

NEW APPROACHES TO PUBLIC INCOME SUPPORT IN CANADA

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Alice Nakamura, Ging Wong and W. Erwin Diewert

Executive Summary and Abstract

This paper outlines five interconnected recent Canadian policy initiatives fostered by Human Resources Development Canada in collaboration with other federal and provincial partners:

- (1) the *EI reforms* of unemployment insurance;
- (2) the *COEP panel data surveys* instituted to enable scientific, information-based monitoring and evaluation of EI and other unemployment insurance reforms;
- (3) the *National Child Benefit (NCB) program* of support for children in low-income families with at least one working parent;
- (4) the *Self Sufficiency Project (SSP)* that makes it financially more desirable for low income parents to take jobs and achieve wage growth over time; and
- (5) the array of *Internet Recruitment Information (IRI) services* that HRDC and Industry Canada have created or encouraged including the CareerOwl service started as a volunteer community service project by staff, students and alumni of the universities of Alberta, British Columbia and Western Ontario.

This paper discusses how these initiatives have laid the foundation for a new approach to Canadian social policy that supports the economic health of the nation and is based on careful research and evaluation of observable outcomes.

Key words: UI, unemployment insurance, payroll taxes, public finance, labor supply

Classification codes: J65, J32, H2

I. INTRODUCTION

“The economy and society are two sides of the same coin -- and that coin is people. We are all part of our society. We are all part of our economy. We ignore the health of either at our peril.”

(The Honourable Pierre S. Pettigrew
Minister of Human Resources Development
April 22, 1999)

Recent reforms of Canadian social programs address national level objectives, but have important local dimensions. These reforms involve new forms of partnership between the national and sub-national levels of government for the purpose of achieving more cost effective and responsive program delivery. These are scientific reforms. In addition to building on lessons learned in other countries, the new Canadian reforms are motivated by and being evaluated and modified on the basis of empirical evidence about the operation of Canadian social programs. This evidence has been produced by researchers at universities and in businesses, non-profit organizations, and provincial governments across Canada working together with their federal counterparts.¹ These are proactive reform measures that use new and improved data resources, new information technologies, and the expertise and program experiences of a nation rather than just the federal bureaucracy in a campaign to maintain effective social programs in the face of budgetary pressures and globalization.

This paper outlines five sets of reform initiatives that are interrelated in their objectives and that were all undertaken or fostered by the Department of Human Resources Development Canada (HRDC). Statistics Canada and Industry Canada have been important partners in some of these initiatives. All of the initiatives are of potential value for keeping Canadians at work rather than on welfare, though they are not welfare reform measures.

‘Welfare’ is the term used in many countries for needs-based income support programs. Welfare benefits usually increase with the number of dependent children. The approval process involves family means testing (making the verification of family composition an issue). Usually, the support can continue over substantial periods. In addition, welfare programs are usually funded out of general tax revenues rather than through user fees or payroll taxes.

Most of the developed countries also have mandatory ‘unemployment insurance’ to provide financial assistance for labour force participants who are temporarily out of work. Support levels are usually based on insured earnings, without regard for need factors such as the number of dependent children. Nor is poverty a criterion for qualifying to receive benefits. Like homeowner’s or automobile accident insurance, unemployment insurance benefits can be collected by all those who have paid the premiums for the insurance and have suffered the insured risk – in this case, the risk of

¹ One important part of this largely informal research network is the Canadian Employment Research Forum (CERF) that was founded and has continued to operate with core funding from Human Resources Development Canada (HRDC). Ging Wong is the current government co-chair and Alice Nakamura is the current academic co-chair of CERF.

becoming unemployed. The programs are typically paid for through payroll tax premiums levied on employers or workers or both.

Lessening the welfare trap is one of the stated objectives of several of the reform initiatives we discuss. The term 'welfare trap' refers to the dilemma faced by parents with dependent children and whose job prospects are so poor that they cannot earn as much from even full-time, full-year work as they would receive by staying on public income support. The welfare trap term came to be used because the main program providing public income support in the United States is welfare. However, in Canada, many of those who would be on welfare in the United States are on unemployment insurance. Thus in Canada, a more appropriate term might be the 'public income support trap.'²

The reform measures we discuss build in a constructive way on the complementarities between the welfare and unemployment insurance programs in Canada. These initiatives also reflect a new imperative to design social programs that, as a package, promote, or at least do not undermine, the economic health of the nation. This has been of special concern in Canada because of the persistence of higher unemployment rates and lower productivity growth compared with the United States.³ If effective social security programs can be provided at lower cost, this will help keep Canadians in jobs by lessening the tax drag on the economy.⁴ These initiatives should be of interest in other countries also struggling to control spending on income transfer programs while still maintaining an effective social safety net.

The Initiatives Discussed

Five sets of initiatives are discussed:

1. Innovative features of Canada's Employment Insurance (EI) program.

The EI reforms (section II) were brought in with the passage of Bill C-12 in 1996. These include a change in the unit of account for qualifying for benefits from weeks of employment in covered jobs to hours of work. Two complementary types of worker side experience rating were also introduced.

² Barrett, Doiron, Green and Riddell(1994) use matched administrative files for UI and for welfare in five provinces to trace the increasing overlap of the caseloads for welfare (referred to by a variety of names including income assistance and social assistance) and the unemployment insurance programs, and the increasing movement of individuals back and forth between the programs. See also Blank and Hanratty(1993), Browing, Jones and Kuhn(1995), Christofides and McKenna(1995), Osberg (1995), Bruce, Bailey, Warburton, Cragg and Nakamura (1996), Kahn and Lang(1995, 1996), and Phipps(1991, 1993) for empirical evidence on the caseload overlap between the Canadian unemployment insurance and welfare programs and the impacts on the labour supply of workers of inadequate employment opportunities.

³ For background, evidence and alternative points of view on some of these issues having to do with social programs and the state of the Canadian economy see Davies(1998), Diewert and Fox(1999), Diewert, Nakamura and Sharpe(1999), Foot(1998), Fortin(1994), Fortin and Fortin(1999), Mintz and Wilson(1994), Osberg and Lin(1999), Picot and Heisz(1999), Scarth(1997), and the "Introduction and Overview" by Sharpe and Grignon(1999).

⁴ On the concept and the measurement of indirect "dead weight" costs of taxation see Diewert(1981, 1984, 1987, 1988), Diewert and Lawrence(1996), and Diewert, Lawrence and Thompson(1998).

2. *The Canadian Out of Employment Panel (COEP) surveys.*

The Department of Human Resources Development Canada in collaboration with Statistics Canada initiated the COEP data surveys (section III). These are surveys of workers who had a recent job separation. These surveys were designed to support research on job search and the evaluation of unemployment insurance and other programs for the unemployed.

3. *The National Child Benefit (NCB) program.*

The NCB program (section IV) helps reduce the income support trap by providing financial assistance for children in low-income families where the parents are employed.

4. *The Self-Sufficiency Project (SSP).*

The fourth initiative considered – the SSP (section V) -- is still at an information collection stage. This is an experimental investigation of the effectiveness of using earnings supplements as an inducement for long-term welfare recipients to leave that program for full-time work, and of the efficacy of full-time work as a means of achieving wage growth over time. This experiment is a shared undertaking of the federal government through HRDC and the provinces of British Columbia and New Brunswick. SSP also has a sophisticated data collection and research component that was implemented in partnership with Statistics Canada.

5. *New publicly accessible internet recruiting information (IRI) services.*

On-line recruitment information services (section VI) are the last of the five categories of initiatives discussed. New information technologies have the potential to reduce the costs and improve the effectiveness of labour market information exchange.

Section VII concludes. This final section discusses how national economic imperatives and the Canadian societal imperative of maintaining a strong social safety net can be fulfilled while drawing on the advantages of local administration and delivery for many social services. The initiatives discussed reflect a vision of an alternative to laissez faire capitalism at the one extreme with minimal social services, and at the other extreme, of public services that meet real needs but also undermine the health of the national economy over time.

The Importance of Economic Incentives

All programs that take money from some through taxation and give it to others as transfer benefits require controls to deal with program abuse. Both economic and surveillance control mechanisms can be utilized.

The *economic mechanisms* rely on impersonal price incentives. These have the advantage of operationally transforming a central control problem into decentralized, day-to-day personal choices. In contrast, *surveillance mechanisms* rely on investigation

of program participants to check on whether the stated rules and regulations are being obeyed, with penalties being imposed on the violators.⁵

Surveillance mechanisms have been the main means for controlling inappropriate use of provincial welfare programs. Surveillance mechanisms have also been part of the unemployment insurance program in Canada (both the old UI and the new EI).⁶ For example, to qualify for program benefits, an applicant must establish that he or she is truly out of work.

Price incentive mechanisms have not been utilized for expenditure control in either the welfare or the unemployment insurance programs in Canada. In fact, the price incentives inherent in the old UI program inadvertently encouraged inappropriate program use. Three of the initiatives discussed in this paper -- the EI reforms, the NCB program, and the SSP -- attempt to better align the economic incentives created by Canada's income support programs.⁷ The challenge of using economic incentives to control public safety net expenditures is to find methods that do not conflict with the basic reasons for having the programs in the first place.

With this background, we now proceed to discuss the five sets of social policy initiatives listed above. We begin with some of the main changes made in moving from the old Unemployment Insurance (UI) to the new Employment Insurance (EI) with the passage of Bill C-12 (the EI Act).

II. BILL C-12 AND THE SWITCH FROM UNEMPLOYMENT INSURANCE (UI) TO EMPLOYMENT INSURANCE (EI)⁸

The original purpose of Canada's UI program was to help committed workers with their household expenses while they searched for new jobs, and to guard against downward macroeconomic spirals due to the expenditure cutbacks of the unemployed. The way the rules were prior to the early 1970s, a person who normally worked for only part of the year and who became unemployed could only collect UI benefits for the remainder of that person's *usual* work year.

However, over time in Canada, unemployment insurance increasingly came to be used as a source of income supplementation for individuals who habitually did not have full year work. The program also came to be relied on as a payroll supplement by some firms, and as a regional economic equalization mechanism and a source of regional

⁵ These issues are further developed as they pertain to EI in Nakamura(1995) and in Nakamura, Cragg and Sayers(1994). There is a long history of attempts at reforming welfare systems through the reform of the economic price incentives. See, for example, the early proposals of Guy H. Orcutt and Alice Orcutt(1968) that were a foundation for the U.S. and Canadian negative income tax experiments.

⁶ See Wong, Roy, Laurendeau, Routhier, Guest, and Kardas(1992), Burgess(1992), Roy and Wong(1997), and Wong and Roy(1997).

⁷ See Nakamura and Wong(1997) for further discussion of direct versus indirect program costs and benefits, and the importance of allowing for both. In our view, too many more sophisticated economic evaluations and analyses of social programs only pay attention to the indirect labour supply incentive effects, thereby failing to connect well with the stated objectives and requirements of the enabling legislation.

⁸ This section draws heavily on Nakamura(1995), Nakamura and Diewert(1999), and Nakamura and Wong(1997).

development assistance. A series of revisions of the UI rules in the early 1970s made habitual use more likely. Back then, the rules were changed so that those qualifying for benefits could continue to receive support without consideration of how long the job they had lost would *normally* have lasted. Also, variable regional entrance requirements and extended benefit provisions were enacted. Those changes made it so that workers in high unemployment regions needed fewer weeks of work to qualify for program benefits than those in lower unemployment regions, and could continue to receive these benefits for longer.

The variable regional entrance provisions and extended benefits introduced a *reverse experience rating* into the UI program: the greater the risk of the insured hazard, the *more* (rather than the less) coverage a participant was given for the same premium rates. The empirical record demonstrates that, over time, individuals, employers and governments alike responded to these economic incentives in much the way that the theories of economists would predict.⁹

One reason that the reverse experience rating features of the post-1974 Canadian unemployment insurance program gained initial acceptance was that, back then, there was tripartite funding for the program from worker taxes, from employer taxes, and from federal level general tax revenues. However, since 1990, the funding has been solely from the worker and employer payroll taxes, making it less reasonable for the program to provide pure income transfers. Moreover, this program never was well designed for use as a delivery mechanism for income transfers.¹⁰

The Axworthy Social Security Reform Initiative

In October 1994, after an extensive public consultation, HRDC released *Improving Social Security in Canada: a Discussion Paper*. That document, which we refer to hereafter as simply the “*Discussion Paper*”, outlined a menu of possible reforms of the UI program and explained why reform was needed.¹¹ The *Discussion Paper* highlighted five areas of concern, some of which parallel concerns often mentioned in work-to-welfare discussions.

There was deep concern about the growth over time of repeat use of UI:

“Almost 40 per cent of the people on Unemployment Insurance in 1993 had claimed UI benefits at least three times in the previous five years - and the number is rising. The number of such ‘frequent claimants’ has almost doubled between 1980 and the early 1990s.”
(*The Discussion Paper*, p. 18)

⁹ See the House Report(Newfoundland and Labrador, 1986), Richards and Watson(1994), Corak(1994), Corak and Pyper(1995), and May and Hollett(1995).

¹⁰ See Kesselman (1983, 1986).

¹¹ One group that was used to generate ideas for the reform was the Axworthy Social Security Reform Task Force. That advisory body, which Alice Nakamura was part of, was set up by Lloyd Axworthy, the Minister then of Human Resources Development. The Axworthy Task Force made extensive use of a group of 22 UI evaluation studies that had been commissioned by Ging Wong for HRDC prior to the start of the Axworthy reform effort, and also drew on other relevant research including the massive research reports of the earlier Royal Commission on the Economic Union and Development Prospects for Canada (see Canada 1985).

The *Discussion Paper* noted that the UI caseload and expenditures had grown in recessions and had failed to drop back to pre-recession levels during good times, resulting in a persistent upward drift.

Secondly, there was concern that the intent of the UI program rules was increasingly being abused. The *Discussion Paper* (p. 42) pointed out that, “the UI program allows some employers and industries to organize their work schedules around the weeks required to qualify for UI.” There was evidence of a developing UI culture, with some individuals and families treating reliance on public income support as a way of life. This was undermining political support for the UI program.

A third concern was that the UI payroll tax was contributing to the underlying problem of too little employment. The *Discussion Paper* stated that:

“Unemployment insurance premiums are a form of payroll tax. Currently, they represent 42 per cent of federal and provincial payroll taxes and are the largest source of federal revenue next to personal income taxes. It is widely agreed that, at least in the short run, payroll taxes discourage job creation.”

(*The Discussion Paper*, p.50)

A fourth *Discussion Paper* concern was that the UI program was having unintended distortionary effects on the nature of the available employment. Under the program rules in effect in 1994, an employer did not have to pay UI premiums for those hired for under 15 hours per week. The proportion of workers in jobs of under 15 hours per week and in other forms of non-standard employment not covered by the UI program had been growing. There was concern, though no direct proof, that this was happening *because* these sorts of employment were exempt from UI taxation.

For an unemployment insurance program to be effective as a macroeconomic stabilizer, there must be broad participation. A fifth *Discussion Paper* concern was the erosion of worker participation in the UI program. Important causes of this erosion included the growth of part time and other forms of non-standard employment that were excluded from UI coverage. There was concern that this was weakening the automatic stabilization capacity of the program.

The EI reforms we discuss were motivated by these problems.

Reform of the Active Training and Job Search Component

The old UI program included insurance side income support and also a range of so-called ‘active’ education, training and job finding services intended to improve the employability of UI recipients. Both the income support and the active employment services components of the old UI program were administered by HRDC. Bill C-12, the EI Act, brought about a transfer of administrative responsibility for the employment services from the federal to the provincial and territorial levels of governments. This was done in the hopes of better harnessing the advantages of local knowledge and flexibility. These reforms also opened the way for better integration of the employment services being provided to EI beneficiaries with those being provided to the participants in the

provincial welfare programs -- a pressing need given the large and growing overlap of the EI and welfare caseloads.

Several of the provinces including Quebec opted for full devolution to the provincial level of the administrative control of the active employment services. Others chose co-management with the federal government. Pierre Pettigrew, the Minister of Human Resources Development who was responsible for overseeing the implementation of the EI reforms, points to the varying ways in which this devolution took place with the different provinces as “yet another illustration of ... federalism that responds in different ways to different needs” (1999, p.102).

HRDC does retain certain oversight responsibility for all EI program expenditures and responsibility for reporting to Parliament on the use of funds collected through the EI payroll taxes. The devolution of administrative control for active employment services to lower levels of government, and the push for greater coordination of all social services regardless of the level of government responsible, mirror similar changes that Finn(1998) reports have been taking place in the United States, the United Kingdom and the Netherlands.

Reform of the Insurance Side Income Support Component

Under EI, the income support component of the unemployment insurance program continues to be administered by HRDC, but changes were made in this part of the program too. We focus here on the changes in the thresholds for qualifying for benefits and the new worker side experience rating features.¹² In particular, we cover the following three EI innovations:

1. The criteria for eligibility for benefit coverage were changed so that instead of depending on the number of *weeks* of work at jobs offering at least 15 hours of work per week, they are now specified in terms of threshold values for *hours* of employment at all jobs held.
2. An ‘intensity rule’ was introduced that reduces the rate at which earnings are replaced for regular workers who have collected EI benefits for more than 20 weeks over the previous five years.
3. Experience rating was introduced into the benefit clawback provisions of EI. This experience rating results in the repayment of greater amounts of the benefits collected by higher-income individuals who had received benefits for more than 20 weeks over the previous five years, with the repayment rate rising with increased use of the program.

Though operationally distinct, these three reform measures have linked objectives.

The first of these -- the respecification of the thresholds for qualifying for benefits in terms of hours rather than weeks of work -- prevents employers from minimizing their EI tax payments by increasing the share of jobs they provide that are for less than 15

¹² There were also a number of other important insurance side innovations introduced in Bill C-12 that space prohibits us from discussing here.

hours per week. Under EI, employers must pay this tax on all hours of work, up to the insurable maximum on earnings for each worker.¹³ The potential pool of beneficiaries was broadened by these changes,¹⁴ which should help to strengthen the macroeconomic stabilization benefits of the program. These changes have also improved the inter-worker equity. Under the old UI, someone who had worked 15 hours per week for 12 weeks, for a total of only 180 hours that year, could qualify for benefits while another person who had worked 50 hours for 11 weeks, for a total of 550 hours, before being laid off could not receive benefits. Under the new EI eligibility rules, it is the second of these workers rather than the first who might qualify.¹⁵

The second and third EI insurance side measures introduce worker side experience rating. It is important to understand what is meant by experience rating, and by *worker side* versus *employer side* experience rating. Insurance coverage consists of a level of coverage, defined by the amounts and conditions of benefit entitlement, and a premium rate. 'Experience rating' in insurance programs means that the premium rate for a given coverage level rises, or else that the level of coverage provided for a given premium rate falls, as the risk of the insured hazard rises.¹⁶ With automobile accident coverage, the premium rate typically rises for a given coverage level the greater the amount of accident claims the person seeking coverage has made recently. If this person is unwilling to pay more in premiums, then he or she must be satisfied with less insurance coverage as a consequence of the increase in the price of automobile insurance for any given level of coverage for this person.

In the United States, unemployment insurance premiums are paid entirely by employers on behalf of their workers. Employer side experience rating is a long established feature of unemployment insurance in the United States. With U.S. style employer side experience rating, the insurance tax rates for employers rise the more their workers use the insurance program.¹⁷

¹³ The old UI weeks of work thresholds for qualifying for benefits were 12 to 20 weeks of work, depending on the regional unemployment rate, at a job providing at least 15 hours of work per week. The new EI thresholds were set at 420 to 700 hours for regular workers, depending on the local unemployment rate. 420 hours of work would result from 12 weeks of work for 35 hours per week, and 700 hours of work would result from 20 weeks of work for 35 hours of work per week. These new thresholds were set so that all those working 35 hours a week or more at *all* jobs would qualify for benefits just as before, or would qualify sooner because of also being able to count hours of work from multiple jobs including jobs of under 15 hours per week.

¹⁴ Workers must pay this tax on all hours of work up to the insurable maximum earnings, though those who earn less than \$2,000 in the year have their premiums refunded to them.

¹⁵ However, the hours of the first worker would count toward qualifying if that person found more weeks of work subsequently or had worked previously.

¹⁶ Working with price indexes that involve decompositions of value into price and quantity components and the Product Rule of index number theory (see Nakamura and Diewert, 1997, for a definition and explanations of this rule and its use) was what led to the recognition that experience rating could be accomplished through the adjustment of insurance coverage levels while keeping the premium rates constant. Those who exhaust their unemployment insurance benefits are eligible to apply for welfare supplements. This includes men and women without dependent children.

¹⁷ Of course, there are practical limitations on how high the employer tax premiums can be raised. Once an employer already faces the maximum premium rate, there will be no further rate increases even if the employer lays off more workers who apply for and take up UI benefits. Perhaps because of this, the U.S. employer side experience rating has not succeeded in stopping regular repeat use or the resulting cross-subsidization from stable employers and workers to those with intermittent, part-year jobs.

In Canada, the unemployment program did not involve any experience rating prior to the enactment of Bill C-12. Instituting experience rating on the employer side had seemed infeasible since, in Canada, both the workers and the employers pay premiums for unemployment insurance. It had seemed wrong to raise the payroll tax rates for workers who had suffered a recent bout of unemployment. In addition, Canada has more employment that is intrinsically seasonal than the U.S. does. It was feared that raising the UI premium rates for employers in seasonal industries whose workers draw heavily on unemployment insurance benefits could put many of these employers out of business. Nevertheless, the growing repeat use of UI benefits was expensive. Also, seasonal repeat use of unemployment insurance does *not* serve a business cycle stabilization function. In addition, this sort of program use was undermining public support for the program. It seemed unfair for some persons to draw unemployment insurance benefits year after year, particularly since some of those doing this were in families that were better off than many of those who paid the costs of this program through the worker payroll taxes.

The variable regional entrance and extended benefit provisions of UI are retained under EI. However, under EI these provisions are counteracted by 'worker side experience rating' of two types.

The first is the new *intensity rule*. This rule reduces the benefit replacement rate for all regular workers by one percentage point with each added 20 weeks of benefits collected over the previous five years, from 55 percent down to a minimum of 50 percent.¹⁸ The rationale for the intensity rule is that those who have collected benefits for more weeks in the recent past are at greater risk of making future claims. This form of experience rating does not raise the immediate out-of-pocket costs of workers. However, it does make it less attractive for workers to collude with their employers on planned work interruptions financed via the unemployment insurance program. It is only possible for employers to shift their labour costs onto an unemployment relief program to the extent that their workers are eligible to collect.

The EI program couples the mild experience rating of the intensity rule with *clawback rules* that involve more severe worker side experience rating.

Clawbacks were also a feature of the old UI program. UI benefits were taxable as regular income. In addition, anyone who received UI benefits and then ended up with a taxable income for the year of more than 1.5 times the maximum insurable earnings was subject to a flat 30 percent clawback. Unfortunately, however, this old UI clawback rate was not an effective deterrent to intentional repeat use of the program by some workers in high marginal income tax brackets.¹⁹

Under the new EI, those who have collected *less* than 20 weeks of benefits in the previous five years face essentially the same mild clawback provisions as they did before under UI. The main change for them is that the multiple that is used to determine the level of earnings beyond which the clawback provisions apply was reduced from 1.5 to 1.25. However, for those who have collected *more* than 20 weeks of benefits and

¹⁸ Workers in poor families are exempt from this rule and may qualify for higher replacement rates.

¹⁹ The clawback rate was applied to the total benefits received in the taxation year, or the amount by which his or her income for the tax year exceeded 1.5 times the maximum insurable earnings, whichever was less.

who have taxable incomes greater than the maximum insurable earnings, the EI clawback rate is steeply experience rated, rising to 100 percent for those who have claimed 120 weeks of benefits in the previous five years.²⁰

Evaluation studies to-date of the EI program suggest that the innovations it introduced are mostly, though not all, functioning as hoped.²¹ Program expenditures have declined²² while, at the same time, substantial numbers of those holding part-time jobs have become eligible for benefits. The EI worker side experience rating protects the generosity of the program for occasional users -- the sort the program is well suited to help -- while reducing the benefits provided to better off repeat users.²³

III. THE CANADIAN OUT OF EMPLOYMENT PANEL SURVEYS (COEP)

“What was perhaps unique about the current UI reform is the extent to which evaluation results helped shape and support the policy process.... The significance of these evaluations lay in the ability to counter social policy mythology with the closest thing to hard facts that anyone could find. In areas as emotional and opinion-laden as the bread and butter issues which lie at the heart of social policy, the ability to lay a fact on the table can go a long way....”

(Norine Smith 1996,
on her HRDC experiences
with the drafting of the EI Bill C-12)

Federal leadership has included the active development of data resources that are needed for meaningful program development and evaluation. Statistics Canada has played an essential role in this regard. Other federal departments have also come forward with important data development initiatives. In the context of this paper, some of the survey and also the administrative data initiatives of HRDC are of special importance. Without access to the appropriate administrative and survey data, proponents favouring different approaches to social policy problems are left arguing about the credibility and prevalence of the anecdotes each have amassed. Good data

²⁰ For those who collected 21 to 40 weeks of benefits in the previous five years, the EI clawback rate is 50 per cent; for those who collected benefits for 41 to 60 weeks, the EI clawback rate is 60 per cent; and so on up to 100 per cent for those with more than 120 weeks of benefits. The clawback only applies to workers who end up with an annual taxable income greater than 1.5 times the maximum insurable earnings.

²¹ Ging Wong is currently overseeing an empirical evaluation of the outcomes of the Bill C-12 reforms.

²² The rate at which some groups have qualified for EI may have fallen below what is desirable. Under EI, new and re-entering workers must meet a threshold of 900 hours in order to qualify for benefits, regardless of the unemployment conditions in the region where they are. This higher threshold is probably not needed now that the program involves experience rating based on program use over the previous five years. Nakamura and Diewert (1999) argue that it would be preferable if new and re-entering workers faced the same eligibility rules as all other workers.

²³ It is important to note that the direct reductions of the benefits to repeat users via the intensity rule and the clawback provisions of EI do not depend on behavioural changes, though additional savings may result if behavioural changes occur.

resources help foster better interactions among the different levels of government and among governments and different public interest groups.

The Canadian Out of Employment Panel (COEP) surveys were instituted by HRDC in collaboration with Statistics Canada to enable better research on the activities of labour force participants following job loss and better evaluations of the effectiveness of programs intended to help the unemployed get back into the workforce.²⁴ The 1993 and 1995 COEP surveys were carried out following the passage of two previous UI reform bills, and the 1996 COEP survey was designed to permit a better evaluation of the specific reforms enacted with the passage of Bill C-12, the EI Act.

The 1996 COEP involves 10 cohorts of individuals who experienced at least one job separation between July 1995 and December 1997. The first four cohorts of the 1996 COEP represent individuals who had a job separation before the implementation of the new EI regime. Cohorts 5 and 6 had separation dates corresponding to the six month phase-in period for the EI program, and the remaining four cohorts had separation dates that are after the new EI program rules were fully implemented. A large number of studies have been completed or are in progress now that use the COEP96 data to learn more about the labour market behaviour and outcomes for different demographic groups, and to evaluate what does and does not work well about the new EI program.

Participants in the COEP surveys were chosen using HRDC's administrative files. More specifically, they were chosen using the Records of Employment (ROE) files. Workers are issued a ROE when they leave a job for any reason.

The COEP data include employment histories of individuals as well as a wide range of other information. There is information on the reasons for, and the behaviour of workers following, job loss. Information is collected on job search activity, job search outcomes, volunteering, and the training and education undertaken. There is also financial information on debt and the receipt of asset income, transfer payments, and public income support benefits from UI/EI, and there is information on household composition and consumption. In addition to providing the basis for evaluation of the unique provisions of the EI program reforms, the COEP data have made possible far reaching basic research on job search behaviour and the determinants of successful job search.

IV. THE NATIONAL CHILD BENEFIT (NCB)

“Among the most serious evidence that the system is misfiring is the high and persistent level of children’s poverty.”

(Human Resources Development Canada 1994,
The Discussion Paper, p. 69 and p. 71)

“Better income support for low-income families with children could be provided through a strengthened federal Child Tax Benefit.... As part of this approach, the federal government would need to work with the provinces to ensure that families on social assistance get the full benefit from this reform.... [I]t would give low-income families a

²⁴ Ging Wong of HRDC initiated and has continued to actively shape and develop the HRDC-Statistics Canada COEP survey project.

secure source of income support for their children, and put parents in a stronger position to leave social assistance for the job market.”

(Human Resources Development Canada 1994,
The Discussion Paper, p. 77)

“The National Child Benefit is the most important social program to be brought forward in the last thirty years.”

(Pierre S. Pettigrew 1999, p. 101)

The 1997 Budget Papers explain the purpose of the National Child Benefit program (NCB) as follows:

“Right now, the combined effect of federal and provincial programs is to reduce the child benefits of parents who leave welfare to enter the workforce. Parents should not be put in the position of penalizing their children in order to take a job. The [NCB] benefit would be directed to working families, who would see their incomes rise.”

The NCB combines two significant trends of the last 20 years: the trend toward delivery of social programs through tax credits or benefits and the trend away from unilateral federal control of social programs towards an approach negotiated with sub-national levels of government²⁵ The program involves no new law, but rather an increased federal tax credit of about \$1.7 billion to low income families. The provinces, territories, First Nations, and Ontario municipalities (the sub-national NCB partners) have made a corresponding commitment to “reinvest” the savings they realize from being able to reduce welfare payments to families who receive the NCB. These reinvestments are to be used to finance provincial and other sub-national government benefits and services reflective of each jurisdiction’s special needs and priorities and consistent with the central goals of the NCB: to reduce the depth of child poverty and help low income families find and keep work.

Suitable sub-national government reinvestments under the NCB include income support programs and tax measures for low-income families with children, as well as the extension of child care or other in-kind benefits to these families. They also include educational initiatives aimed at preventing or lessening the consequences of child poverty such as nutrition and teen parent programs. The NCB should help to offset possible EI induced additions to the welfare rolls as well as freeing up provincial resources for local initiatives to help the children of the working poor. The NCB is funded out of general federal tax revenues.

Only low income working families are eligible to benefit from the new NCB monies. For the first phase of the NCB beginning in July 1998, families with net incomes for the previous year of less than \$22,922 were eligible for the full benefit. There was an increase of \$605 for the first child bringing the amount to \$1625; an additional increase

²⁵ Similar programs were already in existence in Canada and elsewhere when this new benefit was announced. In particular, the NCB has many similarities to a successful Quebec program and to a British Columbia child benefit program. See the *Discussion Paper*, pp. 71-79 for a brief review of related Canadian programs. Nakamura and E.M. Diewert(1994) explain the motivations for this program. Their paper helped pave the way for the BC program and then for the NCB.

of \$405 for the second child, bringing the amount to \$3050; and a further increase of \$305 for each additional child, bringing the amount up to \$4475 for three children.²⁶ In the 1998 Budget, the Federal Government announced that it would contribute an additional \$850 million to the NCB program over 1999 and 2000.

The greater work effort of poor parents stimulated by the NCB should contribute not only to less child poverty but also, in the longer run, to improved living standards for the parents as they grow older. Parents who rely on welfare and do not work when their children are small typically get little or no training on the job. The wage rates they can command when they go back to work tend to decline with the passing years out of the workforce, leaving them poorly suited to support themselves once they no longer have dependent children. This is a more serious problem for women than men since they tend to live longer, have lower wage rates on average when they do work, and work less partly because they tend to assume more responsibility for raising children. The NCB should help some parents of dependent children formerly caught in the public income support trap to work, or work more, leading to more accumulated on-the-job experience, more secure employment, and higher earnings in years to come.

In the debate leading up to the announcement of the NCB, the implications for parents receiving welfare benefits were clearly recognized. We believe that the NCB also lessens the unemployment insurance related component of the public income support trap. The NCB raises the monetary return from work for parents who qualify -- making low wage work more attractive compared with collecting unemployment insurance benefits while staying home. This effect of the NCB compliments the effects of the EI experience rating reforms which reduce the possibilities for habitual reliance on unemployment insurance benefits for those with sufficient earnings to be affected by the intensity rule and the clawback experience rating provisions.

V. THE SELF-SUFFICIENCY PROJECT (SSP)

“The Self-Sufficiency Project (SSP) is a large, innovative social demonstration and research project in Canada that ... makes work pay by offering a generous earnings supplement to long-term, single-parent welfare recipients who find full-time jobs and leave the Income Assistance (IA) welfare system. SSP seeks to answer this question: If work paid better than welfare, would welfare-dependent single parents take jobs and leave the welfare rolls?”

(Berlin, Bancroft, Card, Lin, and Robins, March 1998, p. vi)

The SSP Program

The Self-Sufficiency Project (SSP) is a joint initiative of HRDC and the provincial governments of British Columbia and New Brunswick. This program represents yet another attempt to lessen the pull of the public income support trap.

²⁶ Families with incomes over \$25,921 were ineligible to receive an increased NCB benefit. Those in between with incomes of \$22,922 to \$25,921 were eligible for some increase, but less than the full amounts that those with lower incomes were eligible to receive.

SSP is a rigorous demonstration project designed to test the functioning and effectiveness of an earnings supplementation program for long-term single parent welfare recipients. Based on a random assignment evaluation design, the program provides temporary earnings supplements to selected single-parent welfare families in British Columbia and New Brunswick. To collect the supplements, those chosen must leave the welfare rolls and take a job providing at least 30 hours of work per week (referred to as “full-time work” in the SSP context). One reason for the full-time work provision is to try to steer program participants toward job situations offering experience and on-the-job training that might make it possible, over time, for them to command higher wages.²⁷ The SSP supplement was offered to participants on a time-limited basis. They had to find a job within one year of being offered the supplement and can then receive the SSP supplement payments for up to three years thereafter.

Many single parent welfare recipients have low levels of education and limited work experience. Because of this, the wages they can command in the workplace are often little more than the legal minimum. In fact, many can only find types of work that pay less than the minimum wage. When these single parents apply for and are approved to receive welfare, the benefits awarded rise with the number of dependent children and are often substantially more than what they could earn from work. This economic incentive to stay on welfare is part of the same dilemma that the National Child Benefit (NCB) program seeks to address by providing supplemental child benefits to working parents. The SSP approach is complementary to the NCB. The SSP seeks to move participants who cannot earn enough to raise their families above a welfare level of support into types of employment that will result in wage growth. The objective is to help these parents achieve work-based self-sufficiency.

The SSP Research Design

In developing this initiative, HRDC recognized the importance of testing the effectiveness of an SSP-type program prior to nationwide implementation. This is a relatively expensive program. A random assignment design for those offered the SSP supplements was used to generate a data base that would allow researchers to determine the *incremental effects* of the program on the propensity to leave -- and remain off of-- welfare, and the incremental effects on the wages received and other employment outcomes over time. As with the COEP data described in section III, the SSP initiative seeks to harness the power of modern data analysis in the service of research for improving our social programs.

Between November 1992 and March 1995, more than 6,000 single parents who were long-term welfare recipients were invited to join the main SSP study. In British Columbia, SSP operates in the lower mainland, which includes the Vancouver metropolitan area as well as neighbouring areas to the north, south, and east. In New Brunswick, the program operates in a region covering roughly the lower third of the province, including the cities of Saint John, Moncton, and Fredericton.

Sample members were recruited for SSP’s main study and randomly assigned between November 1992 and March 1995 in New Brunswick and between January

²⁷ Blank, Card and Robins(1999) explain other reasons for this requirement having to do with how persons who had not been on welfare might react to an SSP-type program.

1993 and November 1995 in British Columbia. Each of those who accepted this initial invitation was assigned at random to a supplement program or a control group. Members of the supplement program group were given the opportunity to try to qualify for the SSP earnings supplements by taking up full-time work and leaving welfare, while members of the control group were not. Because the two groups were chosen to be similar in all respects except whether they were allowed to participate in the earnings supplement program, the incremental impact of the SSP supplement program can be measured by the differences between the outcomes for the supplement program group and the control group.

Each participant's supplement is calculated as half the difference between gross earnings from employment and an "earnings benchmark" set by SSP. The benchmark was \$37,000 in British Columbia and \$30,000 in New Brunswick when the program began, and has been raised modestly over time to adjust for inflation. The supplement approximately doubles the earnings of many low wage workers before taxes and their work related expenses. After taxes and tax credits are considered, SSP makes most families \$3,000 to \$7,000 per year better off than they would be if they worked full time and remained on welfare. Unlike welfare or the NCB, supplement payments do not vary with family size, so the program is less attractive for those with larger families.

A person selected into the SSP supplement program and who took up the supplement within the 12 months after assignment could then continue to collect the supplement for up to three years. Participants were permitted at any time to return to welfare so long as they gave up the supplement while on welfare again and so long as they still met the welfare eligibility requirements. They could also renew their supplement receipt at any time over the three-year period by going back to work full time and going off welfare again. Unlike the NCB, this is a program designed primarily to change the *future* earnings possibilities of participants through growth in wage rates.

Wage growth with increased work experience is also a hope of the NCB, but that program aims to make work more attractive than welfare even for parents whose wages do not rise. The intent of the NCB is to help insure, on a continuing basis, an adequate standard of living for the children of low wage parents. Those parents can continue to collect NCB assistance for as long as they have dependent children and work. In contrast, a three-year time limit for receiving the SSP supplement was established to avoid the possibility of long-term program dependence.

Because the SSP supplements are generous (much more generous than the NCB is now), without wage growth over time, those on the program will experience a large drop in their standard of living at the end of the three year supplement period. In fact, without wage growth, at the termination of the program many of the participants still will face lower after-tax earnings than what they could get from welfare.

The SSP Research Questions

The SSP has the goal of answering a series of questions that are important for deciding whether an actual program along the lines of the SSP should be enacted in Canada, and how much should be spent on this versus other program options including enhancing the NCB assistance to working parents. Evaluation results for the first 18 months of SSP operation are available by now for the 5,288 of the original 6,000 single

parents invited to join the main SSP study who completed a follow-up survey.²⁸ The results are based on data from four sources: a baseline survey administered at the time of random assignment, a follow-up survey administered approximately 18 months after random assignment, provincial welfare administrative records, and records from SSP's Program Management Information System which tracks program activities and supplement payments. Some of the questions that the SSP project is designed to answer are:

- Will welfare recipients want to participate in such a program if given this option?
- Will they be able to find the full-time jobs they need to be able to take up the supplement?
- Will participants achieve high enough employment earnings over the three-year supplement period so that they will find it in their best interests to continue working when the supplements end?
- Will the public benefits of the program be sufficient to justify the costs? How much should be spent on this sort of program versus other types such as the NCB?

A full evaluation of the program is underway. However, the evidence so far already suggests a tentative positive answer to the first two questions above. If the SSP program succeeds for some who would otherwise have such low wages that they could not earn as much as they would get from welfare, this intervention may mean that these persons will leave welfare for good. This would be important, since examinations of welfare data reveal that a high proportion of those leaving welfare soon return. If those who participate in an SSP-type program enjoy substantial wage gains as their labour market experience increases, these wage gains would be expected to go together with improvements in the security of their employment situations.

²⁸ More specifically, results are available for the first 18 months after each sample member was randomly assigned, including the month of the random assignment. Thus, for the earliest sample members, the period studied is November 1992 to April 1994. For those who were randomly assigned last, the period studied is March 1995 to August 1996. For SSP findings, see Card and Robins(1998), and Lin, Robins, Card, Harknett, Lui-Gurr and others(1998). See also Quet, Robins, Pan, Michalopoulos and Card(1999).

VI. INTERNET RECRUITING INFORMATION (IRI) SERVICES

“The support mechanisms for shopping for machines and consumer goods are better developed than those available to employers and employees seeking job matches....This problem might be surmounted by developing electronic systems for posting job seeker qualifications and job vacancies that could be accessed from any computer with a modem, anywhere within Canada or through established international e-mail computer network linkages. From junior high on, students could be familiarized with how to use these networks.... Active job seekers could search the electronic bulletin boards by key words to find jobs of interest, jobs in a specific location, and so on.”

(Alice Nakamura and Peter Lawrence, 1993)

“The Internet makes it possible to disseminate a vast amount of information to a great many individuals or groups for the cost of a telephone call.”

(Pierre S. Pettigrew, 1999, p. 20)

“On-line recruitment systems, such as Campus WorkLink which is jointly operated by Industry Canada and the Canadian Association of Career Educators and Employers, are radically changing the availability of labour market information and hiring practices.”

(John Manley, Minister of Industry, August, 1999)

Infrastructure services have been the traditional purview of governments: the roadways, the rail lines, the ports and airports, the schools, and so on. Internet recruiting information (IRI) services for job seekers and for employers are a relatively new and expanding part of the portfolio of infrastructure services that governments are providing and are encouraging private sector businesses and nonprofit organizations to provide more of as well.

The Need for Expanded IRI Services

These services did not exist prior to the development of the electronic information highways, and their potential uses are still being discovered. The initial usage was primarily for recruiting in software development and other specialized technical areas where employers were forced to conduct wide searches because of labour shortages. However, usage soon spread to other occupations. It now includes many areas where it is the job seekers rather than the employers who are led by specialization or by scarcity of opportunity to search widely. For many employers and job seekers, IRI services are rapidly becoming a major means of search and first contact. They are a valuable complement to -- not a substitute for -- the traditional means of job search.

Searching for work in new places

Print materials about employment opportunities, such as help wanted ads in newspapers, usually carry only small amounts of information about the job openings and the desired qualifications of the applicants. Those looking for work from a distance need more specific and extensive information to make better choices about which openings they should follow up on. It can be hard for job seekers to find out-of-town

print materials. Most libraries do not have all of the relevant out-of-town newspapers, newsletters and so on. Moreover, out-of-town publications tend to arrive with delay.

A further problem is that a large portion of jobs are never openly advertised. Candidates for these jobs are found through informal contacts. Because of this, a person coming into a new locality without prearranged employment or personal connections faces greater difficulty finding work than local labour force participants.

Local area job search

Most people prefer to work in, or near to, the localities where they have been living. Those who find a local job are able to maintain their networks of family, friends and business associates. Also, living costs during the search period will usually be lower this way, and there are no moving costs to pay. If most people prefer to find work locally and if local area job searches tend to be more successful and cost effective, it is important for these searches to be thorough. By now, it is recognized that IRI services can be helpful for local area as well as distance job searches.

On the job seeker side, there are a number of problems impeding local area as well as distance searches that effective IRI services can mitigate. These pertain to the initial stages of job search:

- locating employers with suitable openings,
- submitting an initial application,
- submitting follow-up materials, and
- arranging for employment interviews.

Many workers begin their search for work while still employed. It can be difficult for employed job seekers to receive and respond to messages from recruiters during their regular working hours. The dollar and time costs of responding to job postings in hard copy form are a second impediment.²⁹ Another problem is the psychological discomfort that job seekers build up as a consequence of repeat in-person rejection experiences. Rejections are common in the initial stages of job search.

With IRI services, worker-recruiter contact and communications are facilitated by the substitution of confidential electronic messaging for phone contacts. These services enable low or zero marginal cost transmissions of employment credentials such as work histories and transcripts. In addition, electronic messaging is a medium of communication that may make it easier for job candidates to deal emotionally with rejections during the initial stages of job search, so that they can keep on applying.

Employer needs

Employers also have IRI service needs. Many are poorly connected to local area networks for the exchange of employment information. This is particularly common for businesses that are small or new or that hire infrequently. Employers face problems getting the word out about job openings they are unable to fill from within. Help wanted ads in newspapers are widely used, but the expense can be prohibitive for many small

²⁹ These costs include typing and word processing, photo copying, postage, and courier and fax charges. With electronic information exchanges at the initial stages of job search, an applicant will only need to provide hard copies of certificates and other evidence of job qualifications to those employers interested in proceeding to the interview stage of the recruitment process.

businesses. Also, most public methods for the exchange of employment information expose employers to the possibility of getting too many applications from job seekers who do not have the needed qualifications. Private employment services are useful for screening applicants, but charge fees that are substantial for small and newer businesses and that are high enough that larger businesses are typically unwilling to use these services when hiring for jobs below the executive or highly skilled categories.

In a 1993 paper and associated memos and talks, Nakamura and Lawrence made a number of specific suggestions for ways in which the power of new information technologies could be used to help employers as well as job seekers with their recruitment activities. Their recommendations first found their way onto the Canadian public policy agenda through a 1994 HRDC *Discussion Paper* :

“[E]mployers and employees could feed information about their respective requirements and skills into a computerized system, and get back a list of either potential jobs or applicants for immediate action. Such an ‘electronic hiring hall’ could be accessed from a Canada Employment Centre, or a provincial or municipal office, or a home or business computer terminal.”

(Human Resources Development Canada,
The Discussion Paper, p. 34)

IRI Services Developed and Implemented by HRDC and Industry Canada

By now, HRDC and Industry Canada have developed a portfolio of IRI services. The federal IRI initiatives have focused on job seeker needs, and particularly on the needs of participants in large government programs. Attention was directed toward areas where the private sector was not providing the needed services and where non-government, non-profit organizations had not come forward to fill the gap. The federal government sought to provide IRI services in areas of market failure, with the objective of improving the outcomes and reducing costs for other government programs.

Services for the unemployed

The initial HRDC investments in this area were directed toward the unemployed and especially toward those receiving unemployment insurance benefits. HRDC created the National Job Bank and the Electronic Labour Exchange (ELE).

The National Job Bank began as a mainframe computer support system (NESS) for the paper-based job posting bulletin boards in the front offices of the Canada Employment Centres across the country. This NESS system evolved into a mainframe system linked into kiosks across Canada. The system could be accessed by unemployed job seekers and others as well through the regional Canada Employment Centre offices. Eventually, it became possible to use the system through provincial government offices, and at some public locations such as libraries and shopping centres. The Internet version of the National Job Bank was built about three years ago and now interfaces seamlessly with the older mainframe/kiosk version of the system.³⁰

The National Job Bank only handles job postings. In contrast, the ELE is a skills-matching system designed to help employers and workers connect on-line. A job seeker using the ELE first chooses a job category, and then fills out a checklist on his or her

³⁰ The National Job Bank can be found at <jb-ge.hrdc.gc.ca>.

skills and other qualifications. Once this step is finished, the ELE system tries to match the job seeker's qualifications with an employer who has a position that requires those qualifications. If there are no suitable job openings on the system, the job seeker can choose to advertise his or her qualifications to employers visiting the ELE site.³¹

IRI services for post secondary level recruitment

Post secondary education is another expenditure area for the federal government, though it is the provinces that have most of the administrative responsibility in this area. Many of those finishing post secondary education programs need job finding help. HRDC and Industry Canada have collaborated to produce a range of IRI services to aid the school-to-work transition process.³² Helping graduates of post secondary education programs find work that makes use of their training helps Canada get a better return on public expenditures in this area. Also, it makes it less likely that these graduates will eventually require unemployment insurance or other income support and more likely that they will be ongoing tax paying participants in the Canadian economy.

Many post secondary graduates must conduct geographically wide searches if they are to find positions that will make use of their specialized educations. On graduation, many post secondary graduates also have work experience from jobs they held prior to, or while, pursuing their post secondary education programs. This further specializes the positions where these graduates can fully utilize their skills. Post secondary job seekers and the employers who need their talents and skills have greater needs for searching beyond their immediate localities than is the norm for the labour market as a whole.

Campus WorkLink:NGR

"Campus WorkLink connects more than 130,000 students and recent graduates to a pool of over 30,000 potential employers who can post job notices or search résumés when filling job vacancies. One of the benefits of on-line recruitment is that human resources managers can quickly sift through large quantities of information to select the individuals whom they want to interview."

(John Manley, Minister of Industry, August, 1999)

In Canada, the post secondary sector is heavily subsidized from general provincial and federal tax revenues. The justification for the federal contribution to these institutions is that they are building the human capital stock of the *nation*; not just for the specific localities in which these institutions are located. It is appropriate, therefore, that employers throughout Canada should be able to conveniently and cheaply find and communicate with the students or graduates of these institutions who might be interested in working for these employers. The campus career placement centres, each acting in isolation, cannot provide nation-wide connectivity, though their offices serve many other valuable purposes and will continue to be needed.

In 1995, Industry Canada took an important step toward meeting this need for some form of nationwide one-stop career placement services for new and recent post

³¹ The Electronic Labour Exchange can be found at <www.ele-spe.org>.

³² HRDC in collaboration with other federal departments, and provincial and community partners, has developed the Youth Resource Network of Canada found at www.youth.gc.ca.

secondary graduates. With the encouragement of a number of the university presidents, Industry Canada developed and implemented what is now called Campus WorkLink:NGR. Industry Canada administers this system in partnership with the Canadian Association of Career Educators and Employers (CACEE) and continues to receive financial assistance from Industry Canada. Most of the directors of the campus career placement offices belong to CACEE.

Campus WorkLink:NGR specializes in entry level jobs for those with post secondary credentials, and is available to all students and new graduates of accredited universities and colleges in Canada. In addition to employer profiles and national recruitment campaigns, Campus WorkLink:NGR allows employers to target job postings to the students and recent graduates of the public and private post secondary institutions that are Campus WorkLink:NGR partners.

By now, almost 600 of the Canadian post secondary institutions have signed Campus WorkLink:NGR partnership agreements through their campus career placement offices. This number includes all but about 5 percent of the public post secondary institutions. However, a few of the campus career placement offices that have declined to partner with this national service are on the campuses of publicly funded universities that have very large student bodies. Because of this, there are still tens of thousands of Canadian students and new graduates who cannot access all of Campus WorkLink:NGR's features -- namely the thousands of job postings that employers specifically target to students and graduates of post secondary institutions that are Campus WorkLink:NGR partners. For this and other reasons, it is still the case that the vast majority of the students and graduates of Canadian post secondary institutions are not registered with or using Campus WorkLink:NGR. This has become a source of concern, partly because of developments in the United States.

A Potential Brain Drain Problem

Internet recruiting information services have evolved more quickly in the United States than in Canada. Large numbers of Canadian post secondary students and alumni are now signing up with and posting their resumes on U.S.-based IRI services. Of course, long before the advent of internet recruiting, some of the most accomplished graduates of Canadian post secondary institutions were being hired away by U.S. and international firms. However, there is concern now that this selective brain drain problem could be exacerbated by the growing dominance of U.S.-based IRI services.

The concern is that U.S. and international employers who control and use these services will succeed in locating and making early offers to Canadian post secondary graduates with scarce skills before Canadian employers can locate and make contact with them. Graduating students are most vulnerable to accepting U.S. offers when they have not yet been contacted by any Canadian employers. This is particularly the case for graduates who have large student loans that they must begin paying off soon after graduation. Many are also worried that they may have no Canadian opportunities for working in their chosen fields. However, faculty members know from direct contact with their students that many of them would strongly prefer to stay in Canada, near to their friends and families, if they could find suitable employment.

All of the open web IRI services are free for job seekers. This includes the many U.S. based and commercial ones. It is the employers who pay. Of course, Canadian employers can pay to post on the U.S. based IRI services, but they will receive less good value than their U.S. counterparts. This is not because of discrimination by the IRI service providers. Canada is a smaller country. It is inevitable that the Canadian proportion of job seekers using IRI services that operate North America-wide will be much smaller than the U.S. proportion. Also, U.S. employers are more likely to be in a position to offer compensation packages that are attractive to job seekers both sides of the U.S.-Canada border.

Canadian employers would have a better chance of attracting needed talent produced by Canadian post secondary institutions if these employers could quickly, easily and cheaply find and communicate with the relevant students and graduates of these institutions who have the needed skills and who might be interested in working for Canadian employers. Campus WorkLink:NGR by itself can only partially fill this need. Actually, this would be so even if all the campus career placement offices became Campus WorkLink:NGR partners since graduates can only continue to use this service for three years following graduation.

CareerOwl: A Non-Profit Complement to the Government IRI Services

“In facilitating rapid and appropriate job placement for our most outstanding graduates, CareerOwl helps to maximize the effectiveness of our investment in higher education and to keep our most productive workers here in Canada.”

Paul Davenport
President

University of Western Ontario

Roderick Fraser
President

University of Alberta

Martha Piper
President

University of British Columbia

As noted, large numbers of students and alumni of Canadian universities, colleges and technical schools are using Campus WorkLink:NGR, but even larger numbers are not.³³ There is a need for IRI services to complement the post secondary coverage of Campus WorkLink:NGR. This is especially true in light of the general trend toward more job changing over the working lifetime. Increasing numbers of those who finished their post secondary educational programs more than three years ago will need to search for new jobs. This is after these workers are no longer eligible to use Campus WorkLink:NGR and when that service would no longer be suitable even if they were eligible because it specializes in entry level jobs for students and new graduates.

CareerOwl is a technologically advanced IRI service built with the private donations of money and expertise of Canadian university staff, students and alumni,³⁴ and

³³ There are those who are not eligible at all (mainly those more than three years beyond completion of their post secondary studies). There are those who are not interested due to being from institutions where the campus career placement offices have declined to partner with Campus WorkLink:NGR. And there are those who are not interested for other reasons. Survey research is underway to determine the breakdown of non-users by these categories.

³⁴ The CareerOwl system is managed by the CareerOwl Institute which is a non-profit, but also a *non-charitable*, organization incorporated for Canada-wide operation. The significance of this being a non-charitable organization is that no tax write-offs were claimed for the private start-up funds that were donated by faculty and former faculty members and students to create CareerOwl.

intended to function as a complement to Campus WorkLink:NGR. It is an open web-based service that allows job seekers to search over job postings and to post their own resumes for employers to search over. On the employer side, information about jobs can be posted or targeted to employer-specified groups of students and alumni without any requirement for membership with CareerOwl on the part of the campus career placement offices of the educational institutions that these job seekers attended.

While available to all, CareerOwl has special features to facilitate career-long post secondary level recruitment. The reason most commonly given by employers for *not* using IRI services for upper end recruitment is that open postings on large systems for positions of this sort can attract far too many applicants, including many who do not have the needed qualifications. Peter Lawrence -- a professor of electrical engineering at the University of British Columbia and a specialist in tele-robotics -- was the one who recognized that an open web software system could be designed that would permit employers, at their discretion, to make job postings that could be seen by, or sent out to, only those job seekers with the required qualifications. The CareerOwl software permits employers to determine the sorts of job seekers who will receive or be able to view their job postings. For instance, employers can prescreen job seekers by their levels of education, the institutions where they obtained this education, their years of work experience, the languages they know, and where they are willing to work.³⁵

In addition to prescreening options, CareerOwl offers busy job seekers advanced virtual agent technology. Job seekers can give information about their employment needs and can request their virtual agents to watch for postings meeting these needs. When the virtual agent finds such a posting, the user is notified of this by e-mail.

Another valuable feature for both employers and job seekers is CareerOwl's specially tailored messaging system that facilitates the direct, one-on-one exchange of information between employers and job seekers while allowing them the choice of remaining anonymous until whenever they choose to disclose contact information. It is believed that these features will be of special value for the recruitment of more experienced workers, many of whom are interested in carrying out their job searches while still employed. Soon after the CareerOwl service first went on-line, Jennifer Lewington wrote in the *Globe and Mail*:

“CareerOwl (www.CareerOwl.ca) is one of a new breed of internet job sites. What makes CareerOwl special is its communication technology -- essentially an application software which runs over the internet.”

³⁵ From 1993 on, Nakamura and Lawrence recommended that an IRI service with the capacity for job-by-job pre-screening and targeting should be built and made available for use by Canadian employers as part of the infrastructure of the nation. In the winter of 1998/99, David Bates, a New Zealand software developer and economist, was employed for a year to design and build the CareerOwl software system and web site, working together with a team of students and alumni. The other members of the team that worked under David Bates to turn the Lawrence-Nakamura vision into a functioning internet recruiting information system were Kiyotsugu Adachi, Jason Carter, Paul Chow, and Erik Diewert at the Vancouver development site for the project and, in Edmonton, Susan Budge, Aileen Hooda, Nathan Morcos, Mike Stansberry, and Richard Watson. The development operations took place in off campus space made available to the project without charge by faculty members.

Since CareerOwl is an open web system, all those using other cooperating Canadian IRI services (including students and alumni using cooperating campus internet systems) can also come over onto the CareerOwl system and check job postings there that employers have enabled jobseekers with their qualifications to see. The use of CareerOwl in this way by those who have signed up on other Canadian systems can be facilitated automatically by any Canadian system with compatible objectives and that contacts CareerOwl to enable this. CareerOwl strongly supports inter-system linkages of this sort. These linkages can enable different sorts of worker and industry groups to have systems of their own, supported by different sorts of software systems and with special features for their own members, while nevertheless furthering the connectivity of the Canadian labour market.

With linkages between cooperating Canadian IRI services, employers need only post on one of the inter-linked systems in order for their job postings to be found by jobseekers on all of them. This is important in the post secondary labour market where some of the campus career placement offices and many of the industry groups that hire at the post secondary level already have highly developed internet systems of their own. Linkages among cooperating systems are the key to avoiding the impractical necessity of having all potential users agree on just one sort of system. CareerOwl supports the use of the Internet to facilitate jobseeker and employer choice while at the same time providing nationwide connectivity.³⁶

The CareerOwl initiative is important for the new concepts in IRI system functionality that it introduces and for the ways in which this university staff, student and alumni volunteer effort interfaces with the campuses (the faculty being the main point of contact with the students) as well as with the IRI infrastructure initiatives of Industry Canada and HRDC. CareerOwl is an initiative that grows out of considerations and insights that are potentially important as well for other countries that are spending public funds to provide high quality post secondary education services, and are finding that they are losing significant numbers of those trained to foreign recruiters.

An Important Investment in Canadian Productivity

The HRDC, Industry Canada, and CareerOwl initiatives to expand the availability and improve the usage of IRI services in Canada are an important and proactive step toward expanding employment hours, reducing public income support costs, and improving the productivity of the Canadian economy.³⁷

High quality, low cost IRI services can help Canadian students and workers be more aware of the evolving skill needs of Canadian employers. This, in turn, can aid them in making better choices about the areas in which to take courses and invest their study time, and may help them to be more realistic in their job search expectations. Better human capital investment decisions by individuals can help Canada achieve a higher rate of return on public investments in education.

³⁶ We are greatly indebted to Kelly Meechan, the Director of Co-operative Education, Engineering at the University of British Columbia for repeatedly stressing the importance of this while CareerOwl was being developed. Her advice in this regard became the guiding spirit of the CareerOwl initiative.

³⁷ Productivity improvement means that there has been a reduction of input costs for the same output, or enhanced output with the same input.

Locating appropriate candidates for available job openings is an important and often costly step in the hiring process. IRI services can lower these recruitment costs. These services can also enable businesses to search more widely for needed talent and skills.

A business or other productive unit that has a job opening is usually an organization that will function better as soon as the position can be filled, and that would begin paying the new person as soon as he or she can be hired. If IRI services can shorten up the periods of search for employers with openings by even a few hours on average, this will raise productivity and will also increase the hours of employment and employment income (though not necessarily the number of jobs). This will boost government tax revenues as well, thereby increasing the funds available to pay for public services.

Finally, by reducing the costs of recruitment and improving the outcomes, IRI services have the potential to lower the costs of domestic labour relative to other input factors including capital equipment and labour purchased from outside of Canada. This too should help raise employment and employment earnings.

VII. CONCLUDING REMARKS

This paper outlines five interconnected initiatives fostered by Human Resources Development Canada in collaboration with other federal and provincial partners:

1. The *EI reforms* of the Canadian unemployment insurance system that were brought in with the enactment of Bill C-12.
2. The *COEP panel data surveys* instituted to enable scientific, information-based monitoring and evaluation of the EI and other unemployment insurance reforms, and to enable research on job finding processes.
3. The *National Child Benefit (NCB) program* of support for children in low-income families with at least one working parent.
4. The *Self Sufficiency Project (SSP)* that makes it financially desirable for low income single parents to take full time jobs that may facilitate wage growth over time.
5. The array of *on-line recruitment information (IRI) services* that HRDC and Industry Canada have been encouraging, and the non-profit, non-government CareerOwl service started as a volunteer project by staff, students and alumni of the universities of Alberta, British Columbia and Western Ontario.

Together, these initiatives have laid the foundation for the development of a new approach to Canadian social policy.

All of these initiatives have federal government roots, but important local dimensions. They take account of the fact that people live in specific localities and that jobs too are in specific places. They involve new partnership arrangements with sub-national levels of government. These initiatives reflect a government sector choice to become more proactive in dealing with problems of unemployment. Government

departments that provide assistance for those having difficulty meeting their own needs have typically been *reactive* in their offerings:

- Reactive in responding directly to the *immediate needs* of clients already in difficulty.
- Reactive to the *sources* of the difficulties that their clients face such as the failures of large businesses and plant closings, shifts in the patterns of trade, and technological changes that produce regional or industry-specific shortages of jobs.
- Reactive to the *chronic problems* of special needs clients, such as those with little education or training, or who are illiterate, or who lack proficiency in an official language, or who have health conditions or family responsibilities that limit where and when they can work.

The social program initiatives discussed in this paper can help in all of these reactive ways. However, these new reforms have important *proactive* components as well.

Consider the EI reform measures. A central objective is to preserve a valued safety net program while protecting the Canadian economy which is the long run source of jobs and prosperity for the people of this nation.

Consider the NCB and the SSP programs. Both programs are forward looking in that they seek to improve the situation of children in poor families in ways that research suggests will improve their chances of growing up to be economically self-sufficient. The NCB and SSP programs are forward looking as well in trying to improve the *future* labour market prospects of parents so it will be easier for them to be self-supporting once they no longer have dependent children to care for. Both the NCB and the SSP programs make it easier for poor parents to work and still provide their children with an economic standard of living that is as good or better than they would have by relying on public income support instead.

Consider the data development initiatives that are being carried forward in collaboration with Statistics Canada. These are helping to insure the availability of the raw information that is an essential input into scientific program evaluation and policy formation exercises.

Finally, consider the initiatives to expand the availability and quality of Internet recruiting information (IRI) services. By helping to make these services available cheaply as part of the nation's infrastructure, the federal government is acting not only to help those who have been unemployed find work -- a reactive service -- but also to help Canadians *avoid* spells of unemployment. Publicly available IRI services can reduce employment search costs and improve the outcomes for both employers and job seekers. This will enhance labour productivity in Canada, enhance the competitiveness of Canadian firms, help raise the incomes of Canadian families, and help reduce the requirements for public income support.

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