Direct Job Creation Programs: Evaluation Lessons on Cost-Effectiveness

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Au cours des dernières années, il y a eu un nouvel intérêt pour les mesures de création directe d'emplois dans le cadre de la politique d'intervention directe sur le marché du travail, particulièrement dans les pays de l'OCDE en Europe. Cette étude présente une revue, avec référence spéciale à la rentabilité, des mesures de création directe d'emplois au Canada qui ont été introduites par le gouvernement fédéral canadien au cours des vingts dernières années. Cette revue met en valeur diverses constatations en matière d'évaluation et appelle l'attention sur les évaluations et les implications politiques concernant les pratiques gagnantes et les pratiques perdantes. Selon le document, la rentabilité des mesures de création directe d'emplois a été améliorée au cours des années en même temps que des modifications étaient apportées à la conception de programme. De plus, les résultats des évaluations à notre disposition soulignent d'importantes questions de structure et de conception.

In recent years there has been a renewed interest in direct job creation programs as part of the active labour market policy, especially in the OECD European countries. This study provides a review, with a special reference to cost-effectiveness of Canadian direct job creation programs introduced by the Canadian federal government over the last two decades. The review brings diverse evaluation findings into a common focus and draws evaluation lessons about what works and what does not work with special reference to their cost-effectiveness over time. The paper finds that the cost-effectiveness of direct job creation programs improved considerably over time as program design was continuously modified. Also, the lessons drawn from the available evaluations highlight important structural and design issues.

Introduction

With persistently high unemployment in the Organization for Economic Cooperation and Development (OECD) European countries and with a disappointing record of government-funded training and skill development schemes in several of these, there has been a renewed interest in recent years in direct job creation programs as part of active labour market policy (OECD 1995; Jackman 1995; Economist 1996).

Like many other OECD countries, Canada has experimented with a variety of job creation programs over the last 25 years. The purpose of this study is to provide a brief review of some selected direct job creation programs and draw lessons learned with regard to their cost-effectiveness on the basis of evaluation studies which have been done from time to time. The evaluation studies have not followed a consistent methodology and the findings are scattered in numerous reports. Therefore, this study attempts to bring the evaluation findings into a common focus with a view to drawing inferences as to what works and what does not work.

Job creation programs can be loosely classified as "direct" and "indirect" job creation measures, even though the distinction may often appear to be somewhat blurred. The main emphasis of direct job creation measures is to create jobs that are of a short-term nature to reduce the number of unemployed, reduce dependence on social programs, and to some extent stimulate the economy to create jobs on a longer term basis. Canada Works and the Local Initiatives Program would be typical examples of direct job creation programs in the Canadian context. Indirect job creation programs are aimed at improving the employability of job-seekers and increasing the level of long-term employment with greater emphasis on training and skill development. The Employer Wage Subsidy and Self-Employment Incentive/Assistance programs are examples of indirect job creation programs.

The direct job creation programs focused in this review generally correspond to the definition used by the OECD in its reports (OECD 1980, 1997). The list of programs covered in this paper does not, however, pretend to be exhaustive. Instead, the list was determined by two criteria. Some programs were selected for this review because they were large in terms of program expenditure. More often, however, programs were selected because they had a relatively long life and hence had been subjected to a formal program evaluation.

Unless otherwise stated, job creation in this paper refers to federal direct job creation initiatives in the public sector and excludes direct job creation programs initiated by provinces.

It seems appropriate to point out that several difficulties are encountered in this kind of exercise. First, some programs were in operation only for a short period of time and were discontinued even before a formal evaluation was completed. In such cases, a complete evaluation report is unavailable and program data are rather sketchy. Second, when a new government came to power, quite often the main structure of an existing program was retained but the program title was changed giving the impression of a new job creation program. Third, the available data on the job duration of program participants and on program expenditures do not always match. For example, sometimes program participation data refers to weeks of employment during the calendar year, while program expenditures have been reported for the financial year. The lack of matching data makes it difficult to estimate the costs of job creation by program. For this reason, costs of job creation are presented in this paper only for those programs where the calculation was possible and meaningful.

Evolution of Canadian Job Creation Programs

The Canadian direct job creation programs were aimed at one or more of the following:

- reducing seasonal and cyclical unemployment;
- targeting certain disadvantaged labour force or demographic groups (students and unemployed youth, women, older workers, natives);
- relieving regional and structural unemployment; and
- providing services or producing goods of social value that would not otherwise be generated by the private sector or government agencies.

Direct job creation activity by the federal government passed through several distinct phases. It is possible to divide the last 25-year period into three phases:

- Pre-Canadian Jobs Strategy (CJS) Regime covering the period from 1971 to the first half of the 1980s;
- Canadian Jobs Strategy Regime extending roughly from 1985 to 1990; and
- Labour Force Development Strategy/Employment Insurance Regime extending roughly from 1991 to the present time.

Pre-CJS (Canadian Jobs Strategy) Regime

During the 1970s, thousands of young baby boomers were flooding the Canadian labour market to look for full-time jobs and particularly summer jobs. The youth unemployment rate was increasing. The government was anxious to avoid the social unrest caused by unemployed youth which was being experienced in other countries. Thus, the early 1970s witnessed a surge of new programs designed for students and youth. Some of the major job creation programs during this decade were: Opportunities For Youth (OFY), Local Initiatives Program (LIP), Local Employment Assistance Program (LEAP), Community Employment Strategy (CES), Canada Works (CW), Young Canada Works (YCW), Summer Job Corps (SJC), Co-Operative Education Program (COOP), and Employment Tax Credit Program (ETCP). In retrospect, the 1970s can be described as the golden age of direct job creation.

During the 1980s, although there were some important job creation initiatives, the most innovative ones were in the area of worksharing, which had the main objective of preserving existing jobs and assisting workers to adjust to major layoffs due to the recession of 1981-82.

During the first half of the eighties, in response to the recession, the Canada Works program was revived and experiments were conducted on the use of Unemployment Insurance (UI) funds in support of job creation under section 38 of the *Unemployment Insurance Act*. In addition, several other new job creation programs were introduced: Canada Community Development Projects (CCDP), Canada Community Services Projects (CCSP), Local Economic Development Assistance (LEDA), Summer Youth Employment Program (SYEP), and Local Employment Assistance and Development (LEAD).

Canadian Jobs Strategy (CJS) Regime

As the effects of the recession eased, Employment and Immigration Canada (EIC) began to implement the Dodge and Allmand reports and formulated a new philosophical framework for job creation and employment programming.

The new umbrella labour market policy, called Canadian Jobs Strategy (CJS) was announced in June 1985. The basic principle was "The Canadian Jobs Strategy aims at ensuring that federal resources are used effectively to bring direct assistance to those most in need."[1]

The CJS regime witnessed a reduced emphasis on direct job creation programs and the introduction of indirect employment programs such as Job Entry, Job Development, Skill Investment, and Skill Shortages. The Community Futures program was also introduced. A major component was the Self-Employment Incentive (SEI), which was not aimed at direct job creation but at assisting workers to become self-employed.

Labour Force Development Strategy/ Employment Insurance Regime

From about 1991, the traditional types of direct job creation programs (Canada Works, LIP, LEAP, CEP) were gradually phased out in favour of job creation under Developmental Uses of UI. The period can be described as the Labour Force Development Strategy/Employment Insurance Regime (LFDS/EI Regime).

Canadian Job Creation Programs

It is not possible to give a detailed description of all the programs in the space provided. Some major programs are very briefly reviewed below. (For a more detailed description of program objectives, design, and evaluation findings, see Roy and Wong 1998).

Local Initiatives Program (1971-1977)
The Local Initiative Program (LIP) was introduced in November of 1971. It had a two-fold objective: (i) to create additional jobs during winter months from November to May of the following year; and (ii) to invoke the participation and involvement of community groups and the unemployed to provide services that would benefit the whole community.

Projects were to provide at least 15 months of employment and a substantial part of it was to be additional employment over and above what would normally take place. Projects were to be of a non-profit nature. Project organizers were to use Canada Manpower Centres to hire unemployed workers.

LIP projects covered a broad range of activities from day-care centres to building bridges. Of those employed, about 25 percent were UI recipients and slightly more than another one-quarter were on social assistance. Women were underrepresented in comparison with their share in the unemployed.

Canada Works (1977-1980)
Canada Works was introduced in 1977 as a successor to LIP. It was designed to create employment opportunities for unemployed Canadians by utilizing their skills for services to their communities. The objective was to get needed work done to the public benefit and by people whose energies and talents were temporarily surplus to private sector needs. Wages for those who worked on the projects were generally about 10 percent above provincial minimum rates. For up to 52 weeks, projects could receive funding allocated on a constituency basis relative to the incidence of unemployment.

An Economic Growth Component (EGC) feature was added to the Canada Works program in 1978-79 under which federal departments and agencies could submit job creation proposals. The eligibility criteria consisted of federal projects having the potential of contributing to economic growth and creating continuing employment in the private sector. The job creation had to be incremental and the project had to have a high probability of not otherwise occurring. In addition, the project location was to be in constituencies with above-average unemployment. Canada Works was replaced by Canada Community Development Projects in 1980.

Local Employment Assistance Program (1972-1983)
Introduced in 1972, the Local Employment Assistance Program (LEAP) was designed to "create worthwhile employment for people who have been unemployed or receiving public assistance and who are not likely to become employed through normal labour market activity." The program was aimed at projects with the potential to become self-sufficient businesses. A large number of projects were targeted at native and disadvantaged groups including the physically and mentally handicapped, alcohol and drug abusers, and welfare recipients. LEAP was incorporated into LEAD in 1983.

Local Economic Development Assistance (1980-1983)
Introduced in 1980, Local Economic Development Assistance (LEDA) was designed to play a direct and active role in stimulating private sector employment through local enterprise development within communities. LEDA funded the planning and operation of community-based corporations that would provide technical support and financial assistance to proposed or existing local businesses. The latter would then create continuing jobs in the community.

The program was jointly administered by EIC and the Department of Regional Economic Expansion. In 1983, LEDA was incorporated into LEAD.

Canada Employment Program (1980-1983)
Canada Employment Program (CEP) was introduced in 1980 as a comprehensive direct job creation

program. It was a major government policy response to the problems of hardship created by a shortage of employment opportunities for unemployed workers. The program was designed "to create projects, which (also) made a contribution of continuing value to the communities." In addition, the projects were intended to enhance the labour market experience of participants — to obtain favourable longer term employment effects for the program clientele.

CEP had three constituent program components: Canada Community Development Projects (CCDP), Canada Community Services Projects (CCSP), and New Technology Employment Program (NTEP). The orientation of CCDP was primarily geographic and was aimed at areas experiencing relatively slow growth. For CCSP, the orientation was toward groups at a competitive disadvantage in the labour market. NTEP was designed as a wage subsidy program and was targeted as a response to the problem of structural unemployment among highly qualified workers in the scientific and technology field. NTEP focused on recent labour force entrants who were unable to find employment. A stated program objective was also to provide encouragement to research and development (R&D). Under CCDP, the allocation was heavily concentrated in a small number of communities in the high unemployment provinces of the Atlantic region and Quebec in harmony with the program objective.CCDP was incorporated into the Local Employment Assistance and Development program in 1983.

Local Employment Assistance and Development (1983-1986)

Initiated in 1983, the Local Employment Assistance and Development program (LEAD) began with the objective of increasing "the number of permanent jobs in localities of chronically high unemployment." LEAD was to fund infrastructure projects, enterprise projects, or LEAD corporations, depending on community needs and plans. LEAD was incorporated into the Community Futures and Job Development components of the CJS in 1986.

Young Canada Works (1977-1980)

Introduced in 1977, Young Canada Works (YCW) had as its main objective creating short-term employment for students in areas of high unemployment. The secondary objectives consisted of (i) creating employment that would be of some benefit to the community; and (ii) offering participants a learning and meaningful experience that they could relate to their educational goals or future career aspirations. Projects could be funded for up to 14 weeks between May and September. The title Young Canada Works was discontinued in 1980, but similar programming was continued under Summer Youth Employment Program (1980-83). The latter program was succeeded by Summer Canada (1983-85), and Summer Canada was brought under the Canadian Jobs Strategy in 1985.

Employment Tax Credit Program (1978-1981)

Employment Tax Credit Program (ETCP) was introduced in 1978 to stimulate incremental employment in the private sector by providing general tax incentives. A secondary objective of the program was to improve the future employability of participants above that which would have occurred in its absence. The program was discontinued in 1981 in response to the evaluation finding of a very low level of employment incrementality.

New Employment Expansion and Development (1982-1983)

New Employment Expansion and Development (NEED) program was introduced as a direct job creation initiative in 1982. It formed part of the federal government's response to the economic recession of 1981-82. The main target group was the longer-term unemployed who had exhausted their unemployment insurance benefits and/or who were on social assistance.

NEED involved a tri-level government partnership in job creation, federal, provincial, and municipal governments, along with the private sector. This marked a new approach to direct job creation policy because it involved joint funding of program expenditures with the provincial government and the private sector. With an easing of the recession, NEED was discontinued.

Developmental Uses of UI (1977-)

The *Unemployment Insurance Act* was amended in 1977 to design programs that would enable claimants to make constructive use of their time while on UI claim. Three developmental uses of UI funds embodied in the UI Act were for occupational training, worksharing, and direct job creation. Developmental uses of UI funds for direct job creation (permitted by section 38 of the UI Act) was limited to UI recipients, and participation in these projects did not establish further UI eligibility after the project terminated. The program cost consisted mainly of top-up UI benefits (an extra benefit amount over and above the eligible amount) for project participants. Two factors contributed to the low cost: (i) the low opportunity cost to government of providing employment to those who otherwise would have been on UI; and (ii) participation in the program did not establish further eligibility for UI following project termination.

On-Site Program (1983 -)

The On-Site program, funded in part by section 25 of the UI Act, provides qualified, unemployed professionals with hands-on experience addressing industrial, institutional, and municipal resource-management problems. For funding to occur, participation criteria must be met by host employers as well as program workers. Employers were required to demonstrate their willingness and ability to offer incremental term employment in one of the designated program categories (which included environment management, hazardous waste management, occupational health and safety, and energy). Project workers must be in receipt of UI and possess the relevant education or work experience. The government provides enhanced UI benefits to program workers.

Impacts of Direct Job Creation

In the short term, a direct job creation program may take individuals off welfare rolls, and the UI system, by providing new employment and thus generate savings to the government. In the longer run, the newly generated employment and income with their secondary effects are expected to increase government revenue. Also, after the participation has ended, these programs are expected to have improved the participants' employability through work experience and training.

Despite the intentions of program planners to the contrary, job creation programs tend to arouse the expectations of the community and employers. These expectations, in turn, often create a continuing dependence on publicly funded jobs or at least tend to generate pressures to extend the life of a program.

When a job creation program is mounted, it could displace some workers who would have found jobs if the program intervention had not been made. This potential *job-displacement effect* is reflected in the concept and measurement of employment incrementality (see discussion below).

Some concerns are raised in program evaluation with regard to the *fiscal-substitution effect* of program expenditure. If a program is continued over a long period of time, it could be at the expense of some other potential program expenditure and hence there could be a fiscal-substitution effect. Some American evaluation studies have reported large fiscal-substitution effects of job creation programs (Fechter 1975, p.17).

Sometimes concerns are also expressed about the *crowding-out effect* in the private sector. Since job creation programs imply boosting the demand for labour and creating employment, in theory these programs could drive up market wages and reduce employment for others. However, job creation programs usually target the unemployed; and therefore such crowding-out effects are unlikely to be of any large magnitude. In addition, since direct job creation programs are usually directed to activities that are non-profit oriented and hence unlikely to be of interest to the private sector, such impacts would be minimal if they did occur. Several studies which have addressed this issue have reported nil or insignificant job-displacement effects in the private sector in other countries (OECD 1980, p.31; Bassi and Ashenfelter 1986, p. 147)

A direct job creation program may also have several *unintended impacts*. It could qualify/re-qualify a UI claimant or increase the UI benefit period of the participants, thereby recycling the unemployed between a job creation program and UI. Also, new job creation initiatives could induce individuals in the non-labour force to enter the labour market and, therefore, add to the number of people reported as being unemployed resulting in an increase rather than an expected decline in the measured unemployment rate (Roy 1986).

Evaluation Methodology and Data

This paper focuses mainly on the cost of job creation as an evaluation measure, and references to other evaluation findings are made only in parentheses.[2] The ratio of program expenditure over the number of jobs created provides only a crude measure of cost per job because two other factors need to be considered and adjustments made. First, job duration varies by program — some jobs may last for ten weeks while others may last for 50 weeks or longer. Second, all jobs generated by a program may not be incremental. The employment incrementality (i.e., the number of jobs that would not have been created without the program intervention) also varies by program.

The standard and most acceptable methodology that is applied to estimate the incremental program impact consists of using a *control* or comparison group. To apply this kind of analysis, longitudinal data are needed for program participants as well as comparable non-participants.[3] Since direct job creation programs are usually of short duration, precise measurement of program incrementality is not always possible.

A less rigorous method consists of self-assessed incrementality through sample surveys that ask program participants whether they would have found jobs if the program had not existed. Similarly, employers are asked whether they would have created the jobs without the program intervention. This measure of incrementality is necessarily subjective. However, the element of subjectivity can be reduced to some extent by designing the survey questionnaire from diverse angles. The Canadian evaluation studies of direct job creation programs have relied on this approach.

The *incremental cost of job creation* (C) in this paper is to be interpreted as the incremental cost of job per work-year and is estimated as:

$$C = (P.\ 52) / (J\ .A.\alpha)$$

Where:

P = program expenditure in time, t

J = number of jobs created in time t, irrespective of job duration

A = average duration of a job in weeks

α = incrementality ratio

To help make comparisons over time, the estimates of the *incremental cost* per job in current dollars were converted into constant dollars.

Data on incrementality ratios were obtained from the program evaluation studies. Also, data on program expenditure, number of jobs created, and the average duration of participation in a program were usually obtained from the evaluation studies. Where this information was not complete, program administration data and departmental annual reports of EIC and Human Resources Development Canada (HRDC) were used to supplement the information.

The following cautions should be noted in interpreting the cost of job creation estimates. First, the cost refers to the cost to the federal government only and does not include the expenses incurred by the employers or sponsors in creating and maintaining a job. Second, the cost refers to the program expenditure only and does not include the cost of program administration. Wherever the program data included program administration costs, such costs were taken out.

The measure of the *incremental cost of job creation* used in this study has several limitations which may be noted.

- The cost measure does not reflect the program externalities, which are often conceptualized in a comprehensive cost-benefit evaluation framework. Such program externalities would include the social opportunity cost of labour, secondary impacts in the form of income and employment multiplier effects at the community level, savings in UI and welfare payments for program participants, and benefits to the government due to increased tax revenue resulting from incremental employment. Needless to say, these elements of cost and benefit cannot be incorporated for job creation programs without many heroic assumptions.[4]

- The cost measure does not reflect the wage versus the non-wage components of a given program expenditure. Therefore, it tends to overstate the effectiveness of job creation programs that are oriented toward projects that are more labour intensive and less capital intensive. However, since direct job creation programs are usually labour intensive and wages constitute 90 to 95 percent of the program expenditure, this should not be a source of major concern.

Incrementality and Costs of Job Creation

As can be seen in Table 1, there were wide variations in job duration under each of the programs. The average job duration varied from a relatively long duration of 56 weeks under CCSP and 51 weeks under LEAD, for instance, to a relatively short duration of 10.5 weeks under Young Canada Works.

The average incrementality also varied widely by program. The programs that had relatively high incrementality (75 percent or over) were Local Initiatives Program, Canada Works, and On-Site. Those with relatively low levels of incrementality (50 percent or less) were NTEP, LEAD, and ETCP. It can be easily seen that with a significant shift from passive to active use of unemployment insurance program under developmental uses of UI, job creation programs have become significantly more cost-effective. The last column of Table 1 presents the incremental cost per job in 1986 constant dollars. Compare, for instance, the incremental cost of job creation of $9,600 under developmental uses of UI with over $20,150 under the Employment Tax Credit Program, or $17,000 under Canada Works (General). It is the continuous process of evaluation and assessment of programs, and modifying them to enhance the elements that worked that contributed to the cost-effectiveness.

Evaluation Lessons and Policy Implications

The following evaluation lessons can be drawn from the analysis presented in this review.

Canadian direct job creation programs have generally served as useful counter-cyclical policy tools by creating temporary jobs quickly and on short notice. Programs such as LIP, Canada Works, LEAP, and Canada Employment Program, were created on short notice in times of economic downturn and were discontinued as the economy improved. These

TABLE 1
Estimates of Incremental Cost per Job in Current and Constant Dollar, by Direct Job Creation Program

Program	*Average Job Duration*	*Gross Cost per Work-Year (current dollars)*	*Incrementality (%)*	*Incremental Cost per Job (current dollars)*	*Incremental Cost per Job (1986 constant dollars)*
LIP	20 weeks	$6,675	78	$8,560 (1975)	$19,400
LEAP	33 weeks (1980-81)	$10,600 (1980-81)	65 (average) (1980-81)	$16,300 (1979)	$26,700
Canada Employment Strategy					
CCDP	25 weeks	$11,440	63 (average)	$18,160 (1981)	$23,900
CCSP	56 weeks	$11,000	63 (average)	$17,500 (1981)	$23,000
NTEP	48 weeks	$10,000	29	$37,000 (1981)	$49,000
LEAD	51 weeks	$1,900	45	$4,200 (1986)	$4,200
Canada Works					
General (1977-78)	25 weeks	$8,100	80 to 90	$9,500 (1978)	$17,000
General (1979-80)	29 weeks	$10,000	80 to 90	$11,800 (1980)	$17,600
Canada Works Growth Component	33 weeks	$13,700	78	$17,600 (1980)	$26,300
Young Canada Works	10.5 weeks	$7,260	Reduced unemployment rate among students returning to school by two to three percentage points	$12,100 (1977)	$23,700
Employment Tax Credit Program	24 weeks	$13,500	29 (average) incrementality factored into cost	$13,500 (1980)	$20,150
Developmental Uses of UI for Job Creation	13 weeks	$8,500 (1983)	incrementality included in cost	$8,500 (1983)	$9,600
On-Site	19.5 weeks	$7,540 (1992-94)	76	$9,920 (1993-94)	$7,630
NEED	23 weeks	$11,900	74	$16,000 (1983)	$17,900

Source: Estimates reported above have been derived from three sources: program evaluation reports, program administration and management information system, and annual reports of Employment and Immigration Canada and of Human Resources Development Canada. For details, see Roy and Wong (1998).

programs were administered through municipalities and non-profit community organizations without large expenditures on the creation of administrative infrastructure.

Most of these programs were assessed to have funded projects that were considered to be of value to the community. For instance, programs such as LIP and Canada Works covered projects ranging from day-care centres to environmental improvement. Although most of the programs were found to have funded projects valuable to the community, several evaluation studies found that measurable indicators for "value to community" were not defined. Therefore, it was often difficult to evaluate the program outcome from the point of community value. Evaluation findings suggest that it would be useful to define more precisely some measurable indicators of value-added for the community.

Direct job creation programs were also generally found to be appropriate tools for targeting certain disadvantaged labour force groups. Programs — such as LIP, Canada Works, LEAP, and Canada Community Services Projects — addressed the special needs of the unemployed and social assistance recipients. The New Employment and Expansion Development program, for example, targeted the long-term unemployed (UI exhaustees and social assistance recipients). Similarly, several programs were tailored to the needs of summer students. Evaluation findings generally confirmed that participant profile conformed to the intended target groups. It may be pointed out, however, that the direct job creation programs did not specifically target women, and the participation level for women was often lower than their share in the overall unemployed.

The use of job creation programs for addressing concerns related to regional structural unemployment was not always successful. Tension between conflicting goals of reducing cyclical unemployment and alleviating structural unemployment within a given program has often been highlighted in evaluations.

Over time, the cost-effectiveness of the direct job creation programs has improved considerably. Although employment incrementality still remains at a modest level, costs of job creation have become lower over time due to developing better program design, dropping ineffective elements, and expanding better elements. The maximum project duration in some of the programs mounted during the 1970s was later reduced under the Canadian Jobs Strategy. Similarly, introduction of the developmental uses of UI funds provided an opportunity to UI claimants to make more constructive use of their time while on claim through occupational training and worksharing. By using UI entitlement rather than simply helping workers to re-qualify for UI, job creation programs in later years tended to reduce participation duration.

Targeted direct job creation has worked better than the use of general tax concessions. For instance, the Employment Tax Credit Program had a higher cost and much lower incrementality ratios than several wage-based job development programs. In addition, ETCP participants had a higher probability of going on UI after subsidized employment, compared to regular workers.

Combining the objectives of job creation and promoting scientific and technical research within the framework of the same program does not work. The New Technology and Employment Program component of the Canada Employment Program made an attempt to combine these two goals under the same program and they were incompatible. In order to be able to have the maximum impact on job creation at a relatively low cost, it is appropriate to target the unemployed and inexperienced workforce. But these groups were unable to contribute significantly toward scientific research.

Job creation incrementality is low in the private sector relative to the public and non-profit sectors. Public works can mobilize temporary jobs quickly in times of economic downturn and they can be limited to slow growth areas during economic upturns.

Federal partnership with provincial and municipal governments in job creation, as in New Employment and Expansion Development, has been a success story.

The role of direct job creation programs in developing skills and improving the employability of program participants after the program ends remains an open question. In many instances, program participants were found to have gone back on UI or social assistance after the program ended. Developmental Uses of UI funds has largely plugged this loophole in recent years.

More consistent and new evaluation approaches are needed to assess the net impacts of job creation programs. In program evaluations, estimates of incrementality have been usually based on participant employer and employee surveys. Needless to say, these are subjective and less reliable than other methodologies. Where possible, macroeconomic analysis should be considered as a way to establish the impact of job creation programs on the total number of jobs. In future evaluations of job creation programs, it is imperative that a standard-outcomes approach be adopted which considers four accountability measures: (i) net cost per net job created; (ii) net cost per person off the unemployment count; (iii) reduction in the unemployment count as a percentage of persons supported; and (iv) net jobs created as a percentage of those supported.

Planning the creation of an appropriate data set appears to be a key element in reliable program evaluation. In many instances, lack of management and appropriate data collection have hampered proper and timely evaluation. It seems imperative that, before a program is mounted, decisions are made about evaluation issues that will be addressed. At the same time, data requirements need to be specified and appropriate arrangements need to be put in place to meet the data requirements. In recent years, this deficiency has been met (e.g., Self-Employment Assistance and other recent indirect job creation programs).

Using Canada Employment Centres (now called Human Resource Centres of Canada, HRCC) is a cost-effective delivery mechanism. Although using Canada Employment Centres (CECs) is cost-effective, some evaluation studies have pointed out that non-participants in several programs were not aware of the availability of the programs because they were not enrolled with a CEC. It would, therefore, be important to diversify the delivery mechanism to reach the clientele (especially semi-professional and professional groups) who might not enrol themselves as unemployed in a CEC/HRCC.

Experience of Other Countries

The Canadian experience with direct job creation programs generally falls in line with that of most other OECD countries. Similarities and differences are briefly highlighted below.

Other OECD Countries

In other OECD countries, the popularity of direct job creation programs increased considerably in the mid-1970s with rising unemployment. Similar to Canadian job creation programs, the *target groups* have usually been the general unemployed, long-term unemployed, older workers, young people, women, and new labour force entrants. (For details, see OECD 1980; Jackson and Hanby1979; and Davis 1996.)

Also, the *eligible sponsors* were similar to those in Canadian programs: local authorities, voluntary and charitable organizations, and sometimes also private sector employers. Almost all programs specified "additional" employment as a requirement for eligibility.

Major *program funding* was generally provided by the federal governments and in the form of subsidized wages of participants (usually ranging from 60 to 100 percent). In Denmark, however, the subsidy was 120 percent of gross wage costs. In the United States and United Kingdom, some projects require supplementary program funding from other levels of government.

As in Canada, projects in other OECD countries in most cases occurred in the following sectors: construction, urban renewal, forestry, and environmental areas. The project duration did not usually exceed 52 weeks (18 months in the US).

There are two major direct job creation programs in the United States, and these are funded under the *Comprehensive Employment and Training Act*. One program is designed for the disadvantaged who have been unemployed for 15 weeks or more (Title II. D). The other is for those who have been unemployed for ten weeks or more and who come from low-income families (Title VI). The intent is that Title II.D should have basically a structural impact, while Title VI is expected to serve counter-cyclical purposes (for details, see Danzinger and Weinberg 1986). With the use of two programs, two objectives of job creation are kept somewhat distinct. In most Canadian job creation programs, however, the distinction is not so clear-cut. Whether this is desirable or not is discussed below.

Two Key Issues

In the light of a brief review of direct job creation programs in other OECD countries, two issues appear to be of major importance. The first issue concerns the job-displacement effect and the related level of incrementality in job creation. As in the case of program evaluation in Canada, other countries derive the incrementality estimates from sample surveys. These surveys are necessarily subjective and hence not strictly comparable. While recognizing the limitations of these estimates, however, the incrementality ratios of Canadian job creation programs compare quite favourably with those reported in other countries (50 to 60 percent in the UK, and 65 to 70 percent in the US; see OECD 1980). Due to more targeted programming in recent years, job creation programs in Canada seem to have reduced job displacement and achieved a larger measure of program incrementality.

The second issue relates to the objectives of direct job creation programs. As temporary employment measures, they have two broad objectives: to provide counter-cyclical economic stimulus and to reduce structural problems among certain demographic groups, regions, or industry sectors. Ideally, as a counter-cyclical measure, job creation programs should be capable of a fast phasing-in and phasing-out, be highly labour intensive, have low displacement, and draw clientele from the unemployed but not from outside the labour force. To address structural labour market problems, however, the speed of phasing-in and phasing-out is not so important. In fact, to phase-in a series of projects designed to give maximum adjustment assistance to groups with structural labour market problems probably takes time, and the phasing-out of successful projects may not even be desirable (OECD 1980). Also, there is no rationale for restricting such programs to non-profit activities. In many instances, therefore, counter-cyclical and structural goals may be inconsistent objectives within the framework of the same program.

The analysis presented in this paper indicates that tension between competing objectives was embedded in several Canadian programs. In several other countries, especially in the United Kingdom and United States, the counter-cyclical and structural elements have been kept distinct from one another and not combined within the fold of the same job creation program. It is desirable that this important consideration be kept in mind in future program design.

Notes

An earlier version of this paper was presented to a meeting of the New Brunswick ministers in 1996. The views expressed in this study are not necessarily those of Human Resources Development Canada or of the Government of Canada.

[1]The notion of "most in need" recognized that there would never be enough resources to do everything worth doing. It implied that EIC would try to direct aid to work-

ers with the most severe employment problems, areas with highest unemployment, and industrial sectors with the worst skill shortages. In calling for an effective use of federal resources, the principle also argued that the "most in need" approach should be combined with "what works best" and with an increased emphasis on the market principle.

[2]There are some other evaluation measures which were conceivable but were rarely used in evaluation reports on job creation programs due to data limitations. These include cost-benefit ratios, percentage of program participants finding a new job, percentage going back on unemployment insurance or social assistance, and improvement in earnings between pre- and post-program participation.

[3]This approach is particularly relevant in assessing the cost-effectiveness and success of training programs. For example, it uses labour market performance indicators such as the pre- and post-program probability of finding employment. Also, it can compare pre- and post-program earnings, employment duration, incidence of UI, and welfare, etc.

[4]For a detailed discussion of evaluation criteria and estimates of costs to the federal government of job creation under alternative fiscal initiatives, see Roy (1984). The study uses a macro-modelling methodology to estimate the net cost of job creation to the federal government in a national accounting framework. The study takes into account the primary as well as secondary impacts of federal programming, including employment multiplier effect, savings in unemployment insurance and welfare benefit payments, and increased revenue due to incremental income and employment.

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