

Purpose of the Presentation

- To present the enabling factors behind the innovative approach used for the evaluation of the Labour Market Development Agreements.
- To explain how evaluation evidence became more relevant and more timely.
- To provide key results from the evaluation of the Labour Market Development Agreements including:
 - Impacts on individuals resulting from participation in the program.
 - The cost-effectiveness of the Agreement investments.



Background

- The Agreements consist of a yearly transfer of \$1.95B in program funds and \$190M in administration funds to provinces and territories who have full responsibility to design and deliver training programs and services.
- These programs and services aim to assist the unemployed to obtain employment and to reduce Employment Insurance use.
- Active and Former Employment Insurance claimants are eligible to participate:
 - **Active Claimants** are participants who started an intervention while collecting Employment Insurance benefits.
 - **Former Claimants** are participants who started an intervention up to 3 years after the end of their Employment Insurance benefits.
- About 674,000 unemployed received help to return to work in 2014-2015.



Programs and Services Are Delivered Directly by Provincial and Territorial Staff and/or Through Their Service Providers

- **Employment Assistance Services** provide employment assistance to unemployed persons. This may include individual counselling, action planning, job search assistance, job-finding clubs and case management.
- **Targeted Wage Subsidies** assist participants to obtain on-the-job work experience by providing employers with financial assistance toward the wages of participants. Program delivery varies across provinces and territories. The program can be driven by participants, employers or both.
- **Skills Development** helps participants to obtain employment skills by giving them financial assistance for attending classroom training.
 - Investments are made in occupational skills training (post-secondary and college), essential skills training or adult basic education, and English or French as second language training. The duration of training varies by type of training.
- **Job Creation Partnership** projects provide participants with opportunities to gain work experience. Activities of the project help develop the community and the local economy.



Programs and Services are Delivered Directly by Provincial and Territorial Staff and/or Through their Service Providers (Cont'd)

- **Self-employment** helps individuals create jobs for themselves by starting a business or otherwise becoming self-employed. It provides financial assistance for basic living expenses and other personal needs while the participants are developing and implementing their business plan.
- **Labour Market Partnerships** provide funding to help employers, employee and employer associations, and communities to improve their capacity to deal with human resource requirements and to implement labour force adjustments. These partnerships involve developing plans and strategies, and implementing adjustment measures (e.g. plans to deal with major layoffs).
- **Research and Innovation** supports activities that identify better ways of helping people to prepare for or keep employment and to be productive participants in the labour force. Funds are provided to eligible recipients to enable them to carry out demonstration projects and research for this purpose.



Overview of Labour Market Development Agreements Evaluation

- Since 2012, Employment and Social Development Canada (ESDC) worked jointly with 12 provinces and territories to evaluate the Employment Benefits and Support Measures that are delivered under the LMDAs.
- Discussions were held multilaterally at the LMDA Evaluation Steering Committee level and bilaterally at the Joint Evaluation Committees level.
- The evaluation consisted of small studies about the effectiveness, cost-effectiveness, design and delivery of Employment Benefits and Support Measures.
- The subject of each study was selected in consultation with provinces and territories, and ESDC program area.
- Nine of these studies (see Annex A) are being rolled up into a national synthesis report and 12 bilateral provincial/territorial synthesis reports.
 - Each study is supported by methodological and technical reports shared and discussed with provinces and territories along the way.



Methodological Considerations

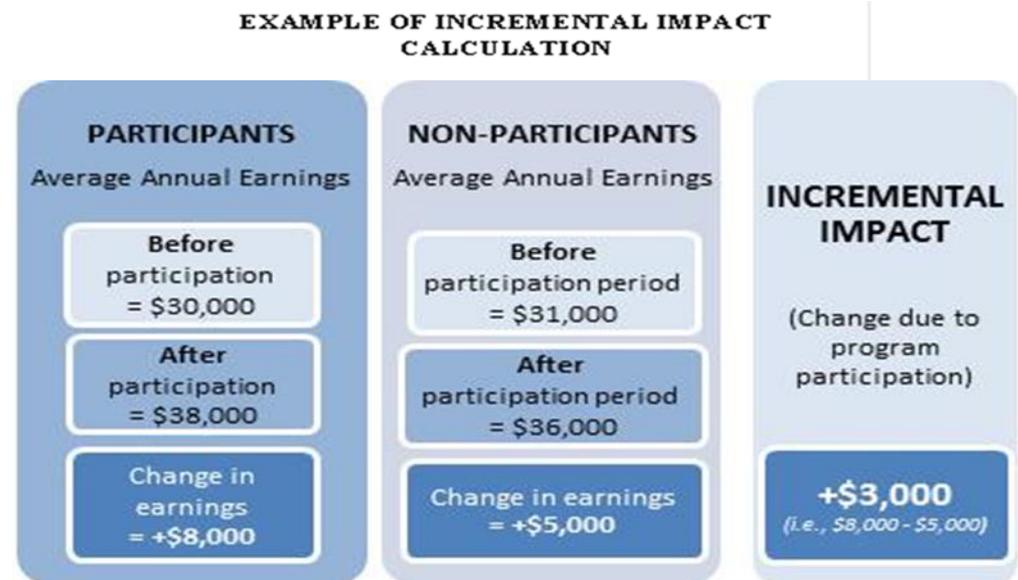
- The evaluation work was done in partnership with provinces and territories.
- Rich administrative data and state-of-the-art statistical methods were used:
 - 100% of participants were included in the analysis and they were matched to non-participants using up to 75 socio-demographic and labour market variables over five years before participation.
 - Results were validated using alternative estimation techniques and a rigorous sensitivity analysis.
- The evaluation isolates the effect (e.g., earnings) of an intervention on participants.
- The **Labour Market Partnerships** and **Research and Innovation** support measures will be evaluated at a later stage. Impacts of **Self-employment** on participants are not reported due to methodological constraints. However, further investigation would be warranted.
- The evaluation approach and results were peer reviewed by leading international academics.



Measurement of Impacts

- Impacts for unemployed Canadians who began an intervention in 2002 to 2005 were examined. These impacts were tracked for up to seven consecutive years between 2002 and 2011.
- Incremental impacts are the effects due to participation, estimated by comparing participants' experience to that of similar non-participants.
- Incremental impacts on the following indicators were assessed by intervention type:

- Employment
- Earnings
- Employment Insurance and Social Assistance Benefits



Programs and Services Examined in the Evaluation

Categories	Type of Programming	Share of Expenditures 2014/15*	Share of New Interventions 2014/15	Evaluation Coverage			
				Incremental Impacts	Cost-Benefit Analysis	Profile and Outcome Analysis	Design and Delivery
Skills Development	Classroom training (Skills Development-Regular)	47%	5%	√	√	√	√
	Classroom or on-the-job training (Skills Development-Apprenticeship)		6%			√	√
Targeted Wage Subsidies	On-the-job work experience with a private employer (subsidy to the employer)	5%	1%	√	√	√	√
Job Creation Partnerships	On-the-job work experience in community project (participant remains on Employment Insurance)	2%	0.3%	√	√	√	
Self-Employment	Help for self-employment	5%	1%	√		√	
Employment Assistance Services	Assistance for return to work	32%	87%	√	√	√	√

*Targeted Earnings Supplement, Labour Market Partnerships and Research and Innovation were not covered by the evaluation. They represent about 9% of Employment Benefits and Support Measures expenditures.



Why is This Innovative?

- Detailed planning as a foundation in consultation with program areas and provinces and territories.
- Strong partnership between evaluation team (Government of Canada and Provinces/Territories).
- Effective governance with implication from program areas.
- Replaced costly surveys by innovative use of administrative data (no response rate, or recall errors issue)
 - Quantitative analyses conducted in-house using linked longitudinal data from:
 - Employment Insurance claim information from 1990.
 - Labour Market Development Agreements data from 1996.
 - Canada Revenue Agency taxation files (T1 + T4) from 1990.
 - Database updated annually for all program participants, up to 20% of Employment Insurance claimants with no program participation.



Enabling Factors that Led to the Successful Approach

- Supported by senior management.
- Time and efforts invested in internal capacity development, including:
 - Creating a team with strong computational capacity responsible for researching and carrying state-of-the-art statistical analysis.
 - Providing on-the-job training using experienced former public servants.
 - Developing capacity (staff designing and implementing qualitative and quantitative methods, engagement of partners and communication skills).
- Easy access to quality data.
- Maximizing the use of technology (including development of data processing and analysis tools).
- Involve leading international and Canadian academics at key stages.



Benefits from the Use of Administrative Data

- More timely results
 - The Evaluation was divided into specific studies to learn as we go.
 - In-house expertise on departmental data responded to ad-hoc requests.
- Generates quality results
 - Supported by rich data, well documented.
 - State of the art econometric technics were used with sensitivity analyses.
- Allows for better support of policy discussions
 - Analyses can be done quickly.
 - Evaluators work closely with the program area to develop policy advice/briefings.
 - Includes a national scope on effectiveness.
- Costs of external contracts were reduced from \$1M per year to \$70k per year.

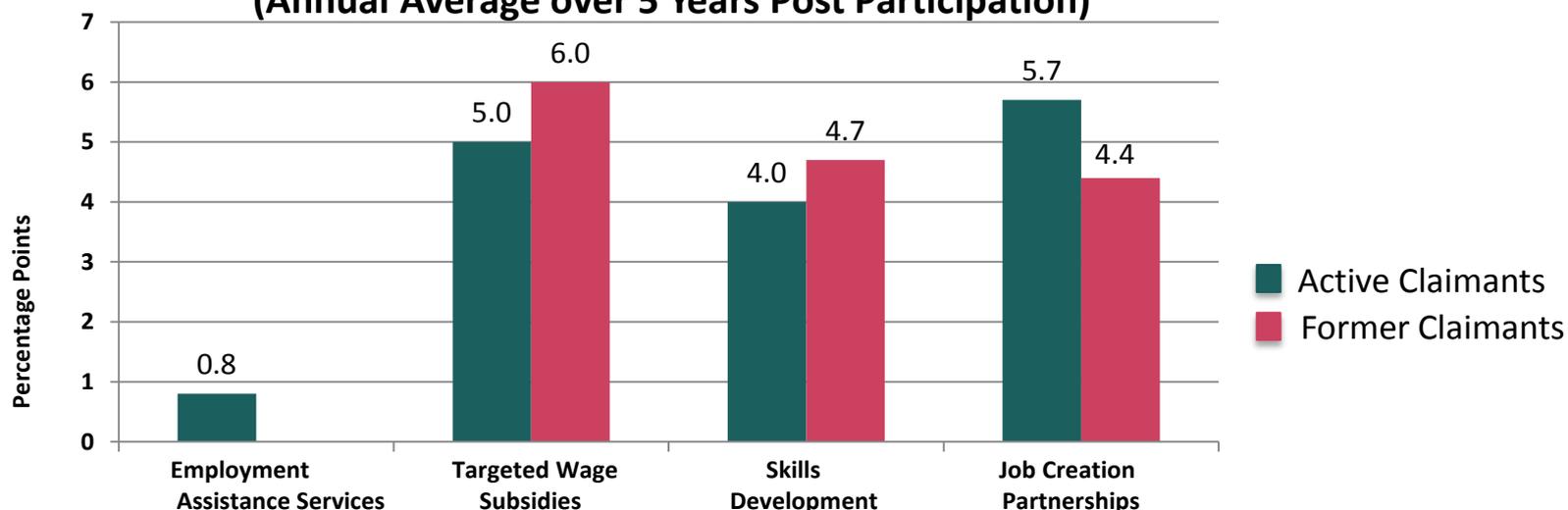


Key results



Program Participants Have a Higher Probability of Being Employed Than Non-Participants

Change in Probability of Being Employed in Participants Relative to Non-Participants (Annual Average over 5 Years Post Participation)

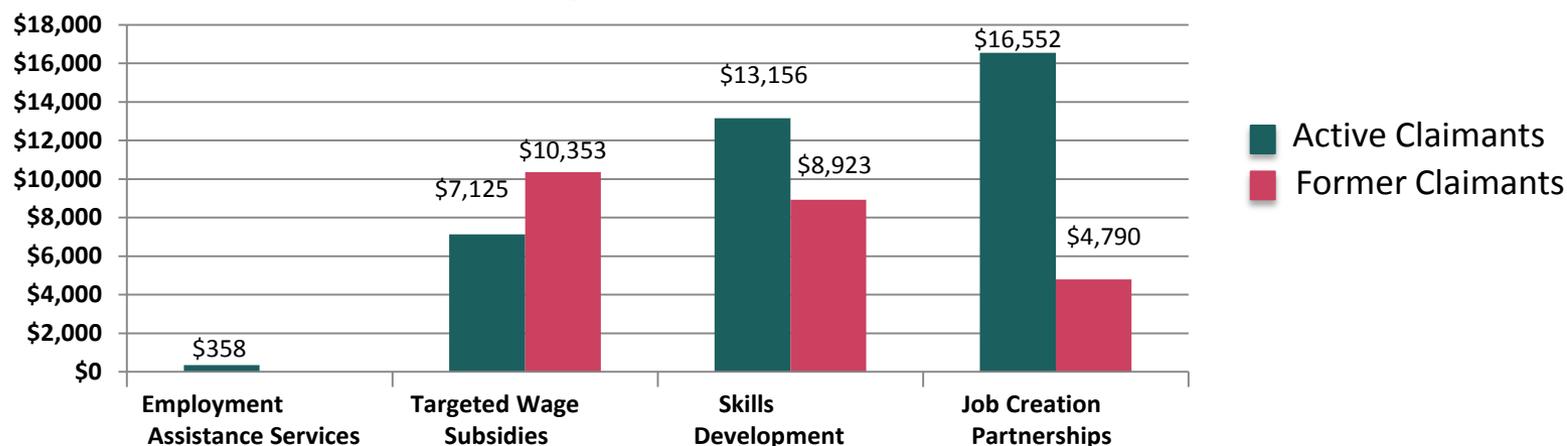


- Employment Assistance Services are relatively modest activities such as counselling, job search assistance and case management. By themselves, they are not expected to lead to substantial effects on labour market outcomes.
- Providing Employment Assistance Services earlier (first 4 weeks) in the Employment Insurance claim generates significantly greater returns (see slide 17).



Program Participants Earn More Than Non-Participants

Increased Earnings of Participants Relative to Non-Participants (Cumulative Gain in Earnings 5 Years Post Participation)

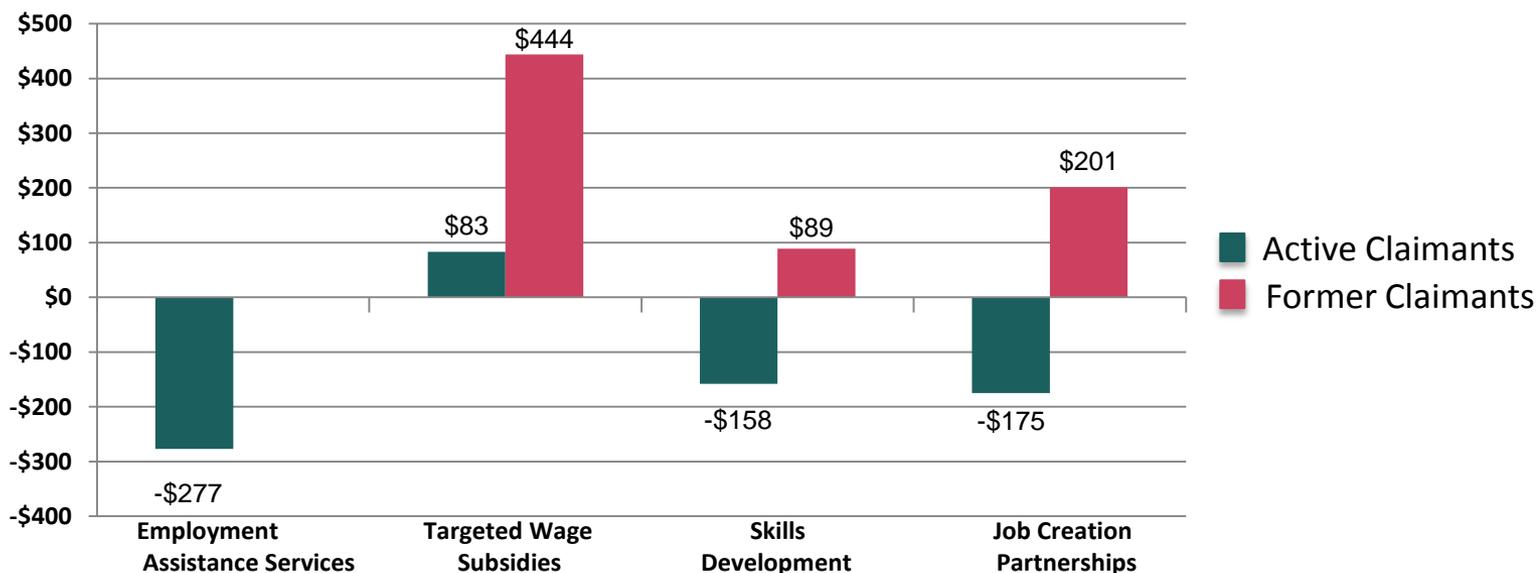


- Employment Assistance Services are not expected to necessarily increase the earnings of participants since they include relatively modest activities such as counselling, job search assistance and case management. The incremental impact for Employment Assistance Services is not statistically significant.



The Use of Employment Insurance Is Reduced for Most Active Claimants

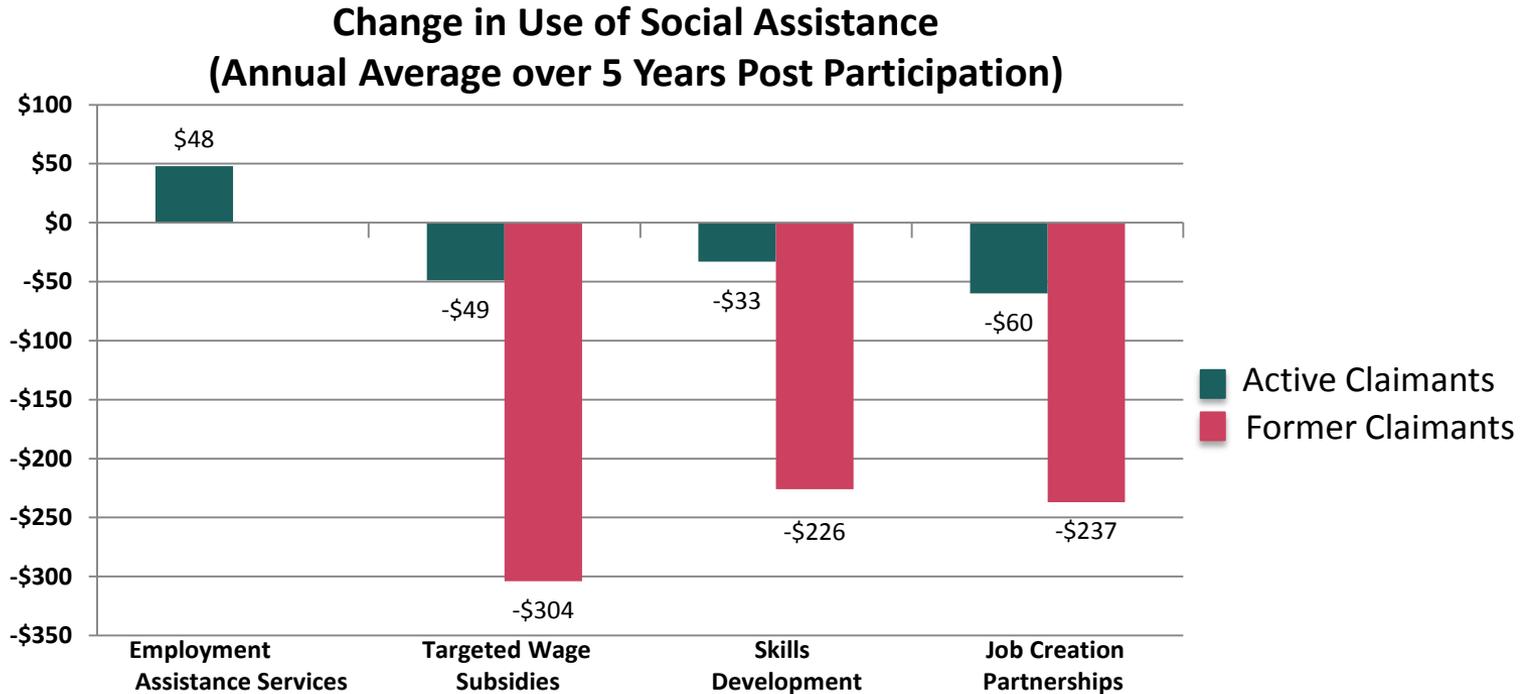
**Change in the Use of Employment Insurance
(Annual Average over 5 Years Post Participation)**



- It is not surprising to observe an increase in Employment Insurance benefits for active claimants who participated in Targeted Wage Subsidies since they build entitlement to Employment Insurance while working.
- Similarly, former claimants increased their use of Employment Insurance due to their increased labour market attachment, which is a positive outcome.



Program Participants Decreased Their Use of Social Assistance with Most Interventions

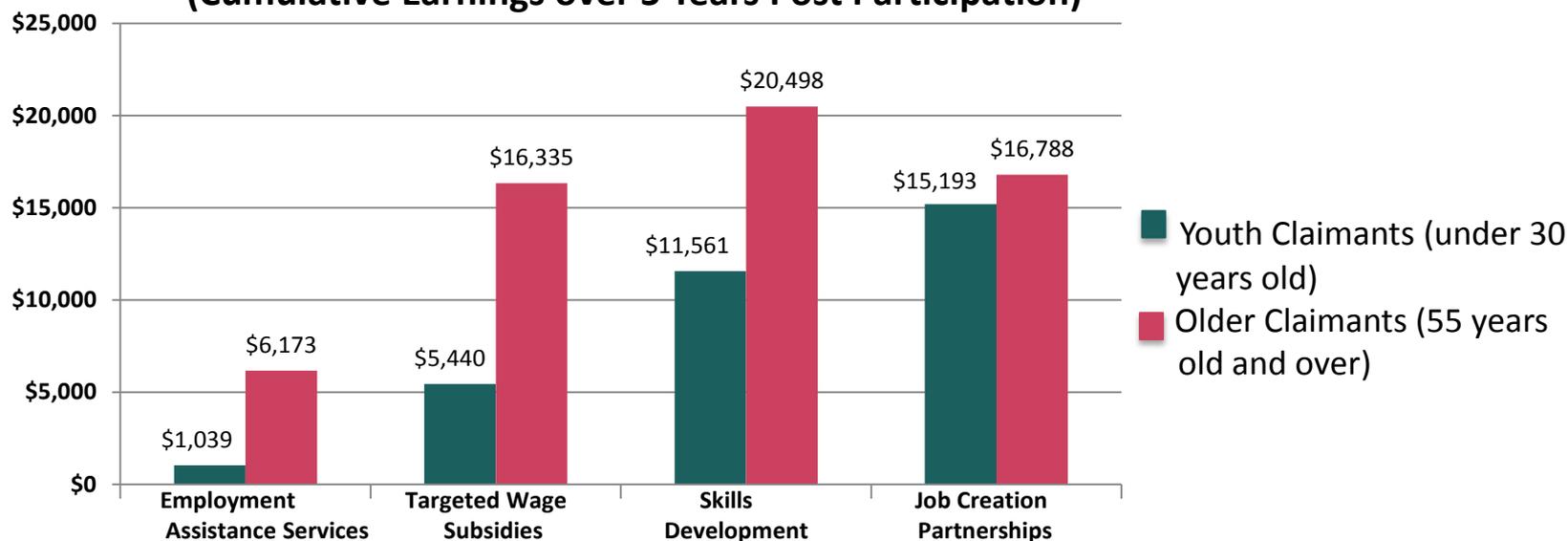


- One exception is that active claimants who participated in Employment Assistance Services had a small increase in the use of Social Assistance. By themselves, the relatively modest activities provided by these services are not expected to lead to substantial effects on participants' labour market outcomes.



Cumulative Earnings Increased for Youth and Older Participants Who Were Active Employment Insurance Claimants

**Cumulative Increased in Earnings for Youth and Older Participants Who Were Active Claimants
(Cumulative Earnings over 5 Years Post Participation)**

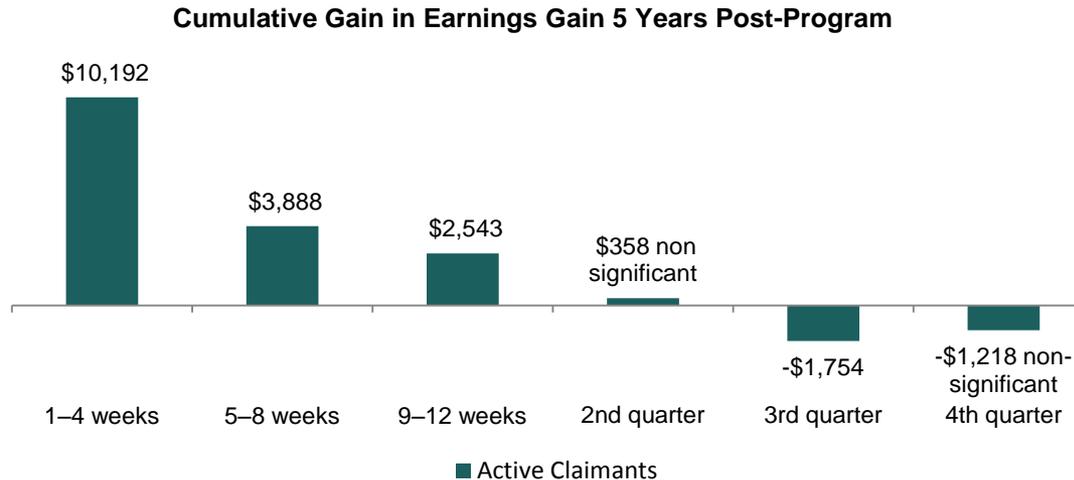


- Youth who participated in Job Creation Partnerships and older claimants who participated in Skills Development had the largest cumulative increase in earnings.
- This suggests that providing work experience to youth and training to older workers yield strongest results.



Providing Employment Assistance Services During the First 4 Weeks of an Employment Insurance Claim Produced Larger Impacts on Earnings and Employment

- Participants who started Employment Assistance Services within 4 weeks after the start of their Employment Insurance claim had the largest cumulative gain in earnings.



- They were the only group to return to employment (3 weeks) earlier than their comparison group. This represents an estimated \$8.4M in Employment Insurance savings.



Provincial and Territorial Program and Administration Costs Were Compared to Benefits for Participants

- Direct costs account for all programs and services provided to participants and provincial administrative costs.
- Indirect costs includes participants' forgone earnings while on training.
- Direct benefits to participants in the form of higher earnings are accounted for.
- Indirect impacts (benefits and costs) on tax collection and other government program spending (Employment Insurance and Social Assistance) are accounted for.
- The cost-benefit analysis accounts for the Marginal Social Costs of Public Funds.
 - A 20% cost represents the loss incurred by society when raising taxes to fund government spending. As such, every dollar spent by government reduces the size of the “economic pie” by \$0.20. For example, this can be due in part to reduced incentives to work.
- The cost-benefit analysis does not account for improvement of participant's wellbeing (beyond employment and earnings) and the multiplier effect of increased spending in the economy.
- Overall, both participant and government costs and benefits are captured to arrive at a net social benefit.

Note: Federal administrative costs are not included since they are negligible. Annex B provides more details on the categories of costs and benefits.



Social Benefits of Participation Exceeded Costs of Investments for Most Interventions

- For most programs, benefits to society exceeded investment costs in a period ranging between the 2nd year of program participation to about 10 years after participation.
- Benefits for former claimants in Job Creation Partnerships may never recover the costs.
 - However, the program represents about 0.3% of new interventions.
 - This program also generates benefits for the communities that were not accounted for in the analysis.

Number of Years After Participation for the Benefits to Exceed the Costs				
	Skills Development	Targeted Wage Subsidies	Job Creation Partnerships	Employment Assistance Services
Active Claimants	7.4	5.9	5.9	10.9
Former Claimants	8.6	2 nd participation year	Over 25 years	N/A



Annex A – Internal Evaluation Studies (Available on Request)

- Cost-Benefit Analysis of Employment Benefits and Support Measures. May 17, 2016.
- Study on Skills Development – Apprenticeship. April 5, 2016.
- Study on Skills Development – Regular. February 22, 2016.
- Study on Targeted Wage Subsidies. December 2, 2015.
- Analysis of National Employment Benefits and Support Measures Profile, Outcomes and Incremental Impacts for the EI Claimant Category Long-Tenured Workers. November 27, 2015.
- Analysis of National Employment Benefits and Support Measures Profile, Outcomes and Incremental Impacts for 2007-2008 Participants. February 6, 2015.
- Effects of the Timing of Participation in Employment Assistance Services. November 4, 2014.
- Study on Employment Assistance Services. May 28, 2014.
- Analysis of Employment Benefits and Support Measures Profile, Outcomes and Medium-Term Incremental Impacts from 2002 to 2011. March 11, 2014.



Annex B – Detailed Cost and Benefits Categories

Perspective	Costs	Benefits
Participant	<ul style="list-style-type: none"> Opportunity Cost (Forgone Earnings and Employer Fringe Benefits while on training) 	<ul style="list-style-type: none"> Employment Earnings net of taxes Employer Fringe Benefits Additional Employment Insurance benefits paid to participants while on training
Government	<ul style="list-style-type: none"> Program Cost (Including additional income support paid to participants while on training and Administration Costs) Forgone Taxes due to Forgone Earnings of participants Marginal Social Cost of Public Funds 	<ul style="list-style-type: none"> Increase in Federal/Provincial Income and Sale Taxes revenues Decrease in Employment Insurance and Social Assistance spending Marginal Social Cost of Public Funds
Social	Total of Both	Total of Both

- We examined the rate of return on investment by calculating the number of years required for benefits to exceed the costs.
- A discount rate of 5% was used in order to account for inflation (2%) and forgone return (3%) on alternative government investments.

