased the average person’s earnings by nearly \$3,400, or more than 20 per cent over the earnings of the average control group member. The rules of SSP prohibited people from simultaneously receiving the earnings supplement and income assistance. As a result, the program reduced IA payments by about \$3,500 per family in the program group. When people left income assistance to receive the earnings supplement, they replaced their IA payments with SSP supplement payments. As a result, SSP increased income and substantially reduced poverty. Over the entire follow-up period, program group members had on average about \$6,300 more in combined income from earnings, IA payments, and earnings supplements than control group members. Three years after people had entered the evaluation, SSP had reduced the proportion with income below Statistics Canada’s low income cut-offs by nearly 10 percentage points. These impacts are probably concentrated among the people who took up the supplement offer, suggesting that SSP’s effects were nearly three times as large among supplement takers.

- **The effects of SSP on employment, welfare use, and income were small after parents were no longer eligible for the supplement.** Members of the program group could receive supplement payments for up to three years, and the program's effects were strong throughout the period when parents were eligible for the supplement. In the middle of the fifth year after random assignment, which was after supplement takers could no longer receive the SSP earnings supplement, the program and control groups were equally likely to work; for example, 42 per cent of both the program group and the control group were working, and the average earnings of both groups were nearly \$500 per month. The impact on welfare receipt persisted somewhat longer, but by the middle of the sixth year after random assignment both groups were about equally likely to be receiving income assistance. Although the program's effects were small at the end of the follow-up period, this finding does not change the fact that program group members gained considerable work experience because of SSP and their families benefited from the increased income they gained while the supplement was being paid.
- **Elementary-school-age children in the program group performed better in school than similar children in the control group.** Parents in the program group gave their elementary-school-age children higher marks on school performance than did parents in the control group. Results of vocabulary and math tests confirmed that in this age group children in the program group were performing better than their control group counterparts. The program achieved some of these positive effects after parents had stopped receiving the earnings supplement (and after the program had stopped having effects on family income), suggesting that a temporary income gain may have long-term effects on children. For children in other age groups, however, there were few differences in outcomes between the program and control groups.
- **Government agencies spent money to achieve SSP's positive results, but society as a whole benefited from the program.** Government agencies spent about \$1,500 per program group member administering SSP (over and above what they would have spent administering the IA program for each program group member) and spent nearly \$3,200 more on transfer payments (primarily on SSP supplement payments, again compared with what would have been spent on income assistance). From society's point of view, however, the program cost less than the benefits it provided. When fringe benefits are included, program group members earned \$4,100 on average more than they would have without the program. Because spending on transfer payments does not cost society anything — some taxpayers pay, but others receive — these increased earnings cost society only the administrative and operating costs of the program. In other words, society gained nearly \$2,600 per program group member.
- **Combining the SSP earnings supplement with services to help people find and keep jobs resulted in larger effects than did the earnings supplement alone.** Anticipating that many long-term welfare recipients would have difficulty taking up the supplement offer, SSP also tested a program called SSP Plus, which combined the earnings supplement offer with an offer of services to help people find and keep jobs. About half of the people offered this SSP Plus program were able to take up the supplement offer. Although many of the people who took up the supplement offer because of the SSP Plus job services lost their jobs quickly, the effects of SSP Plus

were remarkably strong near the end of the follow-up discussed in this report, when parents were no longer eligible for SSP's earnings supplement. This finding suggests that the job-related services had helped some members of the SSP Plus program find more stable employment than their counterparts who did not receive services.

AN OVERVIEW OF THE SSP PROJECT

As has been noted, SSP offered long-term welfare recipients a financial incentive to encourage them to leave welfare for work. Briefly, SSP offered a supplement to earnings, in the form of a monthly cash payment, to people who left income assistance and worked full time (30 or more hours per week). The restriction to full-time work was designed to limit the extent to which people received the supplement without increasing or maintaining their work effort. The offer was limited to single parents who had been on income assistance for at least a year. This restriction targeted SSP benefits to a disadvantaged population that normally experiences difficulty in the labour market. The SSP supplement payment varied with individual earnings, rather than with family income, and was therefore unaffected by family composition, other family members' earnings, or unearned income. Finally, supplement payments were available for a maximum of three years, and only to program group members who initiated SSP payments within 12 months of their initial eligibility.

Understanding the structure of SSP's incentive is crucial to understanding the effects of the supplement offer. In brief, SSP's financial supplement paid parents who worked 30 or more hours per week an amount equal to half the difference between their actual earnings and a target level of earnings. In 1994 target earnings were set at \$30,000 in New Brunswick and \$37,000 in British Columbia, although they have been adjusted slightly over time to reflect changes in the cost of living and in the generosity of income assistance. For example, a participant in British Columbia who worked 35 hours per week at \$7 per hour earned \$12,740 per year and collected an earnings supplement of \$12,130 per year (\$37,000 minus \$12,740, divided by 2), for a total gross income of \$24,870. In comparison, if that participant had decided not to work and instead to receive income assistance, she would have had an annual income of only \$17,111 if she had two children. When tax obligations and tax credits are taken into account, most families had incomes \$3,000 to \$7,000 per year higher with the earnings supplement program than if they worked the same number of hours without the supplement.

The SSP Research Design — Random Assignment

Recruitment into SSP's main research study began in November 1992 and was completed in March 1995. Each month, Statistics Canada used IA administrative records to identify all people in selected geographic areas in British Columbia and New Brunswick who (1) were single parents, (2) were 19 years of age or older, and (3) had received IA payments in the current month and at least 11 of the prior 12 months. No other restrictions (for example, on health status) were imposed. Readers should keep in mind that the IA systems in British Columbia and New Brunswick include disabled people who would not be able to work. In the United States, some of these recipients would be in the Supplemental Security Income (SSI) program rather than in the welfare system. Thus, the sample of long-term welfare recipients in SSP may be more disadvantaged than the sample for a similar program for welfare recipients in the United States.

A random sample of people who were identified in this way were informed that they had been selected to participate in a study of IA recipients and were visited by Statistics Canada interviewers. During the visit, the interviewer administered a *baseline survey* lasting an average of 30 minutes and then described the SSP study, carefully read an informed consent form to the sample member, and answered any questions. Roughly 90 per cent of the fielding sample completed the baseline survey and signed the informed consent form.

Immediately after the baseline interview, the single parents who were recruited into the recipient study were randomly assigned to either the program group (2,880 parents), which was offered the SSP earnings supplement, or the control group (2,849 parents), which was not. Most results in this report are based on 4,852 people who completed a follow-up survey approximately 54 months after entering the study — 2,460 in the program group and 2,392 in the control group, or about 85 per cent of both groups.

For most outcomes, the period studied in this report consists of the 54 months after random assignment (including the month of random assignment) for each sample member. For the earliest sample members randomly assigned, the period studied is November 1992 through to April 1997; for those who were randomly assigned last, the period studied is roughly March 1995 through to August 1999. One exception is IA use, for which information is available for 70 months following random assignment.

Economic and Policy Context

During the years after the project was initiated, major reforms altered the landscape of social policy in Canada. In 1996 the system of paying for welfare (the Canada Assistance Plan) was replaced with a block fund called the Canada Health and Social Transfer (CHST). The federal government's contributions under CHST have been substantially lower than they would have been under the earlier system. Faced with cutbacks in federal support, provinces have made a variety of changes such as reducing welfare benefit levels, tightening eligibility requirements, and imposing work requirements on welfare recipients.

Over the time covered in this report, economic conditions also changed in British Columbia and New Brunswick. In both provinces overall labour market conditions improved slightly from 1992 to 1995. Nonetheless, unemployment rates remained at historically high levels, and employment of 15- to 44-year-old women actually declined in British Columbia. From 1995 to 1998 unemployment increased somewhat in New Brunswick and remained stable in British Columbia, even though the national unemployment rate continued to fall. However, the job prospects for women might have improved during this period, because the employment rate of 15- to 44-year-old women increased in both provinces. Since 1992 the minimum wage in both provinces has been increased several times, although it is lower in New Brunswick than in British Columbia. When SSP was begun in 1992, the minimum hourly wage was \$5.50 in British Columbia and \$5.00 in New Brunswick. By 1998 the minimum wage had increased to \$7.15 in British Columbia and to \$5.50 in New Brunswick.

The SSP Applicant Study

In addition to the SSP recipient study and SSP Plus, both of which are discussed in this report, SSP included a separate study of a group of people in British Columbia who had recently been approved to receive income assistance. This study is referred to as the SSP “applicant study.” This report does not describe results of the SSP applicant study, which are

presented for a four-year follow-up period in a separate report (Michalopoulos & Hoy, 2001). Results through to six years will be described in a separate, future final report.

Program group members in the applicant study received a letter and brochure informing them that if they stayed on income assistance for a year, they would become eligible for the SSP earnings supplement. The first question addressed by the SSP applicant study was whether people would stay on income assistance for a year to become eligible for the supplement. Results published elsewhere imply that the effect was small. This finding has important implications for an ongoing SSP supplement program, since it suggests that the generous SSP financial incentive would not incur substantial costs by encouraging welfare use in the short run.

Program group members who remained on income assistance for a year were then offered the same financial incentive offered in the recipient study. A second question was whether the SSP supplement would increase employment, earnings, and income for this group of welfare applicants. Reports on the applicant study indicate that the supplement offer had substantial effects on employment, earnings, IA use, and poverty. In short, results of the applicant study were similar to results of the recipient study. In one respect, however, results of the applicant study were remarkable. Employment and income gains in the applicant study were achieved without increasing government spending on after-tax cash transfer payments. This finding suggests that an ongoing program that offers the generous SSP supplement to a more employable group of welfare applicants would be even more cost-effective than for long-term welfare recipients.

LEARNING ABOUT THE SUPPLEMENT

About 98 per cent of program group members received an orientation to SSP, usually within one month of random assignment and usually in person. At these sessions, an SSP staff member described the earnings supplement's main features (the work requirement, the one-year clock, the three-year time limit, and the calculation of supplement payments). The central message conveyed was that the supplement could "make work pay," even if a minimum-wage job was all that could be found. Program group members were also informed of the range of community services available to them to assist them in their efforts to enter the world of work. The SSP staff acknowledged, however, that the earnings supplement might not be the right choice for everyone, particularly those who preferred to stay home with their children or who wished to attend school full time.

In a phone survey of the 700 program group members who received the orientation up until April 1993, over 90 per cent said they recalled being told by SSP staff about the one-year clock, the 30-hour work requirement, and the way the supplement was calculated. They also remembered being told they must leave income assistance to qualify for the supplement. Nine out of ten respondents said they thought they would be financially better off on the supplement, and eight out of ten said they had no questions about the supplement.

After the orientation session, contacts between program group members and program staff were usually of modest duration (e.g. a 10- or 15-minute phone call). One or two additional workshops (such as one on money management) were offered. The program offered information and referrals to existing services in areas such as job search, education, and training, but did not directly provide these services. Doing so would have made it impossible to

determine the extent to which differences between the program and control groups' experiences could be attributed to SSP's financial incentive, as opposed to the services.

In order to initiate supplement payments, program group members who found full-time work within the one-year qualifying period had to come into the SSP office to provide evidence of their qualifying employment and sign a letter directing the IA office to end their IA payments. After initiation, participants filled out a voucher (documenting the dates, hours, and wages of their employment) after receiving each paycheque and mailed it, along with a copy of the corresponding pay stubs, to the SSP payment office. The supplement amount was then calculated according to the earnings received during a four-week or monthly accounting period. Payment system records were cross-matched with IA records every month to ensure that supplement takers were complying with the rules of the program and not drawing simultaneous benefits.

SUPPLEMENT TAKEUP

- **About 36 per cent of program group members received at least one supplement.**

As has been explained, program group members had to find a full-time job within 12 months in order to qualify for supplement payments. Overall, about 36 per cent of the program group became supplement takers during that year.

Although 36 per cent of the program group received at least one supplement payment, the number receiving supplement payments in any given month was never that large, peaking at about 25 per cent of the program group near the beginning of the second year. This means that 11 per cent of the program group — the difference between the 36 per cent who ever received a supplement and the 25 per cent receiving it at the beginning of the second year — worked full time and received the supplement at some point but had stopped receiving the supplement by the beginning of the second year. In other words, about 11 per cent of the program group had already lost their full-time employment by the beginning of the second year.

During the three years they were eligible for the supplement, supplement takers received \$18,256 in supplement payments on average, and they received supplement payments for 22 months on average. However, some takers received more than others. One quarter of supplement takers received nearly \$27,000 during their three years of supplement receipt, while one quarter received less than \$10,000 in supplement payments. While one fourth of supplement takers who received the supplement most frequently received it for 33 or more months, the one fourth of supplement takers who received the supplement least frequently received it fewer than 13 months.

- **People who did not take up the supplement offer faced a number of barriers to full-time work.**

People who did not take up the supplement offer had less work experience and less education than those who did take up the supplement offer. For example, supplement takers were more than three times more likely than non-takers to be working at baseline and were substantially more likely to have a high school diploma or equivalent. Those who did not take

up the supplement offer were also more likely to say they could not work because they had an illness or disability, because they could not find good child care, or because of other family responsibilities.

Focus groups of takers and non-takers found that many who were offered the supplement appeared hindered even in making the decision to start a job search. Some rationalized their reluctance in terms of the practical hurdles they perceived: the hopelessness of finding a job and low expectations regarding child care. For others, the risk in searching for work was more emotional. Participants commonly exhibited low self-esteem and feared disappointment if they embarked on a venture that they personally expected to fail. Although a majority of non-takers initially expressed interest in the supplement offer, case note reviews suggested that fewer than one third of non-takers actually ever looked for work during the 12 months permitted for initiating the supplement.

IMPACTS ON EMPLOYMENT, EARNINGS, INCOME ASSISTANCE, AND SSP SUPPLEMENT PAYMENTS

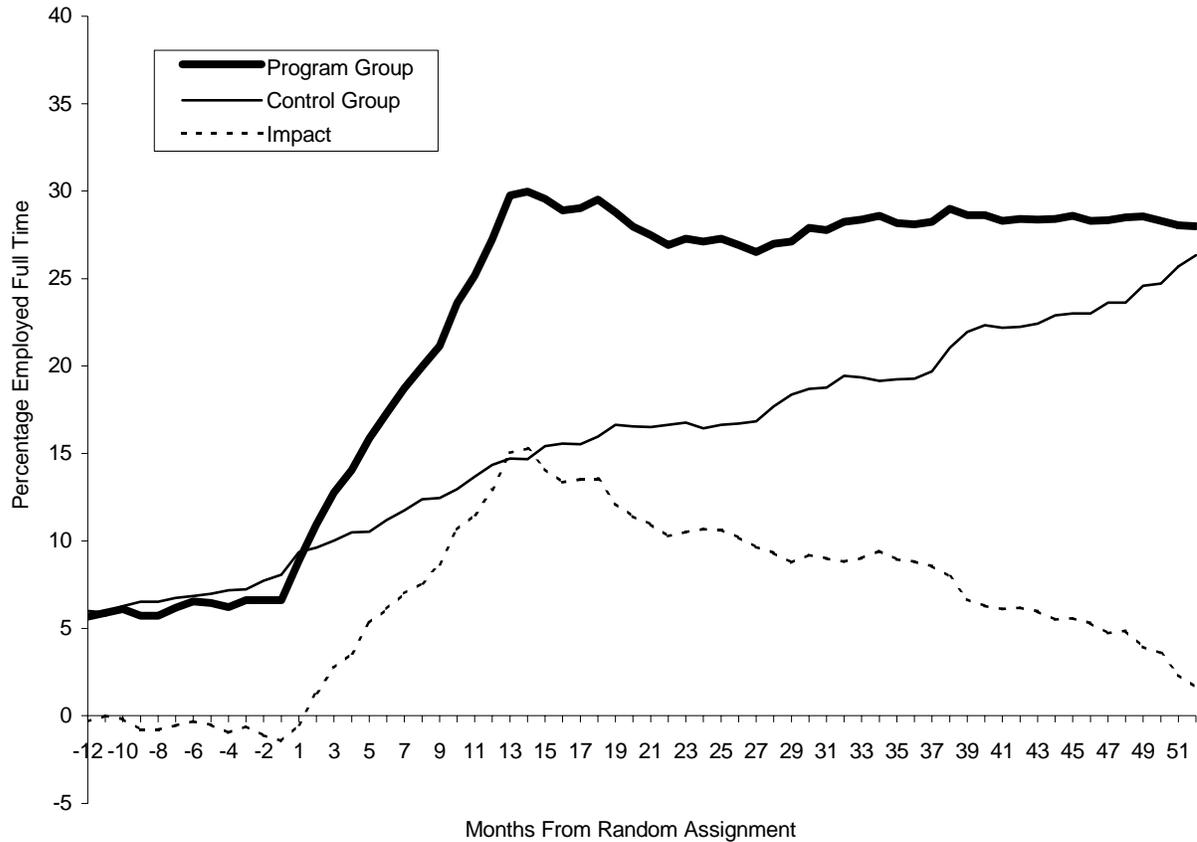
- **SSP increased employment and earnings and reduced IA use.**

Figure ES.1 represents the basic story of SSP's effects. During the year after entering the study, when program group members had to find full-time work to begin receiving the SSP supplement, the proportion of the program group working full time gradually climbed, from about 9 per cent at the time of random assignment to about 30 per cent at the beginning of the second year. During the same period, full-time employment for the control group increased more gradually, from about 9 per cent at the time of random assignment to about 15 per cent at the beginning of the second year. The difference between the two groups — 15 percentage points at the beginning of the second year — is a measure of SSP's impact on full-time employment. It is one of the largest effects on employment generated in a random assignment study of a policy designed to encourage welfare recipients to work.

SSP's effect on full-time employment declined steadily through the remainder of the follow-up period. Three factors contributed to this decline. First, people who did not qualify for a supplement payment in the first year lost the chance to receive it in the future. SSP therefore ceased to provide an incentive to members of the program group who did not qualify for the supplement during that first year. Second, the supplement may have encouraged some people to take full-time work before they were prepared to do so, and some supplement takers subsequently lost their full-time jobs. Finally, more control group members began working full time even without the supplement offer, as normally happens among welfare recipients.

SSP could have increased full-time employment either by encouraging people who would have worked part time to increase their hours slightly or by encouraging people who would not have worked in the absence of the supplement offer to move to full-time work. If people had primarily moved from part-time to full-time work, then the program's effect on employment overall would have been small. If, in contrast, people had moved primarily from not working to working full time, the program's effect on employment would have been similar to its effect on full-time work.

Figure ES.1: Percentage Employed Full Time, by Months From Random Assignment



Sources: Calculations from baseline survey data and 18-month, 36-month, and 54-month follow-up survey data.

Note: “Employed full time” is defined as working 30 hours or more in at least one week during the month.

The first two panels of Table ES.1 imply that SSP increased full-time work primarily by persuading people who would not have worked otherwise to work full time. In the second year after random assignment, for example, SSP increased full-time employment by more than 12 percentage points (from 16 per cent of the control group to more than 28 per cent of the program group), and it increased employment overall by more than 10 percentage points (from about 30 per cent of the control group to more than 40 per cent of the program group).

Because SSP primarily increased full-time employment, it also had a substantial effect on earnings. As with employment, the program’s effects peaked in the second year, when program group members earned \$370 per month on average compared with \$269 for the average control group member, for an impact of \$101 per person each month. When the program’s effect on employment declined after the second year, the effect on earnings also declined. In the fourth year after random assignment, when some parents were still eligible for the earnings supplement, the program increased earnings by \$52 per person each month.

Table ES.1: SSP Impacts on Employment, Earnings, Income Assistance, and Cash Transfers

Outcome	Program Group	Control Group	Difference (Impact)
Monthly full-time employment (%)^a			
Year 1	18.0	11.6	6.4 ***
Year 2	28.5	16.0	12.6 ***
Year 3	27.7	18.4	9.3 ***
Year 4	28.5	22.3	6.1 ***
Year 5, Quarter 1	28.3	25.0	3.3 ***
Year 5, Quarter 2	28.0	26.5	1.5
Monthly employment (%)			
Year 1	29.7	25.4	4.3 ***
Year 2	40.6	30.1	10.4 ***
Year 3	39.9	32.6	7.3 ***
Year 4	41.2	36.8	4.4 ***
Year 5, Quarter 1	42.1	39.8	2.3 *
Year 5, Quarter 2	41.8	41.9	0.0
Average monthly earnings (\$)			
Year 1	233	186	47 ***
Year 2	370	269	101 ***
Year 3	387	317	70 ***
Year 4	476	424	52 **
Year 5, Quarter 1	499	462	36
Year 5, Quarter 2	496	488	8
Monthly IA receipt (%)			
Year 1	85.3	91.5	-6.2 ***
Year 2	65.8	78.7	-12.9 ***
Year 3	60.9	70.1	-9.2 ***
Year 4	57.1	63.0	-5.9 ***
Year 5	52.8	56.2	-3.4 ***
Year 6, Quarter 1	49.2	52.0	-2.8 **
Year 6, Quarter 2	47.2	49.3	-2.1
Average monthly IA payments (\$)			
Year 1	759	794	-35 ***
Year 2	587	690	-103 ***
Year 3	516	591	-75 ***
Year 4	458	506	-48 ***
Year 5	411	437	-26 **
Year 6, Quarter 1	381	399	-18
Year 6, Quarter 2	369	379	-11
Average monthly payments from IA and SSP (\$)			
Year 1	853	794	59 ***
Year 2	778	690	88 ***
Year 3	680	591	89 ***
Year 4	547	506	41 ***
Year 5	414	437	-23 **
Year 6, Quarter 1	381	399	-18
Year 6, Quarter 2	369	379	-11
Sample size (total = 4,852)	2,460	2,392	

Sources: Calculations from income assistance (IA) administrative records, payment records from SSP's Program Management Information System, the baseline survey, and 18-month, 36-month, and 54-month follow-up surveys.

Notes: Average monthly earnings are calculated by dividing the total yearly earnings by the total number of months in which information is not missing.

Sample sizes vary for individual measures of employment and earnings because of missing values.

Two-tailed t-tests were applied to differences between the outcomes for the program and control groups.

Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; *** = 1 per cent.

Rounding may cause slight discrepancies in sums and differences.

All analyses were only for those who responded to the 54-month survey.

^a“Full-time employment” is defined as working 30 or more hours in at least one week during the month.

The rules of SSP prohibited people from simultaneously receiving the earnings supplement and income assistance. In other words, whenever SSP encouraged someone to work full time, it also encouraged her to stop receiving income assistance. The program's effects on IA receipt grew from about 6 percentage points in the first year to about 13 percentage points in the second year, and was still about 6 percentage points in the fourth year. Its effect on monthly IA payments grew from \$35 per person in Year 1 to \$103 per person in Year 2, and was still \$48 per person in Year 4.

Although SSP reduced IA payments, it did so by paying earnings supplements that often were higher than the IA payments they replaced. As a result, supplement payments and IA payments to the program group, when taken together, averaged more per member than average IA payments to control group members. In the second year after random assignment, for example, payments to program group members averaged \$778 per month, while IA payments to control group members averaged \$690. In Year 4, when the program's effects on employment and IA use had declined, program group members received \$41 more each month in IA and SSP supplement payments than control group members received in IA payments.

- **SSP substantially increased income and reduced poverty.**

Table ES.2 summarizes the effects of SSP on income, taxes and other transfers, and poverty during the six-month periods prior to the three follow-up surveys. Results from the 18-month and 36-month surveys tell a similar story. At both points in time, SSP significantly raised individual and family income, even after taking taxes into account. For example, during the six months prior to the 18-month survey, the program increased individual monthly after-tax income by \$165 per program group member (from a level of nearly \$1,200 for the control group). During the six months prior to the 36-month survey, the program increased individual after-tax income by \$102 per month (again from a control group level of about \$1,200).

By increasing income, SSP also substantially increased the number of families with income above Statistics Canada's low income cut-off. While about 14 per cent of the control group had income above the cut-off in the six months prior to the 36-month interview, for example, about 24 per cent of the program group had income above the cut-off, implying that the program reduced poverty by more than 9 percentage points. The reduction in poverty was even larger (about 12 percentage points) prior to the 18-month survey, when the program's effect on income was also larger.

One of the concerns about policies that supplement earnings is that people who would have worked without the supplement may take advantage of their extra income to cut back their work effort somewhat and rely somewhat more on cash transfers. Because SSP required full-time work and because people had to pay taxes on their extra earnings and their extra supplement payments, SSP was rather more efficient than earlier earnings supplement programs. At both the 18-month and the 36-month follow-up periods, every \$1 increase in government cash transfer payments increased monthly after-tax income by \$2 to \$3. For example, within six months prior to the 36-month survey, the government spent \$55 per month more in after-tax cash transfer payments, and individual after-tax income increased by \$102 per month.

Table ES.2: SSP Impacts on Monthly Income and Net Transfer Payments in the Six Months Prior to the 18-Month, 36-Month, and 54-Month Follow-Up Interviews

Outcome	6 Months Prior to 18-Month Interview		6 Months Prior to 36-Month Interview		6 Months Prior to 54-Month Interview	
	Control Group	Difference (Impact)	Control Group	Difference (Impact)	Control Group	Difference (Impact)
Sources of individual income (\$/month)						
Earnings	227	127 ***	355	59 **	485	19
SSP supplement payments	0	193 ***	0	162 ***	0	4 ***
Income assistance payments	723	-109 ***	573	-71 ***	446	-31 ***
Other transfer payments ^a	207	-9 **	238	2	300	0
Other unearned income ^b	54	2	93	-11	96	-17 **
Projected taxes and net transfer payments (\$/month)						
Projected income taxes ^c	4	27 ***	63	33 ***	63	-4
Net transfer payments ^d	925	58 ***	758	55 ***	691	-26
Total individual and family income						
Total individual income (\$/month)	1,222	210 ***	1,270	135 ***	1,340	-29
Total individual income net of taxes (\$/month)	1,198	165 ***	1,207	102 ***	1,278	-25
Total family income (\$/month) ^e	1,298	199 ***	1,450	148 ***	1,635	-10
Percentage with income above the low income cut-offs ^f	10.7	12.4 ***	14.3	9.4 ***	18.7	0.9
Sample size (total = 4,826)	2,373		2,373		2,373	

Sources: Calculations from 18-month, 36-month, and 54-month follow-up survey data, income assistance (IA) administrative records, and payment records from SSP's Program Management Information System.

Notes: Sample sizes vary for individual measures because of missing values. This may cause slight discrepancies in sums and differences. All analyses were only for those who responded to the 54-month survey.

Two-tailed t-tests were applied to differences in outcomes between the program and control groups. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; *** = 1 per cent.

Rounding may cause slight discrepancies in sums and differences.

^aIncludes the Child Tax Benefit, the Goods and Services Tax Credit, Employment Insurance (EI), provincial tax credits, and, for the 54-month sample only, the Family Bonus.

^bIncludes alimony, child support, income from roomers and boarders, and other reported income.

^cIncludes projected EI premiums and Canada Pension Plan premiums deducted through payroll, and projected income taxes. Payroll deductions and income taxes were projected from federal and provincial tax schedules and data on earned and unearned income and SSP supplement payments; the actual taxes paid by sample members may differ from these projections.

^dIncludes public expenditures on SSP, IA payments, and other transfers, net of income tax revenue.

^eFamily income is measured by the sum of the sample member's income and the labour earnings of any other members in that person's family.

^fCalculated by comparing annualized family income with the low income cut-offs defined by Statistics Canada for the sample member's location and family size.

- **At the end of the follow-up period, program group and control group members were equally likely to work and receive income assistance.**

Program group members had to initiate supplement receipt in the year after entering the study. Since they could receive the supplement for three years, their eligibility for the supplement ended sometime during the fourth year after random assignment. The effects of SSP were generally small at the end of the follow-up period, after parents could no longer receive the earnings supplement. For example, in the middle of the fifth year, about 27 per cent of the control group worked full time compared with 28 per cent of the program group, and average earnings for both groups were close to \$500 per month. Moreover, a comparison of IA use in the sixth year found virtually no difference between the program and control groups.

Likewise, the effects of SSP on poverty were small at the end of the follow-up period. In the six-month period prior to the 54-month interview, close to 20 per cent of both the

program and control groups had income above the low income cut-offs, and the average individual in both groups had about \$1,250 per month in after-tax income.

An analysis of the employment patterns of supplement takers and control group members implies that job loss among supplement takers was primarily responsible for the reductions in the program's effect in the second and third years after random assignment, but that *control group catch-up* was primarily responsible for reduced effects in the fourth and fifth years. If this is true, then the fact that the supplement was available for only three years was not responsible for the small impacts at the end of the follow-up period.

Put another way, many control group members went to work without the supplement offer, but SSP accelerated the return to work of many people in the program group. By accelerating the return to work, SSP had considerable cumulative effects over the entire follow-up period. For example, program group members worked full time for 14 months on average compared with fewer than 10 months for control group members, and the average program group member earned nearly \$3,400 more than the average control group member over this period. Counting earnings and payments from income assistance and SSP supplements, the income for the average program group member was about \$6,350 higher than for the average control group member over the entire follow-up period.

These results are even more impressive considering that they were probably concentrated among the 36 per cent of the program group that took up the supplement offer. Per supplement taker, SSP increased full-time work experience by nearly a year, increased earnings by more than \$9,000, and increased combined income from earnings, IA payments, and supplement payments by about \$17,600.

- **SSP benefited a wide range of IA recipients.**

SSP's impacts on full-time employment were spread quite evenly across a broad range of subgroups of sample members. By making work pay better than welfare, SSP increased full-time employment among high school graduates as well as dropouts, those with and those without health barriers, those with and without young children, and those with limited prior work experience as well as those with considerable experience. Even among people who thought they could not work because of physical disabilities, problems with child care, or family or personal responsibilities, SSP had more than doubled full-time employment by the beginning of the second year after random assignment.

SSP was successful in both British Columbia and New Brunswick, two very different places with different populations, economies, and IA systems. Moreover, many of the program's effects were similar in the two places, in part because the generosity of SSP was set at different levels in the two provinces to achieve similar effects. In both provinces, for example, about 35 per cent of program group members ever received the supplement, and the program's effect on cumulative income was about \$6,000. The fact that SSP was effective in such different locations adds credibility to the notion that the offer of an earnings supplement can have important effects in a variety of circumstances and locations.

Although supplement receipt and income gains were similar in the two provinces, impacts on IA receipt and full-time employment were somewhat higher in New Brunswick than in British Columbia. For example, in Quarter 5, SSP reduced IA receipt by 16.3 percentage points in New Brunswick, compared with 10.3 percentage points in British Columbia. The differences

were particularly striking at the end of the follow-up period. While the effects of SSP were close to zero in British Columbia, in New Brunswick the program continued to reduce IA receipt (by 6.5 percentage points) and increase full-time employment (by 5.4 percentage points).

THE EFFECTS OF SSP ON CHILDREN

SSP was intended primarily to encourage parents to go to work, but the extra work and income stemming from the program might have had a host of other effects on children of the parents who were affected by the supplement offer. SSP collected data to determine whether policies that increase employment and income among single parents benefit children or whether children suffer because increased employment (particularly full-time employment) reduces the time that children spend with their parents and increases their parents' stress.

Table ES.3 summarizes the effects of SSP on young children.

Table ES.3: SSP Impacts on Child Outcomes at the 36-Month and 54-Month Follow-Ups, for Infants/Toddlers and Preschoolers at Random Assignment

Outcome	36-Month Follow-Up			54-Month Follow-Up		
	Program Group	Control Group	Difference (Impact)	Program Group	Control Group	Difference (Impact)
Infants/Toddlers (1–2 years old at random assignment)						
Academic functioning						
PPVT-R score ^a	92.0	90.7	1.3	—	—	—
Above average, any subject (%)	—	—	—	77.3	73.7	3.6
Below average, any subject (%)	—	—	—	9.9	11.5	-1.7
Behaviour and emotional well-being						
Behaviour problems ^b	1.5	1.5	0.0	1.3	1.3	0.0
Positive social behaviour ^b	2.5	2.6	0.0	2.7	2.7	0.0
<i>Sample size</i>	369	396		554	605	
Preschoolers (3–5 years old at random assignment)						
Academic functioning						
PPVT-R score ^a	93.6	91.7	1.9	—	—	—
Math score ^c	0.4	0.3	0.1 **	—	—	—
Above average, any subject (%)	74.8	70.9	3.9	78.7	73.7	5.0 **
Below average, any subject (%)	15.7	21.7	-6.0 *	17.0	21.8	-4.8 **
Behaviour and emotional well-being						
Behaviour problems ^b	1.4	1.4	0.0	1.3	1.3	0.0
School behaviour problems ^d	1.2	1.2	0.0	—	—	—
Positive social behaviour ^b	2.6	2.6	0.0	2.7	2.7	0.0
<i>Sample size</i>	387	374		577	560	

Sources: Calculations from the 36-month and 54-month follow-up surveys.

Notes: Only children who were in the home at random assignment were analyzed.

Two-tailed t-tests were applied to differences between the outcomes for the program and control groups. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; *** = 1 per cent.

Standard errors were adjusted to account for shared variance between siblings.

Rounding may cause slight discrepancies in sums and differences.

Sample sizes may vary for individual items because of missing values.

^aThe Peabody Picture Vocabulary Test–Revised (PPVT-R) is a test of children's understanding of words. Scores reported are standardized scores.

^bBehaviour problems and positive social behaviour are rated on a scale from 1 (never) to 3 (often).

^cThe math score reflects the proportion of items answered correctly in a math skills test.

^dParents of children were asked how often in the past school year they were contacted by the school about their child's behaviour problems in school. Responses range from 1 (never contacted or contacted once) to 3 (contacted four or more times).

- **SSP neither harmed nor benefited the youngest children.**

On the basis of a standardized test of vocabulary skills given at the 36-month follow-up and parent reports at both the 36-month and the 54-month follow-ups, program group and control group children who were infants or toddlers (1 or 2 years of age) at the time of random assignment had similar levels of cognitive and academic achievement. SSP also did not significantly affect these children’s behaviour or health at either point. In short, SSP did not significantly affect very young children’s functioning and behaviour. Considering how young the children were at the start of the program, it is reassuring that the increases in full-time maternal employment did not result in negative effects for these children.

- **SSP improved cognitive and school achievement of young school-age children.**

For children who were pre-schoolers (3 or 4 years of age) at the time of random assignment, SSP improved both cognitive skills and academic achievement according to both a standardized math test (given at the 36-month follow-up) and parent reports. Moreover, the program improved their academic achievement both while parents were receiving the supplement and after they were no longer eligible for the supplement. These findings suggest that the benefits young school-age children experienced during the period of supplement eligibility set the children on a trajectory that was sustained after families reached the three-year time limit. There was little indication, however, that SSP affected children’s behaviour or health.

Table ES.4 summarizes the effects of SSP on adolescents.

Table ES.4: SSP Impacts on Child Outcomes at the 36-Month and 54-Month Follow-Ups, for Young Adolescents and Older Adolescents at Random Assignment

Outcome	36-Month Follow-Up			54-Month Follow-Up		
	Program Group	Control Group	Difference (Impact)	Program Group	Control Group	Difference (Impact)
Young adolescents (13–15 years old at random assignment)						
Academic functioning						
Parental report						
Above average, any subject (%)	68.5	70.2	-1.8	—	—	—
Below average, any subject (%)	33.3	35.1	-1.8	—	—	—
Adolescent report						
Above average, any subject (%)	80.9	86.9	-6.0	—	—	—
Below average, any subject (%)	85.5	74.8	10.7 **	—	—	—
Dropped out of school (%)	13.0	10.4	2.6	31.8	28.9	2.9
Completed 12th grade (%)	—	—	—	33.1	31.0	2.1
Attending college (%)	1.2	1.5	-0.3	9.4	8.6	0.7
Behaviour and emotional well-being						
Parental report						
School behaviour problems ^a	1.4	1.4	0.0	—	—	—
Adolescent report						
Ever had a baby (%)	—	—	—	16.2	14.1	2.1
Ever been arrested (%)	—	—	—	19.7	19.6	0.1
Frequency of delinquent activity ^b	1.4	1.3	0.1 **	—	—	—
Any smoking (%)	42.4	38.9	3.5	—	—	—
Drinks once a week or more (%)	18.1	8.3	9.7 **	—	—	—
Any drug use (%)	29.1	24.3	4.8	—	—	—
Sample size	230	202		461	406	

(continued)

Table ES.4: SSP Impacts on Child Outcomes at the 36-Month and 54-Month Follow-Ups, for Young Adolescents and Older Adolescents at Random Assignment (Cont'd)

Outcome	36-Month Follow-Up			54-Month Follow-Up		
	Program Group	Control Group	Difference (Impact)	Program Group	Control Group	Difference (Impact)
Older adolescents (16–17 years old at random assignment)						
Dropped out of school (%)	—	—	—	34.2	29.3	4.9
Completed 12th grade (%)	—	—	—	58.7	63.1	-4.4
Attending college (%)	—	—	—	13.9	11.4	2.5
Ever had a baby (%)	—	—	—	27.8	18.1	9.7 **
Ever been arrested (%)	—	—	—	17.1	18.0	-0.9
<i>Sample size</i>				257	247	

Sources: Calculations from the 36-month and 54-month follow-up surveys.

Notes: Only children who were in the home at random assignment were analyzed.

Two-tailed t-tests were applied to differences between the outcomes for the program and control groups. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; *** = 1 per cent.

Standard errors were adjusted to account for shared variance between siblings.

Rounding may cause slight discrepancies in sums and differences.

Sample sizes may vary for individual items because of missing values.

^aParents of children were asked how often in the past school year they were contacted by the school about their child's behaviour problems in school. Responses range from 1 (never contacted or contacted once) to 3 (contacted four or more times).

^bFrequency of delinquent activity is rated on a scale from 1 (never) to 4 (five or more times).

- **SSP had some negative effects for young adolescents while parents were receiving the supplement.**

At the 36-month follow-up point, young adolescents (13, 14, or 15 years of age at the time of random assignment) in the program group reported doing worse in school and being more likely to have committed minor acts of delinquency such as smoking and drinking. However, at the 54-month follow-up point, program group and control group parents provided similar reports regarding the behaviour, health, and academic achievement of these adolescents. After parents were no longer eligible for the supplement, there were no significant differences between the program group and control group adolescents, although information about the outcomes on which young adolescents performed significantly worse at the earlier follow-up period was not collected in the final follow-up interview. This finding suggests that young adolescents may have been harmed by a lack of supervision when parents were working full time but that the negative effects of SSP were temporary.

- **SSP had few significant effects for older adolescents.**

SSP did not significantly affect school progress or involvement in school and work for older adolescents, who were 16 or 17 years of age at the time of random assignment. Older adolescents in the program group were more likely to have had a baby by the 54-month follow-up, but this increase in fertility was not associated with other negative outcomes, such as dropping out of school or being unemployed. Moreover, the adolescents in this group were adults by the end of the follow-up period, and there may be less reason to be concerned about whether they had given birth.

WHAT HAPPENED TO FAMILIES AFTER THE CLIFF?

As has been discussed, about 36 per cent of the program group received at least one supplement payment. These families faced a “cliff” three years later when their eligibility to take home generous supplement payments ended.

- **Among regular recipients of SSP supplement payments, income dropped substantially after families were no longer eligible for the supplement. However, families did not alter their expenditures or experience increased hardship.**

Among supplement takers, 291 received the supplement regularly (in at least five of the last six months of their supplement eligibility) and therefore were most likely to experience the effects of the cliff (the “cliff sample”).

As is shown in Table ES.5, supplement payments represented a substantial portion of income for this group. A family in the cliff sample received about \$600 per month on average from the supplement, which they lost when they were no longer eligible for the supplement. Moreover, their average monthly income grew from about \$1,200 during the month of random assignment to about \$1,800 per month when they were eligible for the supplement and then diminished somewhat — to less than \$1,500 per month — after they were no longer receiving supplement payments.

Table ES.5: Average Monthly After-Tax Income in the Six Months Prior to Each Interview for the Cliff Sample of Intensive Supplement Recipients, by Source

Income Source (\$)	Interview Month			
	Baseline	18	36	54
Earnings	238	771	908	1,042
SSP supplement	0	576	593	20
Income assistance	725	177	38	75
Unemployment insurance	16	21	23	49
Child Tax Credit	129	133	149	153
Alimony/child support	31	49	56	55
Other income	64	54	53	67
Total	1,204	1,780	1,821	1,460

Sample size: 291

Sources: Baseline survey, 18-month, 36-month, and 54-month follow-up surveys and administrative records.

Note: A member of the “cliff sample” is a supplement taker who received supplement payments in five of the last six months of supplement eligibility.

Rounding may cause slight discrepancies in sums and differences.

To some extent, these families were able to replace the income lost when they could no longer receive the SSP earnings supplement. A few families returned to the IA rolls, and the average IA benefit doubled after the cliff (but was about only 10 per cent of what it had been at random assignment). A few families were able to make claims from the unemployment insurance system, and income from this source doubled after the cliff. Perhaps most important, the average earnings of cliff sample members increased slightly after the cliff, implying that the supplement was not the only reason they were working full time.

Families had less income after the cliff, but their total expenditures on basic necessities such as food, clothing, and rent decreased only slightly (not shown in Table ES.5). Likewise, families generally reported only slight increases in hardship after the cliff. For example, 16 per cent of families indicated they had difficulty affording groceries when they were receiving the supplement, compared with 18 per cent after the cliff. Perhaps the amount of hardship was kept relatively low and the amount of spending kept relatively high by borrowing money. For example, average debt on all items other than a mortgage increased from about \$2,100 to more than \$2,700 per cliff sample family.

Although earnings, income, IA use, and other outcomes for the cliff sample changed over time, it is important to remember that these changes do not represent how much the supplement changed these outcomes relative to what they would have been without the supplement offer. Income for other sample members — both supplement takers and non-takers — also changed over time, and earlier sections of this Executive Summary describe the overall effects of the supplement offer on income. When the entire study sample is considered, SSP did not have a significant effect on hardship or average debt at the end of the follow-up period.

- **Losing the SSP earnings supplement may have caused some people to leave work or return to the IA rolls, but most regular supplement recipients did not change their behaviour when they lost eligibility for the supplement.**

Full-time employment for the cliff sample did decline over time after sample members lost their eligibility for the supplement. Since the members of this group were consistently receiving the supplement, most of them were also working full time near the end of their eligibility period. Eight months after they had lost their eligibility for the supplement, about 70 per cent of the cliff sample were working full time, compared with more than 90 per cent six months prior to the cliff. In comparison, employment of other SSP takers (that is, those who received it sporadically) changed very little after the cliff.

IA receipt for the cliff sample likewise increased from virtually zero prior to the cliff (since everyone in the group was receiving SSP supplements in most months) to about 13 per cent eight months after the cliff. IA use for other supplement takers did not change in any obvious way when their eligibility for the supplement ended.

COSTS AND BENEFITS OF SSP

SSP had impressive effects on employment, welfare use, income, and children's outcomes. To achieve these results, the program had to spend more on cash transfers, and it had to implement a new program with new rules and infrastructure. At what cost were the gains of SSP achieved, and were those costs outweighed by the benefits of the program? That is the primary question addressed by the SSP *benefit-cost analysis*.

Costs to one person may be benefits to another. For example, SSP supplement payments were paid by the government but provided vital income to many poor families. In studying costs and benefits, the benefit-cost analysis explores three perspectives: SSP program group members, the government, and society as a whole. The program group's perspective identifies net gains or losses for members of the SSP program group. For example, program group members earned more and received SSP supplement payments, but they paid more in taxes and had to give up IA payments to receive the supplement. The government's perspective identifies gains and losses incurred by a combination of the federal and provincial governments that fund such programs. The government paid for cash transfer payments and for administering the program, but it gained through increased income and sales tax receipts. The perspective of society as a whole combines the perspectives of the program group and those outside the program (that is, the taxpayers who fund the federal and provincial government budgets). A net loss to society occurs when a loss from one perspective is not a gain from another. For example, the government paid to operate SSP, but these costs did not directly provide income to the program group. Likewise, a net gain to society occurs when a gain to one group is not a loss to another. Transfer payments — such as IA and SSP supplement payments — represent neither a loss nor a gain to society, since some people pay for the benefits while others receive them.

The benefit-cost analysis presents results primarily for outcomes that can be easily measured in dollar amounts. It does not attempt to value outcomes such as children's cognitive achievement or the time that parents spend with children. For outcomes such as earnings and cash transfer payments, results in the benefit-cost analysis differ from results in the impact analysis for two reasons. First, the SSP benefit-cost analysis projected earnings through five years to account for the small ongoing effects of the program. Second, results in the benefit-cost analysis were adjusted for inflation and are expressed in present value terms to account for the notion that income gains early in the program could have been invested and therefore were more valuable than income gains later in the period.

- **SSP provided more than \$5,200 in extra income and other benefits to the average family in the program group.**

As was described earlier, SSP increased the income that program group members received in a number of ways, which are summarized in the first column in Table ES.6. SSP increased cash transfer payments, primarily through SSP supplement payments (on average \$3,173 more for program group members than for control group members). The program increased earnings and resulted in jobs that provided extra fringe benefits (on average \$4,100 more for program group members than for control group members in earnings and the value of fringe benefits). Program group members had to pay payroll and income taxes on their additional earnings and had to pay income taxes on their supplement payments (program group members paid on average \$2,126 more in estimated taxes and in lost tax credits than did control group members). Summing up the various gains and losses, program group members experienced a financial gain of \$5,256 because of SSP.

Table ES.6: Five-Year Estimated Net Gains and Losses per SSP Program Group Member, by Accounting Perspective (in 2000 Dollars)

Component of Analysis	Accounting Perspective		
	Program Group	Government Budget	Society
Financial effects			
Transfer payments	3,173	-3,173	0
Transfer payment administration	0	-232	-232
Operating cost of SSP ^{a,b}	0	-1,267	-1,267
Program management information systems ^b	0	-37	-37
Supports for work ^c	108	-108	0
Earnings and fringe benefits	4,100	0	4,100
Taxes and premiums ^d	-1,732	1,732	0
Tax credits	-394	394	0
Net gain or loss (net present value)	5,256	-2,691	2,565

Sources: Calculations from Income Assistance (IA) administrative records; payment records from SSP's Program Management Information System (PMIS), Employment Insurance (EI) administrative records; SRDC expenditure reports for Systemhouse, Vinge and Family services; annual reports for the provinces of British Columbia (1995–1996) and New Brunswick (1994–1995); 18-month, 36-month, and 54-month follow-up surveys; and federal and provincial tax regulations as provided in the 2000 Canadian Master Tax Guide, the Canada Customs and Revenue Agency (CCRA) 1999 Tax Guide and Forms, and government publications.

Notes: All costs are discounted and adjusted for inflation except operating and Program Management Information costs which are not discounted.

Five-year estimates include observed values of IA and SSP payments, but some months of earnings were imputed for those individuals who had fewer than five years of earnings data available.

Rounding may cause slight discrepancies in sums and differences.

^aIA operating costs are part of payment administration. For IA this cost does not include any outreach or orientation.

^bOperating and PMIS costs were not projected to five years. These estimates reflect the cost of operating SSP for the observed period, which is approximately four and a half years, but varies with the date of the 54-month survey interview.

^cIncludes imputed child care subsidies for both provinces and Transportation/Transition to Work benefits in British Columbia.

^dAmounts shown include the employee portion of EI and Canada Pension Plan (CPP) Premiums. The employer contribution to these premiums is included as part of fringe benefits of employment. For simplicity, the employee portion of CPP premiums is counted as a cost to the program group. However, these costs would likely be more than offset by future pension payments.

- **SSP cost the federal and provincial governments about \$2,700 per program group member beyond what was spent on the control group.**

To provide the benefits that accrued to families from SSP, the government spent money on a number of activities, including operating and administering the program and paying for earnings supplements (shown in the second column of Table ES.6). The main cost of SSP to the government was in the form of cash transfer payments (\$3,173 more spent on program group members than on control group members on average), although the government recouped much of this in the form of higher taxes (\$2,126 more per program group member than control group member). The federal and provincial governments also paid for operational and administrative costs of SSP. SSP required staff to conduct the activities such as orientation and outreach that were described earlier. The cost of conducting these activities was \$1,536 per program group member (net of savings in the administration of the IA program when program group members left income assistance to receive SSP's earnings supplements). Summing up various payments and gains shows that the governments spent \$2,691 per program group member to achieve SSP's benefits.

- **From the perspective of society as a whole, SSP's benefits outweighed its costs.**

As was described above, the federal and provincial governments spent \$1,536 per program group member administering SSP, over and above what would have been spent administering the IA program if no program group member had left income assistance for SSP. The extra spending increased earnings and the value of fringe benefits to program group members by \$4,100 on average (again, compared with the earnings of the average control group member). Thus, SSP provided a net benefit to society of nearly \$2,600 per program group member (shown in the last column of Table ES.6).

SSP was one of the most efficient programs designed to encourage work by supplementing earnings. In comparison, the Negative Income Tax experiments run in the United States in the 1970s found that supplementing family income actually cost society by encouraging people to work less (Burtless, 1987). More recently, a program in Minnesota that allowed long-term welfare recipients to keep more of their welfare cheques when they went to work but required them to participate in services designed to help them find work neither benefited nor cost society when it increased parents' earnings (Miller et al., 2000).

It is important to recognize that these financial costs and benefits do not take into account nonfinancial benefits or costs, such as the benefit to society when children perform better in school, the costs to parents who give up their time with their children, or the benefits to parents if their emotional well-being improves because they work. Likewise, this accounting does not include many indirect financial costs and benefits, such as increased payments to child care providers from parents who go to work. It is not clear how these other nonfinancial costs and benefits would change the basic finding that society benefited from SSP.

ADDING SERVICES TO THE SSP INCENTIVE: SSP PLUS

Although SSP's financial work incentive encouraged a substantial amount of work by itself, only about one third of the people who were offered the supplement were able to find the full-time jobs required to take up the offer. In addition, many of the people who took advantage of the supplement offer soon lost their jobs.

Anticipating these problems, SSP also tested an enhanced version of the earnings supplement program called SSP Plus. In SSP Plus, a small group of IA recipients in New Brunswick was offered both the earnings supplement and a range of employment services that were designed to help them find work, maintain that work, and advance in a career (described in greater detail in the accompanying box). Services in SSP Plus could be used whenever a group member thought she could benefit from them and in whatever form she thought she would benefit from them.

Services Available to SSP Plus Program Group Members

Employment Plan. A blueprint for self-sufficiency was drawn up for each group member. It included information on employment barriers, goals, and anticipated use of SSP Plus services.

Resumé Service. SSP Plus program staff members were available to draft, type, format, proofread, and print resúmes.

Job Club. Program group members were encouraged to enrol in job clubs led by SSP Plus job coaches. Emphasis was on early contact with employers, consistent follow-up, and the importance of maintaining a positive attitude.

Job Coaching. Program group members formed one-on-one relationships with SSP Plus program staff members, who offered practical advice and emotional support.

Job Leads. SSP Plus program staff collected and distributed news of job openings.

Self-Esteem Workshop. Program group members participated in exercises designed to build self-esteem.

Other Workshops. Workshops targeted program group members confronting job loss or looking for higher-paying positions.

For this study, examining the effects of combining the earnings supplement with voluntary job-related services, research sample members in New Brunswick who were recruited for SSP between November 1994 and March 1995 were randomly assigned to three groups. Those in the *SSP Plus program group* were offered both the earnings supplement and SSP Plus services, those in the *regular SSP program group* were offered only the supplement, and those in the *control group* were offered neither the earnings supplement nor SSP Plus services. Of the 892 recipients who were randomly selected and agreed to be part of the study, 765 completed the 54-month interview and are examined in this report — 256 in the SSP Plus program group, 258 in the regular SSP program group, and 251 in the control group.

- **SSP Plus program group members made substantial use of the employment services they were offered, and they used more services than did regular SSP program group members.**

Prior to finding work, nearly all members of the SSP Plus program group used the employment plan, and this was the service they usually received first. In addition, more than two thirds used the resumé service at least once, three quarters received job coaching, and nearly two thirds received job leads (primarily by phone). The job club was the service least likely to be used.

Fewer people used services after they went to work. For example, only about one fifth of supplement takers completed an employment plan or used the resumé service after they had initiated supplement receipt. In contrast, because job coaches made a conscious effort to step up contact with program group members after they found employment and because job coaching focused on job retention and job advancement, three in five supplement takers received job coaching after initiating supplement receipt. The intensive use of job-coaching

and job-leads services by supplement takers after the supplement take-up could have some bearing on outcomes such as supplement receipt and employment.

Although regular SSP program group members were free to use outside services, members of the SSP Plus program group used more job-search services than members of the regular SSP program group. The 18-month follow-up survey indicated that 48 per cent of SSP Plus program group members participated in organized job-search activities, compared with 32 per cent of the regular SSP program group and 27 per cent of the control group. Field data also indicated that the job-search and other services SSP Plus offered were qualitatively different from those offered by income assistance or other providers. Services focusing on job retention and job advancement were generally unavailable in program group members' communities.

- **The addition of employment services in SSP Plus significantly increased the likelihood of supplement receipt and had substantial effects on employment, earnings, and IA use.**

About half the long-term welfare recipients in New Brunswick who were offered SSP Plus services found full-time work in the year after entering the study and therefore were able to initiate supplement receipt. In contrast, only about 37 per cent of regular SSP program group members took up the supplement offer. Thus, adding voluntary employment services to the SSP supplement offer increased supplement take-up by about 16 percentage points.

Table ES.7 shows some of the subsequent effects of SSP Plus. The primary question for SSP Plus is whether adding services to the supplement offer produced larger effects than the supplement offer by itself. This incremental effect can be determined by comparing outcomes for the SSP Plus program group with outcomes for the regular SSP program group that was randomly assigned when random assignment for SSP Plus took place (that is, between November 1994 and March 1995). This comparison is shown in the far right-hand column of Table ES.7.

During the first three years, the effects of adding services to the supplement offer were quite small. For example, the effect on full-time employment of adding services to the incentives was not statistically significant. Likewise, the additional effect of services on earnings, IA use, and IA payments were all statistically insignificant.

In the fourth year, however, the incremental effects of services began to grow. For example, adding services to the supplement offer increased full-time employment by about 7 percentage points (from about 33 per cent of the regular SSP program group to about 40 per cent of the SSP Plus program group). Likewise, the additional services began to have substantial effects on earnings (an impact of \$132 per month), IA use (a reduction of about 11 percentage points), and IA payments (a reduction of \$72 per month).

Table ES.7: SSP and SSP Plus Impacts on Employment, Earnings, Income Assistance, and Cash Transfers

Outcome	Average Outcome Levels			SSP Plus vs. Control	Regular SSP vs. Control	SSP Plus vs. Regular SSP
	SSP Plus Program Group (1)	Regular SSP Program Group (2)	Control Group (3)	Impacts of Financial Incentives and Services (4)	Impacts of Financial Incentives Alone (6)	Added Impacts of Services (8)
Monthly full-time employment (%)						
Year 1	22.4	21.1	12.1	10.3 ***	9.0 ***	1.3
Year 2	33.6	35.9	16.5	17.1 ***	19.5 ***	-2.4
Year 3	36.6	34.1	19.5	17.1 ***	14.6 ***	2.5
Year 4	40.1	32.8	25.7	14.4 ***	7.0 **	7.4 **
Year 5, Quarter 1	38.0	33.2	30.9	7.1 *	2.3	4.8
Year 5, Quarter 2	39.7	33.4	31.3	8.4 **	2.1	6.3
Average monthly earnings (\$)						
Year 1	245	207	158	87 ***	49 **	38 *
Year 2	376	377	247	128 ***	130 ***	-2
Year 3	444	394	312	132 ***	82 **	50
Year 4	574	442	406	167 ***	35	132 **
Year 5, Quarter 1	580	481	484	96	-3	99 *
Year 5, Quarter 2	593	482	515	78	-33	111 *
Monthly IA receipt (%)						
Year 1	81.9	82.5	90.9	-9.1 ***	-8.4 ***	-0.6
Year 2	57.1	59.3	75.5	-18.4 ***	-16.2 ***	-2.3
Year 3	50.4	55.7	69.2	-18.8 ***	-13.5 ***	-5.3
Year 4	44.3	55.3	61.5	-17.3 ***	-6.2 *	-11.0 ***
Year 5	42.9	51.7	54.5	-11.6 ***	-2.8	-8.8 **
Year 6, Quarter 1	39.3	48.1	49.2	-9.9 **	-1.1	-8.8 **
Year 6, Quarter 2	39.7	46.2	46.0	-6.4	0.2	-6.6
Average monthly IA payments (\$)						
Year 1	590	595	646	-56 ***	-51 ***	-5
Year 2	420	429	539	-119 ***	-110 ***	-9
Year 3	372	414	503	-131 ***	-89 ***	-42
Year 4	333	404	452	-119 ***	-48 *	-72 **
Year 5	311	369	383	-72 **	-14	-58 **
Year 6, Quarter 1	288	338	350	-62 **	-12	-50
Year 6, Quarter 2	291	331	326	-35	5	-40
Average monthly payments from IA and SSP (\$)						
Year 1	712	702	644	68 ***	58 ***	10
Year 2	658	637	541	117 ***	96 ***	21
Year 3	602	606	504	99 ***	102 ***	-4
Year 4	489	502	454	35	48 *	-14
Year 5	317	372	383	-66 **	-12	-54 *
Year 6, Quarter 1	288	338	350	-62 **	-12	-50
Year 6, Quarter 2	291	331	326	-35	5	-40
Sample size	256	258	251			

Sources: Calculations from income assistance (IA) administrative records, payment records from SSP's Program Management Information System, the baseline survey, and 18-month, 36-month, and 54-month follow-up surveys.

Notes: Average monthly earnings are calculated by dividing total yearly earnings by total number of months in which information is not missing. Sample sizes vary for individual measures of employment and earnings because of missing values.

Two-tailed t-tests were applied to differences between the outcomes for the program and control groups.

Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; *** = 1 per cent.

Rounding may cause slight discrepancies in sums and differences.

All analyses were only for those who responded to the 54-month survey.

^a“Full-time employment” is defined as working 30 or more hours in at least one week during the month.

- **The effects of additional services were still substantial near the end of the follow-up period.**

Although the total effect of SSP Plus declined somewhat after the second year, the effects of the added services were still substantial near the end of the follow-up. In the first quarter of Year 5 — after program group members had ceased being eligible to receive the earnings supplement — the added services continued to increase earnings by about \$99 per month (from \$481 for the regular SSP program group to \$580 for the SSP Plus group). In the first quarter of Year 6, the added services reduced IA receipt by nearly 9 percentage points (from 48.1 per cent of the regular SSP program group to 39.3 per cent of the SSP Plus group).

The ongoing effects of SSP Plus are encouraging, but it is important to remember that SSP Plus was a small study. Only about 250 SSP Plus program group members are studied in this report compared with nearly 2,500 program group members in the main SSP study, and the SSP Plus study was conducted only in New Brunswick. The small number of people involved in the SSP Plus study makes it difficult to know how large the effects of a larger program would be, and further research on a larger version of SSP Plus would help to clarify how effective job-related services are at sustaining the effects of a generous financial incentive.

POLICY IMPLICATIONS

Results from the SSP recipient study contain the following implications for welfare policy-makers.

- **Financial incentives alone can encourage long-term welfare recipients to work full time.**

It may sound obvious that incentives matter to welfare recipients, but when the SSP project began this opinion was associated more with conservative critics of welfare who decried the disincentives of the welfare system than with reformers who hoped to use positive incentives to encourage work. Skeptics of SSP thought that long-term welfare recipients had too many personal problems to make the leap to full-time work and that SSP's supplement offer would consequently have little effect on behaviour. They pointed to prior research that supposedly showed small effects from financial incentives allowing welfare recipients to keep more of their welfare cheque when they went to work. The skeptics were at least partly wrong. In SSP, more than one third of the long-term welfare recipients who were offered the earnings supplement went to work full time, and the program doubled full-time employment at its peak.

- **When structured properly, programs with financial incentives can be quadruple winners — encouraging work, increasing earnings, reducing poverty, and benefiting society.**

During the four-and-a-half-year period in which people were studied, SSP increased full-time employment by 44 per cent over control group levels, increased earnings by 20 per cent, increased income by 13 per cent, and substantially increased the number of families with income above Statistics Canada's low income cut-offs. By providing these benefits at

relatively low administrative costs, SSP also provided benefits to society estimated at nearly \$2,600 per program group member. This combination of such large effects on earnings, income, and poverty with net gains to society has rarely been seen in a random assignment study of a program to encourage welfare recipients to work.

The structure of the supplement offer contributed to this unique combination of effects. The supplement was offered only to people who had been on welfare for a year, it was given only to people who found full-time work within a year, it was available only for three years, and it was paid only to those who worked full time. All these features increased the efficiency of the program by offering the supplement to people who would be relatively unlikely to work on their own and by ensuring that people who received the supplement also gained a substantial amount of their income from earnings. A change in any of these rules would have made SSP more expensive and less efficient, or would have benefited fewer people.

- **Raising the income of poor families also provides benefits to their elementary-school-age children, and those benefits can be sustained.**

In SSP, children who were in elementary school at the end of three years performed better than their control group counterparts in school and on tests of cognitive skills, and some of these effects were sustained after parents were no longer eligible for the supplement. This result confirms other findings that income is important for children's development and that increased income can have long-lasting effects for children. However, very young children and adolescents did not benefit from SSP, suggesting that other policies such as after-school programs for adolescents may be important when parents are asked to work full time.

- **Combining other policies with financial incentives might increase their effects.**

About one third of the program group worked full time and received at least one supplement payment. Two thirds did not. The fact that many families did not benefit from the supplement offer does not reflect badly on SSP, since no program can help everyone. Nevertheless, results from the SSP study suggest some ways in which a financial work incentive could be augmented to provide broader benefits, to encourage more people to work, and to sustain the effects of the program over a longer period of time.

SSP Plus provided evidence of one type of augmented financial incentive and showed that adding voluntary employment services to a generous financial incentive could help many more people find full-time jobs. SSP Plus further indicated that the added services generated longer-lasting effects than the financial incentive alone. Perhaps future programs like SSP could include additional efforts to help people advance in their careers or find sustainable jobs while they are still eligible for the supplement.

Interviews of parents who did not take up the supplement offer provide additional suggestions. Most of the parents who did not take up the supplement offer said they were interested in the supplement but could not find full-time work or could not overcome various barriers to work within a year of entering the program. A challenge for policy-makers interested in implementing an SSP-like financial work incentive is to find other policies that would help welfare recipients benefit from the earnings supplement by overcoming barriers such as child care and transportation problems, physical and emotional disabilities, substance abuse, and domestic violence.