

# **When Work Pays Better Than Welfare:**

**A Summary of the Self-Sufficiency  
Project's Implementation,  
Focus Group, and Initial  
18-Month Impact Reports**

**SRDC**  
**SOCIAL**  
**RESEARCH AND**  
**DEMONSTRATION**  
**CORPORATION**

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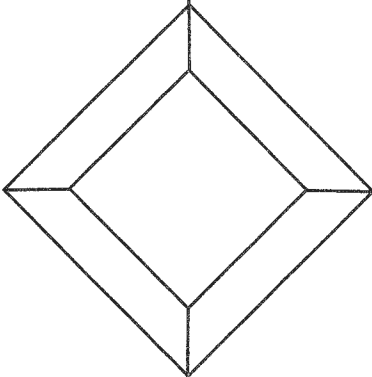
The Social Research and Demonstration Corporation (SRDC) is a nonprofit organization created in 1992 with the support of Human Resources Development Canada (HRDC) to develop, field test, and rigorously evaluate social programs designed to improve the well-being of all Canadians, with a special concern for the effects on disadvantaged Canadians. Its mission is to provide policymakers and practitioners with reliable evidence about what does and does not work from the perspectives of government budgets, program participants, and society as a whole. It accomplishes this mission by evaluating existing social programs and by testing new social program ideas at scale, and in multiple locations, before they become policy and are implemented on a broader basis.

This document summarizes the following three SRDC reports on the Self-Sufficiency Project:

*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 (both of the Manpower Demonstration Research Corporation). 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 (both of the Social Research and Demonstration Corporation). December 1995.

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



The Self-Sufficiency Project is funded under a contributions agreement with Human Resources Development Canada (HRDC). The findings and conclusions stated in this summary do not necessarily represent the official positions or policies of HRDC.

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# Preface

These pages summarize the accomplishments to date of the Self-Sufficiency Project (SSP), a research and demonstration project conceived and funded by Human Resources Development Canada (HRDC) and managed by the Social Research and Demonstration Corporation (SRDC). SSP seeks a solution to two urgent and related social problems: the increasing poverty and welfare dependence of single-parent families. Unfortunately, efforts to alleviate one of these conditions have frequently exacerbated the other: When welfare benefits are raised in order to decrease poverty, dependence often grows. But when benefits are lowered in order to minimize dependence, families who remain dependent on public assistance fall deeper into poverty.

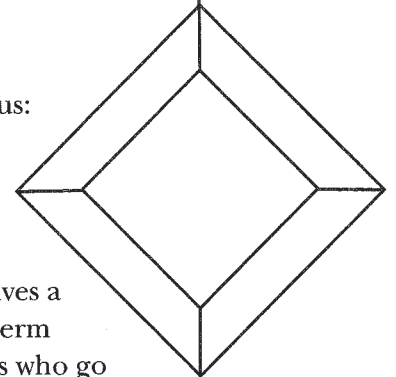
This dilemma is reflected in the experience of welfare-dependent families. Because many single-parent welfare recipients have low levels of education and limited work experience, starting wages are often less than welfare payments. Thus, it is not uncommon for single parents on welfare to confront a stark choice: continued dependence on welfare or a lower income in the work world, at least until wages rise with increasing experience and skills.

SSP provides a third option. It offers to supplement the earnings of single-parent Income Assistance (welfare) recipients who have received benefits for at least one year, as long as they leave the Income Assistance rolls and take a full-time job (at least 30 hours per week). The supplement is time-limited: Recipients who find a job within one year of being offered the supplement can receive supplement payments for up to

three years. It is also generous: SSP's earnings supplement effectively doubles the income of workers who take jobs paying as much as \$8.00 an hour. Thus, SSP solves a common problem for long-term Income Assistance recipients who go to work: low starting wages.

SSP implements a simple but potentially powerful policy idea, one that could greatly increase the income and self-sufficiency of long-term welfare recipients. But will it? Will welfare recipients want to participate in the program, and will they be able to find full-time jobs? Will participants achieve high enough earnings over the three-year supplement receipt period to remain self-sufficient after the supplement ends? Will enough people participate to make a significant difference in earnings, employment, and welfare receipt, over and above what would have happened in the absence of the program? Will the benefits of the program be sufficient to justify its expansion?

To answer these and other questions, SSP employs a research design of exceptional rigour. Half of those who agreed to be part of the study were chosen at random to be eligible for the SSP earnings supplement, while the other half, similar in every way to the SSP-eligible group, became a "control" group, whose subsequent behaviour reveals what would have happened to the SSP-eligible group in the absence of SSP. This method of evaluating the program ensures that the SSP evaluation will provide reliable information about whether the program significantly



affects employment and earnings, welfare dependence, and other measured activities, since it enables researchers to compare the long-term behaviour of those who were eligible for the earnings supplement with a similar group who were not. The random assignment design also ensured that the opportunity to benefit from this limited pilot project was fairly distributed among all those potentially eligible for it.

Over the last few months, SRDC has published the first three full-length products of this ongoing research effort. This document reviews the major findings thus far, which suggest that an earnings supplement program can be successfully implemented, that many long-term welfare recipients want and are able to find the full-time employment that qualifies them to receive earnings supplements, and that such a program can significantly increase employment and earnings, and decrease welfare dependence, in the first 18 months of program participation. The early story of SSP is thus quite promising. Future research will determine

whether SSP fulfills this promise by continuing to make a difference in the lives of participants, especially in the period after earnings supplementation ends.

SSP is Canada's first major social experiment in many years. It is also SRDC's first research endeavour. Created with the support of HRDC, SRDC designs and manages research and demonstration partnerships, bringing together public and private organizations, researchers, and service providers in order to test new policy ideas and to discover the difference social programs make to participants and to society. It is hoped that SSP inaugurates a period of renewed interest in and commitment to this kind of social research, and that the result is a deeper understanding of what works and, ultimately, more effective public policy in the fight to improve the well-being of children and families.

Gordon Berlin  
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*Deputy Director*

## Acknowledgements

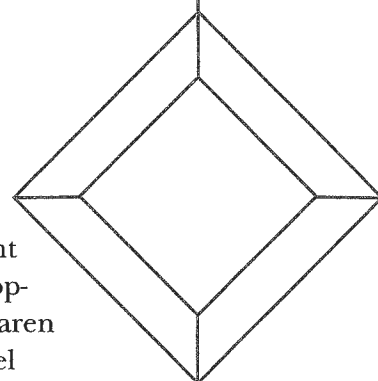
The Self-Sufficiency Project is SRDC's first comprehensive undertaking, involving numerous government and private organizations over many years. SRDC would like to thank all those who are collaborating with the project. At HRDC, Barry Carin, Louise Bourgault, Harvey Lazar, and Yigal Messeri provided early leadership and guidance; Jean-Pierre Voyer and Alan Zeeman continue to provide ongoing direction and invaluable advice on matters large and small. The project is fortunate to have a distinguished and responsive Technical Advisory Panel, which reviewed and helped develop key elements of the program and research designs, and which will continue to be closely involved with the project. The panel's members are: Charles Beach, Elaine Campbell, Sidney Gilbert, Alice Nakamura, Samuel Rea, Lyn Tait, and Toru Uno. David Green, Peter Kuhn, and David Ross also provided helpful suggestions at early reviews of the research design and survey plan.

The cooperation and knowledge of staff throughout the Income Assistance systems in British Columbia and New Brunswick have been invaluable in helping initiate and maintain the project, and in aiding researchers in understanding the day-to-day workings of the two systems. At British Columbia's Ministry of Social Services, Bob Cronin, Ron Willems, Glen Tadsen, Fern Jeffries, Theresa Kerin, and Cathy Hubberstey were instrumental in helping formulate the original conception of the project and gave generously of their time in getting the project up and running. Subsequently, Lyn Tait, Greg Muirhead, and Bill Warburton have provided

valuable assistance and thoughtful reviews of all aspects of the project. At New Brunswick's Department of Human Resources Development, Ernest MacKinnon, Karen Mann, Norma Dubé, Michael O'Rourke, and their staff — including Gary Bradford, Joan Ramsay, Gary Baird, Elaine Campbell, and Bob Robichaud — have continued to support the project and assist in meeting its administrative and research needs. Don Boudreau provided important early assistance and support.

Collecting and processing the survey and administrative records data needed for the current reports was a major effort involving the work of many people at Statistics Canada. Scott Murray, Richard Veevers, Ann Brown, and their staff have devoted long hours to managing the design and implementation of sample selection, survey administration, and data file procedures. Paying SSP's benefits accurately and promptly and maintaining the management information system that records program actions have been the tasks of SHL Systemhouse Inc. in Nova Scotia. David Carrigan and Steve Caseley were instrumental in the design of the system; John Hayne, Darrell Hiltz, Ross MacDougall, Melony McGuire, Trudy Megeney, Jennifer Miller, Sherri-Lynn Pitcher, and Aurelio Sablone have been responsible for maintaining the system and for issuing cheques.

We would also like to thank the staff at the four demonstration sites who made SSP an operational reality: David Buchanan, Shelly Price, Linda Nelson, Celina Atkinson, Lisa Breau Boudreau,



Francine DiPaolo, Diane Gautreau, Kelly Hunter, Beverly James, Heather Maughan, Kelly Nelson, Jo Nodwell, Shelly Northrup, Ginny Ramsey, Nancy Shephard, and Jane Short at Family Services Saint John, Inc., in New Brunswick; and Bernard Vinge, Betty Tully, Susan Day, Elizabeth Dunn, Mona Anatole, Tina Chaidemenos, Joy Davies, Joanne Holmes, Rosemary Mohr, Julie Mueller, Pat Palm, Patrizia Paoluzzi, Barbara Rode, Anita Tom, and Peggy Waterton at Bernard C. Vinge and Associates Ltd. in British Columbia.

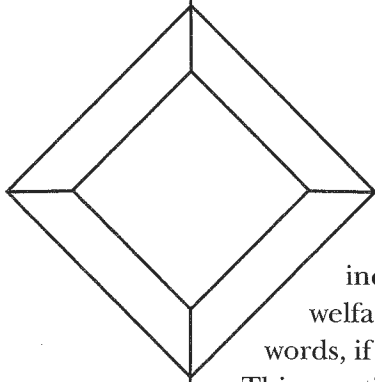
Last but not least we want to thank the “SSP Team,” comprising staff from SRDC, academics from three prominent universities, and staff at the Manpower Demonstration Research Corporation (MDRC). At SRDC, Susanna Lui-Gurr, Wendy Bancroft, Sheila Currie Vernon, and Dan Doyle have been responsible for overseeing the implementation of the program, conducting focus groups, and carrying out field research. Wendy Bancroft and Sheila Currie Vernon also wrote the focus group report. David Card of Princeton University, Philip Robins of the University of Miami, and

Charles Beach of Queen’s University have analyzed the project’s major economic variables. Professors Card and Robins, with Tod Mijanovich and Winston Lin, were the authors of the initial 18-month impact report. Staff at MDRC have shared responsibility for all aspects of the project from design and data collection to analysis and report-writing. Irene Robling, David Butler, Darlene Hasselbring, and Linda Traeger helped turn the program ideas into an operational reality. Tod Mijanovich, David Long, Gail Quets, and Winston Lin helped develop the project’s intellectual agenda and, along with Greg Hoerz, Linda Duffy, and Johanna Ward, created the analysis files. Tod Mijanovich and David Long, with Susanna Lui-Gurr, Gail Quets, and Sheila Currie Vernon, were the authors of the implementation report. Barbara Goldman provided advice and counsel. Finally, while this summary document draws heavily on the three previous reports, Tod Mijanovich was primarily responsible for its preparation.

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What would happen if all welfare recipients could increase their income by leaving welfare for employment — in other words, if work paid more than welfare?

This question inspired the development of the Self-Sufficiency Project (SSP), an ongoing research and demonstration project designed to determine whether financial incentives would encourage Income Assistance recipients to leave welfare for full-time employment.

SSP responds to the longstanding concern about the financial and social costs — to both taxpayers and Income Assistance (welfare) recipients — of welfare dependence.<sup>1</sup> Recipients who have come to depend on welfare frequently have difficulty entering or reentering the labour force. Even if they find employment, starting wages are often too low to match what they receive from welfare. Nor does their income increase significantly if they combine work and welfare, because Income Assistance benefits are usually reduced by nearly the amount of their earnings. Therefore, to increase their income as a result of working, Income Assistance recipients must earn more than they can receive from Income Assistance. Eventual success in achieving greater earnings, however, usually requires some period of work at a low wage. Many Income Assistance recipients are thus in a double bind: Their families may suffer a loss of income if they become employed, but they are unlikely ever to increase their earning capacity unless they go to work. The choice is bleak: continued dependence on welfare or a lower income from employment.

This trade-off between dependency and poverty also confounds policy-

makers. Efforts to reduce dependency by encouraging or requiring welfare recipients to work often result in their getting low-paying jobs and having less family income, while policies that reduce poverty by increasing benefits often increase dependency and reduce work effort. The challenge for policymakers and society as a whole is to design policies that simultaneously increase work effort and total family income, thus decreasing both poverty and dependency.

SSP meets this challenge head-on. Conceived and funded by Human Resources Development Canada (HRDC), and managed by the Social Research and Demonstration Corporation (SRDC), SSP is testing an earnings supplement program for selected long-term, single-parent Income Assistance recipients in the provinces of British Columbia and New Brunswick.<sup>2</sup> SSP's earnings supplement program offers monthly cash payments to single parents who have been on Income Assistance for at least the past year and who leave Income Assistance for full-time work (30 or more hours per week) within a year of being selected for the program. SSP's cash payments, or "earnings supplements," are paid on top of earnings from employment, for up to three years, as long as individuals

<sup>1</sup>"Income Assistance" refers to the cash assistance programs operated by provinces under the terms of the Canada Assistance Plan (CAP). The costs of these programs are shared by provinces and the federal government.

<sup>2</sup>The earnings supplement program is the heart of SSP, but the project also includes the design and development of the program and an infrastructure for operating it, as well as a comprehensive evaluation of the entire effort. The final report is scheduled for the year 2000.

continue to work full time and remain off Income Assistance. While collecting an earnings supplement, an eligible single parent receives an immediate payoff from work; indeed, in most cases, her<sup>3</sup> total income is about twice what she would receive from working or from welfare alone. If her earnings increase, she may experience the longer-term benefit of becoming self-sufficient after the three-year supplement receipt period ends.

An earnings supplement program thus represents an innovative and potentially fruitful approach to the dual problems of welfare dependency and poverty. But it is an untested approach. Too little is currently known about how financial incentives affect behaviour to fashion informed public policy in this area. And because financial supplements are expensive, it is important to determine whether temporary earnings supplementation actually succeeds in reducing welfare dependency and increasing financial well-being before implementing such a program on a broad scale.

This is why SSP is using a rigorous research design, known as “random assignment,” to measure the results and costs of the earnings supplement program. Between November 1992 and March 1995, more than 9,000 single-parent Income Assistance recipients in the two provinces were offered the opportunity to join the SSP research project. Those who accepted were assigned at random to one of two groups: Members of the “program group” became eligible to participate in the earnings supplement program;

members of the “control group” did not. Information about both groups’ employment, welfare receipt, and other activities and experiences is being collected, with the behaviour of the control group serving as a benchmark against which the program’s effects on those eligible to participate are being measured.

At the end of 1995, SSP completed its third full year of operation. Three recently published reports present interim findings from the project: *Creating an Alternative to Welfare*, which reports on early experiences and lessons from developing and implementing the program, as well as the program’s early costs and effects on welfare receipt; *The Struggle for Self-Sufficiency*, a study based on focus groups held with about 100 program group members; and *Do Financial Incentives Encourage Welfare Recipients to Work?*, which examines the program’s effects on employment, earnings, and Income Assistance receipt in the first 18 months after people began participating in it. These reports represent the work of the entire SSP research team: SRDC, the Manpower Demonstration Research Corporation (MDRC), Statistics Canada, and university-based researchers. This document is a summary of the findings described in the three reports.<sup>4</sup>

<sup>3</sup> Feminine pronouns are used in this summary because 95 percent of long-term, single-parent Income Assistance recipients — the target group for SSP—are women.

<sup>4</sup> The findings are based on observation of the earliest members of the SSP research sample (approximately 2,000 people) for the 18 months immediately following their random assignment to either the program group or the control group. These findings will be revised and expanded as data become available for the full sample of approximately 9,000 individuals and as the period of observation grows longer.

## The Findings in Brief

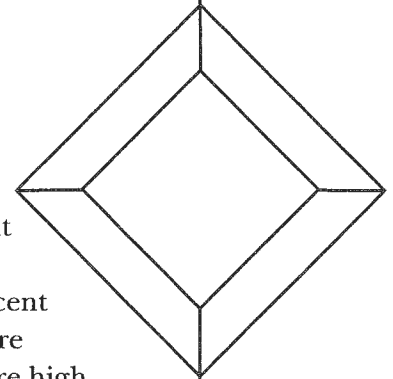
SSP's earnings supplement program seeks to prompt those most dependent on welfare — single parents who have already spent considerable time on Income Assistance — to increase their long-term economic self-sufficiency. This is an ambitious goal. To date, SSP has met a number of short-term objectives that are prerequisites for achieving it. The key interim findings are the following:

- **An earnings supplement program can work.** The vast majority of program group members were contacted, attended an orientation session, and understood the fundamentals of the program. Thirty-four percent found full-time jobs, left Income Assistance, and took up the supplement within their one-year window of opportunity. The potentially complex process of calculating and paying supplements was successfully automated, and payments were prompt and accurate.
- **A financial incentive that encourages work is a flexible policy tool that can be used with many kinds of individuals without additional support services.**<sup>5</sup> The program has achieved its cumulative 34 percent supplement take-up rate in the face of many potential employment barriers among program group members: 28 percent reported an activity-limiting health condition, half had two or more children, more than

<sup>5</sup> The effect of adding services is being tested in a special study in New Brunswick called SSP Plus.

half had a child under the age of six, 56 percent had not graduated from high school, and 10 percent lived in a rural area where unemployment rates were high. Focus group discussions highlighted both the desire to be off welfare and the self-reinforcing dynamics of dependence, including loss of confidence and resolve about achieving self-sufficiency and attenuation of job and interviewing skills. Nevertheless, both supplement takers and non-takers spoke very positively about the opportunity the program presented, with many non-takers regretting the time-limited character of the offer and that the offer came at a “bad time” for them.

- **SSP's earnings supplement program has increased employment, earnings, and work effort.** When program and control group members were compared 13 to 15 months (quarter 5) after they were randomly assigned to their respective groups, it was found that program group members were far more likely to be working: 41 percent of the program group versus 28 percent of the control group were employed. This difference in employment (also referred to as the “impact” on employment) began to emerge immediately after random assignment and peaked in the fifth quarter. The program's employment impact was due almost entirely to the doubling of full-time employment: 25 percent of program group members worked



full time in the fifth quarter versus 12 percent of control group members. Other employment-related impacts in the fifth quarter were also substantial. On average, program group members worked two-thirds more hours: 50 hours per month versus 30 hours per month for the control group. Average earnings increased to \$373 per month for program group members, 58 percent more than the control group average of \$236 per month.<sup>6</sup>

- **SSP's earnings supplement program has reduced dependence on Income Assistance.** In the fifth quarter after program eligibility began, significantly fewer program group members than control group members received Income Assistance: 71 percent versus 85 percent. This resulted in a 15 percent decrease in the average amount of Income Assistance payments: \$656 per month to program group members versus \$772 per month to control group members.
- **The program has substantially increased the total income and financial well-being of program group members, mostly because it has increased earnings.** In the fifth quarter after random assignment, program group members' income averaged \$1,239 per month (\$373 in earnings plus \$866 in SSP earnings supplements or Income Assistance), versus \$1,008, on average, for control group members (\$236 in earnings

plus \$772 in Income Assistance). This represents a \$231, or 23 percent, increase. The income difference was smaller, but still quite substantial, in the sixth quarter (currently the last for which there are data). These results are even more impressive given the fact that they were driven entirely by the approximately 25 percent of the program group who worked full time and thus received both full-time earnings and SSP earnings supplements. During the fifth quarter, monthly earnings for these individuals averaged more than \$1,000, and their supplement payments averaged more than \$900, for an average monthly income of about \$2,000, or about \$1,000 above the average for control group members.

- **The program costs less than would be expected from the size of the average earnings supplement.** This is because SSP decreases Income Assistance costs. In the first 15 months of operation, the supplement program had a *gross* cost of about \$2,700 per program group member. During that same period, the program saved about \$700 per program group member in Income Assistance payments. Thus, the program's *net* cost (i.e., gross cost minus savings) during the first 15 months of program operation was about \$2,000 per program group member, or about \$130 per month per program group member.

These are critical initial accomplishments. To be viable in the long term, however, the program must continue to

<sup>6</sup> The Canadian dollar was equivalent to approximately .75 U.S. dollars during most of the period covered by this analysis.

make a difference in program group members' employment, earnings, and welfare receipt after the three-year supplement period ends. The ongoing research will determine whether the program achieves a lasting impact on the employment and self-sufficiency of long-term Income Assistance recipients.

## How Does SSP's Earnings Supplement Program Work?

SSP's earnings supplement program began operating in November 1992 in the lower third of New Brunswick and in January 1993 in the lower mainland of British Columbia. It is operated by two private organizations under contract to SRDC: Bernard C. Vinge and Associates Ltd. in British Columbia, with offices in Vancouver and New Westminster, and Family Services Saint John, Inc., in New Brunswick, with offices in Saint John and Moncton. The management information and supplement payment systems were developed and are maintained in Halifax, Nova Scotia, by SHL Systemhouse Inc. All three organizations were selected through a rigorous "request for proposals" process conducted by SRDC.

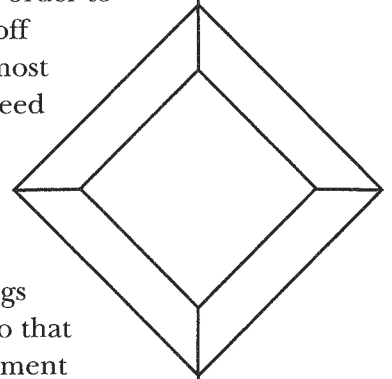
The following are the major features of the earnings supplement program:

- **Full-time work requirement.** Supplement payments are made only to eligible single parents who work full time (an average of at least 30 hours per week over a four-week or monthly accounting period, whether

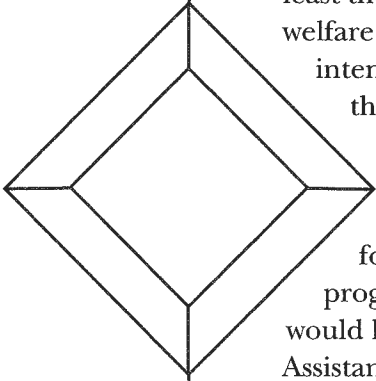
in one or more jobs) and who leave Income Assistance. The full-time work requirement ensures that: (1) supplement recipients are preparing for self-sufficiency, since most Income Assistance recipients would have to work full time in order to earn enough to remain off Income Assistance; (2) most supplement recipients need to increase their work effort to qualify, since few Income Assistance recipients already work full time; and (3) earnings are substantial enough so that earnings plus the supplement payment represent a large increase in income for most people who take up the supplement.

- **Substantial financial incentive.** Earnings supplement payments are substantial enough to virtually double most recipients' earnings. Supplement recipients are usually \$3,000 to \$5,000 per year better off than they would be if they worked the same amount and remained on Income Assistance.

The supplement is calculated as half the difference between a participant's gross earnings from employment and an "earnings benchmark" amount set by SSP for each province. During the first year of operations, the earnings benchmarks were \$37,000 in British Columbia and \$30,000 in New Brunswick (they were increased modestly in 1994 and again in 1995). Thus, for example, a participant in British Columbia who works



35 hours per week at \$7 per hour earns \$12,740 per year and collects an earnings supplement of \$12,130 per year — \$37,000 minus \$12,740, divided by 2 — for a total gross income of \$24,870. She may also receive additional income from sources such as child support or rental income, which do not affect the amount of her earnings supplement.



■ **Restricted eligibility.** Eligibility for the earnings supplement program is restricted to single parents who have been on Income Assistance for at least the past year. This one-year welfare receipt requirement was intended to reduce the likelihood that the supplement would prompt some individuals to apply for Income Assistance in order to become eligible for the earnings supplement program, since such individuals would have to remain on Income Assistance for one year before they could enter the program.

■ **Time-limited benefits.** Eligible individuals have one year to find a qualifying job and leave Income Assistance. This encourages some individuals to leave welfare more quickly than they otherwise would have in order to take advantage of the supplement opportunity.<sup>7</sup> Those who take up the supplement within their eligibility year receive monthly supplement payments for up to three

consecutive years as long as they continue to work full time. The three-year time limit on supplement receipt eliminates the possibility of long-term dependence on the program.

Each person who was randomly assigned to the program group — and thereby became eligible to qualify for the earnings supplement — was informed of her eligibility by letter and telephone, and was invited to learn more about the program by attending an orientation session, usually held at an SSP office. Staff actively attempted to contact and orient program group members. After orientation, and for the balance of each program group member's supplement eligibility year, SSP staff contacted program group members periodically to ensure that they fully understood the supplement opportunity available to them, to answer questions about the program, and to provide information about or referrals to other programs or sources of assistance. Although SSP staff encouraged program group members to seriously consider the opportunity presented by the program, they also made clear that the decision to participate was entirely voluntary, that Income Assistance eligibility was unaffected by SSP unless an individual chose to take up the earnings supplement, and that taking up the earnings supplement may not be a desirable option for everyone.

After beginning supplement receipt, supplement takers may decide at any time to return to Income Assistance as long as they give up supplement receipt and meet the asset and income requirements of the Income Assistance pro-

<sup>7</sup> Conversely, some people may prolong their Income Assistance stays in order to meet the one-year welfare receipt requirement, a possibility that is being examined in a complementary study.

gram. They can also renew their supplement receipt by going back to work full time at any point during the three-year period in which they are eligible to receive the supplement. In order to collect the supplement, eligible program group members mail their pay stubs each month to the supplement payment office in Halifax, which issues their monthly supplement payments based on their earnings and work hours. In each 12-month supplement receipt period, supplement recipients may collect a reduced supplement payment for up to two months in which their employment averaged less than the required 30 hours per week. Toward the end of their three-year supplement receipt period, supplement recipients are informed of the impending end of their supplement benefits and are invited to attend a workshop that presents budgeting and personal finance strategies for maintaining full-time employment in the absence of the earnings supplement.

## **The Scope of the SSP Research**

The dynamic nature of welfare receipt poses a serious obstacle to the evaluation of any welfare-to-work program. Recipients are continually leaving the rolls because of employment, marriage, and other life changes, so it is difficult to determine the extent to which a particular outcome (such as becoming employed or leaving welfare) is the result of a new program or reflects what people would have done in the absence of the program.

The SSP evaluation overcame this problem by using a random assignment

evaluation design to determine the program's effects. Potential sample members were contacted by Statistics Canada interviewers, who collected basic demographic data about them, explained the purpose and structure of the study, and asked whether the respondent was willing to be part of the project. Those who agreed to join the project — approximately 90 percent of everyone contacted — were then assigned at random to the program-eligible (program) group or the program-ineligible (control) group. Data on these two groups' employment, earnings, family income, Income Assistance receipt, and other outcomes are being collected and compared using surveys and Income Assistance, tax, and Unemployment Insurance records. Because people were assigned to the program group or control group at random, members of the two groups have similar backgrounds and characteristics, and differ systematically in only one respect: Program group members were eligible for the earnings supplement program, and control group members were not. Thus, any differences that emerge over time between the outcomes for the program group and control group can reliably be attributed to the earnings supplement program. These differences are referred to as the program's effects or "impacts."

The core research questions include the following:

- What difference does the supplement make in employment, earnings, welfare receipt, and total income?
- What happens when the three-year supplement period ends? Does the

supplement reduce the incidence of return to Income Assistance?

- What are the program's monetary and nonmonetary benefits and costs? Is the program cost-effective from the perspectives of Income Assistance recipients, government, and society as a whole?

Major reports will be published after each follow-up survey has been administered to the entire sample (at 18 months, 36 months, and 54 months after random assignment). A separate report will be issued on Income Assistance applicants, and other reports will be prepared periodically on new findings or topics of special interest.

## Who Are SSP's Sample Members?

- **SSP sample members have diverse backgrounds and life situations, and many reported characteristics generally considered barriers to employment.**

SSP was targeted to single parents who had been receiving Income Assistance continuously for at least one year. There were no other selection requirements because one goal of the evaluation is to identify groups of single parents for whom SSP is particularly effective. Consequently, the SSP sample is diverse and includes many individuals who may have been considered unemployable by the Income Assistance program (because they have small children, are handicapped or elderly, or

for other reasons) or who face potential barriers to full-time employment. Twenty-eight percent reported having an activity-limiting health condition. Half the sample had two or more children, and 54 percent had at least one preschool-age child (that is, under the age of six). Only 44 percent had graduated from high school, and 10 percent lived in a rural area where unemployment rates were particularly high.

- **The vast majority of sample members had some prior work experience, but fewer than one-fifth were employed at the time of random assignment, and very few were working full time.**

While 96 percent of the sample reported some prior work experience, only 18 percent reported that they were working at the time of random assignment, and barely 4 percent were working full time at that point. Thus, most of the people who chose to take up the supplement offer had to greatly increase their level of work effort in order to meet the supplement program's minimum work requirement of 30 hours per week.

- **Sample members felt stigmatized by their dependence on Income Assistance.**

In focus group discussions, sample members almost universally expressed shame and guilt about receiving Income Assistance. They felt that society condemned them for being on Income Assistance. Words like "degrading" and "embarrassing" were commonly used in discussing their feelings about Income Assistance, and many admitted that they often hid their recipient status from



others, even from their children and other family members. Many expressed low self-esteem and little confidence in their ability to influence the decisions that affected their lives.

- **The vast majority of focus group participants reported that they did not want to be dependent on Income Assistance and would have preferred to be employed and economically self-sufficient. Nevertheless, for many reasons, they had remained on Income Assistance for long periods of time.**

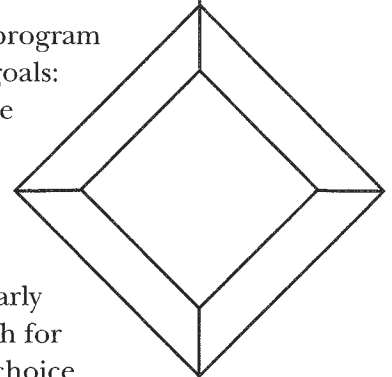
The focus group discussions revealed a strong, broadly shared work ethic, and deep frustration at being poor and financially dependent. Participants discussed many positive aspects of working: the confidence, increase in self-esteem, and feelings of productiveness and independence that come with employment, as well as the positive impact work had on their families and social lives. But they also cited many reasons they had remained on Income Assistance, among them illness, guilt about leaving their children, the desire to devote themselves to full-time parenting, and profound pessimism about their ability to find a “good” job, or in some cases any job at all. Many also shared a sense of resignation and “learned helplessness” about their position in life. They spoke of being on welfare as a self-reinforcing condition: The longer they remained financially dependent, the less confidence and resolve they had about achieving self-sufficiency, and the rustier their interviewing skills, and job skills, became.

## Implementing SSP's Earnings Supplement Program

SSP's earnings supplement program had two major operational goals: (1) to reach program-eligible individuals (i.e., people who had been randomly assigned to the program group) and explain the supplement opportunity clearly and comprehensively enough for them to make an informed choice about the opportunity available to them, and (2) to implement a pay-stub-based supplement payment system that would calculate and disburse monthly supplement payments promptly and accurately.

In order to achieve these goals, the project staff had to create and staff a fully operational program from scratch, contact a hard-to-reach population often distrustful of government programs, and explain an abstract concept (a formula-based earnings supplement) in a manner that overcame skepticism about the offer's legitimacy and clarified the options available to program group members.

Working together, SRDC and the program operators met these challenges by developing detailed procedures and system specifications, recruiting and training staff, and revising and improving approaches to outreach, orientation, and automated systems, based on early operating experiences. The result was a successful program start-up that quickly solved operational challenges.



■ **Program staff made a concerted and successful effort to fully inform program group members about the supplement opportunity available to them.**

If SSP were a large-scale, ongoing program, eligible welfare recipients would hear about the program in a number of ways, including word-of-mouth, information supplied by advocacy and other service organizations, and perhaps through mailings from welfare agencies or attendance at mandatory orientation sessions. The SSP earnings supplement program sought to achieve universal awareness about the SSP offer, even exceeding the typical knowledge level about government programs, so that the SSP model would receive a fair test. Immediately after their random assignment to the program group, single parents were sent a letter informing them of their eligibility and inviting them to an orientation meeting at the SSP office nearest them or at one of several satellite locations. The letter was followed up as needed, with telephone calls, registered letters, messages through friends and relatives, and even home visits to make sure an orientation was provided.

About 60 percent of SSP orientations were held in a group setting. Other orientations, which were concentrated in Vancouver and in rural areas, were provided individually in the SSP office, the program group member's home, or over the telephone. In-person orientations — whether group or individual — explained the supplement offer in great detail, clarified the financial implications of taking up the offer,

and explored how the supplement might affect an individual's nonfinancial situation. By describing the program fully, introducing participants to program staff, and creating a supportive environment, SSP staff sought to encourage participants to give the SSP offer serious consideration. Phone orientation sessions were less successful in holding participants' interest and in communicating the important details of the supplement program.

■ **The supplement payment system was successfully automated and has paid the vast majority of earnings supplements promptly and accurately.**

The supplement payment system, operated in Halifax by SHL Systemhouse Inc., calculates and issues earnings supplement payments to all program group members who qualify for them. The complex new system was designed to satisfy three requirements: (1) make supplement payments based on earnings and work hours in a variety of work and pay situations, (2) maintain the confidentiality of participants' involvement in SSP, and (3) provide accountability and financial controls. Making accurate payments was considered especially challenging because, unlike the Income Assistance system, which pays prospectively, SSP makes payments based on work hours and earnings in the month just passed. Thus, an important objective has been to minimize the time between receipt of pay cheques and receipt of supplement cheques in order to maintain continuity of household income and reinforce the link between earnings and the supplement. On average, supple-

ment cheques (or direct deposits into bank accounts) have been sent to supplement recipients less than three weeks after the last work day in the pay periods covered by the cheques.

Employers' pay stubs have provided the documentation of earnings, hours, and pay dates needed for supplement calculation purposes. Using the stubs has allowed the payment system to operate without employer involvement, while still providing a basis for verification. But not all employers issue formal pay stubs, and supplement takers with multiple employers may receive pay cheques for different pay periods. These complications have necessitated staff follow-up and manual calculations of some supplement payments. With experience, however, it has become possible to automate the great majority of payment calculations.

## Participation in the Earnings Supplement Program

Figure 1 summarizes the SSP-related activities of 100 typical program group members, based on the 1,066 individuals who were randomly assigned to the SSP program group between November 1992 and October 1993. (Each of the 100 "typical" program group members in Figure 1 represents approximately 10 actual program group members.) The figure shows how many of these 100 attended an orientation (96), initiated the supplement (34), and were working full time in the sixth month after initiat-

ing the supplement (26). The figure also indicates the extent to which orientation non-attenders and supplement non-recipients were contacted by program staff.

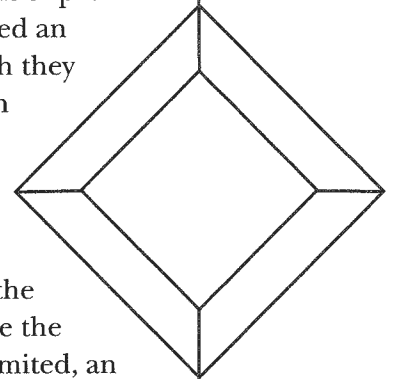
- **Virtually all program group members had at least one contact with program staff, and 96 percent received an orientation to SSP.**

As shown in Figure 1, 98 of every 100 program group members were successfully contacted by SSP program staff, and only two of those who were contacted failed to receive an orientation. The patterns were similar in British Columbia and New Brunswick.

Program group members were scheduled to attend an orientation to SSP as soon as possible after random assignment. About 60 percent of program group members received an orientation in the first month they were eligible to participate in the program; by the end of month 4 of eligibility, this number had climbed to about 80 percent. Prompt orientations were crucial to the success of the program: Since the supplement offer was time-limited, an early program orientation left the maximum amount of time in which to find full-time employment and qualify for the supplement before the supplement-eligibility year ended.

- **Orientation attenders quickly grasped both the basic idea and the fundamentals of the earnings supplement program.**

SSP staff were convinced that the vast majority of orientation attenders left



their sessions with an extremely good understanding of the program. This impression was reinforced by most follow-up telephone calls, during which staff would answer questions and review the major features of the supplement program, and by researchers' observations of information sessions and their subsequent discussions with sample members.

- **Although basic information about relevant community services was distributed with orientation material, and SSP staff were available to answer additional questions, most program group members did not seek further information and referral assistance from SSP.**

Most program group members who decided to take up the supplement offer did not seek additional information and referral assistance from SSP beyond the community services information distributed at the initial orientation session.

When individuals did request additional information, they most often asked for information regarding résumé-preparation, job search, and child care services. The majority of these requests resulted in referrals to Income Assistance staff.

- **Thirty-four percent of the program group went to work full time, took up the supplement offer, and left Income Assistance. Three-quarters of them were working full time six months later.**

Thirty-four percent of eligible single parents took up the earnings supplement offer. Virtually identical proportions of the program groups in the two provinces — 34 percent in British Columbia and 32 percent in New Brunswick — took up the supplement, despite significant provincial differences in labour markets, unemployment rates (consistently higher in New Brunswick), sample characteristics, and Income Assistance policies and grant levels. The pattern of supplement initiation over time was also similar between the provinces. Program group members responded to the SSP offer by taking up the earnings supplement at a steady rate throughout the year they were eligible to do so.

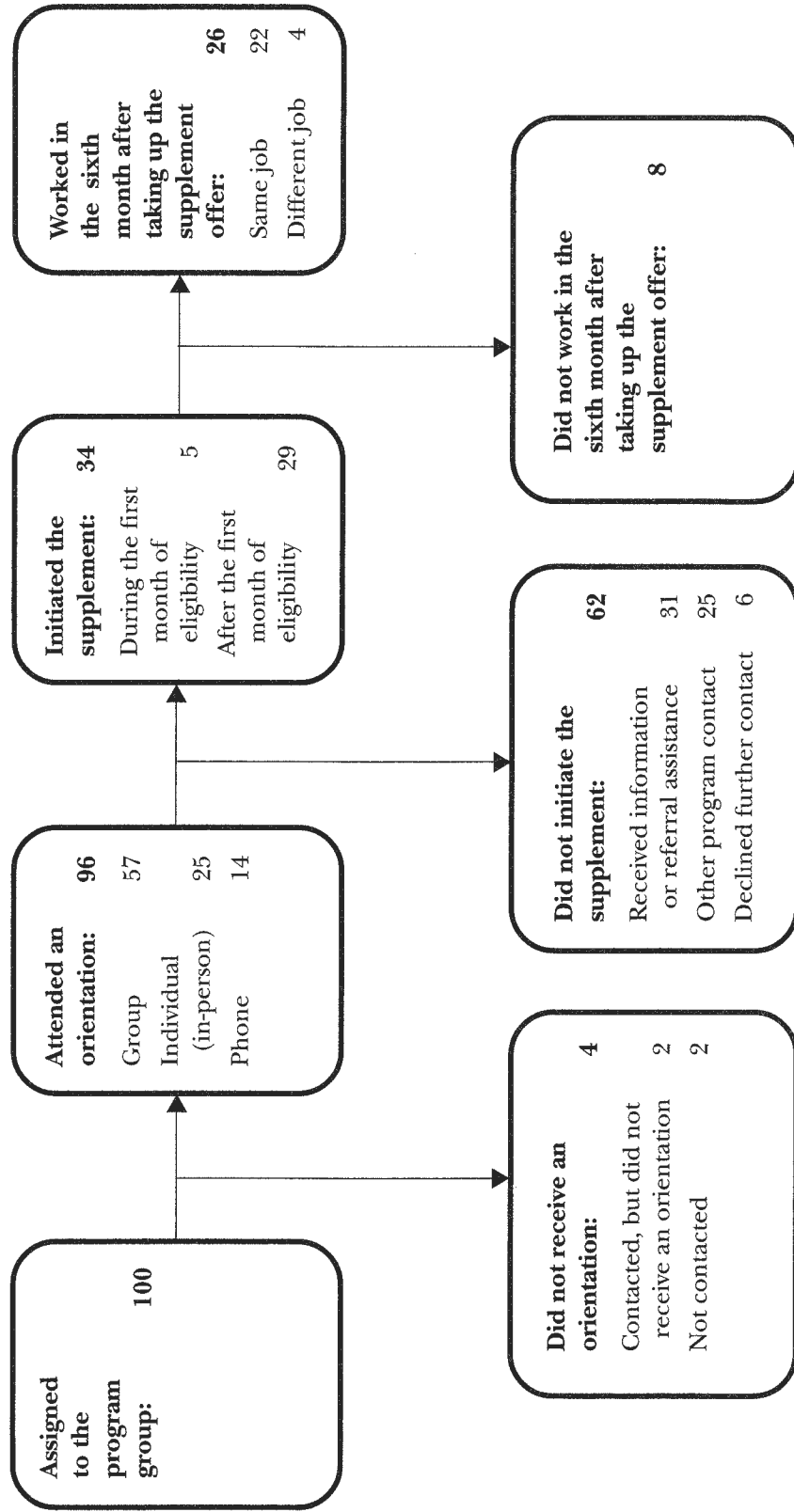
The majority of program group members who took up the supplement have continued to receive it for an extended period. Six months after supplement take-up, 76 percent of supplement takers (26 of the 34 supplement initiators in Figure 1) were still receiving the supplement.

- **Most supplement takers have responded positively to the program, despite the stress of combining work and family responsibilities.**

Focus groups and case file reviews have suggested that full-time employment combined with supplement receipt has profoundly affected supplement takers, mostly for the better. Many supplement takers have talked about buying cars and clothes, moving into better neighbourhoods, paying off debts, and experiencing other material improvements made possible by their

**Figure 1**

**Orientation Attendance, Supplement Take-up, and Subsequent Employment Among 100 Typical SSP Program Group Members**



NOTE: The 100 typical individuals represent the experiences of the 1,066 program group members who entered the SSP sample from November 1992 through October 1993.

increase in income. A common source of satisfaction has been supplement takers' ability to better provide for their children. Most supplement takers who have been interviewed have commented on the increase in their self-esteem and autonomy brought about by the changes in their income and employment. However, many have also mentioned the increased stress of going to work and the difficulties of juggling their work and parenting responsibilities.

■ **Attitudes toward work, welfare, and future prospects appear to be at least as important as demographic characteristics in identifying who takes up the supplement.**

Participation in the supplement program has been broad-based, although there have been a few differences between certain subgroups of program group members. Importantly, number of children and age of the youngest child did not significantly correlate with supplement take-up. The fact that single parents with three or more children took up the supplement about as often as others is particularly surprising because families with more children receive higher welfare payments and thus gain less income from the supplement. A sizable proportion (24 percent) of individuals with activity-limiting conditions also took up the supplement.

Attitudes related to confidence and a sense of control appear to have played a role. Interviewed just prior to random assignment, 89 percent of those who eventually took up the supplement thought that they would be working within a year, compared to 66 percent of

those who ended up not taking the supplement; and 22 percent of the eventual supplement takers agreed with the statement, "I have little control over the things that happen to me," compared to 32 percent of the eventual non-takers. Supplement takers were also more likely to have disagreed with the statements, "Right now I'd prefer not to work so I can take care of my family full time" and "My family is having so many problems that I cannot work at a part-time or full-time job right now." Supplement takers also appear to have felt more stigmatized by their receipt of welfare: 66 percent of takers agreed that they were "ashamed to admit to people that I am on welfare," compared to 57 percent of the non-takers.

■ **Program group members who did not take advantage of the supplement offer cited a broad range of reasons for their decision.**

The majority of program group members did not take advantage of the supplement opportunity. In focus groups and conversations with SSP staff, several areas were identified as presenting greater barriers for non-takers than for supplement recipients. The non-takers worried more about leaving their children and being able to find a job, or to find the "right" job. They also seemed more likely to describe multiple barriers to employment, seemed less stigmatized by and conflicted about their dependence on Income Assistance, and appeared to place less importance on financial gain. Indeed, when non-takers in focus groups were asked to consider how their lives would have changed if they had taken up the supplement,

having more money was given little consideration and ran second to thoughts of personal fulfillment or concerns about the impact that their working might have on their children.

Many non-takers also cited as significant barriers to being employed their desire to be full-time parents to their children, illness, and lack of education. They were more likely than takers to see the end of the three-year supplement receipt period as a time of certain regression, when their children would once again be forced to do without. In focus groups, other qualities that seemed most to distinguish non-takers from takers were the former's lower self-esteem, determination, and confidence regarding the future.

## The Difference SSP Makes

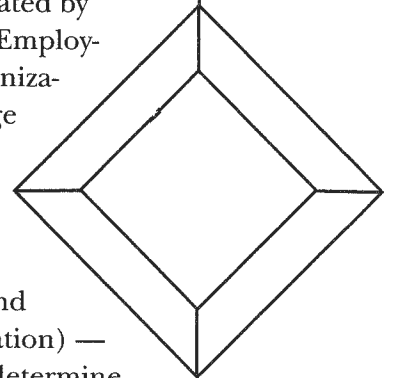
The central goals of SSP's earnings supplement program are to increase the number of long-term Income Assistance recipients who take full-time jobs and leave welfare, and to raise family income. The challenge of the SSP evaluation is to determine the extent to which SSP achieves these goals. Many welfare recipients leave welfare even in the absence of welfare-to-work programs, as a result of their own job search activities, marriage, or other changes in circumstance. Thus, a welfare-to-work program cannot be credited with all the welfare departures that occur among its participants; many would have left welfare on their own if the program had not been available to them. To determine the

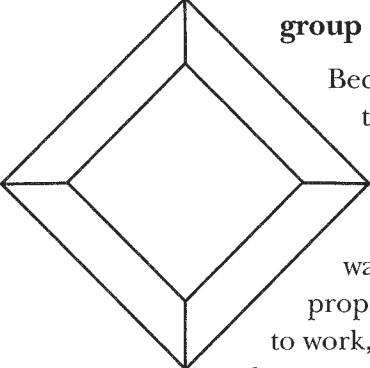
*difference* SSP's financial incentive makes in the rate of welfare departures — that is, in the proportion of individuals who leave welfare above and beyond the proportion who *usually* leave welfare — it is necessary to know what people would have done if SSP had not existed. The behaviour of the control group provides that benchmark.

Indeed, as described below, a number of control group members left Income Assistance and went to work. Some left with little or no help from services available to them; others left as a result of participating in employment and training programs operated by Income Assistance, Canada Employment Centres, or other organizations. Without the knowledge provided by observing the control group — a group that resembles the program group in all ways, both measured (such as education) and unmeasured (such as motivation) — it would be very difficult to determine the difference SSP makes.

This section provides an early look at SSP's impacts. It is based mainly on a survey of approximately 2,000 early entrants into the program and control groups 18 months after they were randomly assigned, but also draws on pre-random assignment interviews and a variety of administrative records data. These individuals entered the sample in late 1992 and 1993.

The findings demonstrate that SSP has worked so far: The program has caused a significant decrease in welfare dependency and an increase in employment and employment-related outcomes such as earnings and hours of work.





■ **SSP's earnings supplement program has significantly increased the employment rate of program group members.**

Because SSP provides a substantial financial benefit to those who leave welfare for full-time work of at least 30 hours per week, the program was expected to increase the proportion of individuals who go to work, especially the proportion who go to work full time. Table 1 shows this to be the case. Although both program and control group members had similar average monthly employment rates in the first quarter after random assignment (an average of about 23 percent were ever employed in each month of the first quarter), by quarter 5, program group members were far more likely to be employed: An average of 41 percent of the program group worked each month, compared to only 28 percent of the control group. This represents a statistically significant<sup>8</sup> increase of 13 percentage points over the employment rate of control group members, a 47 percent difference in employment rates.

The full-time employment figures presented in Table 1 show that almost the entire difference between program group and control group employment rates in quarter 5 is accounted for by the difference in full-time employment. The average monthly full-time employment rate among control group members

increased from 9 percent in quarter 1 to 12 percent in quarter 5. But program group members experienced a far more dramatic rate of growth in full-time employment: Between quarters 1 and 5, their average monthly full-time employment rate more than doubled, from 11 percent to 25 percent.

The program's impact on employment rates decreased somewhat between quarters 5 and 6. Table 1 shows that this was due to a slight decrease in the program group's employment, and a slight increase in the control group's employment, in the sixth quarter after random assignment. (See also Figure 2A.)

■ **SSP's earnings supplement program has significantly increased the work hours and earnings of program group members.**

The increase in employment described above resulted in a significant increase in average work hours and earnings among program group members relative to their control group counterparts. Table 1 shows that in the first quarter after random assignment, both program and control group members had an average of about 24 hours of paid employment per month, indicating that at least some long-term Income Assistance recipients work while receiving Income Assistance. By the fifth quarter, program group members had more than doubled their average number of work hours, to 50 hours of work per month. In contrast, control group members had increased their work hours by a third over their first-quarter average, to 30 hours of work per month. Thus, in the fifth quarter after random assign-

<sup>8</sup> In this document, an impact is considered statistically significant if there is no more than a 5 percent probability that the difference between program and control group outcomes was due to chance.



ment, SSP induced program group members to work an average of 20 hours per month, or 66 percent, more than control group members. It should be remembered that some who worked full time in the fifth quarter after random assignment had already been working part time when they were recruited into the project, whereas others had not been working at all.

The greater work effort among program group members is reflected in their higher average monthly earnings during the fifth quarter: \$373 versus \$236 for the control group (as shown in Table 1). Thus, program group members earned \$137 per month, or 58 percent, more than control group members in the fifth quarter after random assignment.

Figure 2B, which graphically depicts the program and control group's average monthly earnings in 17 months beginning with the month of random assignment, also illustrates a typical trend in SSP's impacts. The figure shows that the average earnings among program group members peaked around month 15, and then decreased somewhat in months 16 and 17, whereas the average earnings among control group members continued to rise during that period. The slow increase in control group earnings is a function of normal welfare dynamics, i.e., the tendency for individuals to steadily leave welfare for employment (as well as for other reasons). The slight drop in program group earnings, however, was probably an effect of SSP's time-limited supplement offer, combined with the tendency for some supplement takers to lose their jobs and leave the SSP program. Be-

cause program group members had only one year from the time of random assignment to take up the supplement offer by finding a full-time job and leaving welfare, there were no new supplement takers in the program group after month 14 (individuals with full-time job offers were allowed a grace period through month 14 in which to begin full-time employment). But a few supplement takers lost their jobs and left the program each month, a phenomenon that was masked by steadily increasing supplement take-up until the supplement eligibility year expired.

■ **SSP's earnings supplement program has reduced dependence on Income Assistance.**

Because SSP's earnings supplement program requires individuals to leave welfare in order to collect the supplement, more program group members than control group members are leaving welfare altogether. Table 1 shows that, although control group members have left welfare at a steadily increasing rate in the first six quarters after random assignment, program group members have left at an even faster rate. In the sixth quarter after random assignment, 68 percent of program group members received Income Assistance benefits versus 81 percent of control group members — a reduction of 14 percentage points, or 17 percent less than the control group's rate. The program's impact on Income Assistance receipt has increased in each subsequent quarter, although the impact was virtually the same in quarters 5 and 6. (See also Figure 2C.) Later data (not presented here) show that the program's impacts

**Table 1****Quarterly Impacts of SSP's Earnings Supplement Program**

Outcome and Time Period	Program Group	Control Group	Difference	Percentage Change
<b>Average percentage who worked each month</b>				
Quarter 1	23.9	22.3	1.5	6.7%
Quarter 2	27.1	24.2	2.9	12.0%
Quarter 3	32.2	25.3	6.9*	27.3%
Quarter 4	36.1	25.8	10.3*	39.9%
Quarter 5	40.8	27.7	13.1*	47.3%
Quarter 6	39.3	30.6	8.7*	28.4%
<b>Average percentage who worked full time each month (130 or more hours per month)</b>				
Quarter 1	10.8	8.5	2.3	27.1%
Quarter 2	14.6	9.8	4.8*	49.0%
Quarter 3	18.2	11.0	7.2*	65.5%
Quarter 4	22.1	11.0	11.1*	100.9%
Quarter 5	25.3	12.3	13.0*	105.7%
Quarter 6	23.9	13.0	10.9*	83.8%
<b>Average monthly earnings (\$)</b>				
Quarter 1	186	169	17	10.1%
Quarter 2	234	194	39	20.2%
Quarter 3	284	214	70*	32.6%
Quarter 4	330	211	119*	56.3%
Quarter 5	373	236	137*	58.2%
Quarter 6	359	255	104*	41.0%
<b>Average monthly hours of work</b>				
Quarter 1	25.0	22.8	2.2	9.6%
Quarter 2	31.2	25.4	5.9*	23.2%
Quarter 3	37.9	27.2	10.7*	39.3%
Quarter 4	44.4	27.4	17.0*	62.0%
Quarter 5	50.4	30.4	20.0*	65.8%
Quarter 6	47.9	32.5	15.4*	47.4%
<b>Average percentage receiving Income Assistance each month</b>				
Quarter 1	98.2	97.9	0.3	0.3%
Quarter 2	90.0	93.8	-3.7*	-3.9%
Quarter 3	81.7	89.5	-7.7*	-8.6%
Quarter 4	76.5	86.3	-9.8*	-11.4%
Quarter 5	71.3	84.8	-13.6*	-16.0%
Quarter 6	67.5	81.4	-13.8*	-17.0%

Outcome and Time Period	Program Group	Control Group	Difference	Percentage Change
<b>Average monthly Income Assistance payments (\$)</b>				
Quarter 1	877	869	8	0.9%
Quarter 2	817	840	-23	-2.8%
Quarter 3	743	811	-67*	-8.3%
Quarter 4	703	790	-88*	-11.1%
Quarter 5	656	772	-117*	-15.1%
Quarter 6	619	753	-134*	-17.8%
<b>Average percentage receiving Income Assistance or SSP supplement payments each month</b>				
Quarter 1	100.0	97.9	2.1*	2.1%
Quarter 2	99.7	93.8	5.9*	6.3%
Quarter 3	96.6	89.5	7.1*	7.9%
Quarter 4	95.0	86.3	8.8*	10.2%
Quarter 5	94.1	84.8	9.2*	10.8%
Quarter 6	91.4	81.4	10.0*	12.3%
<b>Average monthly non-earnings income from Income Assistance or SSP supplement payments (\$)</b>				
Quarter 1	891	869	22	2.5%
Quarter 2	900	840	60*	7.1%
Quarter 3	870	811	60*	7.4%
Quarter 4	859	790	68*	8.6%
Quarter 5	866	772	94*	12.1%
Quarter 6	840	753	86*	11.5%
Sample size	942	968		

SOURCE: SRDC calculations based on survey data for the 942 program group members and 968 control group members who entered the SSP sample from November 1992 through October 1993 and who responded to the follow-up survey conducted approximately 18 months after random assignment.

NOTES: For each sample member, quarter 1 refers to the three months beginning with the month in which she was randomly assigned; quarter 2, to the next three months; and so forth.

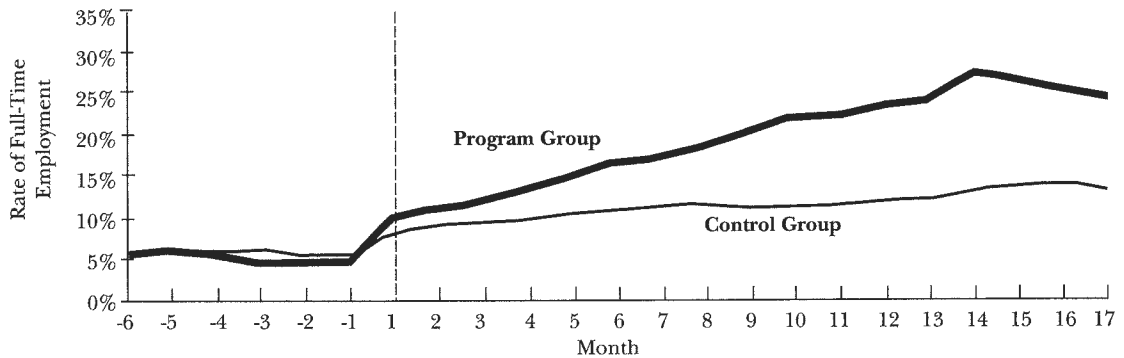
Rounding may cause some discrepancies in calculating differences.

An asterisk indicates that the impact estimate is statistically significant at the 5 percent level.

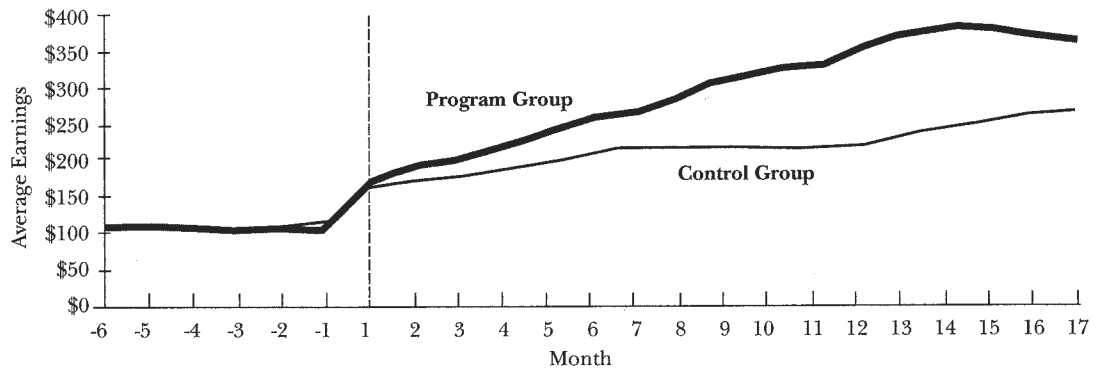
**Figure 2**

**Monthly Outcomes for SSP's Program and Control Groups**

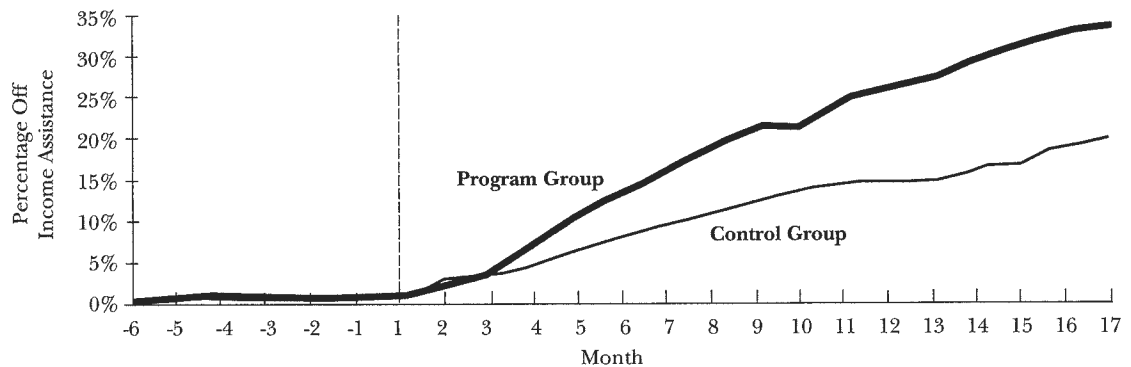
**A. Rates of Full-Time Employment (Averaging at Least 30 Hours per Week)**



**B. Average Monthly Earnings**



**C. Percentage Off Income Assistance**



SOURCE: SRDC calculations based on survey and Income Assistance data for the 942 program group members and 968 control group members who entered the SSP sample from November 1992 through October 1993 and who responded to the follow-up survey conducted approximately 18 months after random assignment.

NOTE: The dashed vertical lines indicate the month of random assignment (month 1). The "jumps" in employment and earnings between month -1 and month 1 are due to the merging of data from the pre-random assignment and 18-month surveys. Program group employment and earnings averages begin moving above the control group averages in month 1 because some program members took up the supplement during that month.

on Income Assistance receipt began to decrease in subsequent periods, though impacts remained statistically significant through month 22, the last month for which Income Assistance data are currently available.

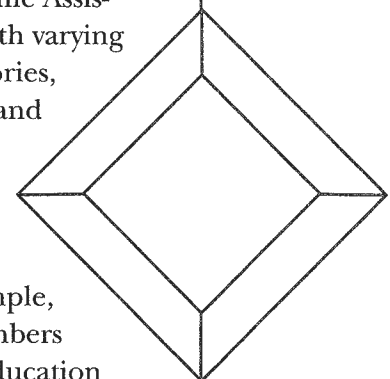
■ **SSP's earnings supplement program has decreased the average amount of Income Assistance received.**

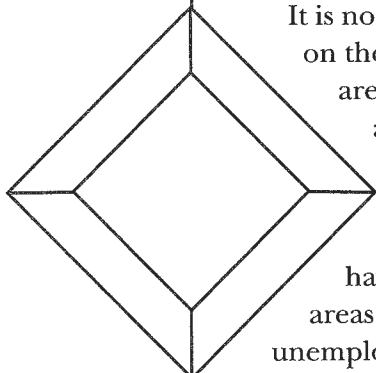
Because the earnings supplement program has caused a significant increase in welfare departures, it has also significantly reduced the average amount of welfare received by program group members. Table 1 shows that, although average monthly Income Assistance payments to both program and control group members have decreased in each quarterly time period after random assignment, payment amounts to program group members have decreased more rapidly than payments to control group members. In the first quarter after random assignment, each group received roughly the same average Income Assistance payment per person: about \$870 per month. But by the sixth quarter after random assignment, the average monthly payment had fallen to \$619 for program group members versus \$753 for control group members, a reduction of \$134, or 18 percent of the average payment to control group members. Note that the program's impact on Income Assistance payments (i.e., the difference in average payments to program and control group members) has grown

steadily through the sixth quarter after random assignment, though this impact began to decrease subsequently (not shown in the table).

■ **The program's impact on Income Assistance receipt has been broad-based, affecting many kinds of sample members.**

The Income Assistance impacts have not been limited to a narrow segment of the sample. Rather, the program has had significant effects on the Income Assistance receipt of individuals with varying employment and welfare histories, education levels, family sizes, and areas of residence (not shown in Table 1). This is true even for groups of individuals with relatively low rates of earnings supplement take-up. For example, although program group members with less than a tenth-grade education were far less likely to initiate supplement receipt (20 percent) than those with a high school diploma (42 percent), in the twelfth month after random assignment (the latest month for which these data are available), the program had significant impacts on welfare receipt for both subgroups: 7 percentage points for those with less than a tenth-grade education, and 13 percentage points for those who had graduated from high school. Similarly, program group members with an activity-limiting condition were far less likely to take up the supplement (24 percent) than those without such a condition (38 percent), yet the program's impacts on welfare receipt for these two groups were roughly similar (9 versus 12 percentage points in the twelfth month).





It is noteworthy that SSP's impacts on those who were living in rural areas at the time of random assignment were at least as large as its impacts on urban residents. The program was expected to have a smaller impact in rural areas because of their higher unemployment rates. One possible explanation is that SSP has encouraged migration of program group members from rural to urban areas in order to take advantage of the supplement, a hypothesis that will be tested after future surveys are administered.

- **The program has substantially increased the total income and financial well-being of program group members, mostly because it has increased earnings.**

In the fifth quarter after random assignment, program group members' income averaged \$1,239 per month (\$373 in earnings plus \$866 in SSP earnings supplements or Income Assistance), versus \$1,008, on average, for control group members (\$236 in earnings plus \$772 in Income Assistance). This represents a \$231, or 23 percent, increase.

This income increase is an *average*. Some program group members benefited substantially from taking up the supplement, while the income of those who did not take up the supplement remained unaffected by the program. In the fifth quarter, about 25 percent of the program group worked full time and thus received both full-time earnings and SSP earnings supplements. Monthly earnings for these individuals averaged

more than \$1,000, and their supplement payments averaged more than \$900, for an average monthly income of about \$2,000, or approximately \$1,000 above the average income of control group members.

## How Much Does SSP's Earnings Supplement Program Cost?

Although the SSP evaluation will eventually measure a number of costs and benefits of the earnings supplement program, the only ones calculated so far are Income Assistance savings and earnings supplement payment and operating costs for the first 15 months after program eligibility began.

- **The net cost of SSP's earnings supplement program is significantly less than the gross cost because of the Income Assistance savings the program generated.**

SSP's *gross* operating costs include the costs of the earnings supplement payments, staffing and operating the program offices, and staffing and running the automated client tracking and payment systems. SSP's *net* operating costs are equal to gross operating costs minus the savings in Income Assistance generated by the program. Thus, SSP's net costs are an estimate of how much more the program would cost to run than the Income Assistance system would cost for a similar group of individuals.

As Table 2 shows, the program's gross costs per program group member were \$2,010 in the first 12 months after random assignment and \$697 in months 13 through 15. But SSP also saved \$398 per program group member in Income Assistance costs in the first 12 months and \$308 in months 13 through 15. Thus, the net costs of the program for the first 15 months (the program's gross

costs minus Income Assistance savings) were about \$2,000 per program group member, or about \$130 per month per program group member.

If, through the end of the three-year supplement payment period, monthly net costs continue at the same level as in months 13 through 15, the net cost of SSP will be between \$5,000 and \$6,000 per program group member by

**Table 2**

**Net Costs of SSP's Earnings Supplement Program per Program Group Member During the First 15 Months of Program Eligibility**

Activity and Time Period	British Columbia	New Brunswick	Full Sample
<b>First 12 months</b>			
Program costs	\$2,007	\$2,017	\$2,010
Income Assistance savings			
Grant payments	-333	-457	-373
Administration	-25	-26	-25
Total	\$ -358	\$ -483	\$ -398
Net cost	\$1,649	\$1,534	\$1,612
<b>Months 13-15</b>			
Program costs	\$ 730	\$ 631	\$ 697
Income Assistance savings			
Grant payments	-335	-198	-290
Administration	-20	-14	-18
Total	\$ -355	\$ -212	\$ -308
Net cost	\$ 375	\$ 419	\$ 389

SOURCE: SRDC calculations based on Income Assistance and SSP program data for individuals who were randomly assigned to the program group from November 1992 through October 1993.

the end of the supplement payment period. But the program's final net costs will also depend on what happens after the three-year supplement period. If more program group members than control group members continue working and do not return to welfare, the net costs will be less than \$5,000 to \$6,000 per program group member — in fact, the program could end up paying for itself if it produces sufficient long-term welfare savings. Even if there is a net cost to the program, however, policymakers and the public may consider the societal benefits of higher incomes and longer stays off welfare worth the cost of implementing the program on a larger scale.

## The Future of SSP

SSP has already achieved important and encouraging early objectives. So far, the project has demonstrated that an earnings supplementation policy can be successfully implemented:

Such a program can reach eligible individuals, and the supplement opportunity can be explained with a high degree of comprehension; long-term Income Assistance recipients can find full-time employment and qualify for the supplement; and pay-stub-based payments can be made promptly and accurately. Furthermore, a large number of SSP-eligible individuals have initiated supplement receipt, and the program has significantly reduced Income Assistance receipt and increased employment and earnings.

The answers to several critical questions will determine the ultimate success of the program: Will supplement takers remain employed after the three-year supplement receipt period ends? Does the supplement offer induce some individuals to prolong their stays on Income Assistance in order to qualify for the program? Will additional services offered to some program group members increase program impacts? What are the final costs and benefits of the program? Although the answers must await additional data collection and analysis, the early data suggest that SSP's earnings supplement program is prompting Income Assistance recipients to leave welfare for employment, stimulating a great deal of interest and satisfaction among those eligible for the program, and increasing total family income. In effect, SSP is simultaneously reducing poverty and dependency — a reason for optimism about the project's future policy relevance.