

**Government-Sponsored Training and Employment Programs: Actively Serving Those
Near a Basic Income Threshold in British Columbia**

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Abstract

Current government-sponsored adult employment and training programs for disadvantaged individuals are seen to have positive and economically important rates of return with respect to participant labour market outcomes. A basic income is argued to be a complement, not a substitute, for such programs. This is because most basic income programs are designed to be fundamentally passive, but the argument made here is that high-quality active labour market program (ALMP) management is fundamentally active. Canada has a long tradition of tied benefits associated with learning (e.g., aside from well-established student loans and grants programs, free child care during language training and funds for transportation costs to attend training provided for new government-assisted refugees during language training in addition to the government providing a basic income to such individuals immediately after arrival), and there appears to be good reason for these directed expenditures. Indeed, the federal government is increasing its activity in this area for adult learners with new programs such as Skills Boost. The design of a basic income program should complement such targeted learning initiatives. Delivering programs that foster human capital development will hopefully increase participant productivity so that they earn more than a “basic” income.

Introduction

Governments play a central role in human capital accumulation throughout the developed world. In Canada, governments fund almost all primary and secondary education and heavily subsidize post-secondary education. There is sometimes debate at the margins—for example, about post-secondary enrolment expansions—but little disagreement overall regarding the benefits of this very substantial public investment in formal education for all of society. Opinions regarding government-sponsored adult education and training, however, have not always been so universally positive—indeed, 20 years ago, conclusions regarding the value of such programs were generally quite negative. Such contrasting mainstream views regarding these categories of human capital investment are captured in two adjacent chapters of the *Handbook of Labour Economics*. In chapter 30, Card (1999) argues for a surprisingly high (relative to the expectations of a decade earlier) rate of return to formal education—on the order of magnitude of 10% per year of schooling. However, in chapter 31, a quite different conclusion is drawn by Heckman et al. (1999), who ask whether participants in government employment and training programs benefit from these programs and whether these programs are worthwhile social investments. They conclude that “as currently constituted, these programs are often ineffective on both counts” (p. 1868), although they do recognize substantial heterogeneity across programs with some very successful programs.

In the ensuing two decades, attitudes have shifted as new and better evidence has accumulated, programs have changed, and evaluation criteria/expectations have evolved. In a large-scale meta-analysis looking at evaluations since 1995, Card et al. (2018) continue to observe substantial heterogeneity across programs, but also that while very short-run average causal impacts are near zero, the average value-added of these programs increases over time and is more positive 2 to 3 years after completion. In part, this reflects a shift in evaluation strategy and the availability of data permitting the observation of not only short-term outcomes but also longer-term ones. Of particular relevance, the most recent evaluation of British Columbia’s employment insurance–funded training programs by Employment and Social Development Canada (2017) follows participants for five years post-program, observing that most wage increases relative to a judiciously selected comparison group occur in years 2 through 4 and finding an appreciable average return on investment for many (but not all) program categories.¹

Most of this paper is taken up with providing supporting evidence for the contention that well-designed government-sponsored employment and training programs are (mostly) well worthwhile and society would benefit from increased public investment above and beyond a basic income system. It seems entirely possible that current programming offered through WorkBC, the Employment Insurance (EI) program, provincial and federal student loan/grant programs, and the like already offer levels of direct and indirect support that meet or exceed many potential basic income thresholds. Targeted adult learning funds, some directly tied to

¹ This evaluation also observed substantial heterogeneity across program types.

learning activities, will continue to be required in the presence of a basic income program, probably even for the most generous thresholds. Some of this support is provided to learners, some is provided directly to training/educational institutions, and some is directed to employers in the form of wage subsidies. Further, the most recent policy innovations (e.g., the extensions of EI Part II funding to provincial governments for new client populations, and the introduction of the federal government's Skills Boost, discussed below) only make adult learner funding more generous. Governments have historically funded learners and heavily subsidized formal education. Funding has increasingly been provided to individuals studying at increasingly higher levels of education, with larger shares of the population participating in more advanced levels of education. At present, I believe we are seeing the ongoing evolution of this trend as Canadian governments increase funding for adult education, training, and retraining in order to promote life-long learning and labour market flexibility and adaptation to technological, trade, and other shocks to skill demand. A basic income does not obviate the need for such direct funding.

Importantly, for potential workers facing serious labour market challenges—those with very low productivity in the labour market—there is a wedge on the demand side between worker productivity and legislated minimum wages or wage levels that are the occupational/industrial norm. Supply-side funding, such as a basic income, cannot close this gap and demand-side wage subsidies are required.

Some basic income program proposals tend toward being “passive,” obviating the need for social workers and other caseworkers, including guidance counsellors and occupational therapists in some educational/clinical contexts. In contrast, I suggest that the above issues and the ubiquitously observed heterogeneity in program participant outcomes need to be addressed head-on, and argue that governments should continue to develop targeting/referral systems and policies/procedures for employment and training programs that are currently in their infancy. Ideally, targeting and referral programs would balance the expertise of the caseworker supported by formal predictive models with the knowledge/information and enthusiasm of the client. Indeed, there would likely be benefits from accelerating the development of such referral programs.

Unsurprisingly, this is in many ways a call for “more of the same,” since I believe that the provincial and federal governments are already heading in this direction (see, e.g., Ministry of Social Development and Social Innovation, 2016; Employment and Social Development Canada, 2017; and section 3.2.11 of Canada Employment Insurance Commission, 2020). This direction could be implemented independently of, or in combination with, an enhanced basic income. However, it does imply that employment and training service provision for individuals near the basic income threshold, as well as those in receipt of government benefits, should not be passive. Rather, I propose active (though not coercive) interventions in an effort to improve worker productivity with the goal of participants having a more than “basic” income.

The Economic Return to Government Employment and Training Programs

Context: Institutional Funding

Much of the relevant education/training in B.C. is managed by the Ministry of Social Development and Social Innovation's Employment Program of British Columbia (launched in 2012 and renewed starting in fiscal 2019/20). This is partly funded by the province of B.C. and partly by employer and worker EI premiums through the federal government's EI Part II's Labour Market Development Agreements (LMDAs; see B.C. Ministry of Social Development and Social Innovation, 2016; Canada Employment Insurance Commission, 2020; Employment and Social Development Canada, 2017). EI Part II comprises a broad set of relevant activities known jointly as employment benefits and support measures (EBSMs). Employment benefits encompass training programs and wage subsidies of various types, while support measures largely encompass low-cost, short-term employment assistance services such as counselling and developing job-search skills. Starting in fiscal year 2018/19, eligibility for employment benefits funding from EI premiums was expanded from active and recent former EI claimants to include those who are eligible by virtue of having paid EI premiums beyond a threshold. Simultaneously, employment assistance services were expanded to include all Canadians and not only the unemployed. This expansion allows EI-funded services to be provided to those with weaker labour force attachment than was previously possible, and it seems plausible that this group will differ systematically from historical participants on important dimensions.

A second significant source of program funding is that provided to new immigrants primarily through the federal Ministry of Immigration, Refugees and Citizenship Canada (IRCC). Comparably to a basic income, new government-assisted refugees are offered an income support by the federal government that is not dissimilar to some basic income proposals, but IRCC continues to also offer them direct and tied support such as child care while parents are at courses and transportation costs as they attend language training and other programs. Of course, provincial funding to formal education institutions, such as high schools, colleges, and universities, play a central/foundational role in allowing many relevant programs to be offered.

Context: Active Labour Market Programs

On the academic and think-tank (especially the OECD) side, labour market-oriented interventions for unemployed and underemployed adults are commonly associated with the term "active labour market programs" (ALMP), which Martin (2014) reports as having European (and especially Swedish) origins. It encompasses a wide variety of employment and training activities, and since at least the mid-2000s has emphasized complementarities between so-called institutions (e.g., social assistance and/or disability programs, and EI) and employment and training programs in promoting interventions that increase worker productivity and employment.

It is common to think of associated programs as primarily comprising four broad groups:

1. Job search assistance and related employment assistance

2. Educational/training, including language training, which may be delivered in a classroom and/or on-the-job
3. Private-sector employment subsidies, work experience placements and self-employment assistance
4. Public-sector employment subsidies, encompassing what the EI program would call Job Creation Partnerships

If funded by EI Part II, the first would be termed “support measures” and the subsequent three would be viewed as part of “employment benefits.” Wage subsidy and work experience/placement programs are viewed as types of training. They are not academic-style education/training, but they provide general as well as firm- and occupation-specific labour market experience that develops human capital.

A key issue in the evaluation of labour market returns to training is the quality of the impact estimates. Fortunately, the quality of research has improved substantially in recent decades. Card et al. (2018) survey formal evaluations from primarily OECD countries found during an extensive search of the literature since 1995. They observe that 19% of 207 studies involved an experimental design (i.e., one involving random assignment to treatment). Substantial regional differences in the use of experimental designs were observed: 39% in Nordic countries, 31% in the Anglosphere, and zero in Germanic countries. Very few have been conducted in Canada.² Some of these evaluations are high-quality randomized controlled trials and (thankfully) Card et al. (2018) find little systematic difference between the distribution of estimates from randomized control trials and those from non-experimental investigations (they also find little evidence of publication bias). Of particular relevance to the quantitative discussion of program impacts is Employment and Social Development Canada’s most recent LMDA evaluation involving B.C. (Employment and Social Development Canada, 2017), which is credible and well executed.

² Aside from the well-known self-sufficiency project (<http://www.srdc.org/projects/Self-Sufficiency-Project-details.aspx>), which was a subsidy program, and some early experiments by the (then) B.C. Ministry of Social Services reported in Warburton (1992) and Warburton and Warburton (2002), very few training-related social experiments have been conducted in Canada. One recent small social experiment was the immigrant Language Training Vouchers pilot project in 2009/10. For more information, see <https://www.canada.ca/en/news/archive/2009/10/language-training-vouchers-help-newcomers-succeed.html>, November 2020; and <https://www.canada.ca/en/news/archive/2010/11/vouchers-work-more-immigrants-enrolling-language-classes.html>, November 2020.

ALMPs Have Positive Average Labour Market Impacts in the Medium Term

Recent surveys of ALMPs are by Martin (2014), McCall et al. (2016), and Card et al. (2018). In their meta-analysis, Card et al. (2018) synthesize 415 estimates from 207 studies. They observe that the short-run impact estimate for a diverse set of ALMPs is statistically significantly negative 18% of the time, not statistically different from zero 42% of the time, and positive for the remaining 40%. However, after 1 to 4 years, 61% of 141 estimates exhibit a statistically positive effect, 35% show an effect that is not different from zero, and only 4% are statistically significantly negative. They also observe systematic differences across the four types of programs laid out above. Job search assistance tends to have modest impacts in the short and long runs—although the costs are similarly modest. In contrast, training and private-sector employment do not have a positive short-run impact, but have a larger medium and longer-term impact. These are human capital investments that take time and the rewards are delayed. In contrast, public-sector employment subsidies/placements usually have small or even negative impacts in all time frames.

Card et al.'s findings are remarkably consistent with Employment and Social Development Canada's (2017) evaluation of the B.C. LMDA, which used an empirical strategy based on matching. It finds zero or modest impacts from employment assistance services (although the cost of the investment is sufficiently small that the return would need to be exceptionally large to be easily measured), but large positive causal impacts on employment and earnings for both training services and private-sector wage subsidies/work placements. Public-and voluntary-sector placements (i.e., job creation partnerships) are seen to have small to nonexistent impacts and high costs. The rate of return is quantified as the number of years until the benefits exceed program costs. For current EI claimants, the crossover is 6.7 years for training services and 3.2 years for wage subsidies/work placements, but 23.6 years for public-and voluntary-sector partnerships (i.e., job creation partnerships). Employment services take 9.4 years to pay for themselves. For previous EI claimants, time to break even is even shorter for both training services (4.8 years) and wage subsidies/work experience (0.1 years). Job creation partnerships need to be justified by the social value of the work done under the partnerships. Details of the share of expenditures and costs per intervention across programs are presented in Table 1. Despite their remarkable rate of return and relatively low cost, wage subsidies/job placements are relatively rare; as will be discussed below, there are limitations to scaling up this intervention.

Using U.S. data, Kambourov et al. (2020) discuss the contrast between employer-sponsored and government-sponsored training, offering a rationale for the disappointments of two decades ago regarding government-sponsored training typically evaluated shortly after completion. They observe that, as traditionally expected, immediately after employer-sponsored training, the wages of participants increase substantially, while wages of those undertaking government-sponsored training hardly move. They argue that most of the differences are because of the nature of the selection process by which individuals take one or the other form of training. The vast majority of workers undertaking employer-sponsored training remain with their employer and are (at least in part) selected by that employer for career progression–relevant

training. In contrast, government-sponsored training is typically provided to individuals who are not only switching employers, but switching occupations. There are substantial economic costs to such switches, and the timing of benefits is delayed relative to that for individuals continuously employed by a single employer. They observe large positive impacts for both forms of training in the long run.

Martin (2014) adds to this discussion by focusing on international comparisons. He makes three new points. First, countries with disappointing outcomes have typically failed to design and implement ALMPs effectively. Second, international comparisons illustrate that countries with effective ALMPs experience macroeconomic benefits, particularly reduced unemployment and social program participation. Third, countries that have attempted to employ ALMPs for those receiving disability benefits have, broadly speaking, not been successful.

Serving Participants with Less Preparation for Education and Training Programs

Focusing on the U.S., Barnow and Smith (2016) point out the challenges that programs that serve disadvantaged populations have in generating benefits that exceed costs. They are not alone in this observation. There appears to be a positive gradient with respect to the benefits of new training as a function of participant preparation. This idea has been popularized by Nobel Laureate James Heckman using phrases such as “skills beget skills” and “learning begets learning.”³ Most of his work is in the U.S. context and he emphasizes the value of skill development and related interventions at extremely young (especially preschool) ages in recognition of this cumulative benefit of skill development. He also advocates for addressing noncognitive/soft skills as well as (perhaps more than) cognitive skills for disadvantaged populations. While the logic of starting young is inescapable, this does not mean that programs involving both cognitive and (perhaps especially) noncognitive skill development for economically disadvantaged adults are not worthwhile. However, it is worth recognizing that programs serving adult clients who are more prepared prior to starting a new program (e.g., those with higher levels of education) are more likely to have larger rates of return. Although the evidence is not definitive, it suggests that “work first” programs involving placements and frequently wage subsidies are the best starting points for disadvantaged populations and/or those who are ill-prepared for more formal training.

Heckman’s contention is related to a long-observed aspect of the relationship between hourly wages/annual earnings and education or other measures of human capital—that the relationship is approximately log-linear (e.g., Card, 1999; Willis, 1986). This has caused some researchers to think in terms of rates of return (i.e., percentage increases in wages/earnings) instead of dollar-valued wage increases, which can lead to the omission of important insights for some policy issues, especially in regard to low-income workers.

A common observation in the rate-of-return approach is that the rate of return to education (normally measured as a conditional association rather than a causal impact) is approximately constant for completed years of schooling for virtually the entire education

³ <https://heckmanequation.org/>

distribution. Put another way, the average percentage increase in wages/earnings for a 1-year increase in schooling (and increments of other measures of human capital) is approximately equal for all years of schooling between approximately Grade 10 and a master's degree. However, the relationship is not exactly log-linear—it breaks down at extremely low and high levels of education. Of relevance is that below approximately Grade 10, Sweetman (2004) shows that in Canada, the (non-causal or population) rate of return to years of schooling is approximately zero for women and only slightly above zero for men. Presumably, minimum wages and other social and labour market institutions that put a floor on wages also induce a minimum incremental value to schooling at very low levels of formal education. This also raises questions about whether the hourly wage rate is a reliable measure of labour market productivity at very low levels of earnings; employment rates and annual earnings are commonly used alternatives in evaluating programs.

For the purposes of the analysis of adult education and training program participants, the above empirical regularities have implications for interpreting observed outcomes and impacts. One aspect of the first point is illustrated in Figures 1 and 2. Figure 1 shows rates of return to literacy skills for the native-born non-Indigenous population at various points in the log-wage distribution (i.e., coefficients on a measured literacy test score from a series of unconditional quantile regressions where the dependent variable is the logarithm of wages).⁴ These are population estimates, not related to program participation. Individuals on the left of the x-axis have very low wages. For both men and women, the profiles are relatively flat (although the women's profile is declining beyond the median, and it is increasing for men between the 10th and 25th percentiles of the wage duration). These profiles measure the increase in wages associated with a one standard deviation increase in the literacy test score (and the profiles are very similar for numeracy). Of course, most training programs would not increase average test scores by anything close to one standard deviation. An increase of 10% of a standard deviation would be viewed as a great success, although very few studies have attempted to measure such literacy changes in the context of adult education. Nevertheless, this plot suggests that low-paid women have high rates of return to training. It does suggest that the return to improved literacy test scores for low-wage men is lower than for high-wage men, but the roughly 10% increase is still large. However, the scaling of the y-axis in percent changes (which is the norm) hides as much as it reveals.

Figure 2 is similar to Figure 1, except that the dependent variable is specified as wages rather than the logarithm of wages. This means that the profiles measure the dollar value of the increase in wages at various points in the wage distribution from a one standard deviation increase in the literacy test score. As can be seen clearly for men, the value of improved literacy

⁴ The sample comprises participants from Statistics Canada's PIAAC who are age 30–59 and native-born, non-Indigenous persons (3,200 men and 3,775 women). Immigrants and Indigenous persons are studied separately in the underlying paper, and these plots, based on larger samples, are presented to illustrate the pattern of the results. All models control for years of full-time work experience and part-time employment status. They do not control for education. Adding controls for education does not change the basic shape of the plots appreciably, but does shift the curves down.

for those with low wage rates is substantially lower than that for individuals with high wage rates. The pattern for women is similar until the 75th percentile, after which the profile flattens/declines somewhat.

A 10% rate of return on a low wage is a small number of dollars per hour, whereas a 10% rate of return on a high wage is appreciably more. If there are fixed costs to training programs, then those costs are going to be much higher percentages of the dollar value of the incremental benefit for low-income workers than high-income ones. Although there are issues regarding the cost of moving up the test score distribution from various starting points, it seems reasonable to be concerned that low-income workers may have smaller financial incentives to improve their basic skills. In the extreme, workers with levels of literacy/numeracy, especially male workers, below the 5th or 10th percentile of the wage distribution (those with levels of education below Grade 10) appear to have very low rates of return in the labour market to “normal” program-induced improvements in literacy/numeracy.

Moreover, individuals with limited preparation frequently have small absolute gains in measured skill levels from training programs. For example, looking at language training, Immigration, Refugees and Citizenship Canada (2017, p. 32) reports markedly different results for its Language Instruction for Newcomers to Canada (LINC) Program across individuals from different immigration streams. Substantial improvements in language skills were measured for participants from the economic class, but on average there was no observable improvement for refugee or family-class immigrants. That is, the language skills of the latter two groups of participants had improvements similar to that for the comparison group of similar individuals who did not participate. This latter is probably partly attributable to pre-migration education levels. Not related to language training, but continuing to focus on immigrants, Ci et al. (2020) look at individuals who voluntarily enrolled in formal post-secondary education and observe substantial rates of return on average and for many immigration classes, but even here no earnings benefit is observable for family-class immigrants and male refugees. Moreover, those with low levels of education at entry to Canada benefit substantially less from post-migration post-secondary education.

Taken together, this evidence suggests that subsidized work placements, perhaps as part of a so-called “work first” labour market integration strategy, are particularly valuable for individuals with very low potential wages for whom formal training is not likely to have a high rate of return.

Card et al. (2018) also note the variation in returns to ALMPs across the business cycle and observe that programs tend to be most successful if participation commences during economic recessionary periods (when the opportunity cost of time is low) so that graduation/completion occurs near the start of a recovery. Moreover, although there are exceptions, they observe some evidence suggesting a pattern whereby females and those who are long-term unemployed experience larger positive effects, while smaller positive effects are typically observed for youth and older workers.

Heterogeneity Has Impacts Based on Both Unobserved and Observed Characteristics

It seems that rates of return to ALMPs vary across individuals because of unobserved characteristics. Individuals are sometimes able to anticipate their personal value of program participation based on characteristics that are observed and unobserved by the caseworker/evaluator. Individuals with high expected rates of return select into programs, while those with lower returns select out. Some interesting work has been done on this issue in Germany, and this can in part raise questions about German (and French, and other continental European nations') policies that mandate program participation in the face of sanctions (temporary benefit reductions).

Two papers looking at language training for new migrants in Germany take advantage of the same source of exogenous variation to identify causal impacts separate from selection effects. Lang (2018) and Giesecke and Schuss (2019) look at quasi-randomization on the margin resulting from insufficient training capacity varying across regions. Although mandatory for unemployed migrants, programs are frequently over-subscribed, so the mandates need not bind.

Lang (2018) focuses on program participants in 2014 (near the start of the refugee crisis, which peaked in 2015/16). Her estimates reflect the impact of German employment-oriented language training programs for immigrants on the margin of receiving training (a local average treatment effect using regional treatment intensity as an instrumental variable.) This is the group we are most interested in with respect to policy changes involving expanding or contracting a program. These programs are about 6 months in duration, focus on employment-related language training, and include instruction in completing job applications and work placements.

Lang produces and contrasts simple regression (i.e., non-causal) and instrumental variable (i.e., causal) estimates. For this 6-month program, she finds a lock-in that extends 8 to 10 months. It takes about 15 months after the start of the program for the employment rate of program participants to start to rise above that of those who are not treated. Estimates to this point are similar for the two estimation approaches; however, a gap between these causal and non-causal estimates then arises. Twenty-four months after the start of the program, what looks in the non-causal estimates like an employment differential of about 3.7% in favor of those who took the program is estimated to be about 7.6% once selection on unobserved characteristics is taken into account by the quasi-randomization. Since the employment rate for this disadvantaged group 2 years after the start of training is only around 19%, this can be interpreted as a large effect relative to that base. One interpretation is that there is “negative selection” into the program as those with the lower probabilities of employment—those who are most concerned about sanctions causing their benefits to be reduced and who are also least likely to benefit from the program—are more likely to participate. This reduces the naïve average impact of the program relative to that of the marginal participant who is treated only in geographies with more capacity to deliver the program.

A different study looking at the same German programs is by Giesecke and Schuss (2019), who employ longitudinal survey data linked to administrative employment records. Their sample is just over 1,500 and includes immigrants from the 1960s to the 2000s. This study likely

reflects the operation of these programs in more “normal” times than does Lang’s. In the earlier period these German programs appear to have had less emphasis on employment. One advantage of the study is that it follows immigrants up to 10 years post-treatment, and it has information on both employment and wages.

Giesecke and Schuss (2019) use a sophisticated marginal treatment effect strategy that seeks to identify impacts across the full distribution of immigrant propensities to participate in the program. When participants are sorted according to their probability of participating in the treatment, on average those who are treated experience a modest 2.5% increase in wages in the long run, and the impacts of the program near the median are not statistically different from zero. However, those who are in the top 20% or so of the distribution experience long-run increases of 15% for employment and 13% for wages. In contrast, those immigrants who are most resistant to treatment have returns that are equally large, but negative.

While extrapolating from one context to another is fraught, the studies reveal consistent general patterns for observed characteristics, suggesting that individuals have valuable private information and, given the opportunity, many act on their own information about the expected benefits of a program. This evidence supports making referrals but not mandating specific ALMPs to clients, and not imposing sanctions. It also supports the careful allocation—indeed, systematic rationing—of relatively scarce subsidized work opportunities for those most in need and least likely to benefit from more formalized training. Having said that, the targeting and referral programs needed to make such allocations fairly and efficiently are still in their infancy. But they hold tremendous promise as our society develops an understanding of how to operate them equitably and effectively. These are active measures that speak to allocative efficiency and should operate with, or without, a basic income program.

Program Targeting and Developing and Implementing High-Quality Program Referrals

Given the substantial heterogeneity and outcomes across participants within a particular program, and the substantial variation in average impacts across programs, attempts to maximize efficiency by matching participants with beneficial programs is a common notion. Using simulations based on Flemish administrative data, Cockx et al. (2019) illustrate that matching workers to training programs with the goal of maximizing individual gains can lead to considerable improvements in effectiveness. However, they also show that simple rules recommending programs based on a small number of key characteristics can generate roughly half the gains in their context.

A larger discussion of program targeting is by McCall et al. (2016), who point out that while there are substantial potential benefits from targeting and referral programs, historically caseworkers have not had a uniformly successful track record on this front. They argue that while this is an area with much promise, the research, evaluation, and program delivery community still have much to learn about how to successfully implement targeting and referral systems. This raises concerns about mandatory programs, especially those that impose appreciable sanctions on clients who deviate from programs to which they are referred. It seems

optimal to attempt to combine the information (and enthusiasm) of clients together with the information regarding potential success both developed by analytical systems and embodied in caseworkers.

In Canada, Employment and Skills Development Canada has developed the Targeting, Referral, and Feedback (TRF) system to assist in identifying and connecting individuals to appropriate training opportunities managed by the provinces. A key goal of this system is to rapidly intervene and provide program referrals when it is beneficial to do so. B.C. launched this system in 2016 (B.C. Ministry of Social Development and Social Innovation, 2016; Canada Employment Insurance Commission, 2020).

To continue, indeed to direct increased attention toward, developing tools to assist clients and caseworkers in determining what works best for whom and to facilitate early, targeted program recommendations for clients are worthwhile goals. Internationally, government-sponsored training and employment programs vary in the degree to which they are “passive” versus “interventionist.” At the extremes, a passive program can be interpreted as believing that clients have sufficient information to make appropriate decisions without direction/input from caseworkers, whereas a strongly interventionist program would impose sanctions (e.g., a reduction in benefits) for clients not participating in assigned programs. North American, and particularly Canadian, social assistance and EI programs tend to be on the passive end of the spectrum, whereas European programs tend to be more interventionist.

As part of the ongoing development of the TRF system, the appropriate balance in combining client information and enthusiasm and making recommendations based on caseworker and TRF predictions needs to be better understood. Moreover, the TRF system itself (as with all such systems) needs ongoing support and development.

Wage Subsidy and Work Experience Placements

One particularly important issue for the TRF is the allocation of the relatively rare wage subsidy/employment placement positions to those who will most benefit relative to their next best training opportunity. At present, it appears that the unemployed with the least preparation, typically academic preparation, for more formal training programs will benefit the most from wage subsidy/placement programs. Ongoing monitoring of this contention, especially if this program scales up, would help support efficient program operation. Related to this, it seems worthwhile to expand additional effort in an attempt to scale up the private-sector wage subsidy and work placement program. Of course, care needs to be taken to avoid “churn” of subsidized workers with particular employers, so finding new placements implies an ongoing need to build relationships with new employers and expanding employers. This is a nontrivial exercise. To this end, B.C. put together an “Employment Opportunities Development team” (Canada Employment Insurance Commission, 2020, p. 233). Its goal is to build relationships with employers and generate opportunities for the unemployed.

It has long been understood that while basic income programs, or programs such as the Canada Workers Benefit (CWB; formerly the Working Income Tax Benefit, WITB), are extremely useful in ensuring that low-wage workers have sufficient total income to enjoy a meaningful life,

these programs do not address labour demand issues for low productivity workers (e.g., Phelps, 2007). In particular, workers whose current productivity is below the minimum wage face impossible challenges in entering the labour market. The traditional response is employer-side wage subsidies to span the gap between productivity and the wage. Moreover, Canada Employment Insurance Commission (2020) and Employment and Social Development Canada (2017) show that while such subsidies for private-sector (but not public-sector) placements are extremely cost-effective, they are also a scarce resource requiring development.⁵ The renewed emphasis on locating and growing appropriate placements, as evidenced by B.C.'s recently introduced employment opportunities development team, seems exactly the right direction, with perhaps even additional resources being required to strengthen the focus on private-sector placements that the evidence suggests are far superior for program participants than public-sector placements (and far more cost-effective for government unless the work generated by the placement has appreciable value to society, which may well be the case in some situations).

Early Interventions in Support of Young Disadvantaged British Columbians

Research undertaken suggests that one disadvantaged group that could be beneficially targeted for an employment intervention is young adults who have not finished high school within 6 years of starting (i.e., those who do not complete 5 years of schooling in 6 years or less) and are also in receipt of social assistance while 18 if aged 18, or 18 and 19 if aged 19. Figure 3 illustrates the current situation of one cohort of such individuals who filed taxes in 2009, identified B.C. as their province of residence, and were currently or previously enrolled in the B.C. post-secondary system. It follows them to 2016.⁶ For each gender, this subpopulation is divided into the four groups by interacting those who do not finish high school on time with those who receive income assistance benefits while 18 or 19 years old.

As can be seen in Figure 3, for both genders the annual earnings of those who complete high school on time and are not in receipt of social assistance while they are 18 or 19 have the highest earnings in the years presented on the plot. (Figure 4 depicts similar plots for the relatively small set of individuals where high school completion cannot be ascertained.) Those who have one of either incomplete high school or social assistance receipt have lower, but not dramatically lower, earnings than those who meet neither criteria. However, those who meet both criteria (both not finishing high school on time and being in receipt of social assistance) have substantially lower initial earnings and a much flatter earnings trajectory. The gap is particularly remarkable since those who finish high school are more likely to be attending post-secondary, which temporarily reduces their earnings capacity.

Bringing together several of the themes developed above, following the Heckman approach, intervening to recommend program participation to this subpopulation while they are young adults seems preferable to addressing their needs at an older age. Moreover, that this

⁵ There is some concern about general equilibrium effects/negative externalities resulting from such placements, but most believe the benefits to exceed the costs. Martin's (2014) discussion of net positive macroeconomic benefits adds support to this belief.

⁶ These years are chosen because of data restrictions.

group did not finish high school on time suggests that they are less likely than others to benefit from more formal approaches to training. It seems likely that, at least in the first instance, a private-sector wage subsidy/placement might serve to improve the earnings trajectory of individuals in this group in a manner that might subsequently be self-sustaining. Of course, each individual has information about what is optimal for them, and this could be combined with the recommendation to determine a final program of support.

While this group is clearly disadvantaged and this proposal seems sensible, there is also some evidence suggesting that programs for young individuals, especially young males, tend not to have positive impacts (see Card et al., 2018). For this reason, a pilot project should be established for multiple (perhaps two or three) annual birth cohorts of young British Columbians on social assistance who did not finish high school on time (or continue to have incomplete high school as their highest level of education) to ascertain if such an intervention is worthwhile. This pilot project could randomly assign a recommendation (what some might call an “intention to treat”) to those in this category. While many details would need to be worked out, randomly, individuals in relevant cohorts could have one of the four categories of ALMPs listed in the Context: Institutional Funding section recommended, and their outcomes could be traced over time at low cost in administrative data. Individuals would, of course, have the option to pursue other opportunities, such as perhaps attending community college; the pilot would test recommendations, without sanctions. This answers a real question since we do not know which program types are most effective for these clients, but these young adults have markers associated with a poor future employment trajectory, and determining which types of services should be suggested to them would improve our ability to serve future British Columbians who find themselves in that situation.

Building Complementarities between Social Benefit Programs and ALMPs

Government-sponsored employment training and wage subsidy/placement programs for adults is an area that is evolving relatively rapidly and is particularly relevant to the potential introduction of any form of basic income program as well as existing social programs. A basic income program would be a complement, not a substitute, for such government-sponsored employment and training programs.

Canada’s federal government, in particular, is introducing (and is expected to shortly introduce) a number of innovations—particularly on the skills side. There is a need for senior policymakers from all levels of government to put in efforts to align diverse existing and new initiatives. Importantly, there is some evidence that caseworkers, social workers, guidance counsellors, and the like who are advising clients face to face have some difficulty keeping abreast of the changing policy and programs. Although now a few years old, key informants in the LMDA evaluation reported issues with inexperienced service providers and a lack of awareness of program offerings (Employment and Social Development Canada, 2017); anecdotal evidence suggests that this issue continues. Facilitating ongoing information flows to front-line workers would seem to be important—this includes not only individuals working as part of the WorkBC program, but also such individuals as social workers and occupational therapists

in hospitals and medical rehabilitation clinics, guidance counsellors in various educational institutions, and the like. This would support caseworker (broadly defined) advice to clients in a beneficial way.

Aside from the aforementioned expansion in the clientele for EI Part II–funded services provided by B.C., other recent changes to the EI program are relevant and should be leveraged and integrated into a larger package of training services for British Columbians. In particular, EI’s Work-Sharing program now allows for training while on Work-Sharing (see <https://www.canada.ca/en/employment-social-development/services/work-sharing.html>), and in 2017 and 2018, the federal government introduced Skills Boost, which in part makes EI more flexible to support adults seeking to return to formal education to upgrade their skills, and in part expands the operation of the Canada Student Loans and Grants programs (<https://www.canada.ca/en/employment-social-development/campaigns/skills-boost.html>). While the rate of change is challenging for policymakers and especially front-line workers, there are potential benefits to proactively pursuing the complementarities Martin (2014) points to between what he terms institutions (i.e., social benefit programs, including any potential basic income guarantee, as well as social assistance and EI) and ALMPs. Again, this is both an ongoing opportunity and a challenge, and substantial and detailed policy development is required to integrate them with any basic income program.

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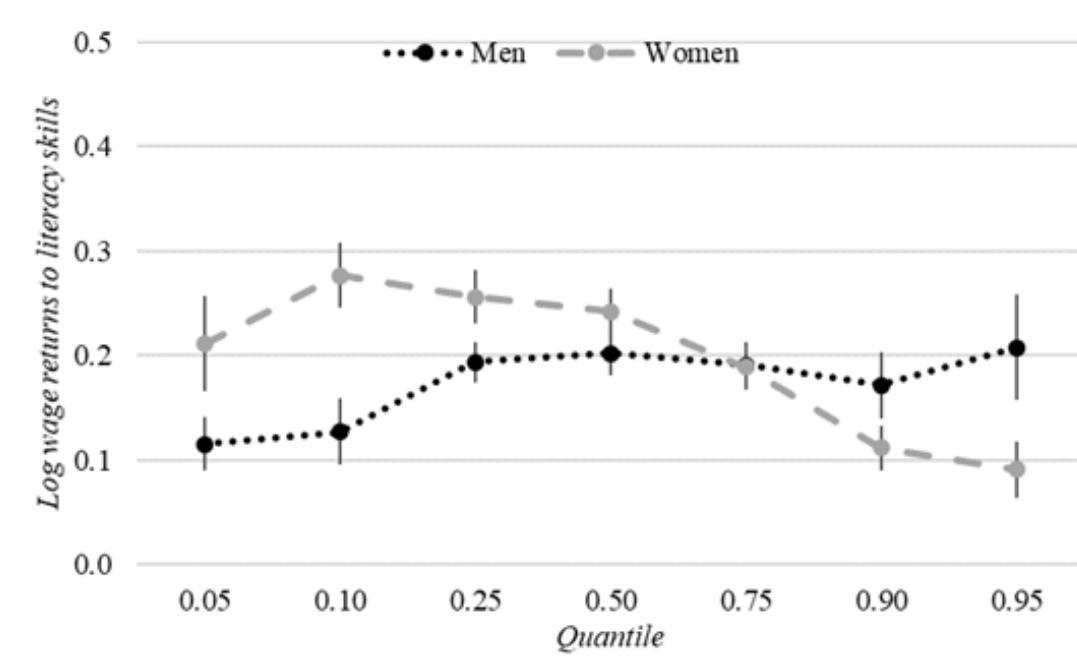
Table 1*B.C.'s LMDA Funding and per Intervention Costs*

Program/service	Funding share (%) ¹	Average cost per intervention (\$) ²
Training services (including apprentices)	54.8	7,452
Employment assistance services	36.6	841
Wage subsidy work experience placement	2.2	4,603
Self-employment	4.3	11,018
Job creation partnerships	2.2	11,187

Note. Employment and Social Development Canada (2017), Table 1; (1) is for 2014–2015, and (2) is an average over 2002–2005.

Figure 1

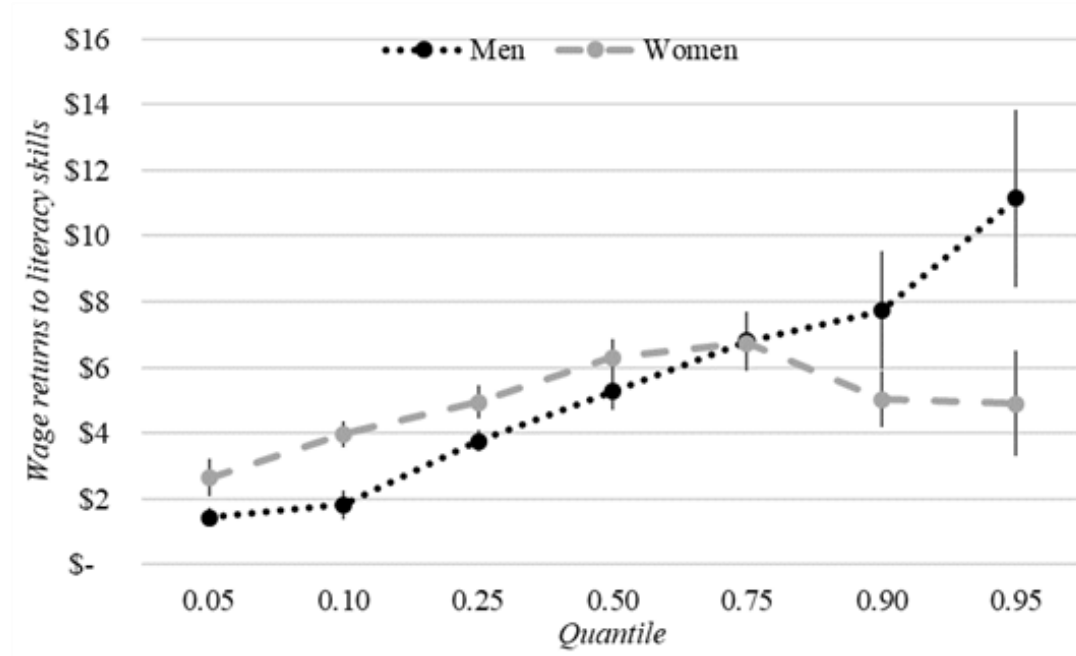
Unconditional Quantile Regression, Log-Wage Returns to Literacy Skill



Note. Statistics Canada's PIAAC data derived from Pullman, Sweetman and Finnie (2020) for the Canadian-born non-Indigenous population.

Figure 2

Unconditional Quantile Regression, Wage Returns to Literacy Skill



Note. Statistics Canada's PIAAC data derived from Pullman, Sweetman and Finnie (2020) for the Canadian-born non-Indigenous population.

Figure 3

Earnings Trajectories of Young Adults by High School Graduation and Social Assistance Receipt

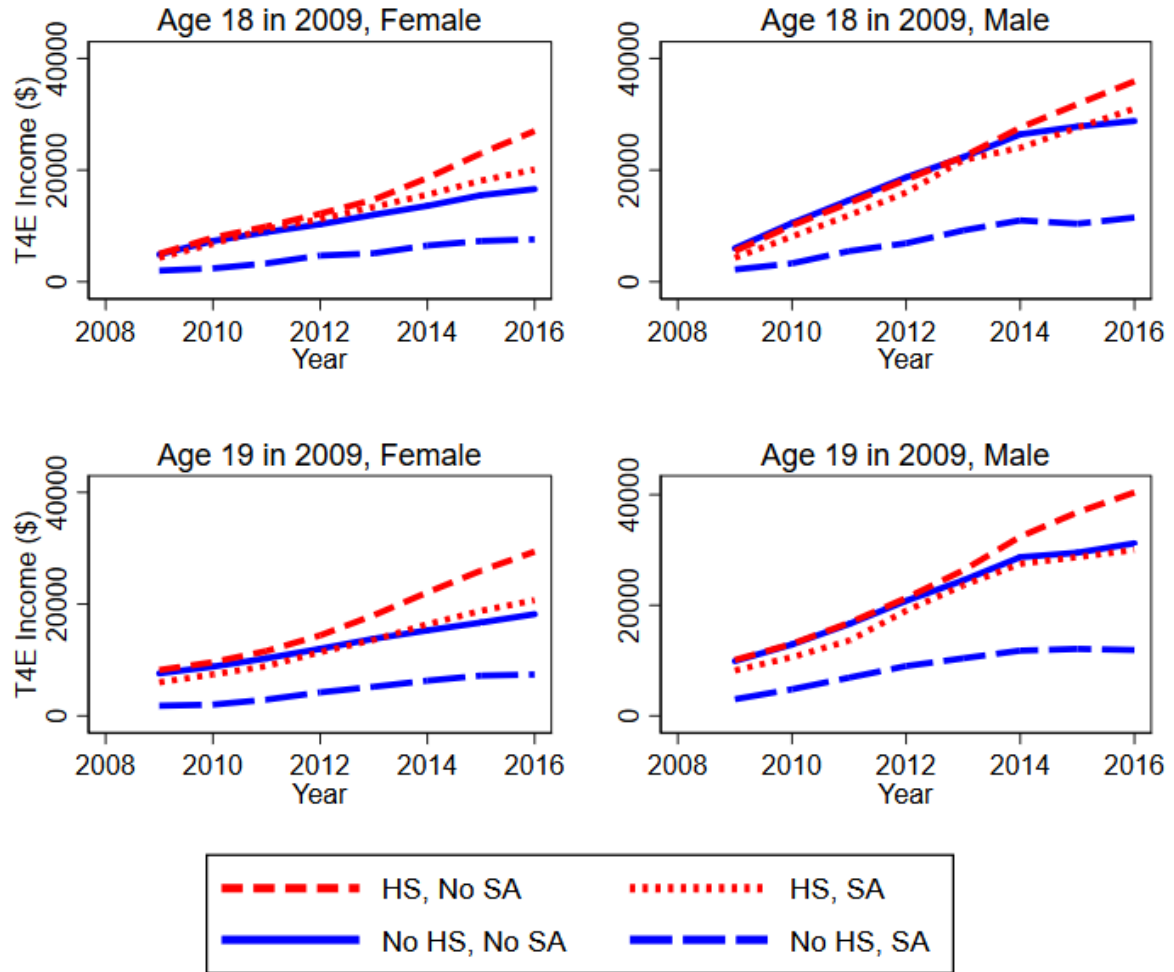


Figure 4

Earnings Trajectories of Young Adults with Unknown High School Graduation

