



Canada's Work Incentive Program

Increasing Employment and Earnings—and Reducing Poverty-- Making Work Pay

While the New Hope Project combined an earnings supplement “package” that made work pay with a set of related programs that made work available (community service jobs) and provided low-income workers with key work supports (affordable child care and health insurance), other experiments concentrated more narrowly on making work pay—that is, ensuring that earnings were supplemented so that full-time work always yielded an income well above the poverty line.

Several programs that focused exclusively on making work pay also succeeded in reducing poverty. The following account of an earnings supplement program that the Canadian government tested on a large scale in two provinces is extracted from a full report by MDRC President Gordon L. Berlin, [“Encouraging Work, Reducing Poverty: The Impact of Work Incentive Programs”](#)

The Canadian Self-Sufficiency Project (SSP) was a full-scale demonstration project designed to test a work-based alternative to welfare that paid a substantial monthly earnings supplement, for up to three years, to long-term, single-parent welfare recipients who worked full time (at least 30 hours a week).

In operation between November 1992 and December 1999, SSP was sponsored by the Canadian government and operated by private social service agencies located in metropolitan Vancouver, British Columbia, and the lower third of New Brunswick. SSP offered to make work pay for a broad cross section of single parents who had been on Income Assistance (Canada’s welfare system) for at least a year. To receive SSP’s earnings supplement payments, a participant had to leave Income Assistance and work full time (at least 30 hours a week) within a year of being selected for the program. The decision to work was voluntary, however. SSP’s monthly earnings supplement payments were tied to work effort and were paid on top of earnings from employment, for up to three years, as long as individuals worked full time and remained off Income Assistance.

Single parents who took full-time jobs and left welfare to enroll in SSP were usually \$3,000 to \$5,000 a year better off than if they had worked the same amount and remained on Income Assistance. SSP’s work incentive did not vary by family size. As a result, when compared with Income Assistance, SSP provided small families with a bigger incentive to work than it provided to large families. In a special study, called SSP



Plus, pre- and post-employment-related services (job search, job coaching, job development, and case management) were offered in conjunction with the incentive. SSP also included a separate study of the program's effects on applicants to welfare (actually, new recipients) primarily to determine: (1) to what extent the availability of such a program, with its one-year waiting period, keeps people on welfare longer so that they can become eligible for its earnings supplements (so-called entry effects), and (2) how the prospect of being able to apply for SSP in a year changed people's employment and other behavior during that year and beyond.

Employment Effects: The program substantially increased job-taking and job-holding among long-term welfare recipients. SSP produced double-digit impacts on employment rates. Over the three follow-up quarters, or about one year to 18 months after random assignment occurred, the employment rates of program group members exceeded those of control group members by about 11 percentage points. Throughout the follow-up period, SSP also increased *overall* average quarterly employment rates by nearly 40 percent or more.

Earnings Effects: The substantial overall increases in work produced large increases in quarterly earnings. For example, in the fifth quarter of follow-up, SSP program group members earned \$301 more than their control group counterparts.

Total Measured Income: When the program's increased supplement payment amounts were coupled with the earnings gains the program induced, program group members experienced large average gains in quarterly income, from \$424 to \$521, on top of a control group base of about \$2,100 in SSP. Income gains grew steadily in quarters 4 and 5 in SSP, reaching \$521; income gains in SSP then fell back to \$469 in quarter 6.

Although these gains were large, they may in fact understate the program's likely effects on the people who actually received benefits. Program group members' average quarterly income was about \$2,600. But the average includes zero earnings for program group members who did not work in a quarter. SSP's requirement that only program eligibles who found full-time jobs could receive supplement payments can be used to estimate the program's effect on full-time workers. For example, in quarter 5, nearly 29 percent of the program group were working full time and receiving supplement payments. Under the reasonable assumption that full-time workers received all of SSP's income benefits (since only full-time workers could receive supplement payments), the actual quarterly income gain to this group could have been as high as \$1,800 ($\$521/.29$), on top of average control group earnings levels.

Poverty and Well-Being. Because of these large income gains,



SSP had substantial antipoverty effects. The program reduced the share of program group members in poverty by 12 percentage points, and substantially reduced the poverty gap — the distance between income and the poverty line. In SSP, the average size of the poverty gap was \$599 per month among the program group and \$719 among the control group — an average reduction of 17 percent.

By increasing income, SSP brought substantial improvements in the well-being of participating long-term welfare recipients. In response to survey questions, SSP families reported that they used the added income to buy food, children’s clothing, and better housing, and they were less likely to rely on food banks. Information collected through focus groups and one-on-one exit interviews when people were leaving SSP suggested that the added income was used to pay down debts, buy cars and houses, and save for children’s college education. Survey data confirm that program group members began opening savings accounts and retirement plans at modestly higher rates than control group members.





