

*Reconnecting Social  
Assistance Recipients to the  
Labour Market*

*Lessons Learned*

**Final Report**

*Evaluation and Data Development  
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*This study summarizes lessons learned from experiences governments have had with reforming their social assistance programs. This summary is based on a technical report prepared for, and under, the direction of the Evaluation and Data Development Branch of Human Resources Development Canada (HRDC). The report was written by Prairie Research Associates, Inc. (PRA). In particular, the study was led by Greg Mason of PRA, with the assistance of Mike Krywy.*

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*The background report produced for HRDC as part of this study provides a more detailed examination of the topic at hand and is available upon request. It may also be found on our Internet site at <http://hrdc-drhc.gc.ca/edd>.*



# *Series*

Canadian governments are trying to achieve the most productive and cost-effective results from human resource programs and policies. Professionally conducted evaluations can help them reach that goal. They document our experiences with policies and programs that have had similar goals. They add to the “corporate memory” that helps us make still better decisions in the future.

At Human Resources Development Canada (HRDC), we have a strong commitment to continuous learning and improvement. Over the past decade, we have invested time and money in evaluating many of our programs and policies covering a wide range of human resource development issues. These have been complemented by our reviews of evaluations conducted by other governments, in Canada and internationally, in the area of human resource initiatives.

HRDC developed the “Lessons Learned” series to make this wealth of information and insight available to more people more easily. The Lessons Learned studies are a series of documents and supporting videos that synthesize what evaluations in Canada and other countries have taught us about a range of high-profile human resource policy priorities. They summarize what we know about the effectiveness of policy initiatives, programs, services and funding mechanisms.

Lessons Learned are of interest to senior managers and policy analysts in Canada’s governments. Program managers, public policy researchers and other stakeholders can also benefit from understanding the lessons we have learned from past and present programs.

HRDC is pleased to present the latest study in this series, which focuses on the lessons learned from past government experiences helping social assistance recipients find employment. Knowing how these programs both depend on, and are affected by, the larger labour market will prove useful in the development of future policies and programs.

As a learning organization, HRDC will continue to experiment with new approaches and evaluate their effectiveness. HRDC recognizes the vital importance of the evaluation process and is committed to continuing its work in this area.



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# ***1. Introduction***

## **1.1 Purpose of this study**

This paper examines the reforms that governments have enacted to change both the focus of their social assistance programs and their method of delivery. In particular, the paper concentrates on the relationship between welfare reform and labour market policies. The objective is to determine which of these reforms seem to work well, which do not, and why. Understanding how these welfare reforms both depend on and affect the labour market will be useful in the development of future policies that fall within federal jurisdiction.

This paper reviews the experiences of jurisdictions in Canada,<sup>1</sup> the United States and selected Organisation for Economic Co-operation and Development (OECD) countries. We draw specifically on experiences from the United States for three reasons: first, U.S. reforms have been quite dramatic; second, each of the 50 states has had latitude to design its own programs; and third, evaluations are more plentiful for the U.S. reforms. In general, the evaluation of welfare reform and labour market interventions has not received the same attention and funding in Canada that it has in the United States. While we caution that lessons from other countries need to be carefully examined before they are applied to Canada, useful insights may still be learned from experience abroad.

Many fundamental questions are associated with any lessons learned from welfare reform. Within the spectrum of policies that make up welfare reform, have we learned how to implement these policies most effectively? Is there a combination of policies that are most effective? Is caseload reduction the best or even an adequate measure of success? What will happen with a recession and the slowing of employment growth? This paper attempts to provide some answers to these questions. However, we emphasize that the lessons presented are preliminary as systematic evaluations are only now beginning.

## **1.2 What is welfare reform?**

Although frequently spoken of as a new phenomenon, “welfare reform” is as old as the welfare system itself.<sup>2</sup> Welfare systems in Canada have been in flux from their earliest days, when they were a joint provincial/

***The evaluation of welfare reform and labour market interventions has not received the same attention and funding in Canada that it has in the United States.***

***Welfare systems in Canada have been in flux from their earliest days.***

<sup>1</sup> Quebec chose not to participate in this study.

<sup>2</sup> The term “welfare” is common to the United States, and refers more specifically to programs assisting single parents. In Canada, the term “social assistance” is common at the federal level, while many provinces/territories use the term “income assistance.” The term “welfare reform” is used throughout this report to refer to changes to social/income assistance programs with a view to reducing the number of cases and increasing the labour force attachment of recipients.

municipal responsibility, to more recently, when social assistance was cost-shared and guided by Canada Assistance Plan (CAP) legislation. Presently they are jointly funded, with federal contributions provided through the Canada Health and Social Transfer (CHST). Throughout this time, jurisdictions have experimented with different models, policies and programs.

***Welfare has shifted from being an “entitlement” program designed to fight poverty to a temporary support intended to promote individual self-sufficiency.***

Public attitudes and administrative welfare philosophies have also been changing. Welfare has increasingly shifted from being an “entitlement” program designed to help fight poverty, to a temporary support intended to promote individual self-sufficiency through labour force attachment strategies. It is this latter shift, and the change in legislation that has accompanied it, that has given recent welfare reform its distinct character as a program that is integrated with other labour market development programs, specifically education and training.

Changes in other OECD countries, notably the United States, parallel developments in Canada. With the passage of the *Personal Responsibility and Work Opportunities Reconciliation Act* (PRWORA), the United States ended its long-running Aid to Families with Dependent Children (AFDC) and replaced it with the Temporary Assistance for Needy Families (TANF) block grant. Similar to Canada, this legislative change signals a philosophy that casts welfare as a “temporary” support, and “work” as the preferred and expected activity for all who are able. It further entrenches the labour market emphasis of recent welfare reforms, and its linkages to other developments in training and education. The U.S. context is important because it provides a significant body of literature and similar thrust as found in Canadian reforms.

To provide an overview of recent welfare reforms, we have categorized key aspects according to five main policy themes. These themes provide a general framework, not mutually exclusive categories. In some cases, issues may fit under several categories depending on how programs are designed. As such, the following typology is an organizational framework to help interpret recent welfare policies and programs.

**TABLE 1**  
**Typology of Welfare Reform Policies**

Main Elements of Reform	Features
Legislation and Regulation	<ul style="list-style-type: none"> <li>• Government requires welfare applicants falling into specific groups (single adults, couples without children and single parents with school-age children) to work or seek work.</li> <li>• Those refusing to participate in a job search or training may face a reduction in benefits or complete termination. In the United States, the total time on welfare is also limited.</li> <li>• A process of assessing program “eligibility” is commonly used to either divert individuals into more appropriate programs or deter them from becoming recipients by stressing the expectations of the program.</li> <li>• The delivery of services has become decentralized.</li> </ul>
Short-term labour force attachment strategies	<ul style="list-style-type: none"> <li>• Increasingly, jurisdictions require applicants and recipients of social assistance to look for work immediately.</li> <li>• Jurisdictions use orientations and employability assessments as a “triage” function to allocate recipients to specific interventions ranging from job search assistance to a prolonged program of educational upgrading. Some forgoe this process and place all individuals in job search immediately (usually for the first 3 to 6 months).</li> <li>• Some jurisdictions use work experience programs (work in exchange for benefits, subsidized employment and job creation) in a direct move to connect recipients with work.</li> </ul>
Long-term labour force attachment strategies	<ul style="list-style-type: none"> <li>• Earned income policies, such as earning exemptions, taxation policies and earning supplement programs can help promote long-term labour force attachment.</li> <li>• Recipients may undertake a long-term program of educational upgrading, although most programs have decreased direct support for long-term education and basic skills (literacy and numeracy). Postsecondary education, when available to social assistance recipients, is funded primarily through grants or loans, while support costs may be provided through social assistance.</li> <li>• Job-retention strategies are increasingly used to help individuals retain employment, by enabling current and former social assistance recipients to access supports such as child care, counselling and educational upgrading.</li> </ul>
Collateral support programs	<ul style="list-style-type: none"> <li>• Child care programming has increased through expanded subsidization and/or child tax credits. This is considered essential for welfare reform.</li> <li>• Transportation supports are also necessary to reduce spatial barriers to work.</li> <li>• Many provinces are introducing expanded health benefits and increased cash support for children living in poverty under the National Child Benefit; this is proving to be very important for welfare reform.</li> </ul>
Changes to the delivery system	<ul style="list-style-type: none"> <li>• Integrated case management treats client income and employment needs from all perspectives.</li> <li>• Single-window services are being used to speed the transition from intake to training to job placement.</li> <li>• Administrative culture shifts are taking place to change staff and client perceptions about social assistance being considered an “entitlement.”</li> </ul>

### 1.3 The Canadian Income Security System

The Canadian income security system contains three main components: high-profile programs; tax-expenditure policies; and cash and in-kind transfers. The high-profile programs in the system include Employment Insurance (EI), Old Age Security (OAS), Guaranteed Income Supplement (GIS), the Canada and Quebec Pension Plans (CPP/QPP), Workers Compensation and Social Assistance. Quite often, interactions among them occur. For example, the impacts of changes to Social Assistance may interact with changes to EI, and vice versa. One example has been the Atlantic region, which has high seasonal employment. In this region, workers have often cycled among spells of employment, employment insurance and social assistance.

*The NCB is an important development in Canadian welfare reform. It delivers benefits to low-income families so savings from decreased welfare spending are spent to reduce child poverty and promote attachment to the labour force.*

The second component consists of tax-expenditure policies such as the National Child Benefit (NCB), refundable tax credits and transfers designed to address specific services such as subsidized child care and social housing programs. The NCB is an important development in Canadian welfare reform, as it delivers benefits to low-income families on the understanding that resulting provincial/territorial welfare savings will be spent to reduce child poverty and promote labour force attachment.

Thirdly, transfers in cash and in-kind from charities, family and friends are an often overlooked component of income security. Food banks and clothing donations are examples of this informal income security system. Increasingly, local organizations are promoting community development, skills training and entrepreneurial initiatives at the neighbourhood level. Although tracking these transfers is difficult and we know little about their magnitude, many believe they represent a vital component of the income security system.

## ***2. Origins of Welfare Reform***

### **2.1 The growing number of cases explains only part of the emergence of welfare reform**

Trends in the level and composition of caseloads underlie much of the welfare reform of the last decade. In most jurisdictions, caseloads did not fall significantly after the North American recessions of the early 1980s and early 1990s. In fact, U.S. caseloads expanded by 27% from 1990 to 1994, despite a period of recovery. Even in light of Canada's slower economic recovery, the Canadian experience was nothing short of dramatic: the number of cases increased by 55% (from 1.1 million to 1.7 million) during this same period (National Council of Welfare, 1998a).

Beyond the volume of cases, the composition of these caseloads also began to worry administrators.<sup>3</sup> In Canada, social assistance included single adults who, many in the public believed, should be employed or in school. It also included a growing number of children in social assistance families. The number of children living in poverty remains a central issue in social welfare policy.

It is worth noting that single individuals in the United States have typically never been eligible for *federal* social assistance, aside from Food Stamps. Single individuals may be eligible for state welfare, although this varies widely. This lower and more fragmented safety net remains an important difference between the United States and Canada and explains why U.S. welfare reform has been directed mainly at single mothers.<sup>4</sup> In a sampling of Temporary Assistance for Needy Families (TANF) recipients between July and September 1997, it was reported that single-parent households represented 70% of all TANF households. In Canada, according to the National Council of Welfare, approximately 29% of Canadian social assistance recipients are single parents, the majority of whom are female (91%).

Other factors that have helped to prompt the move toward welfare reform include:

- Public opinion has apparently shifted in the direction of less spending. This appears to be reflected in reluctance to extend income support, especially to those who are not disabled or without dependent children.

<sup>3</sup> This is drawn from key informant interviews in Canada and the United States.

<sup>4</sup> In the United States, the proportion of families with children headed by single mothers rose from 10.2% in 1965 to 23% in 1995, although this trend levelled off in the latter half of the 1990s. In comparison, according to Statistics Canada, the 1996 Census reported 12.1% of families in Canada as headed by single mothers.

***The number of children living in poverty remains a central issue in social welfare policy.***

***The public wants to spend less on programs like welfare – this has prompted many reforms.***

While the direct evidence of this shift is meagre, most welfare administrators simply accept it as fact.

- Traditional educational and vocational training strategies that were primarily classroom-based and voluntary apparently have failed to reduce the number of clients on social assistance. Evidence from 20 years of evaluation on training economically disadvantaged adults has been discouraging. By the mid-1980s, academics reviewing this literature concluded that, typically, older women benefited most from this training, but men and younger recipients showed little in the way of increased wages or labour force participation.<sup>5</sup> This persuaded many researchers that education and training programs for social assistance recipients needed restructuring in light of the possibly unrealistic expectations placed on the outcomes of short-term skills training offered to those with weak academic backgrounds.
- Social workers and others working with families argued that long-term social assistance has corrosive effects on children. Children who grow up in poverty, whether on social assistance or not, are more likely to encounter problems with health (drug abuse, physical safety, nutrition) and education. Many lack a stable and nurturing home environment. The growing number of children who live in poor families with parents on welfare raised the possibility that many will enter youth and adulthood without good role models of self-reliance, thereby perpetuating reliance on social assistance. This child-centred perspective created much of the broad political support needed to reform social assistance programs.
- Finally, for some social assistance recipients, accepting a low-wage position was often irrational. In some cases, recipients could earn only relatively small amounts without resulting in a reduction in benefits. Most social assistance recipients, especially those with children, receive a range of health, transport and housing subsidies. Often, the total income in cash and in-kind supports exceeded what could be earned in low-income occupations. In this situation, a single mother on assistance reduced the economic position of her family by working. Also, many program elements, such as exemptions, supplements, and tax benefits, work in opposite directions. The cumulative effect of these interventions can inadvertently produce substantial penalties for those who leave welfare.

***Long-term social assistance has corrosive effects on children.***

<sup>5</sup> According to Friedlander et al. (1997), “The broadest generalization about the current knowledge of government training programs for the disadvantaged is that they have produced modest positive effects on employment and earnings for adult men and women that are roughly commensurate with the modest amounts of resources expended on them. The positive effects for adults are not large enough to produce major aggregate effects on employment and earnings among low-income target groups, and the programs have not made substantial inroads in reducing poverty, income inequality, or welfare use. Moreover they have failed to produce positive effects for youth.”

## 2.2 Recent Canadian reforms have developed a welfare-to-work emphasis

Canadian welfare reform may appear new, but the thrust behind the most recent reforms began in the early 1980s, continuing through to the early 1990s. Changes to the Canada Assistance Plan (CAP) and the creation of the Canada Health and Social Transfer (CHST) represented the culmination of legislative and philosophical changes that helped redefine provincial/territorial social assistance programs. However, it should be pointed out that given the provincial/territorial nature of Canada's welfare system, many jurisdictions had already begun welfare reform before the creation of the CHST.

*CAP and CHST helped redefine provincial and territorial assistance programs.*

The CAP, created in 1966, provided for federal cost sharing with the provinces and territories. Under this funding arrangement, provinces and territories based receipt on "need" as defined by budgetary requirements and means tests (eligibility based on total family income and assets). Jurisdictions had to offer services to individuals regardless of residency and, most importantly, benefits could not be contingent on training or work requirements.

In September 1985, federal and provincial/territorial ministers for Social Services convened and agreed upon a seven-point strategy to maximize use of the Canadian Jobs Strategy (CJS), the CAP and other employment strategies to help social assistance recipients obtain and keep jobs. The seven points included negotiating CJS participation targets for social assistance recipients; changing CAP guidelines to increase the incentives for recipients to participate in training and employment; and increasing the amount of education and training opportunities available (Hunter, 1993).

In Canada, many observers date recent welfare reform to the so-called "cap on CAP" in 1990, which limited federal funding increases under CAP to 5% annually for Ontario, British Columbia and Alberta (the so-called "have" provinces). This limit provided a financial incentive for these provinces to begin reforming their programs. The unilateral federal move also eroded the "shared" element of CAP, and signalled to some that the end of CAP was near. Some have suggested that increased benefit levels in Ontario during the early 1990's recession prompted the federal government to find ways to limit its spending on social assistance.

***CHST allows provinces and territories greater freedom to experiment with different approaches to welfare reform.***

In 1996, the creation of the CHST helped further current welfare reform. The CHST eliminated all but the residency conditions of welfare programming as established under CAP. As a result, provinces and territories must still provide social assistance to all individuals regardless of how long they have resided in their jurisdiction. However, the non-conditional aspect of the CHST allows provinces and territories greater freedom to experiment with different approaches to welfare reform.

Simultaneously, important collateral changes were the reform of Employment Insurance (EI) and federal reductions in social and health spending. For example, restricted eligibility to, and time on EI, increased pressure on social assistance programs. Many who fail to qualify for EI, or who receive low benefits, or who exhaust their eligibility, end up applying for welfare.

The National Child Benefit (NCB) has extended support to low-income households (not just those on social assistance), while encouraging provinces and territories to reinvest in programs that help fight child poverty and promote the labour force attachment of parents. The NCB has served as a more efficient, non-stigmatizing, income-tested program for Canadian families. The flip side to this broader coverage is that the benefits from the NCB can be small unless supplemented because they are not designed solely for those on social assistance. Overall, the net impact of this program on work incentives and the economic position of social assistance clients remains to be determined.

***Canadian reforms do not feature time limits and Canadian jurisdictions resort to sanctions sparingly.***

While reforms in Canada do not feature time limits, most provinces and territories will either reduce or eliminate benefits for employable clients who refuse to participate in job-search or training programs. In some jurisdictions, sanctions (benefit reductions) are designed to increase participation in other types of activities, such as counselling, volunteering or literacy upgrading, all with the aim of promoting some involvement in the labour market. Nevertheless, Canadian jurisdictions resort to sanctions sparingly.

As with American states, provinces and territories have had room to experiment. Under a general block grant, the federal government has necessarily relinquished its authority to direct how social assistance is to be organized. Welfare administrators in both the United States and Canada stress that reform legislation has allowed them important discretion in designing new programs.

One such design modification relates to decentralized social assistance delivery. Larger provinces such as Alberta and Ontario allow considerable local input into the design and delivery of social assistance. Smaller provinces, particularly those in Atlantic Canada, retain central

management of the social assistance program. The rationale for decentralization in a larger jurisdiction is that various components of welfare reform need fine-tuning and further integration with local employment opportunities. At the same time, clients can benefit from tailored interventions.

## **2.3 The United States has adopted comprehensive welfare reforms**

The United States has paid more attention to reforming and experimenting with its welfare system than any other country. Yet even before these most recent changes, several differences made the U.S. system stand out. Unlike Canada, U.S. welfare systems have generally provided lower benefits and a stronger welfare-to-work emphasis. The United States has also kept other low-income supports, such as Food Stamps and Medicaid, to a minimum, which has made its social assistance system dissimilar to the Canadian model. In addition, the United States has had lower minimum wage levels and greater job mobility. Understanding these features of the U.S. system is important in order to put their latest welfare reform into perspective.

*U.S. welfare systems generally provide lower benefits and a stronger welfare-to-work emphasis.*

The Clinton administration began the most recent phase of welfare reform in 1993 by enabling states to apply for Aid to Families with Dependent Children (AFDC) waivers. These welfare waivers enabled states to develop experimental welfare-to-work programs that varied from the actual AFDC legislation. In many cases, these waiver programs became statewide initiatives following the passage of the *Personal Responsibility and Work Opportunities Reconciliation Act* (PRWORA) and the creation of the Temporary Assistance for Needy Families (TANF) block grant in 1996. While the creation of TANF marked the formal start of welfare reform in the United States, its seeds had been sown earlier. The essential features of TANF include:

- limiting risk while increasing incentive by basing federal funding on historical levels and giving states more spending discretion. The federal government limited its risk associated with increased caseloads, while at the same time creating an incentive for states to reduce the number of cases;
- requiring adults to work in some form of employment intervention after the client has received a maximum of 24 months of welfare;
- allowing states to reduce or terminate benefits of those failing to fulfill employment intervention requirements;

- legislating that all federal payments to states for welfare recipients end after 60 months of total use. States have the discretion to exempt part of their caseload from this condition; and
- increasing the experimentation and variety of programming both between and within states.

This last point is important because it has allowed individual states greater latitude to design programs unique to their situation. Let us now briefly examine what other Organisation for Economic Co-operation and Development (OECD) countries have done in enacting welfare reforms appropriate for their respective settings.

## **2.4 Other countries are changing their welfare policy**

*Other countries have undertaken welfare reforms that parallel developments in Canada and the United States.*

Other OECD countries, such as Sweden, Finland, Britain, Australia and New Zealand, have undertaken welfare reforms that parallel developments in Canada and the United States. Like Canada and the United States, these jurisdictions have designed policies and programs that emphasize a welfare-to-work philosophy, particularly among certain target groups (such as youth and single parents).

In some jurisdictions, governments have introduced income supplements and policies such as benefit exemptions and earning disregards to enable individuals to attain a higher overall income from work. In countries such as Finland, these policies appear to have encouraged more part-time work where there was previously no incentive to do so. In Australia, there has been a greater incentive for female parents on income support to work part-time.

*Reforms include mandatory participation in education and training programs.*

Other welfare reforms have included mandatory participation in education and training programs as a condition for receiving social assistance. Other measures taken have included decreased benefits for groups that are considered more employable, and stricter sanctions for those who fail to adhere to their conditions for collecting social assistance (Kalisch et al., 1998; OECD, 1998; Eardley et al., 1996).

These developments suggest that other OECD nations are taking similar steps to reduce their social assistance expenditures and more closely integrate income support programs and policy with labour market education and training policies.

For the purpose of this research, we draw Lessons Learned on welfare reform from the Canadian and American experiences. Results from different political and social jurisdictions are difficult to compare even

when components are similar, as they are but one part of an array of social security programs and policies. Since Canadian and especially American reforms have been subjected to more rigorous evaluation, the insights from these countries offer both a deeper and a broader literature on the subject. Insights for Canada drawn from other OECD countries may thus be less useful than conclusions obtained from within the North American context.

## **2.5 Important caveats on lessons learned from welfare reform**

In all provinces and territories, reforms are still under way. As such, any lessons from such recent changes can only be preliminary. In addition to a caution about drawing premature conclusions, three other issues condition all understanding of what works in welfare reform.

First, reforms have been enacted during a period of rapid employment growth, especially in the United States. Much of the caseload reduction experienced in North America would not be possible without rapid growth in the economy. At the same time, changes to social assistance regulations have encouraged more recipients to search for and retain employment. Therefore, it is unlikely that economic recovery alone would have produced the sharp reductions in the number of cases experienced in many North American jurisdictions.

***Much of the caseload reduction experienced in North America would not be possible without rapid growth in the economy.***

Second, caseload reduction has been used as a universal measure of success for welfare reform, though not necessarily the only one. Using such a one-dimensional measure of success during a time of economic boom, many jurisdictions have reported nothing short of remarkable reductions. Yet the critical questions remain – what happens to those who leave welfare? Do they gain successful employment? Does their standard of living improve once they are in the labour force? Do their wages increase? Do they move up the occupational ladder? Success indications such as these are not readily available.

In the United States, considering each state has implemented a different mix of policies, the conditions might seem ideal for extracting lessons learned. Unfortunately, the opposite is true. Because caseload reduction is the common measure of success, most jurisdictions have experienced lower welfare numbers by virtue of economic growth. States with radically different approaches to welfare reform have achieved similar levels of “success.” Therefore, as long as such diverse policies appear to lead to the same level of success in terms of caseload reduction, significant uncertainty will persist as to what really constitutes the success of welfare reform.

*Strategies may be effective for some participants, but there are no simple solutions ...*

Third, although the evaluation literature on welfare reform is extensive, covering many jurisdictions and types of programs, comparative measures should be viewed cautiously. Several factors affect the performance of any one program, including the nature of the caseload, quality of intervention, motivation of the administration, regional variations in the economy, overlapping influence of other programs, attitudes and aptitudes of the clientele, and quality of the research. Although it can be difficult to isolate what has worked, why and when, the similarity of results does support some generalization. Strategies may be effective for some participants, but there are no simple solutions to deal with the entire caseload. Specific tailoring and fine-tuning of programs will always be required. Further, very few evaluations provide long-term results due to the cost of evaluation and the difficulty of conducting follow-up once individuals leave the rolls. Therefore, any “lessons learned” should be considered with these caveats in mind.

## 3. Lessons Learned

Research into recent Canadian and American welfare reforms has provided insights into best practices and key lessons learned. We have categorized lessons according to five main policy themes:

- Legislation and regulation
- Short-term labour force attachment strategies
- Long-term labour force attachment strategies
- Collateral support programs
- Changes to the delivery system

These themes provide a general framework, not mutually exclusive categories, to help organize and interpret recent welfare policies and programs.

### 3.1 Legislation and Regulation

**Lesson 1** Legislative and regulatory changes are necessary conditions to reduce the number of cases, but not sufficient conditions to promote economic independence.

Legislative change at the federal level in both Canada and the United States has created the environment for the latest round of welfare reform. While the motivation may have been largely due to fiscal restraint or provincial/territorial/state initiative, many policy analysts recognized that change was long overdue, as the number of welfare cases was not declining as quickly as expected during periods of economic recovery. This suggested that welfare programs were not providing the right incentives and/or training options to move people back into the labour market.

The “welfare-to-work” focus of most legislation and regulation in welfare reform has created the framework for changing social assistance from an entitlement program to one where recipients have obligations. Restoring the presumption that social assistance is an income program of last resort is a primary focus of this legislation.

Most jurisdictions have legislation compelling social assistance recipients to participate in either employment or training. Nevertheless, in addition to legislation, a few jurisdictions in the United States have appeared to rely largely on sanctions and lowered benefit levels, coupled with a rapidly

*Many policy analysts recognized that change was long overdue ...*

*Welfare reforms changed social assistance from an entitlement program to one where recipients have obligations.*

growing economy, to reduce the number of cases. In these instances, sanctions exist to ensure that the welfare reform process has the mechanisms to encourage eligible applicants to participate in the labour market. Most administrators and analysts accept the importance of sanctions to convey the changed expectations of social assistance. However, most rarely apply them. On the other hand, critics of welfare reform argue that a well-structured welfare program would require few punitive measures, as most participants wish to leave social assistance quickly and would therefore willingly participate in training.

***Diversion strategies are tactics used to enable families to avoid receiving welfare assistance.***

In addition, administrators use other strategies during the intake process to deter or divert individuals to other programs. Deterrence strategies can include the use of quasi-contractual agreements or case plans, and orientation sessions to essentially “scare” people away from applying for welfare due to the requirements placed on individuals to move from welfare to work. Diversion strategies are tactics used to enable families to avoid receiving welfare assistance. These may be provided in many ways, such as one-time lump sum payments and/or the provision of collateral supports (health care, child care or other services) to carry a person or family through a difficult period. If these can avoid extended assistance, they are clearly cost-effective. If an individual subsequently goes onto assistance, government usually recoups the lump sum. Other diversion strategies may involve moving individuals to alternate programs such as student assistance, employment insurance or programs targeted to elderly persons or persons with disabilities.

***Devolved delivery to regional levels has allowed for more effective integration of social assistance and labour markets.***

Legislative and regulatory change at the federal level, in both Canada and the United States, created the program and policy opportunities for provinces, territories and states to change their social assistance programs. Although legislative changes in Canada reduced federal funding, it also allowed provinces and territories to impose further conditions on welfare, something that the federal government had discouraged (but not disallowed) under the Canada Assistance Plan (CAP). As a result, devolved delivery to the regional level has allowed for more effective integration of social assistance and labour markets. This result has emerged as an unintended, but welcome (from the perspective of provinces and territories) consequence of legislative changes associated with welfare reform.

Subsequently, some jurisdictions have continued to decentralize programming to the local level. For example:

- The Ontario provincial government cost shares the Ontario Works program with municipalities and First Nations, who in turn deliver the program. Under this model, the province funds 80% of the costs of financial and employment assistance and 50% of the costs of administering the program. Financial assistance includes income

assistance and benefits. Employment assistance includes a range of employment measures, including job search and employment preparation services, access to basic skills, literacy and job-specific training, community preparation experience, job placement and support for self-employment development. Employment assistance is generally delivered through a mix of direct services and arrangements with participating organizations.

- Through its Productive Choices Program, the Government of the Northwest Territories emphasizes community opportunities in programs that are not necessarily work related, such as volunteering and counselling. Government has adopted this strategy to address localized low employment, while maintaining an emphasis on progressive development. It has also used this approach to transfer resources to First Nations and Inuit communities which are moving to self-government.
- In some states, counties may develop their own welfare strategies. In New York state, for example, some counties use a Work-First approach that focuses on quick employment strategies such as job search and work experience. Other counties have focused on longer-term training and skills development. This allows for a local “fine-tuning” of welfare reforms.

Although changes in legislation and regulation have proven to be necessary for tightening the linkages between social assistance and the labour market, by themselves they are unlikely to be able to promote the economic independence of most recipients. For those jurisdictions concerned with the end state of their clients, these areas have moved on to incorporate both short- and long-term interventions as ways to facilitate their clients’ transition to paid employment.

### **3.2 Short-term Labour Force Attachment Strategies**

An essential element of the welfare reform process has been to redefine the social assistance applicant as a “job seeker” and broaden the population considered employable. Administrators immediately inform clients of the expectation that paid employment is the norm. With the focus squarely on employment, jurisdictions vary in the short-term strategies used for reconnecting their clients with the labour market.

*An essential element of welfare reform has been to redefine the social assistant applicant as a job seeker.*

#### **Lesson 2 Defining “employability” is difficult.**

Many jurisdictions use employability assessments at the initial point of application for social assistance. Intake workers usually complete initial assessments when clients call to apply for assistance and employment counsellors continue with in-depth assessments that may result in a

training and work plan. In principle, the employability assessment triages clients into three general groups: *job ready* (those with work experience and education); *training ready* (those whose personal situation allows them to participate in training); and those with *multiple barriers* (personal and family problems that preclude participation in training or work). This segmentation makes some sense. A substantial proportion of social assistance recipients return to work without special programming and may only need assistance to get work.<sup>6</sup> Other clients require training and the resolution of personal problems that will require substantial interventions. In the end, the percentage finding work will vary by jurisdiction, number of cases and the nature of work available in the area.

***Debate exists about the effectiveness of employability assessments.***

In light of the complex heterogeneity of the clientele, debate exists about the effectiveness of employability assessments. Employability remains a very hard concept to identify and define, particularly for those who face barriers to employment. While research shows that employment patterns for those reporting barriers are similar to those who report no impediments (Pavetti and Olson, 1996), it should be remembered that only those with low basic skills diverge from this trend. Even though many social assistance clients would qualify as having low skills, some still argue that measured barriers to employment predict outcomes poorly and should not be used for allocating training effort.

***Considerable variation exists among jurisdictions on the role of employability assessments.***

To further complicate matters, considerable variation exists among jurisdictions on the role of employability assessments. In many areas, the most skilled counsellors are involved in the process. However, these assessments have not been systematically reviewed for reliability and some jurisdictions have abandoned them entirely. Instead, these jurisdictions now use a “survival” model of triage. Those who cannot get work within three months are in obvious need of additional training. A job-centred approach, individual case management and tailored training programs for those unable to find work after the initial period is viewed as a viable alternative to formal employability assessments. The argument advanced by administrators in these jurisdictions is that assessments have poor predictive value and do not indicate who is actually able to obtain work. These assessments rely on self-reported data and collect little independent information on education and job histories. The interaction of education, work experience and family/personal barriers is complex, further reducing the value of intake assessments.

<sup>6</sup> The fact that a certain percentage of social assistance recipients have returned to work without help also may explain part of the reductions in the number of cases in high-growth times. With fewer coming on assistance, and some always exiting, the number of cases would fall without any special intervention. However, data on caseload dynamics are not detailed enough to explore this interesting hypothesis.

**Lesson 3 Rapid-start employment strategies, while most effective for job-ready social assistance recipients, appear to have limited long-term impacts.**

Faced with doubt surrounding the utility of employability assessments, many jurisdictions now use the labour market as the real test of a client's employability. Most "Work-First" programs, popular in the United States, place applicants immediately into the job market through a process of job search (résumé preparation and interviewing skills) and direct job placement. Other social assistance offices actively promote the availability of workers to industry. This approach communicates the intent of the reform to the applicant and creates a direct path to potential jobs. Still other jurisdictions use an orientation workshop where intake workers tell applicants they need to look for work or participate in training in order to receive welfare.

The evaluation data suggest that, for clients who have weak educational backgrounds and who encounter family/personal barriers, these policies alone may not result in wage increases that raise them out of poverty and into self-sufficiency (see Strawn, 1998; Hamilton et al., 1997; Nightingale and Holcomb, 1997; O'Neill and O'Neill, 1997; Friedlander and Burtless, 1995). Moreover, many without such barriers also find difficulty moving toward self-sufficiency.

In the long run, short-term labour market skills training (e.g. job search techniques, résumé writing, interview coaching) and quick placement approaches do not seem to support clients with a poor education in gaining economic independence. Many clients cycle through a series of low-wage, low-skill jobs that require them to stack several part-time positions to support their families. In addition, the process of hiring and firing debilitates these same clients, whose poor educational skills do not allow them to obtain and maintain secure employment.

Even though short-term labour force attachment strategies can increase labour market participation rapidly, especially in high-growth economies, long-term outcomes for many clients are disappointing and underscore the need for a human capital approach, involving training and personal counselling. While some short-term strategies do start social assistance recipients toward possible long-term economic independence, for those clients facing multiple barriers to employment, their ability to improve upward mobility and lead toward self-sufficiency appears limited.

*Most "Work-First" programs place applicants immediately into the job market.*

*Short-term labour market skills training and quick placement approaches do not seem to support clients with a poor education.*

**Lesson 4 Work experience programs are most effective when they are temporary, focus on marketable skills acquisition, and support clients in resolving personal issues.**

Work experience (community placement) programs provide individuals who are unable to find unsubsidized employment an opportunity to develop an attachment to the labour force or to participate in some other form of activity (such as volunteering or community work). Several versions of this program exist.<sup>7</sup>

- Workfare<sup>8</sup> describes everything from a narrow program where benefits are offered, contingent on community work, to community work experiences in which multiple employment strategies may be used. Most community placements are part-time and short-term, providing work experience within non-profit organizations and in the broader public sector.
- Wage subsidies involve direct payments to employers to hire recipients. This model focuses more on private-sector employers, and is sometimes collaterally used as a form of job creation.
- Other work experience models pay wages *directly* to welfare recipients. This provides welfare recipients with earned income that they can subsequently use to obtain other forms of income support (such as the Earned Income Tax Credit in the United States). The Alberta Community Employment (ACE) program is one example.<sup>9</sup>

The value of community placement programs depends on many factors. These include target population (e.g. all recipients vs. the harder-to-serve); number of placement opportunities in the community; importance of community placements relative to other interventions; length of intervention; type of placements; and goals of the program (skill development or simply an opportunity to work). Administrators who have used such programs have done so in varying ways, reflecting the program's philosophy about what is "best" for welfare recipients. Most

<sup>7</sup> See Butterwick et al. (1998), Gorlick and Brethour (1998a,b) and Torjman (1998) for examples and summary of research into Canadian work experience programs. See Savner and Greenberg (1997) and Friedlander and Burtless (1995) for U.S. findings, and Martin (1998) for a broader OECD synopsis.

<sup>8</sup> The term "workfare" has more applicability in U.S. programming than in Canada, where community placement more accurately describes the strategies used.

<sup>9</sup> The ACE is a project-oriented program of paid work experience for provincial social assistance recipients who have been unable to find work in the competitive labour market. Projects are established with non-profit societies, municipalities, hospitals and schools, providing clients with an opportunity to improve their job skills and gain work experience over the course of a six-month program. Each position is funded at a rate of \$7 per hour toward wages and benefits, and the employer must pay at least the minimum wage.

will agree that work placements are not a terminal intervention. At best, they can provide an opportunity to work when unsubsidized employment is unobtainable. Their value to individual participants will likely depend as much on the type of placement as the program.

This strategy can be more effective when combined with education and additional on-the-job training. It can help people acquire skills, serve as an economic development strategy in areas of high unemployment, and provide a longer-term sheltered work environment for those unable to compete in the regular job market. These strategies are generally considered as part-time placements, with distinct time limits (either monthly or overall) for participation. In most cases, these strategies are used as a first-step toward long-term employment.

Work or community placement programs have limitations as well.<sup>10</sup> First, they are often small-scale and assist relatively few social assistance clients. Depending on the activity of non-profit organizations and other agencies, administrators may face challenges securing enough placements. Some potential non-profit employers may be reluctant to hire social assistance recipients since the low or non-existent wage subsidy may not offset the costs of supervision. Like other welfare programs, work experience programs require substantial administration, with staff working to identify worksites, match participants with jobs, and monitor attendance and job performance. As such, work experience programs have hidden costs to both government and sponsors. Finally, some have questioned the effectiveness of using community placement in moving people from welfare to work, when education and training or placement in paid work would appear to be more obvious methods for helping individuals become self-sufficient.

***Work experience programs require substantial administration with staff working to identify worksites, match participants with jobs, and monitor attendance and job performance.***

### **3.3 Long-term Labour Force Attachment Strategies**

Long-term labour force attachment strategies are becoming the central focus of welfare reforms. Administrators believe that such strategies may mean supporting social assistance clients over an extended period of time. Critics of these policies question whether social assistance recipients will ever be able to secure long-term work. Although no one really knows whether these policies will be successful, many administrators accept that this represents the only option available to them at this time.

<sup>10</sup> Research on relatively small-scale workfare programs in the United States in the 1980s found that, by themselves, the programs did not increase either employment or earnings. Some argue that newer U.S. workfare models – which impose ongoing, full-time work requirements on more of the social assistance clients – will produce different results. However, large-scale work experience programs can be difficult to implement and expensive to administer. For a more detailed treatment of this subject, see Brown 1997.

Thanks largely to the rapid growth of the economy and the employment-first initiative, welfare reform has helped the “job-ready” (those with better education and job experience) return to work in many jurisdictions. Yet, despite the fact that these clients have been able to leave assistance, many will still be in need of supports if they are to consolidate their position in the labour market. Job retention is one element of long-term strategies (Rangarajan, 1998; Rangarajan, Schochet and Chu, 1998; Blank, 1997; Rangarajan, 1996; Burtless, 1995).

*Harder-to-serve clients face a range of barriers such as poor education, inadequate work history and family or personal problems.*

The other element of long-term strategies concerns those clients who have been unable to find work despite a stronger economy and employment-focused reforms. These harder-to-serve clients face a range of barriers, including poor education, inadequate work history, and family or personal problems. What worked in helping job-ready clients find work will need to be adapted as the remaining clients will require progressively more support to return to work. One approach now places clients into simultaneous programs as opposed to successive interventions of increasing intensity. Job search, training, counselling, education (e.g. literacy, numeracy, high school) and other interventions may be offered simultaneously to both get clients into work immediately and to maintain their attachment. While this case management approach is both labour intensive and expensive, for caseloads representing high-need clients, it may be necessary.

*Some clients may only be able to retain part-time work, and others may never work in a paid position.*

In the end, some clients may only be able to retain part-time work, and others may never work in a paid position. Therefore, as long-term strategies become the focus of reforms, an important decision for any welfare administrator is how much to spend on a client’s training and support in order to gain his or her labour market participation. Let us now look at the three lessons that emerged under this heading.

#### **Lesson 5 Earned income policies encourage employment.**

Earned income policies and programs help individuals supplement social assistance benefits with earnings. This is very common in both Canada and the United States. Many recipients combine full-time or part-time work and social assistance. Barring other legislative barriers (such as time limits), many will choose not to exit social assistance until hourly earnings provide an overall income level that exceeds what they can earn when combining earned income with social assistance benefits. A long period of combining income and social assistance benefits is likely given that low-income work, even at full-time, will not generally move a family above the poverty line. As such, administrators have experimented with different

forms of earning and income-based policies to promote long-term labour force attachment. These programs generally take one of three forms.<sup>11</sup>

- *Benefit exemptions/earning disregards* enable individuals who find work to retain a portion of their income to supplement social assistance benefits. Most jurisdictions allow individuals a flat earning exemption (e.g. first \$100 of earned income), plus a proportion of the remaining amount (e.g. 50% of the remainder) up to an allowable maximum. Benefit exemptions have generally increased with the most recent round of welfare reforms to make combining part-time or full-time work with social assistance receipt a more viable option.
- *Taxation* policies provide recipients with either tax credits or income tax relief based on the amount of income earned through employment. Examples include the British Columbia Earned Income Benefit (BCEIB),<sup>12</sup> the Saskatchewan Employment Supplement (SES)<sup>13</sup> and the Earned Income Tax Credit (U.S.). Again, the purpose of taxation policies is to provide additional incentive to work, so as to increase net earnings.
- *Earning supplement programs*<sup>14</sup> provide individuals with additional income to supplement employment earnings for those with low-entry wages. The purpose of such programs is to help offset child-related costs of working and reduce the competitive inequity existing in the labour market for low-income parents. Earning supplements can also provide a financial incentive to work, as they enable individuals to maintain a targeted income level. In some programs, participants must work for a set amount of time to qualify (e.g. 30 hours per week). Such programs are designed to provide a short period of enhanced income, based on the assumption that program participants will be in a better position to become self-sufficient when the supplement ends. The Self-Sufficiency Project being piloted in New Brunswick and British Columbia illustrates this approach (Canada, 1996; Card and Robins, 1996; Mijanovich and Long, 1995).

<sup>11</sup> Key informants noted that these policies are often difficult for their clients to understand. The implication is that even when additional programs or income supports are available, they are either not used to their full effect or, in some cases, not used at all by those who qualify.

<sup>12</sup> BCEIB supplements earnings for B.C. families with low earnings, providing incentives for families on welfare to enter the workforce. This program is currently funded as part of B.C.'s reinvestment of the National Child Benefit (NCB).

<sup>13</sup> The SES is a monthly payment that supplements the income of lower-income parents from either wages, self-employment or child/spousal maintenance payments. The SES is meant to assist parents with the child-related costs of going to work, and to help families on social assistance move from dependence on social assistance to the workforce.

<sup>14</sup> Administrators in Milwaukee's New Hope project found that their clients had the most difficulty understanding how earning supplements worked because the amount could vary monthly, depending upon the number of days in the month or the hours worked. For people used to receiving a steady welfare payment, this fluctuation was disconcerting.

***Integrating minimum wage policies with the overall reform of the welfare system may be a direction that provincial/territorial governments could pursue.***

***Better-educated individuals have a lower incidence of unemployment, greater number of hours worked and earnings per hour, and less reliance on government support programs.***

A fourth policy, lying outside the scope of this research, is the use of minimum wage legislation to provide a higher level of support for those in low-wage work, the type of work for which many social assistance recipients qualify. Some argue that raising the level of the minimum wage would provide a higher base income and relieve some pressure on social assistance to provide an adequate level of support. Given that many social assistance recipients find themselves in low-wage work and that the minimum wage level has an impact on the level of social assistance benefits received, integrating minimum wage policies with the overall reform of the welfare system may be a direction that provincial/territorial governments could pursue.

### **Lesson 6 Education is important for moving beyond low-wage jobs.**

The connection between education and employability is well established. Better-educated individuals have a lower incidence of unemployment, greater number of hours worked and earnings per hour, and less reliance on government support programs (Kapsalis, 1998). A central question facing welfare administrators is not whether education is important, but how it should be structured to both benefit social assistance recipients and promote the fastest transition from welfare to work. A further question is what level of education should be provided for social assistance recipients and what costs should be borne by them.

To further reduce the incentives to collect welfare, while promoting a quick transition from welfare to work, welfare administrators have scaled back the availability of postsecondary education and vocational training programs for social assistance recipients.<sup>15</sup> Many jurisdictions have cut their postsecondary educational programs completely, while others require individuals to financially support themselves through grants or student loans, while covering additional collateral supports and living costs through either social assistance or the department of education. Other jurisdictions have retained only short-term vocational training (generally less than one year) as part of their set of interventions. This option, commonly referred to as Purchase of Training, has shown some positive effects, particularly in terms of employability; however, increases in earnings have generally not been significant. Overall, there is some indication that earning impacts may grow in the long term, although in many cases, long-term data supporting this claim are limited (Lemaître, 1993).

<sup>15</sup> In some cases, those who benefited most from these programs may have left social assistance earlier, although they may have had fewer opportunities to advance without the additional education (See Cohen, 1998; Strawn, 1998; Bloom, 1997; Grubb, 1995).

Those adhering to the philosophy of the “shortest path to employment” see long-term vocational or postsecondary education as extra time on welfare (key informant interviews). Reducing, eliminating or transferring these programs to other funding sources clearly reduces their associated costs. Those jurisdictions transferring this responsibility and funding to other programs may also help deal with the stigma attached to welfare participation, as participants in postsecondary education or vocational training are no longer specifically social assistance recipients, but rather students receiving financial assistance as many students now do.

Critics of welfare reform argue that this is nothing more than a statistical sleight of hand that shifts an additional burden onto the poor by increasing their level of indebtedness (key informant interviews). In their view, jurisdictions eliminating support for long-term training deny individuals an opportunity to gain skills and education that could potentially lead to higher wages and long-term employment. It should be noted that the transfer of a greater proportion of financial responsibility from government to the student is indicative of a societal shift in postsecondary funding, and again, not solely a feature of welfare reform.

Changes have also occurred in the area of basic education and literacy. Although basic education and literacy, by themselves, do little to move people from welfare to work, most see them as fundamental building blocks in the transition. In general, social assistance recipients have a lower level of education and literacy than non-social assistance recipients, making basic upgrading a necessary first-step for many.<sup>16</sup>

Presently, the most common educational programs are targeted at those with minimal education and low literacy levels. However, unlike previous remedial educational programs, courses may now couple together services such as literacy or English as a second language, adult basic education, job search, short-term job placement and counselling with classroom and/or on-the-job training. This maintains an employment-first focus. In some cases, this integrated model, combining both education and a work emphasis, has proven to be effective at providing a basis for individuals to

***Eliminating support for long-term training denies individuals an opportunity to gain skills and education that could lead to higher wages and long-term employment.***

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<sup>16</sup> This difference is greatest when comparing non-working social assistance recipients to working non-social assistance recipients, as the former have on average 9.5 years of education compared to the latter’s 13.1 years (Kapsalis, 1998).

continue on with employment or additional training (Butterwick et al., 1998; LaLonde, 1995).<sup>17</sup>

**Lesson 7 Training programs that link with employers can assist the welfare-to-work process, provided that additional supports are in place.**

*The goal of most current welfare training programs is employment.*

The goal of most current welfare training programs is employment, giving job-training programs under welfare reform a greater emphasis than past educational and job-training programs. Criticisms of past job-training programs were that trainers often “creamed” participants, focusing on those who were the easiest to train and place.<sup>18</sup> In addition, skills provided through training did not always reflect the needs of labour markets. And finally, the length and nature of training was not always effective to accomplish the target goals.

*CET partners with the private sector to provide marketable skills training and supportive services for the most disadvantaged people.*

Today, training programs are often more closely integrated with private- and public-sector employers and government departments of education. One American program, the Center for Employment and Training (CET), based in San José, California, partners with the private sector to provide marketable skills training and supportive services for the most disadvantaged people. This program assists students with attaining economic self-sufficiency and places them into jobs. Program participants have demonstrated both a long-term attachment to the labour force and an increase in earnings above participants of other programs. This program is growing across America because of its reputation as a program that works.<sup>19</sup> Nevertheless, in many jurisdictions, job-training strategies have

<sup>17</sup> See the *Welfare Information Networks Issue Notes* (vol. 2, no. 2) (Cohen, 1998) for an overview of several innovative approaches regarding education and training that have been tried in the United States. Cohen references a number of U.S.-based experiments that integrate education and training, others that combine education and training with work experience, some that involve employers, and some that train women for non-traditional careers. Innovative literacy, youth and community college programs are also listed. Examples include Ohio’s HOST program, the Cooperative Health Care Network programs, and programs run by the Center for Employment Training.

<sup>18</sup> Most welfare agencies will assess service providers’ performance, based on their ability to place individuals in full-time employment after completion of a training intervention for a set period of time (usually six months). When success is measured in this manner, there is an incentive for service providers to target those with the greatest chance of finding employment. This has been a concern among many program administrators, particularly in the United States where caseloads have declined rapidly, leaving a greater proportion of those with multiple barriers. In some jurisdictions, welfare administrators have redeveloped their performance measures and contracts based upon the nature of the caseload with which a trainer has to deal. This has resulted in a broader range of collateral services, lower placement targets and alternative performance measures (e.g. increasing skill level rather than employment) (Source: key informant interviews).

<sup>19</sup> For more information on CET, please visit the Web site [www.best.com/~cfet/main.htm](http://www.best.com/~cfet/main.htm).

been scaled back,<sup>20</sup> yet new approaches are focusing on direct links to employment opportunities and skill development required to participate in the labour force.

Linkages between training programs and private-sector employers are cultivated in many ways. Training programs are often contracted out to third-party training organizations (service providers), including educational institutions, community-based organizations, unions, proprietary schools and private trainers. This process alone will not necessarily guarantee close linkages to the job market. It remains the responsibility of those involved in the contracting process to ensure that trainers develop tight linkages and that training will lead to future employment.

Nevertheless, several advantages arise from this type of training:

- It uses existing community resources and experienced trainers who may have contacts with businesses to facilitate the transition from training to work.
- On-the-job training provides a clearer and more direct linkage between the type of training received and the ability of the labour market to support it. For welfare recipients who lack work experience, it can increase their awareness of workplace culture, requirements and norms.
- Education and training programs can be more closely aligned with state and provincial/territorial education and training policies directed at the general population.

However, even programs with strong labour market linkages can fail if adequate supports are not provided. In general, job-training programs that provide intensive supports have had significant income increases for the participants, when tested across a range of programs (Butterwick et al., 1998). However, as training shifts to the worksite, accessibility to child care, collateral supports (counselling, life skills) and ongoing income supports are seen by many as necessary for training to be effective.

***Programs with strong labour market linkages can fail if adequate supports are not provided.***

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<sup>20</sup> In the United States, job-training strategies generally last between 10 and 15 weeks (Grubb, 1995).

### 3.4 Collateral Support Programs

*Supports are an essential complement to welfare reform.*

Collateral supports are difficult to classify as “welfare reform” per se. For the most part, they should be seen as supports available to low-income families generally, and social assistance families more specifically. As such, supports are an essential complement to welfare reform.

#### **Lesson 8 Child care support and other subsidies are essential to the low-wage work often associated with welfare reform.**

Government offers a range of support programs for low-income families and individuals, including those on social assistance. Most important among these are child care programs such as tax benefits/credits and direct subsidization of child care spaces.<sup>21</sup>

Ensuring that child care is accessible to clients is mandatory for any welfare reform programming. Jurisdictions that fail to arrange for child care support, while requiring recipients to work or engage in training, will experience limited success and/or impose considerable hardship on families with children.

The NCB is widely seen as a critical program in support of welfare reform. The federal government will increase the Canada Child Tax Benefit to \$1.7 billion by 2000 to address child poverty. In turn, provincial/territorial governments are committed to developing programs to address child poverty and to encourage low-income families to seek and retain work. Typical examples of provincial/territorial initiatives include:

- The British Columbia Family Bonus awards \$103 per month for each eligible child (reduced for families with higher incomes).
- Alberta has created a new health plan for children and will include dental, optical, ambulance and prescription drug services.
- Nova Scotia is developing a child benefit and a healthy child program (e.g. community-based prevention, early intervention).

*Some jurisdictions in Canada and the United States have reinvested savings from social assistance into subsidized child care.*

Several jurisdictions in Canada and the United States have reinvested savings from social assistance into subsidized child care, thereby transferring expenditures from an entitlement program to a consolidation of long-term labour market attachment. Still other jurisdictions have explored how to provide child care through employers, or through less formal arrangements (e.g. through relatives or home-based child care).

<sup>21</sup> A 1997 Health and Human Services study in the United States found poor families spent 18% of their income on child care. The corresponding figure for non-poor families was 7%.

The end result of these approaches is not a reduction of total social programming. Rather, they transfer expenditures from social assistance to child care and other collateral supports in the hope of consolidating the labour market position of social assistance recipients. If successful, these programs should result in higher tax revenue from earned income at some point in the future.

Transportation subsidies are another important support for welfare reform. With the “suburbanization” of the job market, urban workers often need to travel extended distances to a job. Low-rent accommodation and low-wage employment are often not co-located.<sup>22</sup> Other areas support subsidized public transit for social assistance recipients, provide additional funding for car repair and licensing, or provide cars on loan from a pool. These approaches are beneficial, but only reduce part of the burden of low-wage employment.

Medical supports are also a concern for many social assistance recipients. Extended health care can help subsidize medical costs such as prescriptions, emergency dental coverage, and eyeglasses and eye examinations. These items can represent significant costs for low-income families, and may serve as a disincentive to leave welfare, particularly if someone in the family is ill. Some jurisdictions have attempted to extend these supports for a transitional period. For example, Newfoundland has extended medical coverage six months after leaving social assistance as a result of its own NCB reinvestment strategy.

Other types of collateral supports exist, although their availability varies by jurisdiction. Common supports include funding for clothing, tools, haircuts, moving expenses and emergencies. Some jurisdictions have also experimented with loan programs to provide additional funding if required.

***Other important supports for welfare recipients are transportation subsidies and medical supports.***

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<sup>22</sup> A study of transit service from a central point in Boston in which a high population of welfare recipients lived to the high-growth areas for entry-level employment found that more than 43% of the employers representing 66% of existing jobs could not be reached within two hours – even though most of the city’s welfare recipients lived within one-half mile of public transit (Lacombe, 1997).

*Government is changing the way it does business – one way is with single-delivery networks.*

### 3.5 Changes to the Delivery System

Government is changing the way it does business. Prompted partly by restraint and partly by private-sector approaches to customer service, government has adopted a range of innovations that also support welfare reform.

#### **Lesson 9 The integration of social assistance, employment services and training programs increases the effectiveness of service delivery.**

Integrated case management is used to offer clients tailored services. The integration of social assistance, employment services, and education and training programs is well advanced in many jurisdictions. Welfare reform has added impetus to this process as it affects other areas, such as employment insurance and school-to-work transition programs. This is another example where welfare reforms parallel developments in education and labour market programming. One reason that unique lessons for welfare reform are difficult to extract is that programs and policies from many areas overlap.

Single-delivery networks can also increase the success of welfare reform. Government has adopted single-site delivery for much of the income security system, where clients may arrange employment insurance, check the job listings, register for training and access a range of other services. The single-delivery network allows social assistance administrators to place clients into an employment stream immediately. This is an important step toward changing client perceptions about their obligations to find work.

However, co-location does not automatically lead to a seamless integration of social assistance programming on the one hand, and education/training on the other. Many administrators we interviewed admitted that the integration of these two parts of welfare reform still has considerable distance to go.

In the United States, the *Workforce Investment Act* (1998) provides legislation to streamline job training, adult education and literacy, and vocational rehabilitation. The main emphasis of the legislation is to improve coordination between these programs, through the creation of state and local workforce boards and the development of one-stop systems.<sup>23</sup> In Canada, Labour Market Development Agreements have a

<sup>23</sup> For a detailed description of the important role played by business in U.S. welfare reform, see *Business Participation in Welfare-to-Work: Lessons from the United States* (Jobs for the Future, January, 1999). Much of this involvement has come from an expressed interest in lowering turnover and improving retention of entry-level employees.

similar intent by fostering greater coordination of services, co-location of resources and stronger linkages in program delivery.

**Lesson 10 Attitudinal and cultural change within the administrative structure is essential.**

Apart from creating attitudinal changes among clients, welfare reform has also changed attitudes within the system. Administrators have needed to shift from simply determining eligibility and administering payments. Sometimes this has meant changing the role of front-line program administrators to assist clients with becoming more independent. With the decentralization of reforms, front-line program administrators have also needed to be encouraged to develop programs that respond to local needs.

*Apart from creating attitudinal changes among clients, welfare reform has also changed attitudes within the system.*

Welfare administrators confirmed the importance of a system-wide commitment, and in particular the importance of political direction. In New Brunswick, welfare reforms pre-date the changes to the CAP, as the McKenna government introduced general reform in government systems. The fact that the government had all the seats in the house was also beneficial. In Florida, Democrats and Republicans unanimously supported welfare reforms. In Alberta, welfare administrators credit the explicit commitment of the Premier and Minister of Social Services as instrumental in driving welfare reform.

Jurisdictions that have mobilized the political and bureaucratic leadership appear to have achieved the sharpest reductions in the number of cases. Success is maximized when reforms are driven by senior political leadership, embraced by the bureaucracy, and executed by the line staff.



## 4. Conclusion

Welfare reform was a major policy initiative of the 1990s. While it has been a common theme in every jurisdiction throughout North America, reforms have varied widely. Some jurisdictions have adopted a long-term perspective to welfare reform. The advantage of this approach is that it has encouraged welfare administrators to design effective and creative policies. Conversely, other jurisdictions have chosen simply to reduce the number of cases through sanctions and aggressive benefit reduction. By interpreting welfare reform in regulatory terms, these latter areas have cut the numbers dramatically in some instances. However, these same areas may have little recourse but to increase welfare spending if there is another recession, since they may not have contributed to providing sustainable employment to their recipients.

Whether clients coming off welfare achieve true economic independence has yet to be definitively answered, although most evaluations suggest that some gains do occur. More long-term evaluation and follow-up will be required to identify long-term effectiveness.<sup>24</sup> Until then, critics of welfare reform will continue to raise the point that the policy has not dealt with poverty effectively. Most clients end up working for low wages and become absorbed in the “working poor.” According to critics, at least when the number of cases was high, poverty was visible. For them, welfare reform has served merely to mask poverty in North America.

While advocates of welfare reform will admit that most social assistance clients initially get only low-wage employment, they argue that surveys show clients prefer working to assistance. In addition, if governments continue to offer collateral services and support long-term education and training, some social assistance clients will continue to upgrade their skills and move into higher-wage occupations, and sustainable employment.

Although both commentators and administrators alike would agree that the current round of welfare reform has been successful when judged by the number of recipients who have moved off the welfare rolls and into some type of employment, concern still exists over the resilience of these recent gains if there is a future recession. To be in a better position to evaluate welfare reform’s effectiveness, other success criteria, such as changes in the standard of living, wage increases or the ability of clients to move up the occupational ladder once off welfare, will need to be incorporated.

<sup>24</sup> Most evaluations of training effectiveness only track participants over two to three years (Martin, 1998). This may result in understated estimates of the numbers who will eventually gain economic independence in the long run.

***Welfare reform was a major policy initiative of the 1990s.***

***More research needs to be completed to see if welfare recipients truly gain economic independence.***

The main difficulty with adopting new success indicators is that there is often no mechanism for tracking the outcomes of clients who leave the welfare system entirely through successful employment.<sup>25</sup>

***It is important to recognize that welfare exists along a continuum.***

Moreover, the utility of caseload reduction as the principal indicator of success is placed further in doubt because social assistance administrators stress that “welfare” exists along a continuum, rather than as an either/or proposition. As such, some clients will be able to escape social assistance permanently, others will continue to cycle on and off assistance, and still others will be able to blend assistance and part-time work. One alternative measure of effectiveness may be to define success not as a complete elimination of a case, but as the increase in the proportion of total income derived from employment. But it cannot be forgotten that still other social assistance recipients will need complete support indefinitely, particularly those persons who face multiple barriers to employment (e.g. physical or mental health problems, substance abuse problems, learning disabilities). An important future consideration will be that the definition of “success” will need to be broadened, and to be considered with respect to the needs of the individual being served.

The result of the first five years of welfare reform is clear. We know how to move relatively well-educated clients off social assistance in times of prosperity. The challenge will be to consolidate these gains in the face of a possible recession. Further, as the remaining social assistance clients, with poor education and weak job experience, present more complex and difficult problems, alternatives to work-based welfare reform will become more important. For example, in remote areas with few jobs, welfare reform could focus on community development and other local development projects to build self-confidence and social cohesion.

***Some clients will never be free of the social assistance system.***

In the end, however, some clients will never be free of the social assistance system. An important and often understated view is that every citizen, according to his or her ability, should have the opportunity to be involved in rewarding activity both socially and personally. For those social assistance recipients who are unable to maintain full-time paid employment, they may combine part-time work, community service work or volunteer work with some form of assistance, as options that can support their participation in society.

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<sup>25</sup> Most American states have now begun studies of the families that leave welfare. States have taken a variety of different approaches – mail surveys, home visits, telephone surveys and matching of case closures with unemployment insurance records. The National Conference of State Legislatures in Washington, D.C. is collecting all state-sponsored studies. Other U.S. research by Manpower Demonstration Research Corporation (Friedlander and Burtless, 1995) has also provided longer-term analyses for several American welfare programs.

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