

Evaluation of the National Child Benefit Initiative

Synthesis Report

February
2005



**Federal, Provincial and
Territorial Ministers
Responsible for Social Services**

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1. Introduction

The National Child Benefit (NCB) Initiative is a joint undertaking by Canada's federal, provincial and territorial governments.¹ Responsibility for the Initiative rests with the Federal/Provincial/Territorial Ministers Responsible for Social Services.

The NCB Initiative is an important undertaking developed with the aim of helping children to get the best possible start in life. Governments recognize that child poverty has long-term consequences, both for children and for society in general. Governments also support the position that families are better-off when parents are supported in their efforts to obtain and maintain employment.

A further key principle upon which governments agree is the importance of accountability, in terms of achieving results, and transparency in reporting such results – both to legislative bodies and to the public in general.

This evaluation report is an important part of such transparent accountability. It identifies, through the evaluation findings and other related research, the extent to which the NCB Initiative is achieving its objectives.

It does this by means of examining multiple lines of evidence from a range of studies conducted under the direction of the Federal/Provincial/Territorial Evaluation Working Group. In addition, further analyses of the NCB Initiative undertaken by individual departments was reviewed and approved by the Evaluation Working Group.

The current report also presents an assessment of the evaluation findings. As will be seen, the overall assessment is that the NCB Initiative is achieving a number of positive impacts.

Federal/Provincial/Territorial Ministers
Responsible for Social Services

¹ The government of Quebec has stated that it agrees with the basic principles of the NCB. Quebec chose not to participate in the NCB because it wished to assume control over income support for children in Quebec. However, it has adopted a similar approach to the NCB. Throughout this report, references to joint federal/provincial/territorial positions do not include Quebec.

2. Background

The NCB Initiative is an innovative arrangement that involves federal child tax benefits operating in a harmonized framework with provincial and territorial social assistance programs and other child-related services. The aim is to reduce poverty in families with children, with a particular emphasis on providing incentives for low-income parents to enter and remain in the workforce.

The Initiative has been described as an important example of how social programs are being delivered collaboratively within the Social Union Framework Agreement². In this context, the Initiative combines two significant trends over the last 20 years – the trend towards delivery of social programs through income-tested benefits and the trend towards shared initiatives agreed to by the federal government and the provinces and territories.

As noted, an important characteristic of the Initiative is its strong emphasis on accountability through the public reporting of results. In addition to undertaking periodic in-depth evaluation activity, all of the parties are committed to producing ongoing (annual) joint progress reports. What is distinctive about this commitment is that all governments share responsibility for ongoing reporting of results and for undertaking evaluations. Consequently, the co-operative efforts undertaken to support the current evaluation activities represent a truly innovative and groundbreaking step in public accountability.

² <http://socialunion.ca>

3. Description of the NCB Initiative

The NCB Initiative is the most recent in a series of endeavours aimed at children and families stretching back over a considerable period of time (see Exhibit 1). The NCB Initiative was introduced as the successor to the Working Income Supplement which had supported low-income families in the labour market throughout much of the 1990s.

Exhibit 1
Historical Overview of Federal Initiatives
<p>1918 – Child Tax Exemption introduced by the federal government as the first support activity for families with children. The initiative provided income tax savings that increased with taxable income. The program was of greatest benefit to families in higher tax brackets.</p>
<p>1944 – The Family Allowance was introduced in 1944 as the first universal income security scheme. The program provided a monthly payment to the mother of every child under the age of 16 (age 18 after 1973) who was attending school. The Family Allowance Act met the government's aim to support families to meet the basic needs of their children and to maintain purchasing power in the postwar era.</p>
<p>1971 – The Child Care Expense Deduction was introduced in order to recognize the costs of earning income for working parents</p>
<p>1978 – The Refundable Child Tax Credit, an income-tested tax credit was introduced as a means to target families in need of assistance; it was the first major program of its type in the field of income security:</p> <ul style="list-style-type: none">• The benefit was designed to help families meet the costs of raising children. For the first time the tax system was used to deliver income-tested benefits; and• The maximum tax credit was paid to families with family net income below a specified threshold. The credit was gradually reduced with increased family income until such income was near the national average, at which point the credit was reduced to zero.
<p>1993 – The Child Tax Benefit (CTB) represented a consolidation of refundable and non-refundable child tax credits and the Family Allowance into a single monthly payment based on number of children and level of family income. In addition to a basic benefit, the CTB included a Working Income Supplement (WIS) to supplement the earnings of working poor families.</p>
<p>1998 to Present – The National Child Benefit (NCB) Supplement replaced the WIS and increased benefits to all low-income families (including those not working) as part of the Canada Child Tax Benefit (CCTB). In addition to the NCB, the CCTB includes the Child Disability Benefit (CDB), which is paid to low- and modest-income families caring for children with severe disabilities. The overall NCB Initiative also includes benefits and services delivered by the provinces and territories as Initiative-related investment and reinvestments.</p>

Under the NCB Initiative, the federal government increased the benefits provided to low-income families with children through the NCB Supplement – a component of the Canada Child Tax Benefit (CCTB). The relationship between the base benefit under the CCTB and the NCB Supplement is outlined in Exhibit 2.

Exhibit 2 Relationship between the CCTB and NCB Supplement

CCTB – Base Benefit

- Tax free monthly benefit targeted to low- and middle-income Canadian families with children
- Based on net family income
- In 2001-02, provided \$5.2 billion to 3.2 million families with 5.8 million children

Supplemented by

NCB Supplement

- Tax free monthly benefit specifically targeted to low-income families with children
- Based on net family income
- In 2001-02, provided \$2.5 billion to 1.5 million families with 2.7 million children

The truly innovative feature of the NCB Initiative was the agreement by provinces and territories to adjust the income support provided for children through their social assistance programs. Of particular importance was the provision that provinces and territories could deduct the NCB Supplement on a dollar-for-dollar basis from social assistance recipients' benefits (i.e., offsets). These adjustments were designed to help ensure that families are always better-off as a result of working – since families would not receive added financial assistance by remaining on social assistance, but are not penalized either by leaving (since they continue to receive the NCB Supplement in addition to any employment income).³ The goal of these adjustments was to help overcome disincentive effects to entering the workforce – the so-called “Welfare Wall”.

Accompanying the above was a commitment by the provinces and territories to reinvest the savings resulting from such offset provisions (i.e., additional program activities) and to explore whether they could make still further investments above and beyond social assistance savings. Such incremental investments and reinvestments were to be focused on provincial and territorial programs having objectives consistent with the NCB (i.e., program synergies).⁴ In deciding what benefits and services to support through NCB reinvestments, provinces and territories are guided by a National Reinvestment Framework that was agreed to by the Federal/Provincial/Territorial Ministers Responsible for Social Services. Under this framework, jurisdictions have the flexibility to make reinvestments and investments in line with their own priorities and needs, provided they support the objectives of the NCB Initiative. The result is a complementary set of support benefits provided by most provinces and territories aimed at providing additional assistance to low-income families with children.

³ For social assistance recipients total benefits remain at the same level as they would have been in the absence of the NCB Supplement.

⁴ For example, the British Columbia Earned Income Benefit (BCEIB) was introduced in July 1998 as an additional incentive for those on social assistance to seek work and remain employed. The BCEIB pays an additional monthly amount based upon the income that eligible families receive from working.

3.1 NCB Initiative Objectives

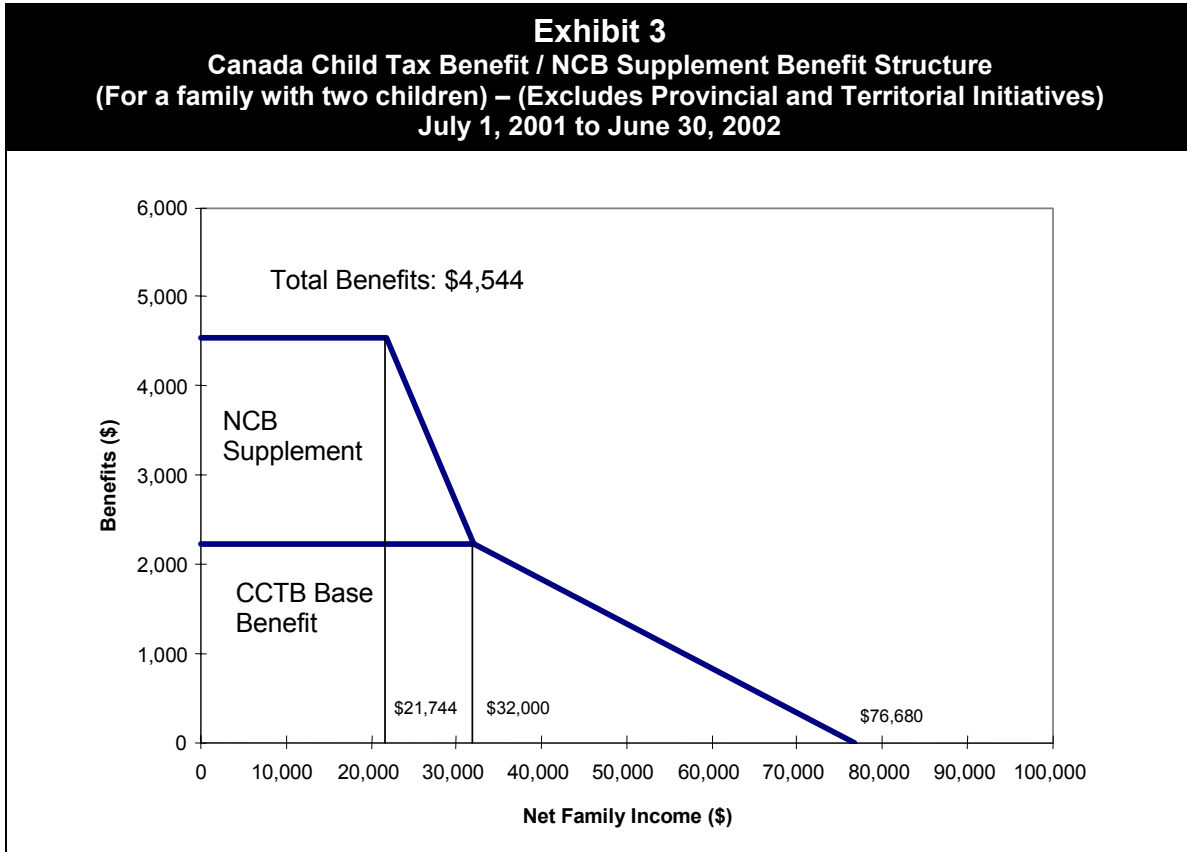
Consistent with the NCB framework, the NCB Initiative’s objectives are identified in terms of improving incomes among those most in need, and in terms of promoting labour market attachment, as follows:

- To help prevent and reduce the depth of child poverty;
- To promote attachment to the workforce by ensuring that families will always be better-off as a result of working; and
- To reduce overlap and duplication through closer harmonization of program objectives and benefits and through simplified administration.

Through harmonization, federal/provincial/territorial objectives have the flexibility to a) become more complementary within an overall strategic framework, and b) minimize situations where they may be working at cross-purposes, or in ways which are not cost-effective from the viewpoint of the governments as a whole.

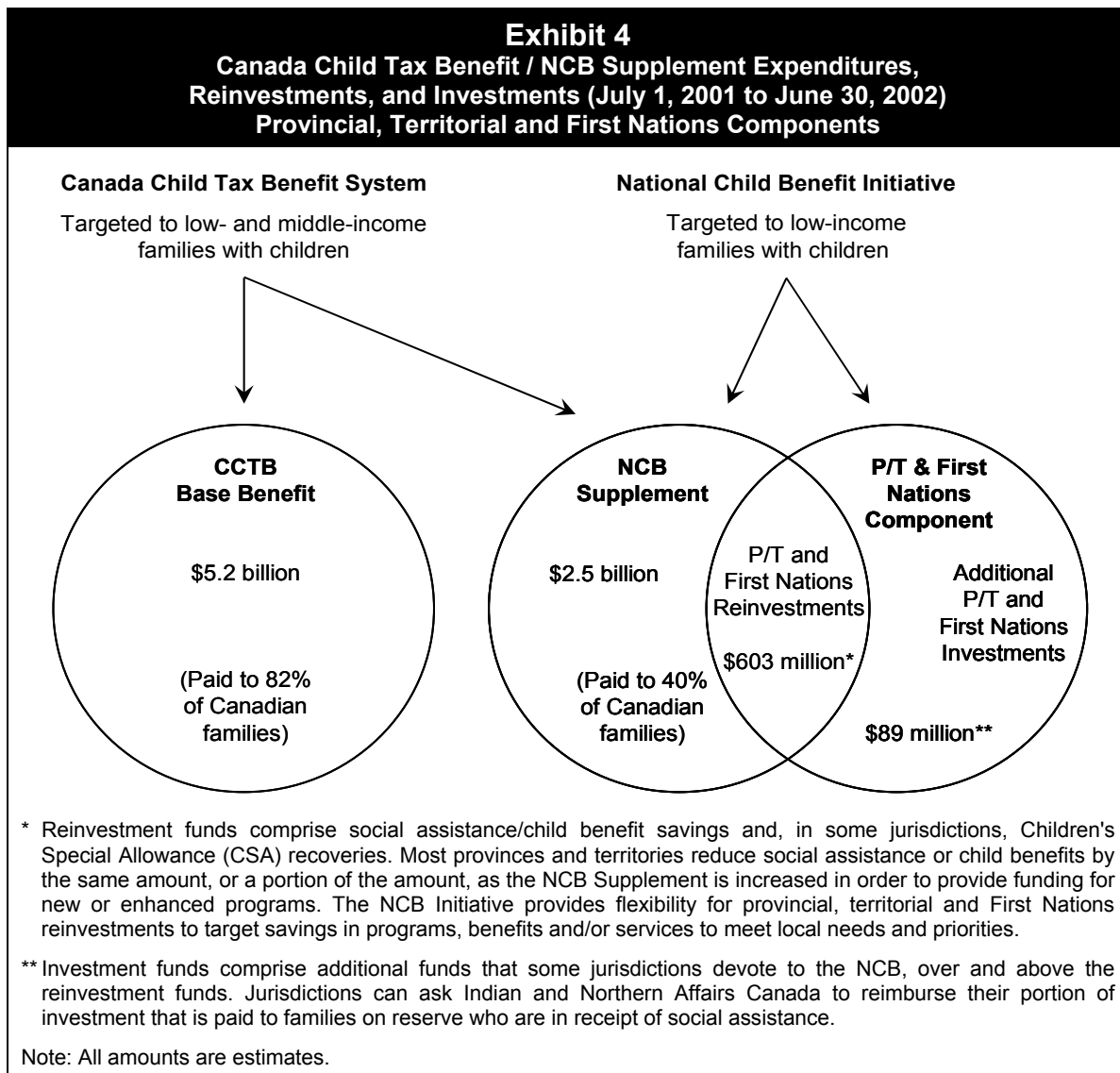
3.2 Benefit Structure and Initiative Coverage

Exhibit 3 outlines the benefit structure of the NCB Supplement under the Canada Child Tax Benefit (CCTB).



As Exhibit 3 notes, the NCB Supplement, with its exclusive targeting on low-income families, is a significant addition to the CCTB (base benefit). Both benefits are delivered through the tax system (administered by the Canada Revenue Agency) and both are subject to phase-out provisions as net family income grows.

Exhibit 4 identifies the overall scale of activities of the CCTB base benefit provisions relative to the NCB Initiative. Under the CCTB base benefit, total payments of \$5.2 billion (July 2001 to June 2002) were paid to eligible Canadian families with children. In contrast to more than 80 percent coverage under the CCTB, the NCB Supplement provided payments of \$2.5 billion to 40 percent of Canadian families with children over the same period. Exhibit 4 also identifies the role of provincial, territorial and First Nations activities under the NCB Initiative.



3.3 Provincial and Territorial Harmonization

Harmonization of government activities is a key feature of the NCB Initiative. Three basic arrangements have evolved which characterise the harmonization of the federal NCB Supplement with provincial and territorial programming. These include:

Arrangement No. 1 – The Social Assistance Offset: whereby provinces and territories deduct the amount of the NCB Supplement, dollar-for-dollar, from benefits paid to social assistance recipients. The provincial and territorial reinvestment funds under this approach are the savings in social assistance from the deduction.

Arrangement No. 2 – The Integrated Child Benefit *With Adjustment*: under which some provinces pay child benefits outside their social assistance system through a separate income-tested child benefit that is combined with the CCTB into a single monthly payment. Any increases to the NCB Supplement are recovered in full or in part from the provincial child benefit. The savings recovered through this approach are the province's reinvestment funds.

Arrangement No. 3 – Integrated Child Benefits *Without Adjustment*: is similar in some respects to the previous arrangement in that provinces pay children's benefits through a separate income tested child benefit delivered with the CCTB in a single monthly payment. The major difference, however, is that these provinces do not recover increases to the NCB Supplement from their provincial child benefit. The reinvestment funds for these provinces are the estimated amount of "fixed" savings (carried forward on an annual basis) resulting from the offset of the NCB Supplement (against social assistance benefits) before the provinces created separate provincial child benefit arrangements under their own programming.

In addition, some jurisdictions (New Brunswick⁵, Manitoba⁶) choose not to implement the replacement of social assistance benefits for children in the NCB Initiative and flowed through the NCB Supplement directly to recipients. As is noted below in section 5.2.1, these arrangements have different impacts in terms of lowering the "welfare wall."

3.4 Provincial and Territorial Reinvestments

Provinces and territories have reported NCB savings-induced reinvestments and investments of \$534.5 million, \$632.4 million and \$723.2 million, respectively, over the three-year period 2000-01 to 2002-03.⁷ These investments and reinvestments, which are based on provincial/territorial priorities and consultations, are focussed on providing a range of services complementary to the NCB Supplement. Exhibit 5 illustrates the distribution of these activities across a range of areas for 2001-02, focusing on the following:

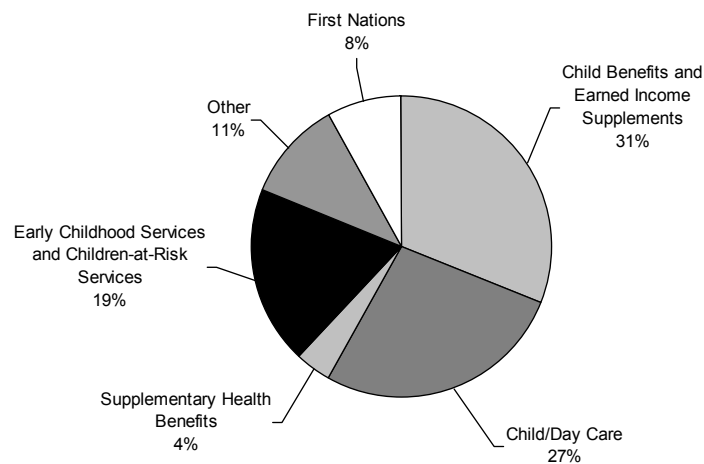
⁵ In New Brunswick (1998-1999), the province chose not to adjust social assistance payments by the amount of the NCB Supplement and continues with this approach. In 2000-2001 and 2001-2002, New Brunswick did not recover the NCB Supplement increase to families receiving social assistance.

⁶ Beginning in July 2001, Manitoba flowed through the increase in the NCB Supplement to all families and restored the full value of the NCB Supplement for children 6 and under; in January 2003, Manitoba restored the full value for children 7 to 11 years; and, in January 2004 restored it for children 12 to 17 years.

⁷ *NCB Progress Report: 2002*, p. 21. Please note figures cited do not include First Nations and Citizenship and Immigration Expenditures.

- Child Benefits and Earned Income Supplements: These defray additional costs in making the transition from social assistance to employment through the provision of separate supplemental income payments or through funding increases paid through the CCTB;
- Child Care/Day Care Initiatives: which improve access to affordable child care to assist in the transition to work;
- Early Childhood Services and Children-at-Risk Services: which provide support to low-income families with children in order to foster child development and give young children a healthy start in life;
- Supplementary Health Benefits: These include a range of benefits such as optical care, prescription drugs and dental care. (Families on social assistance with children often lose these benefits when making the transition from social assistance to the workplace.); and
- Other Initiatives Supporting NCB Objectives: These include other programs and services as determined by individual provinces and territories. The range of reinvestment initiatives include: early intervention and pre-natal to employment support and prevention programs.

Exhibit 5
Summary of NCB Reinvestments and Investments, by Program Area,
2001-2002 Estimates



* The Resettlement Assistance Program (RAP), administered by Citizenship and Immigration Canada (CIC), is included in child benefits and earned income supplements, and other programs and services.

4. Evaluation of the NCB Initiative – The Program Evaluation Approach

The evaluation process was developed to examine the overall impacts of the NCB Initiative and reflects Federal/Provincial/Territorial commitment to joint accountability. The specific arrangements set in place are outlined in Exhibit 6.

Exhibit 6 NCB Initiative Federal/Provincial/Territorial Evaluation Arrangements
Accountability Framework <ul style="list-style-type: none">• Transparent – annual progress reporting• Reporting on Investments and Reinvestments• Focus on performance outcomes• Joint partnership approach to periodic program evaluation of outcomes and effects (based on the three main objectives of the NCB Initiative).
Joint evaluation working group <ul style="list-style-type: none">• Jointly co-ordinated by federal-provincial/territorial co-chairs• Includes all provinces and territories (Quebec participates as an observer) and includes federal representation from the Department of Finance, the Canada Revenue Agency and Social Development Canada (Indian and Northern Affairs Canada also participates as an observer)
Methodology <ul style="list-style-type: none">• Developed on the basis of an ‘evaluability assessment’ and a consultation with experts on the evaluability assessment report• Derived through a consensus of all members of the federal/provincial/territorial evaluation working group and informed by external peer review• Based on multiple lines of evidence• Implemented through external contracts with expert consultants and use of peer reviews with several of the studies

The current evaluation focuses on the outcomes resulting from the activities of all jurisdictions, with the exception of First Nations (which are being evaluated separately). The evaluation timeframe is the first three years (1998-2001) of the operation of the NCB Initiative. In a number of cases, analyses in the years immediately preceding the introduction of the Initiative provide a clear context and contrast to the evaluation findings.

Due to anticipated difficulties in assessing the NCB, the evaluation approach focused on the development of multiple lines of evidence in order to provide corroboration of findings from multiple information sources, each partial in coverage, which can serve to strengthen the findings.⁸

⁸ As an example of this, the Assistant Auditor General of Canada in a letter dated July 22, 2002 to the Director General of Program Evaluation, Human Resources Development Canada, stated “We note (the) strong support for multiple lines of evidence. We have always been supportive of this type of approach because, when a number of concurrent methodologies are used, they tend to corroborate each other while compensating for their respective limitations.”

The multiple lines of evidence used in the current evaluation were produced from four separate contracts with external consultants as well as from internal work conducted by the then HRDC. Summary descriptions of the technical reports issued by these contracts and internal work are presented in Annex 1⁹. The following table presents the key methodologies used by each of the documents described in Annex 1.

Methodologies	Annex 1 Documents
Time Series analyses of NCB impact on social assistance caseloads	Documents 1, 2 and 3
Survival analyses of NCB impact on social assistance caseloads	Documents 18, 19 and 20
Gross impact analysis of the NCB Supplement on poverty reduction	Documents 4, 5
Gross impact analysis of the NCB on reducing the welfare wall	Document 21
Net impact analyses of the NCB on poverty reduction and labour supply	Documents 7 and 9
Survey of NCB Supplement recipients' views on the NCB	Document 8
Focus Groups with NCB Supplement recipients	Document 11
Surveys with Managers of the NCB programs	Documents 10, 13, 15, 16, 17
Case Studies of NCB programs	Documents 15, 16, 17
Literature Reviews	Documents 6, 13 and 14
Cost effectiveness analysis of the NCB	Document 12

⁹ Copies of the background documentation are available upon request by calling 1-888-440-4080; writing to Audit and Evaluation, Social Development Canada, 355 North River Road, Ottawa, Ontario K1A 0L1; or faxing a request to (613) 941-0660.

5. Evaluation Findings

Many of the evaluation findings reported in this synthesis report have, in whole or in part, already been referred to in earlier annual progress reports on the NCB Initiative issued under the authority of Federal/Provincial/Territorial Ministers Responsible for Social Services.

This is the first time, however, that the full breadth of the analysis has been integrated and reported as a comprehensive whole. In addition, this synthesis report also incorporates the findings of further analyses undertaken but not, as yet, reported. The latter includes analyses pertaining to the three objectives of the NCB, with a particular focus on the objective of labour force attachment including the NCB Initiative's impact in overcoming the "Welfare Wall", and, as well, its impact on recipients' labour market behaviour with respect to workers already in the workforce.

The evaluation findings presented in this synthesis report examine the extent to which the NCB Initiative has achieved its stated objectives as well as the cost-effectiveness of the Initiative. Section 5.1 examines the impact of the NCB Initiative on reducing the incidence and depth of child poverty, providing an overview of the methodologies employed and the evaluation findings. Section 5.2 presents evidence of the NCB's impact on promoting attachment to the workforce, both in terms of addressing the "Welfare Wall" and on the labour market behaviour of recipients already in the workforce. Section 5.3 examines the harmonization of federal/provincial/territorial activities as result of the NCB Initiative, identifying key synergistic effects. Finally, Section 5.4 addresses cost-effectiveness issues related to the NCB Initiative.

5.1 Measuring NCB Objectives Achievement: (a) Reducing the Depth of Child Poverty

The measurement of the impact of the NCB Initiative on reducing the number of families with children living in low-income conditions is a particularly difficult undertaking. The standard evaluation methodology (involving an analysis of the experience of those receiving assistance versus a comparison group of similar individuals who did not) is simply not an option in this case. This is due to the fact that all families with children in the income range qualify for benefits so that it is impossible to isolate a similar group who did not receive the benefit. In addition, a second option, involving a time-series analysis of income and labour market effects (pre- and post-NCB), did not prove feasible at the commencement of the current evaluation process due to difficulties in arranging the linkage of administrative data bases.

In light of these constraints, a range of alternative methodologies was employed to produce an overall assessment of the NCB Initiative.

The evaluation used two main approaches to examine the impact of the NCB on reducing the depth and incidence of child poverty: (a) simulations of the gross impacts of the cash

portion of the NCB Initiative¹⁰; (b) a net impact analysis of the entire NCB Initiative comparing the labour market behaviour of NCB Initiative recipients with the experience of a reference group of individuals with similar characteristics but without children.¹¹ Although both types of analysis have differing strengths and weaknesses, when taken together, they produce estimates that provide important insights and an adequate, though approximate, perspective for accountability purposes.

5.1.1 Simulations of NCB Initiative's Impacts

With the simulation approach, the measurement of the income benefits of the NCB Initiative was undertaken by comparing the differences in low-income impact indicators under two different federal/provincial/territorial child benefits structures. Two separate sets of simulations were undertaken, one by the Centre for the Study of Living Standards (CSLS) (1996-99)¹² and other simulations generated by the Social Policy Directorate at HRDC (2000).¹³ Simulations for the year 2000 looked at:

- The actual program structure; and
- A simulated structure without the NCB Initiative essentially based on the support arrangements in place prior to the introduction of the Initiative.

Key characteristics of the two child benefit structures are identified in Exhibit 7 below.

Exhibit 7	
Comparison of Two Federal/Provincial/Territorial Child Benefit Structures in 2000	
Structure 1: Without NCB Initiative	Structure 2: With NCB Initiative
Maintain the 1996 Working Income Supplement (WIS) structure	Introduce the NCB Supplement
No adjustments to provincial/territorial income support programs for increases in the NCB Supplement	Introduce adjustments to provincial/territorial income support programs for increases in the NCB Supplement
No provincial/territorial reinvestment programs and additional investments in income benefits directly related to the NCB Initiative	Introduce provincial/territorial reinvestment programs and additional investments in child benefits and earned income supplements*
* In 2000, these reinvestment programs (income benefits) represented approximately \$345 million or over 70 percent of provincial/territorial and First Nations reinvestment and investment strategies.	

The application of the above methodology to data from the Statistics Canada *Survey of Labour and Income Dynamics* for the year 2000 made it possible to assess the impact of the income benefits from the NCB Initiative.

¹⁰ See Annex 1, Documents 4 and 5 for more details.

¹¹ See Annex 1, Document 7 for more details.

¹² See Annex 1, Document 4; Centre for the Study of Living Standards. *The impact of the National Child Benefit Supplement on the low-income status of Canadians families with children: The SPSPD/M results*. Also see Annex 1, Document 5: *The National Child Benefit Impact on Income levels of Canadian Families with Children: HRDC Simulation Results (Social Policy Directorate of HRDC)*

¹³ See NCB Progress Report: 2002, Section 7.

This measurement approach has the advantage of isolating the simulated impact of the income benefits under the Initiative on the outcome indicators selected while keeping other socio-economic variables, such as the levels of unemployment or earnings, unchanged.

On the other hand, this impact measurement framework cannot capture changes in the economic and labour market behaviour of low-income families with children which may have been caused by the NCB Initiative itself. However, it does provide a base which can be built-upon to “factor-in” such additional considerations. Sections 5.1.2 and 5.1.3, below, describe the outcomes of this measurement process.

5.1.2 Simulation Findings: The NCB has had a positive impact on families with children living in low-income

Based on post-tax low-income cut-off (LICO)¹⁴ the CSLS simulations estimated that between 1996 and 1999 the NCB Supplement had resulted in a reduction in the number of families with children living below LICO (i.e., the low-income rate fell 4.6 percent) as well as a reduction in the low-income gap for families with children (i.e., the low-income gap declined by 8.7 percent).¹⁵ The estimated impact of the NCB Supplement on both the low-income rate and low-income gap appear to be somewhat greater for two parent families than for single-parent families.¹⁶

The results of the Social Policy simulations indicate a similar pattern (Exhibit 8). In 2000 the NCB Initiative was assessed as being responsible for preventing an estimated 22,900 families with 55,000 children from being considered as living in low-income. In percentage terms, there was a 5.1 percent reduction in the number of families with children living in low-income conditions.¹⁷

Exhibit 8			
Change in Incidence of Low-income Among Families by Family Type due to the NCB: January 2000 to December 2000 (Post-Tax Low-income Cut-Off measure)			
	One-Parent Families	Two-Parent Families	All Families
Decline in Number of Children Living in Low-income	16,100	37,200	55,000
Decline in Number of Families with Low-incomes	8,600	14,300	22,900
Percentage Change in Number of Families with Low-incomes	-4.1%	-6.0%	-5.1%
Decline in Incidence of Low-income Among Families with Children*	-1.2	-0.5	-0.6

* Decline in incidence of low-income is expressed in percentage points.
 Source: Based on Statistics Canada special tabulations from the *Survey of Labour Income Dynamics 2000*.

¹⁴ The Low-Income Cut-Off (LICO) is the income level where a family spends 20 percentage points more than the average family on basic needs, including food, shelter and clothing. LICOs vary by the size of the family and the population of the area of residence. The LICO is not an absolute measure of poverty, rather these statistics are often used to study relative low income in Canada.

¹⁵ See Annex 1, Document 4 for more details.

¹⁶ See Annex 1, Document 4 for more details.

¹⁷ See NCB *Progress Report: 2002*, p. 50, Table 14.

The results of the simulations were further examined to identify changes in the depth (severity) of low-income conditions (Exhibit 9 below). Again, the NCB Initiative was found to have a positive impact – reducing the depth of low-income by 9.6 percent for all families. The impact was higher for two parent families where the depth of low-income was reduced by 11.0 percent.¹⁸

Exhibit 9			
Changes in the Depth of Low-income Among Families Remaining in Low-income, Due to the NCB: January 2000 to December 2000			
Post-Tax Low-income Cut-Off measure	One-Parent Families	Two-Parent Families	All Families
Decline in Low-income Gap (in millions of dollars)	\$100	\$220	\$320
Percentage Change in the Low-Income Gap	-7.6%	-11.0%	-9.6%
Source: Based on Statistics Canada special tabulations from the <i>Survey of Labour Income Dynamics 2000</i> .			

5.1.3 Additional evidence corroborates the simulation findings

The estimated NCB Initiative impacts derived through the simulation analyses provide an important base-line of the income effects from the NCB Initiative. However, they need to be extended to take account of any NCB induced changes in employment behaviour.

To the extent that the Initiative has been successful in moving families off social assistance (as per Section 5.2.2 below) and into employment, additional employment-generated income gains will accrue. On the other hand, there is some evidence of off-setting reductions in job attachment on the part of parents already in the work-force.

Additional information regarding overall changes in labour market behaviour induced by the Initiative (and accompanying income effects) was produced using comparisons of changes in overall labour market experience between NCB recipients and a matched reference group. Using Statistics Canada’s *Survey of Labour Income Dynamics*, changes in the labour market experience and resulting incomes of low-income families with children in receipt of the CCTB were compared with changes in the experience of similar low-income individuals without children across the period 1996-2001.¹⁹ This “difference-in-difference” methodology was recommended by the Evaluability Assessment Report as the preferred approach to estimating the NCB’s net impacts on labour supply. However, a peer review of the particular approach used by the consultant questioned the use of a comparison group of individuals without children. Accordingly, the results from this net impact analysis should be viewed as indicative only. In addition, because the estimates are based on the differences in outcomes between the two groups, they do not isolate the impact of any one feature of the NCB. Rather, they indicate what impact the entire NCB (cash benefits, social assistance recovery and provincial/territorial reinvestments) had on the family’s labour supply, income and low-income status. However, the findings indicate that the NCB has had a positive effect on reducing the impact and depth of poverty, both for families on assistance and for employed families.

¹⁸ See *NCB Progress Report: 2002*, p. 52, Table 16.

¹⁹ See Annex 1, Document 7 for more details.

The comparison based evidence from the SLID (Annex 1, Document 7) corroborates the overall direction of the positive income impacts identified by the HRDC and CSLs simulation analysis (Annex 1, Documents 1 to 5). Consequently the combined evidence supports the conclusion that there has been an overall positive impact as a result of the Initiative in alleviating low-income conditions.

5.1.4 The scale of, and benefits from, provincial/territorial reinvestments etc. have the potential to be very significant, but their impact could not be established

Savings-induced reinvestment and investment activities point to a considerable injection of funds to provide further support to low-income families (both direct financial assistance and in-kind services). As reported, the NCB-induced savings have potentially added a further 20 percent by way of reinvestment to the NCB's impact.

In an attempt to identify further the potential positive impacts flowing from these reinvestments, the current evaluation examined two of the areas identified in Exhibit 5: (a) Supplementary Health Benefits; and (b) Child Benefit/Earned Income Supplements.²⁰

Overall, the evaluation found that a lack of comprehensive data on investment and reinvestment greatly limits any analysis of impacts.²¹ In addition to the data gaps many of these reinvestment programs are difficult to evaluate because of the inability to link program participation to the intended NCB outcomes.²²

In general, statistics produced on provincial/territorial reinvestments following the introduction of NCB would have benefited from the development of consistent baseline data²³ (i.e., prior to the introduction of NCB) – so as to identify the extent to which “new” program activities have actually occurred as a result of the Initiative.

It is also a key finding of the current evaluation that, in the main, NCB-supported reinvestment programs undertaken by provincial/territorial governments do not have adequate data provisions to ensure basic information necessary for performance measurement purposes (e.g., data on take-up rates, participant characteristics, and the like).²⁴ This becomes another area where cost-effectiveness considerations necessitate that sufficient ongoing data provisions are put in place in order to examine, and demonstrate by means of evidence, the extent to which the program is achieving its objectives in an efficient way, given the budgetary resources available.

²⁰ See Annex 1, Documents 15 and 16

²¹ See Annex 1, Document 13

²² Module I Technical Report 9 – Cost Effectiveness Framework, pp. 6-9.

²³ Module I Technical Report 9 – Cost Effectiveness Framework April 2003, p.1. notes that data limitations preclude a cost effectiveness analysis.

²⁴ See Annex 1, Document 13. See also Provincial/Territorial Reinvestment Case Studies Module II, Final Report March 2003, pp 41-42.

5.1.5 While there has been progress, the evidence indicates the need for continued attention to child poverty

Over the first four years of implementation of the NCB Initiative (1998-2001) the proportion of children in low-income families declined year-over-year (see Exhibit 10). The declines in both the rate and absolute levels of child poverty can be attributed to a number of factors in addition to the impact of the NCB Initiative including general improvements in the economy, lower unemployment rates, and, possibly, to increased provincial/territorial minimum wage provisions.

Exhibit 10					
Children (under 18 years of age) in Families with Low-income (1997-2001)					
	1997	1998	1999	2000	2001
Post Tax LICO	16.0%	13.6%	13.5%	12.5%	11.4%
Source: Statistics Canada and Prairie Research Associates, Module 1 Final Report, December 23, 2003, p.17.					

However, the data in Exhibit 10 also underscore the continued entrenchment of child poverty. Even with progress to date resulting from initiatives on several fronts, over three quarters of a million of Canada's children continue to experience a low-income existence.

Without the support of the NCB, the situation would be appreciably worse as measured by the LICO described in footnote 12. This supports the continued relevance of the program's rationale, since it would appear that general improvements in the economy are not sufficient, in themselves, to address children in families with low-income.

5.2 Evaluating NCB Objectives Achievement: (b) Promoting Attachment to the Workforce

5.2.1 Program Design: The NCB's design features have made work more attractive to social assistance recipients

The evaluation undertook a detailed analysis of the NCB Initiative's program design to examine its impacts in relation to the alternative of remaining on social assistance.²⁵ This is an important aspect since it is estimated, that at any given time, about one-third of low-income families with children are social assistance recipients.²⁶ This analysis found that the design of the Initiative has indeed served to increase the attractiveness of work relative to social assistance. The evaluation identified several elements of the NCB Initiative that create financial incentives and in-kind benefits to make work more attractive than social assistance. These include:

²⁵ See Annex 1, Document 21 for more details.

²⁶ This is a conservative estimate based on analysis of the SLID (Survey of Labour and Income Dynamics) using \$32,000 as the low-income cut-off.

- Increasing the net incomes of low-income families with working members relative to those on social assistance;
- Adjusting the income-support provided for children through social assistance programs in order to lower the level of earnings at which parents with children are better off working; and
- Providing in-kind benefits (e.g., supplementary health benefits provided by provincial and territorial governments) to the working poor with children thereby reducing the implicit tax rate on moving from welfare to work.²⁷

It is important to note that the estimated optimal impacts of these design features on improving work incentives are based mainly on situations where there is a dollar-for-dollar offset between the NCB Supplement and social assistance payments for families remaining on welfare (Exhibit 11).

Overall, the potential impact of the Initiative’s design on the movement from welfare to work is reflected in its impact on the changes in disposable income while on social assistance versus the alternative of full-time minimum wage employment comparing pre- and post-NCB (1997 and 2001). The overall findings are summarized in Exhibit 11 below, covering four family types.

Exhibit 11				
Average Annual Difference in Disposable Income between Full-time Minimum Wage Employment and Social Assistance (1997 and 2001)				
Family Type*	1997	2001	Percentage Points Change	NCB Contribution
Single Parent, 1 child, age 4	+3.8%	+12.7%	+ 8.9	55%
Single Parent, 2 children, 10 & 13	-8.5%	+2.0%	+10.5	72%
Single Parent, 3 children, 4,10,13	-13.0%	-0.9%	+12.1	80%
Two Parent, 2 children, 10 & 13	+30.8%	+37.9%	+7.1	27%
<p>* This is the unweighted average for 11 jurisdictions. Results vary by province.</p> <p>+ indicates disposable income from minimum wage is higher than social assistance income.</p> <p>- indicates disposable income from minimum wage is lower than social assistance income.</p> <p>Note: Disposable income is defined as the amount of an individual's income left after taxes and fixed costs (such as rent, car payments, etc.) which are available for spending and saving.</p> <p>Source: This information was derived from the Module 3 project entitled <i>The NCB and Incomes from Employment and Social Assistance by Province and Territory, 1995-2001</i>. These were produced in the <i>NCB Progress Report: 2002</i>, p. 55. Although the study covered the period between 1995 and 2001, the results are presented only from 1997 to 2001 in order to more accurately reflect the period immediately prior to the inception of the NCB.</p>				

As Exhibit 11 indicates in 1997, under the previous program arrangements, if welfare recipients left social assistance for full-time minimum wage employment, single-parent families with two or three children faced a decline in income of 8.5 percent and 13.0 percent, respectively. At the same time, single parents with one child experienced only a slight income gain and two-earner families had a stronger income increase.

²⁷ See Annex 1, Documents 13 to 17 for more details.

By 2001, with the NCB Initiative in place, this picture had changed significantly. The gap in income levels between social assistance recipients and those working at minimum wage had improved substantially in favour of those in the workforce for most family types. Under the NCB Initiative, annual income from full-time employment at the minimum wage (supplemented by income transfers) improved by an average of \$3,200 compared to income from social assistance.²⁸ Only the single parent family with three children experienced a slight loss in disposable income when leaving social assistance for work.

A number of factors contributed to the increase in disposable income when social assistance payments were replaced by full-time minimum wage employment during the post-1997 period. However, an important factor was the retention of the NCB Supplement when working versus the offsetting of this feature while on social assistance (see last column in Exhibit 11). Other factors that contributed to this change relate to a number of important initiatives by provincial and territorial governments. Such measures included the decline in social assistance budgets over this time period and increases in provincial minimum wage provisions. Changes in tax provisions also occurred.

As demonstrated above, the overall design features of the NCB Initiative have created financial incentives and in-kind benefits to move people from welfare to work. However, these features were not universally applied across jurisdictions (See Exhibit 12) as a variety of offset arrangements have evolved under the NCB Initiative.²⁹ The distribution of offset arrangements among provinces and territories is outlined in Exhibit 12. The offset approach which has evolved under arrangement III appears to contain fewer incentives for families to leave social assistance, since the full extent of the NCB Supplement is not deducted from social assistance recipients.

Exhibit 12		
Provincial/Territorial Approaches to Adjusting Social Assistance and Child Benefits		
I. Social Assistance Offset Approach	II. Integrated Child Benefit Approach <u>With Adjustment</u>	III. Integrated and Non-Integrated Child Benefit Approach <u>Without Adjustment</u>
Prince Edward Island Ontario Yukon Northwest Territories Nunavut Manitoba ³⁰ Alberta	Saskatchewan British Columbia	Newfoundland & Labrador ³¹ Nova Scotia ³²

²⁸ See Annex 1, Document 21.

²⁹ In New Brunswick (1998-1999), the province chose not to adjust social assistance payments by the amount of the NCB Supplement and continues with this approach. In 2000-2001 and 2001-2002, New Brunswick did not recover the NCB Supplement increase to families receiving social assistance.

³⁰ Manitoba used this approach for a portion of its social assistance caseload. In July 2000, Manitoba stopped recovering increases in the NCB Supplement. In July 2001, Manitoba stopped recovering the NCB Supplement for children six and under. In January 2003, Manitoba stopped recovering the NCB Supplement for children eleven and under. Effective January 2004, Manitoba stopped the recovery for all children on social assistance.

³¹ In 1998-1999, Newfoundland and Labrador chose not to adjust social assistance payments by the full amount of the NCB Supplement. Newfoundland and Labrador redesigned its income support program in 1999-2000, with the introduction of the Newfoundland and Labrador Child Benefit as the provincial reinvestment initiative. In 2000-2001 and 2001-2002, Newfoundland and Labrador did not recover the NCB Supplement increase to families receiving social assistance.

³² Nova Scotia restructured its social assistance regime in 2001 and paid children's benefits via the Nova Scotia Child Benefit. In July 2002, the NCB Supplement was passed on in full to all clients in Nova Scotia.

An important conclusion identified in a study commissioned by the NCB Evaluation Working Group noted the following:

“An increasing number of jurisdictions (Newfoundland, Nova Scotia, New Brunswick and Manitoba)...are either passing the NCB Supplement on to all low-income residents or using some other replacement formula, which blunts the power of the adjustment to serve as a work incentive.”³³

Under any of the administrative models used by provinces and territories to recover NCB Supplement, the extent to which the offset is effective in reducing the “Welfare Wall” is diminished when the amount of the offset is reduced. These findings have important implications in terms of the potential or scope to enhance the cost-effectiveness of the NCB Initiative in the future.

5.2.2 The NCB Initiative has demonstrated some success in addressing the problems of the “Welfare Wall”

The technical literature reviewed as part of the current evaluation is replete with instances where governments across advanced industrialized countries have encountered difficulties in overcoming social assistance dependence due to the “Welfare Wall”. This situation occurs where movements off social assistance to employment can be accompanied by a loss of welfare income and a loss of services and other in-kind benefits. The NCB Initiative is designed to overcome such problems by means of both financial incentives (to defray such losses) and expanding the range of services available for those with a job attachment who are not receiving social assistance.

Notwithstanding the problems noted in Section 5.2.1 above, where certain offset arrangements with provinces and territories are likely to have reduced the Initiative’s incentive effects, the results produced by the NCB’s design features are mainly positive. This assessment is based on multiple lines of evidence including: the time series analyses of social assistance caseload data;³⁴ the survival analyses of social assistance caseload data;³⁵ and the cross-sectional regression analyses of NCB Supplement recipients’ levels of reported employment.³⁶

Impact on Social Assistance Caseload

A set of three separate case studies undertaken with individual provincial governments demonstrate that the NCB has had significant success in addressing the problems of the “Welfare Wall”.

³³ For more details refer to Prairie Research Associates, Module 1: Final Report, December 23, 2003, p. iv.

³⁴ See Annex 1, Documents 1 to 3.

³⁵ See Annex 1, Documents 18 to 20.

³⁶ See Annex 1, Document 9.

Time series analyses were undertaken of social assistance caseloads in Alberta, Saskatchewan and Newfoundland.³⁷ Controlling for other changes in provincial programs and ongoing changes in the economy, the analyses indicated that between the second quarter of 1999 and the first quarter of 2000 the NCB Initiative has been associated with cumulative caseload reductions of approximately 6 percent in Saskatchewan, 10 percent in Alberta and 3 percent in Newfoundland.³⁸

The above findings are generally consistent with the importance of offset arrangements in contributing to overcoming the “Welfare Wall.” However, it is important to emphasize that, in all three cases, positive outcomes are identified. It would also be interesting to examine the extent to which regional differences in unemployment conditions might also affect these outcomes.

Impact on Duration on Social Assistance

A parallel set of three case studies³⁹ were completed of the social assistance caseloads of British Columbia, Manitoba, and Saskatchewan using individual-level monthly caseload data spanning at least a three-year period of time before and after the introduction of the NCB.

Survival regression analyses were carried out on the monthly caseload data. Controlling for individual characteristics such as age, level of education, presence of young children, length of prior time on assistance, other program effects and regional unemployment rates, the analyses indicated that the NCB-induced change in the gap between income from work and welfare resulted in higher rates of leaving social assistance only for single parent families in Manitoba (+9 percent). For both single parent families and couples with children in Saskatchewan and British Columbia, the restructuring of social assistance benefits did not lead to families spending less time on assistance.

While these survival analyses show that the NCB did not lead to higher rates of **leaving** and **re-entering** social assistance, the time series analyses indicate that it did reduce the size of the monthly caseload, thus suggesting that the NCB’s impact was on reducing the rate of **new** entries onto assistance.

In summary the time-series analysis and the survival analysis highlight that the NCB Initiative represents a new and innovative approach to assisting low-income families. That initial results are mixed may reflect the fact that the analysis covers only the initial period of implementation of the NCB and may not be capturing its full impacts.

Impacts on the Labour Supply of Families on Social Assistance

The third line of evidence comes from the combined NCB Supplement recipient survey and T1 tax form dataset of 2,446 individuals⁴⁰.

³⁷ See Annex 1, Documents 1 to 3.

³⁸ The figures cited for the three provinces were a sub-set of those contained in Annex 1, Documents 1 to 3 and have been generated for comparison purposes.

³⁹ See Annex 1, Documents 18 to 20.

⁴⁰ See Annex 1, Document 9.

Eight hundred and seventeen of these respondents had some amount of income from social assistance in 2000. The level of *net* (of social assistance recovery) NCB Supplement benefits received during that year was correlated with the number of hours they worked in 2001, controlling for other key characteristics like level of education, presence of a disability, age, marital status, aboriginal/visible minority status and provincial unemployment rates. The results of the regression analysis showed that receipt of the NCB Supplement did not reduce their level of work effort. For these individuals, the NCB had no negative effect on work effort.

5.2.3 While the NCB has shown generally positive effects in promoting labour market attachment for social assistance recipients, it may lead to reduced levels of employment among parents already in the labour force

In addition to social assistance recipients, a further question to be examined is the effect of the NCB Initiative on the job attachment of those low-income families where one or both parents are already employed. It is estimated that up to two-thirds of the recipients of the NCB Supplement fall into this group at any given time. The “Assessment of the Net Impact Analysis of the NCB Supplement on Labour Force Attachment of Parents” formed an input to the current evaluation. The findings raise the possibility that, for such workers, the additional financial support provided by the NCB Supplement is being accompanied by a move to reduced hours of work (ranging from 8 to 12 percent) – in the form of increased part-time work.⁴¹

Insight into the reasons why some parents may use the NCB income to reduce their labour supply comes from the survey of NCB Supplement recipients and the follow-up focus groups. The survey identified a range of factors that affect parents’ decision to work. They included issues such as: general family responsibilities, the need to maintain a balance between work and parenting, and the availability and costs of childcare. Subsequent interviews with focus group participants revealed that some parents not on social assistance made the choice to stay at home or work part-time because of the cost of child care while others did so because they believe that their child needs parenting more than extra family income. Thus, a possible explanation for reduced job attachment by some NCB-eligible working parents is that the additional disposable income made available through the NCB Supplement, enables parents to spend more time with their children.

To the extent that this is occurring as a result of the Initiative’s income effects, it is important to emphasize that individuals are making choices with respect to trade-offs and adjustments involved. The trade-offs identified by the clientele survey raise the question of the kinds of public policies needed to promote work and parenting.

⁴¹ See Annex 1, Document 9.

5.3 Measuring Objectives Achievement: (c) Harmonization of federal/provincial/territorial activities

Administratively, the NCB Initiative stands in clear contrast with the earlier program activities that were in place to assist children in low-income families under the preceding arrangements. Under the previous arrangements there was a lack of strategic co-ordination between different governments within the Canadian federation (and in some cases even between departments within individual governments). This lack of co-ordination was reflected not only in the planning and implementation of program activities, but (equally important) in a lack of complementarity in program design provisions.

As a result, program activities frequently functioned independently from one another (or operated at cross-purposes), failing to exploit important synergies to improve overall effectiveness of results – from the viewpoint of governance, taken as a whole.

The essential basis of the harmonization approach within the current Initiative is a concerted effort by both orders of government (within the Social Union Framework Agreement). This concerted effort extends to the establishment of complementary program design features, based on:

- a) The differing roles which governments play within the Canadian federation,
- b) Comparative expertise among governments,
- c) Economies of scale, and
- d) Local flexibility to respond to differing regional conditions.

Within the above, the Initiative’s key program design features established to produce synergies were:

- The offsets between (a) payments made to families under the federal NCB Supplement, and (b) additional financial support provisions and in-kind benefits available under provincial/territorial social assistance.⁴² This had the effect of linking and integrating programming between the two orders of government in an unprecedented way, by means of strengthening incentives towards the achievement of program objectives; and
- The reinvestment by provinces and territories in complementary programs and services resulting from saving accruing to them as a result of the above-noted offsets. This program design provision had the result of leveraging the above noted linkage to produce further important synergies, yet at the same time maintaining local flexibility.

5.3.1 Key Evidence of Synergistic Effects

The most important evidence of synergistic effects accompanying the Initiative lies in the progress achieved in addressing issues related to the “Welfare Wall” (Section 5.2.2 above). Paralleling this, the NCB Initiative has also produced progress in reducing overlap and duplication among governments, and in streamlining operations.

⁴² See Annex 1, Document 13.

In terms of administrative objectives, a number of structural design improvements in the way child benefits are delivered have been introduced as a result of the NCB Initiative. In addition, the initiative has brought about a more integrated program framework between governments. For example, in many jurisdictions federally-delivered child payments under the NCB are now combined with provincial/territorial child benefits into a single integrated system.

Based on feedback from the clientele survey and focus groups undertaken as part of this evaluation, the evidence indicates that NCB child benefits are administered in a relatively simple, non-intrusive, and non-stigmatizing manner. Feedback from families assisted indicated that they had encountered no serious difficulties in obtaining benefit payments (although there was evidence that further improvements could be made in explaining the dollar-for-dollar offset to social assistance recipients).

Further, a survey of program managers requesting their assessment of any difficulties or complexities they encountered in implementing the integrated approach also produced overall positive feedback concerning administrative procedures.

A report by the Organization for Economic Co-operation and Development, *The Economic Survey of Canada (2001)*, refers to the NCB Initiative as a noteworthy achievement in improving efficiency and coordination among federal/provincial/territorial programs. Another report, *Provincial and Territorial Reinvestment Initiatives Case Studies*,⁴³ indicates that the NCB Initiative is an important development in establishing a cost-effective model of program delivery. It notes that Canada Revenue Agency (CRA) has responded well to the diverse program delivery needs of provincial and territorial child benefits and earned income supplement programs established under the NCB Initiative.

Federal budgetary expenditures through the NCB Supplement, along with reinvestment funds made available through provincial savings in social assistance benefit payments, have made it possible to extend child benefits to all low-income families with children in participating jurisdictions. The NCB Supplement helps families with children to participate in the labour market and increase their disposable income. Unlike social assistance, the NCB Initiative does not require families to divest themselves of other resources before receiving benefits. The evaluation of provincial/territorial reinvestment programs found that reinvestment funds made available through the Initiative are creating new opportunities for provincial/territorial policy development and social programming.

The NCB Initiative has provided the federal, provincial and territorial governments with an opportunity to pursue a coordinated approach to the delivery of child benefits. Joint work by federal, provincial and territorial partners on the design of NCB benefits, and the establishment of more transparent processes related to the development, sharing and reporting of data, have led to improved program design.

⁴³ See Annex 1, Documents 13 to 17.

5.4 Cost-Effectiveness Issues

A key question posed by the NCB evaluation framework was: “Is the NCB Initiative, defined as the NCB Supplement, the provincial/territorial reinvestments/investments and the replacement of the Social Assistance child benefits by the NCB Supplement (Social Assistance replacement), a cost-effective way to achieve the NCB’s stated objectives?”

By way of addressing this question, the following cost-effectiveness framework was developed which identifies the various kinds of cost effectiveness questions which can be posed of the Initiative.

Exhibit 13			
A General Cost-Effectiveness Framework for the NCB			
		No comparison	Comparison
Partial Equilibrium	Administrative	A <ul style="list-style-type: none"> • What is the administrative cost of the CCTB and NCB programs? 	B <ul style="list-style-type: none"> • What is the cost saving of delivering cash benefits using the CRA platform relative to jurisdictional administration?
	Program	C <ul style="list-style-type: none"> • What are the total costs of providing the NCB initiative, including the NCB Supplement as well as provincial/territorial reinvestments and investments? 	D <ul style="list-style-type: none"> • What is the effectiveness of predecessor programs in reducing the depth of child poverty compared to the NCB initiative? What are the potential efficiencies (cost savings) by replacing predecessor programs with the single comprehensive NCB initiative? • What are the potential efficiencies (cost savings) resulting from improvements (if any) in targeting child benefit expenditures on poverty groups by replacing the predecessor programs with the NCB initiative?
General Equilibrium	Total	E <ul style="list-style-type: none"> • What is the impact of the employment-related provisions under the NCB initiative on reducing child poverty and reducing the costs by government on other transfer programs directed to low-income families such as SA and employment insurance? • What is the overall impact on the economy of the transfer of income from higher to lower-income tax-filers? 	

The framework classifies the questions as administrative or program-related or as using a “no comparison” or “comparison” process. Moving from left to right or from top to bottom in the framework increases the difficulty or generality of the question being posed.

5.4.1 Existing data limitations precluded a formal cost-effectiveness assessment of the NCB

The evaluation work determined that there are a number of challenges in undertaking a cost effectiveness assessment of the NCB.

With respect to determining the costs of administering the CCTB and whether the federal tax platform represents a more efficient method of delivering Provincial/Territorial cash benefits (Exhibit 13, Cells A and B), the key challenge uncovered by the evaluation work was the use of a common tax platform and administrative unit to deliver several programs. In the case of CRA, a common tax platform is used to deliver a number of cash transfers and the same administrative unit manages the CCTB and GST rebate. CRA typically does not track detailed, segregated cost data. As a result, it was not possible to determine the administrative costs of delivering just the CCTB. Similarly, the cost-effectiveness assessment undertaken by the evaluation determined that, for the two provincial programs that administered as separate entities (the Alberta Family Employment Tax Credit and the Saskatchewan Employment Supplement programs), it was not possible to derive accurate, meaningful unit costs for their delivery and thereby effect useful cost comparisons.

The issue of establishing the total costs of the NCB component programs (Exhibit 13, Cell C) has been addressed, in part, by the annual reporting by jurisdictions for the NCB Progress Reports. However, there are several limitations of these data. First, for those provincial/territorial programs which were in existence prior to the inception of the NCB, not all jurisdictions have provided historical information on funding levels. Accordingly, it is not clear what level of NCB funding was provided to these programs. Secondly, many of the NCB reinvestment programs receive funding from other F/P/T Initiatives, such as the Early Childhood Development and Early Learning and Child Care and non-governmental/voluntary agencies. To date, no inventory has been undertaken of all of the funding being channelled to these types of reinvestment programs. Such an inventory would be a useful step in determining whether the NCB has led to reductions in, or increased the level of, overlap and duplication of programs and services directed to low income families with children.

Determining the relative cost-effectiveness of the NCB versus alternative approaches to achieving the first two objectives of the NCB (Exhibit 13, Cell D) would require agreement on the comparison program(s), common outcomes for the NCB Initiative and a testing method that controls for differences in context for the NCB and the comparison programs. The cost effectiveness review concluded that the immediate predecessor of the NCB – the CTB+WIS – was the only appropriate counterfactual program to look at. Its relative effectiveness in addressing the first two objectives of the NCB could be assessed by using longitudinal data sets that spanned the duration of both programs and allowed for the construction of a comparison group of non-participants. Currently, only the Longitudinal Administrative Databank (LAD) and the Survey of Labour and Income Dynamics (SLID) offer any potential to track key outcomes. Each has its respective strengths and weaknesses in terms of such things as data elements and sample size. However, a major challenge with both is the absence of a strictly comparable group of families with children who did not receive either program.

Finally, assessing the tax incidence and net economic impact of the NCB (Exhibit 13, Cell E) would require the use of micro-simulation models. However, the empirical requirements for micro-simulation are formidable and would require, at a minimum, estimates of the following kinds of behavioural relationships:

- Estimates of the work response of NCB Supplement clients to the cash benefit, social assistance replacement and various work support measures from the jurisdictions;
- Estimates of the work response of higher-income households arising because the existing marginal tax level; and
- The net gain/loss to the economy arising from changes in gross domestic output from the changed work response along the income/household distribution.

5.4.2 Indirect Evidence Suggests that the NCB is a Cost-effective approach to achieving its stated objectives

There are a number of indications that the NCB is a cost effective approach to meeting its objectives:

- The fact that most jurisdictions have chosen to use the CRA tax platform as the method of delivering their own child benefit and earnings supplement programs indicates that they deem it to be a more efficient method of delivering these programs;
- The use of the federal tax platform to deliver provincial and territorial cash benefits has harmonized the federal and provincial components, to the general satisfaction of recipients. Managers described the implementation of this process as successful;
- The linking of social assistance and the NCB Supplement through the recovery process has required and promoted advancements with respect to technical information for data sharing and eligibility determination; and
- The key design feature of the NCB (recovery of the NCB Supplement from families on assistance and the use of that income to fund reinvestment programs which promote labour force attachment) has led to a reduction in the welfare wall. In turn, there is evidence that it has enabled social assistance recipients to leave welfare.

5.4.3 Summary Cost-Effectiveness Issues

In summary, it is important to underline that very extensive and detailed operational data on costs and performance measures would be required to address the full range of cost-effectiveness concerns. Currently, such data are not sufficiently developed in the case of NCB Initiative, including data related to the operations of the CRA. The evaluation activity has confirmed these outstanding data deficiencies.

The data issue is a pressing one if governments are to successfully meet their commitment to principles such as transparency, accountability, efficiency and effectiveness. In large part, the issue relates to the need for extensive advance planning when programs are in the initial developmental stage. There is also a requirement for governments to commit sufficient resources to develop and maintain the data systems required to address cost-effectiveness.

In making the above points, however, it should also be noted that it would be unfair to single out the NCB Initiative for undue criticism, since the problems identified are widespread across many government programs. Nevertheless, improvements to data collection and availability are required since, without adequate cost data and accompanying results information, there can be no real transparent results-driven accountability.

Notwithstanding the above, the current evaluation findings do provide evidence that there are grounds for optimism concerning the core performance of the NCB Initiative in cost-effectiveness terms. Compared with the previous arrangements, the evidence on current improvements in addressing the “Welfare Wall”, reducing the extent and severity of low-income conditions, plus the benefits from harmonization – all attest to significant gains.

The current evaluation, notwithstanding the data limitations encountered, has also enabled the identification of five key program areas which would clearly benefit from scrutiny by policy/program decision-makers in a cost-effectiveness context.

These areas of potential concern are as follows:

- 1) There is a need to examine the Initiative’s dollar-for-dollar offset arrangements. It may well be that there are sound reasons for less than full dollar-for-dollar adjustments. On the other hand, given the Initiative’s current employment objectives, the issue of incentives and possible disincentives regarding job attachment is an important one.
- 2) It is essential that data systems and measurement procedures be put in place to analyze and demonstrate the results achieved by provinces and territories from their investments and reinvestments. Very little clientele uptake and results information is currently available. On the face of it, it is clear that provincial and territorial investments/reinvestments measures are addressing important needs. However, it is important to be able to analyze and demonstrate the results achieved. Moreover, the findings from such results-driven performance may in some cases, point to areas where further improvements could occur.
- 3) The measurement of savings and the method of reporting on reinvestments need to be examined and improved. There is a requirement to measure and report transparently on levels of savings versus levels of reinvestment, etc.
- 4) The investment and reinvestment information reported would benefit from a rigorous, across-the-board set of baseline data for all provinces and territories. Such baseline data are essential to demonstrate and confirm the degree of incremental activity which the NCB Initiative has achieved.
- 5) The effects of the NCB Initiative on possible reductions in job attachment merits priority investigation. As noted earlier in the text, the evaluation evidence in this area is very tentative. The importance of these issues suggests that it should be further examined as a high priority.

Finally, it bears repeating that all of the areas identified above should be regarded in terms of the potential for still further improvement with respect to the NCB Initiative, which has already achieved significant positive results. In addition, the five points above demonstrate the importance of evaluation feedback information in improving results performance in the NCB Initiative.

6. Conclusion

The current evaluation is by no means “the final word” on the analysis of the impact of the NCB Initiative. Nevertheless, it represents an important step in assessing how well the Initiative is working and in providing transparent, results-based accountability by both orders of government.

The current evaluation has examined the NCB Initiative in terms of:

- a) The continued relevance of the program and its rationale;
- b) The extent to which the Initiative has achieved its objectives over the first three years of its operations; and
- c) Examining possible areas where the cost-effectiveness of program design and program co-ordination etc. could be improved.

It is a central conclusion of the current evaluation that there is strong and compelling evidence supporting the rationale for the NCB Initiative. However, while progress has occurred in recent years, about ten percent of Canadian children continue to live in low-income conditions as measured by the Statistics Canada LICO. Based on evaluation results to date, it is clear that the NCB has a role to play in continuing to address this problem.

The Initiative has generally been successful in achieving its stated objectives of 1) helping to prevent and reduce the depth of child poverty; 2) promoting attachment to the workforce by ensuring that families are better off working (breaking down the “Welfare Wall”); and 3) reducing overlap and duplication through closer harmonization of program objectives and benefits and through simplified administration.

There is clear evidence that the NCB Initiative has had significant positive impacts in reducing the incidence of families with children living in low-income conditions (Sections 5.1.2 and 5.1.3), and, as well, in reducing the severity of low-income conditions for those families which continue to live below the low-income threshold. This has been achieved, in part, by means of strengthening job attachment and reducing the barriers to work inherent in the “Welfare Wall” (Section 5.2.2) – a problem area which in the past has remained recalcitrant in the face of many governments’ attempts to address the issues involved, both in Canada and abroad.

There is evidence of a mixed impact of the NCB Initiative on promoting attachment to the labour market. In most jurisdictions, the design of the NCB Initiative has made work financially more attractive than social assistance for families with children by improving the difference between minimum wage employment and social assistance. This improvement was associated with a reduced dependency on social assistance among families with children. These findings were further supported by the provincial case studies which indicate that the NCB Initiative reduced social assistance caseload for families with children. However, there is also evidence that introduction of the Initiative did *not* lead to shorter spells on social assistance. Thus, the effect of the NCB was likely that of reducing the number of families *entering* assistance (Section 5.2.2).

As for direct evidence of the impact of the Initiative on the labour supply of low-income families, it, too, is mixed. On the one hand, those who had been on social assistance showed either no reductions in their labour supply, due to receipt of the NCB Supplement or an increase in their labour supply due to the NCB Initiative. On the other hand, those not on social assistance appear to show a decline in the number of hours worked due to receipt of the NCB Supplement the previous year (Section 5.2.3).

These findings support the rationale of recovering the value of the NCB Supplement from families on assistance. Lowering the “Welfare Wall” resulted in families remaining off assistance and, for those who had been on assistance, neither reducing nor increasing their labour supply (suggested by preliminary findings to date). However, they also indicate that receipt of an unconditional cash transfer by the working poor may result in reduced employment. Nonetheless, evidence from the surveys and focus groups suggests that some families used the NCB Supplement to spend more time with their children, thereby easing the work-parenting trade-offs they faced.

In addition, the current evaluation has demonstrated the important synergies which the NCB Initiative’s harmonization approach has leveraged. This is clearly demonstrated from the strong benefits which are flowing from concerted attempts which both provinces/territories and the federal government have made in addressing problems from the viewpoint of governance, taken as a whole (Section 5.3). Key to this has been the strategic complementarity of program design features with respect to the initiatives undertaken jointly by the two orders of government – to the benefit of a highly vulnerable group in society. There are very important lessons to be learned here (in terms of “what works”) for future joint programming in this and other areas where serious social problems require attention.

In addition to assessing whether the Initiative was effective in achieving its stated objectives, the evaluation addressed the issue of whether it was a cost-effective vehicle for doing so. A cost-effectiveness framework was prepared which set out the range of specific questions that could be addressed and described the data requirements for doing so. It concluded that existing data limitations on both incremental costs and net impacts precluded an analysis of cost-effectiveness. Nonetheless, there is indirect evidence that the delivery of the NCB Initiative is cost-effective and that it may be a more effective vehicle for reducing the incidence and depth of poverty than its predecessor program – the Child Tax Benefit.

In order to assess the continued relevance and effectiveness of the NCB Initiative in achieving its objectives, a range of quantitative and qualitative methodologies were employed including literature reviews, program manager and client surveys, client focus groups, simulations of program impacts, time series and survival analyses of social assistance data, cross-sectional regression analyses of merged survey and tax data, and difference-in-difference analyses of pre-post NCB Initiative and matched reference group outcome data.

Each of these lines of evidence had their own strengths and limitations. None of them could give a definitive picture of the impact of the NCB Initiative. That would have required the use of a random experimental design, which was clearly not possible with a universal program available to all families with children. Accordingly, the evaluations relied on corroborating lines of evidence, where available, to strengthen the conclusions cited above. That has been the key strength of the current evaluation of the National Child Benefit Initiative.

Annex One: Report Summaries

Annex 1, Document 1	
<p>Project Title</p> <p style="text-align: center;">Impact Assessment of the National Child Benefit (NCB) on Social Assistance (SA) Caseloads in Saskatchewan (Evaluation Branch of HRDC)</p>	
<p>Key Findings</p> <ul style="list-style-type: none"> • Monthly SA caseload declined for all recipient types by a cumulative 8 percent between 1998 and 2001. • Caseload distribution among categories of recipients was stable until the introduction of the NCB. Thereafter the share of families with children on SA declined. • The NCB Initiative is associated with a cumulative monthly caseload reduction for families with children of approximately 6 percent (an estimated 655 cases) between the second quarter of 1999 and the end of the first quarter of 2000. 	
<p>Methodology</p> <ul style="list-style-type: none"> • The study used monthly, quarterly and annual observations (time series analysis) of SAR caseload files to identify changes in family types between 1990 and 2000. • Multiple regression analysis controlled for other key contributing factors (e.g., labour market conditions and other changes in provincial programming). • Dataset excluded SA recipients less likely to be able to work (e.g., persons with disabilities) as they were less likely to be affected by the NCB. 	
<p>Strengths</p> <ul style="list-style-type: none"> • Methodology and findings validated by independent external peer review. • Pre-post methodology allows for assessment of trends in social assistance caseload. • Empirical findings corroborate the programs design analyses – re: incentives to leave SA. 	<p>Limitations</p> <ul style="list-style-type: none"> • Findings to be interpreted with some caution because only a relatively short time had elapsed since the NCB was introduced. • Regression analysis is unable to isolate the impacts of individual components within the NCB Initiative (e.g., direct cash transfers, health benefits, childcare) and controls for only the unemployment rate and seasonal caseload effects.

Annex 1, Document 2	
Project Title	
Impact Assessment of the National Child Benefit (NCB) on Social Assistance (SA) Caseloads in Alberta (Evaluation Branch of HRDC)	
Key Findings	
<ul style="list-style-type: none"> • Monthly SA caseload declined for all recipient types a cumulative 18 percent between 1998 and 2001. • Caseload distribution among categories of recipients was stable until the introduction of the NCB. Thereafter the share of families with children on SA declined. • The NCB Initiative is associated with a cumulative monthly caseload reduction for families with children of approximately 10 percent (an estimated 1,606 cases) between the second quarter of 1999 and the end of the first quarter of 2000. 	
Methodology	
<ul style="list-style-type: none"> • The study used monthly, quarterly and annual observations (time series analysis) from social assistance caseload files to identify changes in family types between 1991 and 2002. • Multiple regression analysis controlled for other key contributing factors (e.g., labour market conditions and other changes in provincial programming). • Unlike in Saskatchewan and Newfoundland SA recipients less likely to be able to work were <u>not excluded</u> from the analysis of SA caseload in Alberta. 	
Strengths	Limitations
<ul style="list-style-type: none"> • Methodology and findings validated by independent external peer review. • Pre-post methodology allows for assessment of trends in social assistance caseload. • Empirical findings corroborate the programs design analyses: re: incentives to leave SA. 	<ul style="list-style-type: none"> • Findings to be interpreted with some caution because: <ul style="list-style-type: none"> ○ Only a relatively short time had elapsed since the NCB was introduced; ○ Overlap with Alberta's 1993 welfare reform may have reduced the precision of estimates. • Regression analysis is unable to isolate the impacts of the individual components of the NCB Initiative (e.g., direct cash transfers, health benefits, childcare) and controls for only the monthly unemployment rate and seasonal caseload effects.

<p>Project Title</p> <p style="text-align: center;">Impact Assessment of the National Child Benefit (NCB) on Social Assistance (SA) Caseloads in Newfoundland (Evaluation Branch of HRDC)</p>	
<p>Key Findings</p> <ul style="list-style-type: none"> • Monthly SA caseload declined for all recipient types by a cumulative 10 percent between 1998 and 2001. • The NCB Initiative is associated with a cumulative monthly caseload reduction for families with children of approximately 3 percent (an estimated 355 cases) between the second quarter of 1999 and the end of the first quarter of 2000. • The program’s impact on single parents with children was not statistically significant. • The impact of the NCB in Newfoundland is smaller than the estimates arrived at for Saskatchewan and Alberta. The report attributes this reduction in impact to the fact that Newfoundland implemented the NCB in a way which did not give the same emphasis to financial incentives to leave SA – compared to the other two provinces. 	
<p>Methodology</p> <ul style="list-style-type: none"> • The study used monthly, quarterly and annual observations (time series analysis) from social assistance caseload files to identify changes in family types between 1993 and 2002. • Multiple regression analysis controlled for other key contributing factors (e.g., labour market conditions and other changes in provincial programming). • Dataset excluded SA recipients less likely to work (e.g., persons with disabilities) as they were less likely affected by the NCB. 	
<p>Strengths</p> <ul style="list-style-type: none"> • Methodology and findings validated by independent external peer review. • The Newfoundland results are consistent with and help to confirm the results of the other two studies done in Saskatchewan and Alberta. 	<p>Limitations</p> <ul style="list-style-type: none"> • Regression analysis is unable to isolate the impacts of individual components of the NCB Initiative (e.g., direct cash transfers, health benefits, childcare).

Project Title

The Impact of the NCB Supplement on the Low-income Status of Canadian Families with Children: the Social Policy Simulation Database and Model (SPSD/M) Results (Centre for the Study of Living Standards)

Key Findings

- Simulations estimated that by 1999 the NCB Supplement had resulted in a reduction in the number of families with children living below the low-income cut-off as well as a reduction in the low-income gap for families with children, using post-tax low-income cut-off (LICO).
- Based on post-tax LICO, the poverty rate fell 4.6 percent and the poverty gap declined by 8.7 percent between 1996 and 1999 as a result of the NCB Supplement.
- The estimated impact of the NCB Supplement on both the low-income rate and the low-income gap appear to be somewhat greater for two parent families than for single-parent families.

Methodology

- This report presents the results of simulations run by Statistics Canada with the Social Policy Simulation Database and Model (SPSD/M) on different child benefit rules, isolating their impact, including the introduction of the NCB Supplement, on low-income or poverty rates and gaps.
- A total of 28 scenarios were run, 14 based on the 1997 population and 14 based on the projected 2004 population.

Strengths

- Simulations are able to isolate the impacts of various features of the NCB Supplement from the CCTB (e.g., social assistance recovery and cash reinvestment programs) on the low-income rate.
- Simulations provide important information concerning the impact of the NCB Supplement on reducing the depth and breadth of low-income conditions.

Limitations

- Some scenarios do not include non-cash benefits of provincial family support program financed in part by the claw back, resulting in lower estimates of poverty reduction.
- The simulations do not include the impact of behavioural labour market changes due to the NCB Supplement (changes in labour market behaviour are – addressed by Documents 8 and 9).
- The simulations do not estimate the actual impact of the NCB on low income, but only what would occur if just the hypothesized changes occurred, and there were no changes in the labour market behaviour of families as a result of assistance received.

Project Title

The National Child Benefit Impact on Income levels of Canadian Families with Children: HRDC Simulation Results (Social Policy Directorate of HRDC)

Key Findings

- In 2000, the NCB Initiative was assessed as being responsible for preventing and estimated 22,900 families with 55,000 children from being considered as living in low-income.
- There was a 5.1 percent reduction in the number of families with children living in low-income conditions.
- The NCB Initiative is found to have a positive impact in reducing the depth of low-income by 9.6 percent for all families. The impact was higher for two parent families where the depth of low-income was reduced by 11.0 percent.

Methodology

- This study estimates the difference between the two different federal/provincial/territorial child benefit structures: the actual structure with the NCB Initiative and a simulated structure without the NCB Initiative.
- Results are based on data from the 2000 Survey of Labour and Income Dynamics (SLID). All estimates are reported on the post-tax Low-Income Cut-Off (LICO).

Strengths

- This methodology is able to isolate the impact of the income benefits of the NCB Initiative on: the change in the number and incidence of children and families living in low-income and the extent of the low-income gap while keeping other socio-economic variables such as the level of employment or earnings unchanged.
- Methodology and findings validated by independent external peer review.
- Simulations provide important information concerning the impact of the NCBS on reducing the depth and breadth of low-income conditions.

Limitations

- The simulations do not include changes in the economic behaviour of low-income families with children which may have been caused by the NCBS.
- The simulations do not include the impact of behavioral labour market changes due to the NCBS (Changes in labour market behaviour were addressed by Documents 8 and 9).
- The simulations do not estimate the actual impact of the NCB on low income, but only what would occur if just the hypothesized changes occurred, and there were no changes in the labour market behaviour of families as a result of assistance received.

Project Title	
Module One: Technical Report #1 Contextual Examination	
Key Findings	
<ul style="list-style-type: none"> • Canada is a leader among OECD countries as an innovator in using the tax system to deliver income support programs. • Use of the federal tax system to deliver the NCB Initiative is based on increased cooperation among orders of government. Expert opinion identified the NCB Federal/Provincial/Territorial Working Group as the model for the Social Union Framework Agreement and its underlying priorities. • Comparative analysis indicates that countries such as Canada and the U.S.A. that rely on targeted benefits are not as successful in reducing and preventing poverty as those countries that deliver universal child benefits. • The flexibility of the provincial/territorial reinvestment arrangements allows Provinces and Territories to tailor interventions to meet particular needs. However, few of the reinvestments have been evaluated. 	
Methodology	
<ul style="list-style-type: none"> • Focused review of technical literature and policy documents pertaining to child benefits, child poverty, minimum wage theory, tax-based poverty measures, employment-based approaches to poverty reduction, welfare reform, the Social Union Framework Agreement. • Selected interviews with academics and experts. • Examination of approaches used in other countries to address child poverty and parental labour market participation. 	
Strengths	Limitations
<ul style="list-style-type: none"> • Evidence provides background information on the importance of cooperation between different orders of government and the inherent flexibility of the NCB. • Provides a review of approaches other jurisdictions have used to address child poverty and their effectiveness. 	<ul style="list-style-type: none"> • In keeping with a background document the review is limited in scope. • Does not provide evidence of the effectiveness of NCB-type programs.

Project Title

**Module One: Technical Report #2
Net Impact Analysis:
Survey of Labour and Income Dynamics (SLID) 2000**

Key Findings

- Estimated net impacts (2000) of the NCB Initiative for families with children with an income under \$32,000 (as of 1996):
 - 12 percent fewer families with children falling into low-income (post-tax LICO);
 - Reduction in the low-income gap by \$631 (post-tax LICO);
 - 7.1 more weeks worked but a decline of \$3,083 in annual earnings.

Methodology

- Statistical matching (propensity scoring) used to create the reference groups within the SLID data set.
- Difference-in-difference estimators of net impact.
- SLID panel data compares pre-post NCB (2000 vs. 1996) changes in work effort and in net income of the program group families with that of the reference group.

Strengths

- SLID is a panel dataset that supports the creation of a baseline prior to the NCB’s inception.
- Attempts to measure the full impact of the initiative, including the behavioural responses of the population.
- The use of propensity score matching and difference-in-difference estimators controls for measured and fixed unobserved differences between the program and reference groups.
- Evidence provides corroboration of the Simulations (Document 4) and time series analyses (Documents 1-3) concerning the program’s impact on the depth of poverty, labour force attachment and reduced dependence on social assistance.

Limitations

- The reference group consisted of single persons and families without any children under 18. It is not clear that differences in response due to the actual presence of children were controlled for by the study.
- Peer reviews on the methodology suggested problems with the suitability of comparison groups.
- Due to small sample sizes, it was not possible to match on local labour markets.
- The program group consisted of those who received the CCTB rather than just the NCB Supplement.
- The analysis could not isolate the impacts of the individual components of the NCB initiative.

Project Title**Module One Technical Report #3
Client Survey****Key Findings**

- The NCB Initiative is designed to ensure that clients are better-off working. However, survey findings indicate that many factors influence a parent's decision to work full-time. The most frequently cited are the availability and costs of childcare, family responsibilities, wanting to parent, and disability/health issues. This is important feedback for policy makers.
- The vast majority of Survey respondents indicated that the NCB Initiative has made their families and children better off.
- The NCB Supplement was also assessed as providing low-income families with a measure of flexibility to prioritize their own expenditures.
- Survey respondents indicated that they had few, if any problems with the way the NCB initiative was delivered.

Methodology

- Sample selection based on receipt of NCB Supplement in 1999 or 2000.
- The Canada Revenue Agency (CRA), managed all aspects of sampling and controlled access to all data.
- Clients had option to consent to have their T1 tax information linked with their survey responses.
- Survey conducted by telephone, field operations began in early 2002, with 5,198 completed interviews.

Strengths

- High (84 percent) response rate by those who consented to be interviewed.
- Independent assessment by a survey methodologist confirmed that the sampling by CRA was done properly and the actual surveying was done well.
- Evidence provides corroboration of the impact of the NCB Supplement on child poverty and labour force attachment.

Limitations

- Low response rate (5.4 percent) to the invitation to participate in the survey raises questions about non-response bias and generalizability of the results.
- Final sample is more likely to contain families with net incomes and gross earnings above \$20,000 (43% vs. 35%; and 35% vs. 27%, respectively).

Project Title

**Module One: Technical Report # 4
Assessment of the Net Impact of the NCB Supplement
on Labour Force Attachment of Parents**

Key Findings

- Receipt of the NCB Supplement in 2000 for those with any social assistance income was associated with no reduction in hours NCB Supplement is having a negative effect on work effort for families not receiving social assistance. For those not on social assistance in 2000, receipt of NCB Supplement was associated with an annual decline of between 10 to 16 hours for every \$100 of NCB Supplement, or between 153 and 245 hours for the average NCB Supplement benefit of \$1,532.
- The analysis also confirmed that those with low levels of education, who are younger, have a disability or are married work fewer hours than their counterparts.

Methodology

- Cross-sectional dataset combined data collected by the NCB Supplement client survey with data collected on T1 tax forms (3,321 respondents consented to linking T1 with their survey responses).
- The Canada Revenue Agency (CRA), managed all aspects of sampling and controlled access to all data.
- Regression analysis used to estimate the net impact of NCB Supplement on labour force attachment of parents.

Strengths

- Results are consistent with findings from the technical literature regarding potential negative effects of income support measures on work effort among the working poor.
- NCB Supplement client survey linked to personal income taxation data.
- Data set allows matching NCB Supplement client survey, respondent incomes, and labour market attachment.
- Two stage least squares regression analysis was used to remove any simultaneity bias.
- The analysis isolates the unique effect of the NCB Supplement (net of any recovery from SA recipients) on labour supply.

Limitations

- Low response rate (3 percent) (Future analysis using CRA tax data, EI data and SA data may provide more definitive results).
- Results may not be representative due to non-response bias in the NCB Supplement participant survey.
- Results are based on clientele self-assessment of employment and may be influenced by recall issues.
- Cross-sectional data set permits inferences only about the long-term results of the NCB.

Project Title	
Module One: Technical Report # 6 Management Survey and Interviews	
Key Findings	
<ul style="list-style-type: none"> • Nearly all provincial and territorial managers expressed the opinion that the NCB’s principles and objectives are relevant and compatible with provincial/territorial programming, and saw no evidence of overlaps between NCB-related initiatives and provincial programming. • The vast majority of provincial and territorial managers surveyed believed that the NCB Supplement was effective in reducing the depth of child poverty; there was much less support expressed for its effectiveness in reducing the incidence of poverty. • Approximately half of provincial and territorial managers were of the opinion that the NCB Supplement was effective in encouraging parents to leave SA, but most felt that other factors (e.g., minimum wage, social assistance policy) have a greater impact than the NCB on the labour force attachment of parents. 	
Methodology	
<ul style="list-style-type: none"> • The mail survey targeted provincial and territorial senior and program managers identified by the NCB Evaluation Working Group. • The survey was supplemented by key informant interviews with federal, provincial and territorial senior managers. 	
Strengths	Limitations
<ul style="list-style-type: none"> • Provides an additional line of evidence corroborating a majority of the statistical findings. 	<ul style="list-style-type: none"> • The study did not clearly identify informants’ expertise or experience with the NCB. • Limited response by officials responsible for the program, raising questions about selection bias and objectivity.

Project Title**Module One: Technical Report # 7
Focus Groups****Key Findings**

- Focus group participants endorsed both the CCTB and the NCB Initiative as useful programs.
- The majority of participants indicated that the CCTB goes towards their general household budget (food, clothing, shelter, daycare, car payments) while some use the CCTB for an education fund.
- The rationale behind benefits puzzled many participants. For example, they could not understand why benefits are reduced when children turn seven, as costs rise when children go to school.
- Few participants could separate the NCB Supplement from the base benefit, and some confused the CCTB and NCB Supplement with other provincial benefits.
- The work/parenting decision is a very difficult one for participants. Some are prepared to make the financial sacrifices to remain home and parent while others accept modest financial benefits that come with high child care costs and low wages.

Methodology

- 20 focus groups were conducted with a total of 174 participants from 19 sites across Canada.
- Focus groups were conducted with people on and not on social assistance.

Strengths

- Focus group results provide qualitative evidence of the NCB's impact on families with children and complement the NCB Supplement client survey.
- The analysis provides insights concerning issues of workforce attachment, in particular, the pressures faced in balancing the need for income security with a desire to parent.

Limitations

- Results cannot be generalized to the entire NCB Supplement client population.
- Participant opinions can evolve and be influenced by others during group discussions.
- Participants were drawn from respondents to the Client Survey (see limitations respecting this survey, *Document 8, Technical Report #3*).

Project Title

**Module One: Technical Report # 9
An NCB Cost-Effectiveness Framework**

Key Findings

- No definitive conclusions on NCB cost-effectiveness could be drawn from the current research because of inadequate data. The report, however, did elaborate a framework and research program to address cost-effectiveness and identified the following issues:
 - Analysis is dependent on the development of a common measurement framework and methodology across jurisdictions to measure the net impacts of the NCB Supplement;
 - Accurate, detailed, comparable and segregated baseline data to identify and evaluate costs and outcomes are a prerequisite to conducting cost-effectiveness analysis;
 - Harmonization of expenditures and the reduction of overlap and duplication with respect to investments and reinvestments requires more detailed reporting by all orders of government.
- The Canada Revenue Agency (CRA) delivery system is cost-effective compared to the theoretical cost of developing independent provincial and territorial administrative systems:
 - The fact that most jurisdictions have adopted the CRA strongly suggests it offers important efficiencies in delivering a cash benefit.

Methodology

- Developed a general framework that classified a range of questions associated with cost-effectiveness within a partial and general equilibrium context.
- Comparative analysis of CRA and provincial/territorial delivery of cash benefits.
- Specified a methodology to compare NCB to similar or existing programs, proposing a counterfactual within a partial equilibrium framework.

Strengths

- Articulates the key issues with respect to measuring cost-effectiveness.
- Framework provides opportunities to assess harmonization efforts of the NCB initiative.

Limitations

- Inadequate data to determine the costs of the federal tax administered programs compared to what the costs would be if the provinces and territories administered the programs.
- Proposed framework for future cost-effectiveness analysis is expensive; requiring new approaches to financial management (i.e., activity based costing) as well as common data collection methods across all orders of government.

Project Title	
Module Two: Provincial and Territorial Reinvestment Case Studies Module Summary	
Key Findings	
<ul style="list-style-type: none"> • Arrangements put in place to encourage reinvestment of NCB-induced savings in social assistance budgets have created potential new opportunities for policy development and social programming. • For example, most of the 16 Child Care/Day Care programs reported by provinces and territories were implemented <u>following</u> the introduction of the NCB in 1998. • In addition, partnerships between provinces/territories and the Canada Revenue Agency to deliver reinvestment of savings in the form of additional income supplement measures points to the advantages of harmonization producing cost-effective strategies. • NCB-supported reinvestment programs undertaken by provincial/territorial governments do not have adequate data provisions to ensure the basic information necessary for performance measurement purposes (e.g., take-up rates; participant characteristics). • Further, in general, statistics produced on provincial/territorial reinvestments following the introduction of NCB would have benefited from the development of prior baseline investment data in this area (i.e., prior to the NCB) – so as to identify the <u>incremental</u> effects on investments as a result of the initiative. 	
Methodology	
<ul style="list-style-type: none"> • Literature review focused on two of five clusters of reinvestment programs: the Supplementary Health Benefit and the Child Benefit/Earned Income Supplement (CB/EIS). • Case studies of CB/EIS and SHB reinvestment programs were based on an initial telephone survey, further interviews by phone, on-site visits, a document review and an email survey. 	
Strengths	Limitations
<ul style="list-style-type: none"> • Identifies key data issues and challenges related to the NCB Initiative with a focus on reinvestments. • Evidence provides some corroboration regarding the impact of the reinvestment initiatives on improved labour force attachment and breaking down the welfare wall. 	<ul style="list-style-type: none"> • Lack of comprehensive data from the provinces and territories on NCB reinvestment programs limits the analysis. • Findings based on managers' personal assessment and opinion. • Limited evidence to determine the impacts and effects of reinvestment programs.

Annex 1, Document 14	
Project Title	
Module Two: Provincial and Territorial Reinvestment Case Studies Literature Review	
Key Findings	
<ul style="list-style-type: none"> • Cross-country comparison with other federal systems found: <ul style="list-style-type: none"> ○ In Australia and the U.S.A., as well as in Canada, the most substantial phase-out of benefits is at a US \$30,000 cut-off, with high marginal implicit taxes as families approach this cut-off point; ○ Children in low-income families in the U.S.A. with little or no labour market attachment, do not have access to the benefits that they would receive in Canada or Australia. • Reinvestment benefits received by low-income families mark an important step in reducing the 'welfare wall' and creating work incentives. • In-kind transfers (linked with services like health or day care) may be more effective in achieving NCB objectives than providing direct cash transfers to parents. • No empirical analysis on the social impact of reinvestment programs on work effort for social assistance recipients within Canada. 	
Methodology	
<ul style="list-style-type: none"> • This literature review focused on the operation of the NCB and two of the reinvestment initiatives: the Child Benefit and Earned Income Supplement and Supplementary Health Benefits. 	
Strengths	Limitations
<ul style="list-style-type: none"> • Historical overview of income supports for families with children. • Overview of the NCB, its rationale and assumptions, theoretical impacts and trade-offs. • Evidence provides corroboration regarding the impact of the reinvestment initiatives on improved labour force attachment and breaking down the welfare wall. 	<ul style="list-style-type: none"> • The comparison with similar programs in other jurisdictions is limited to Australia, the U.S.A. and the U.K. and would have benefited from more cross country details.

Project Title

**Module Two: Provincial and Territorial Reinvestment Case Studies
Child Benefit / Earned Income Supplement**

Key Findings

- Evidence of cooperation and harmonization in program delivery with the most frequent partnership involving the use of Canada Revenue Agency to deliver the Child Benefit-Earned Income Supplement programs on behalf of Provincial and Territorial governments.
- Improved information gathering and data sharing with respect to program participants and take-up rates are required for performance measurement.

Methodology

- Nine Child Benefit/Earned Income Supplement case studies operating in seven Provinces and Territories were used to examine how the programs work, lessons learned and best practices.
- The studies were analyzed to assess similarities and differences among initiatives and the results were combined with information from the literature review and email survey to address evaluation issues.

Strengths

- Findings help to identify issues, challenges and solutions related to the NCB reinvestments.
- Evidence provides corroboration regarding harmonization of program delivery through reinvestments.

Limitations

- Only very limited quantitative data in case studies to measure program impacts.
- Aggregate data on impacts are limited; potential impacts are inferred from the design and objectives of each of the reinvestment programs.

Annex 1, Document 16	
Project Title	
Module Two: Provincial and Territorial Reinvestment Case Studies Supplementary Health Benefits (SHB)	
Key Findings	
<ul style="list-style-type: none"> • SHB programs reduce work disincentives by providing health benefits to low-income working parents that were previously available only to social assistance recipients. • Extending the SHB programs to NCB recipients other than social assistance recipients is an innovative step and reflects a key program focus on providing/retaining work incentives. • Inadequate monitoring data currently in place; direct client-based survey data and other program data are required for performance measurement purposes. • Evidence of considerable cooperation and harmonization, both between orders of government and across provincial health programs. Moreover the NCB and provincial and territorial programs have established integrated funding arrangements. 	
Methodology	
<ul style="list-style-type: none"> • Five case studies on Supplementary Health Benefits programs were developed on the basis of a literature review, surveys, on-site visits and key informant interviews. • The studies attempted to address evaluation issues such as rationale and relevance, design/approach, implementation and delivery, and intended and unintended impacts. 	
Strengths	Limitations
<ul style="list-style-type: none"> • Findings help to identify the issues, challenges and solutions related to the NCB Initiative. • Evidence provides corroboration regarding improved labour force attachment and harmonization of program delivery through reinvestments. 	<ul style="list-style-type: none"> • Minimal quantitative data on total eligible low-income clients and to measure program impacts. • Aggregate data on impacts limited; potential positive impacts are inferred from the design and objectives of each of the reinvestment programs.

Project Title**Module Two: Provincial and Territorial Reinvestment Case Studies:
'What Works'****Key Findings**

- Survey data available from the Alberta Child Health Benefit (ACHB) indicate clients have positive reactions to the program: 92 percent of those surveyed felt that the ACHB provided their children with the services they needed most, and 93 percent felt that it assisted their families financially (ACHB provides benefits to children in low-income families).
- The Canada Revenue Agency (CRA) delivery system was found to be an efficient, effective way to deliver the NCB and related programs, but there is a trade-off between using it to determine eligibility and being able to respond quickly to the changing needs of families (one year lag due to eligibility being determined through previous year's tax return).
- The Saskatchewan Employment Supplement Call Centre has simplified administrative processes to provide services more efficiently and to become more responsive to client needs (e.g., services provided in Cree, Dene).

Methodology

- Three "What Works" case studies were developed: The Alberta Child Health Benefit (ACHB); the Saskatchewan Employment Supplement Call Centre; and the Canada Revenue Agency Administration of the NCB.
- The studies were created using diagnostic information from an e-mail survey, initial telephone surveys, interviews with program staff, partners and key stakeholders, a literature review and document/data reviews.

Strengths

- Findings help to identify the issues, challenges and solutions related to the NCB Initiative.
- Evidence provides corroboration of positive work incentives and harmonization of program delivery through reinvestments.

Limitations

- Only very limited quantitative data on low-income eligible clients and to measure program impacts.
- Aggregate data on impacts limited; potential positive impacts are inferred from the design and objectives of each of the reinvestment programs.

Project Title

Module Three: Study # 1
The Family Bonus and the Duration of Spells on Social Assistance in British Columbia

Key Findings

- Policy changes to the social assistance program just before and after the introduction of the BC Family Bonus in July 1996 likely affected the length of time people remained on assistance.
- The BC Family Bonus improved the gap in income between minimum wage employment and social assistance, particularly for single parents and couples with two or more children.
- The change in the total value of the gap led to increase in the rate of leaving assistance for both single parents and couples with children of 3.1 and 4.3 percent, respectively.
- However, the change in the gap due to the introduction of the BC Family Bonus did not have a significant effect on the rate of leaving assistance.

Methodology

- Based on monthly records for all families receiving regular assistance or temporary disability benefits between February 1991 and March 2002.
- For each month, each family's social assistance budget was compared to what it would have received if employed full time at the prevailing minimum wage rate.
- The Cox proportional hazard regression method was used to assess the effect of the income gap, independent of the effect of other factors.

Strengths

- Based on micro-level data.
- Controls for the state of the economy and characteristics of the individual family.
- Covers an 11 year period (5 years pre- and 6 years post-Family Bonus).

Limitations

- Common to other survival analyses of monthly social assistance caseload data, the models account for a small proportion of the variance (2 percent).

<p>Project Title</p> <p>Module Three: Study # 2</p> <p>The National Child Benefit Survival Analysis Study for Manitoba</p>	
<p>Key Findings</p> <ul style="list-style-type: none"> • The introduction of the NCB and its recovery from families on assistance improved the gap in income between minimum wage employment and social assistance for single parents. • The change in the total value of the gap led to increase in the rate of leaving assistance by single parents 20 percent. • The change in the gap due to the recovery of the NCB Supplement led to a 9 percent increase in the rate of leaving assistance. 	
<p>Methodology</p> <ul style="list-style-type: none"> • Monthly records for single parent families (without a disability) receiving regular assistance were obtained from April 1995 to September 2001. • For each month, each family’s social assistance budget was compared to what it would have received if employed full time at the prevailing minimum wage rate. • The Cox proportional hazard regression method was used to assess the effect of the income gap, independent of the effect of parent’s age. 	
<p>Strengths</p> <ul style="list-style-type: none"> • Based on micro-level data. • Controls for the state of the economy and characteristics of the individual family. 	<p>Limitations</p> <ul style="list-style-type: none"> • Common to other survival analyses of monthly social assistance caseload data, the regression models account for a small proportion of the variance (2 percent). • Covers only a 3 year pre- and post- NCB and looks only a single parent families with children.

Project Title

**Module Three: Study #3
The NCB and the Duration of Spells on Social Assistance in Saskatchewan**

Key Findings

- The replacement of the child portion of SA benefits with the combined NCB Supplement and Saskatchewan Child Benefit to all low income families improved the gap in income between minimum wage employment and social assistance, particularly for single parents and couples with two or more children.
- The change in the total value of the gap led to an increase in the rate of leaving assistance of 3 percent for single parents. It had no effect on the exit rate for couples with children.
- The change in the gap due to the introduction of the NCB did not have a significant effect on the rate of leaving assistance for either single parents or couples with children.

Methodology

- Monthly records for all families receiving social assistance were obtained from April 1995 to December 2001. The disabled and unemployable were dropped as were persons under 18 or over 64 years of age.
- For each month, each family’s social assistance budget was compared to what it would have received if employed full time at the prevailing minimum wage rate.
- The Cox proportional hazard regression method was used to assess the effect of the income gap, independent of the effect of other factors.

Strengths

- Based on micro-level data.
- Controls for the state of the economy and characteristics of the individual family.

Limitations

- Covers only a 3 year period pre- and post- the NCB.
- Common to other survival analyses of monthly social assistance caseload data, the models account for a small proportion of the variance (2 percent).

Project Title**Module Three: The National Child Benefit and Income from Employment and Social Assistance by Province and Territory, 1995-2001****Key Findings**

- Study confirms the effect of program design in improving the incomes of social assistance recipients with children to enter the labour market.
- The shift in support measures for working poor families was designed to ensure that these families were better-off working than being on social assistance. Under the NCB Initiative, annual income from full-time employment at the minimum wage (supplemented by income transfers) improved by an average of \$3,200 compared to income from social assistance.
- The NCB Initiative was the main factor contributing to increases in disposable family income, followed by increases to the minimum wage (impacts varied by province and by family type).

Methodology

- This study undertakes program design analysis and examines the effect of the NCB on the disposable incomes of low-income families in two situations: income from minimum wage employment versus income from social assistance.
- The analysis calculates the dollar gap in annual disposable incomes between full-time minimum wage employment and social assistance for each of the years from 1995 to 2001, and determines the impact of the introduction of the NCB Supplement on that gap.

Strengths

- Provided an opportunity to undertake an in-depth examination of the impacts of income transfers, payroll and income taxes, and income tax credits and the minimum wage on the disposable incomes of NCB beneficiaries.
- Evidence provides corroboration regarding the effects of the program in breaking down the welfare wall – by demonstrating strong employment incentives.
- Documents clearly the nature and extent of program changes in the benefits families received for four family types across all provinces and territories (except Quebec and Nunavut).

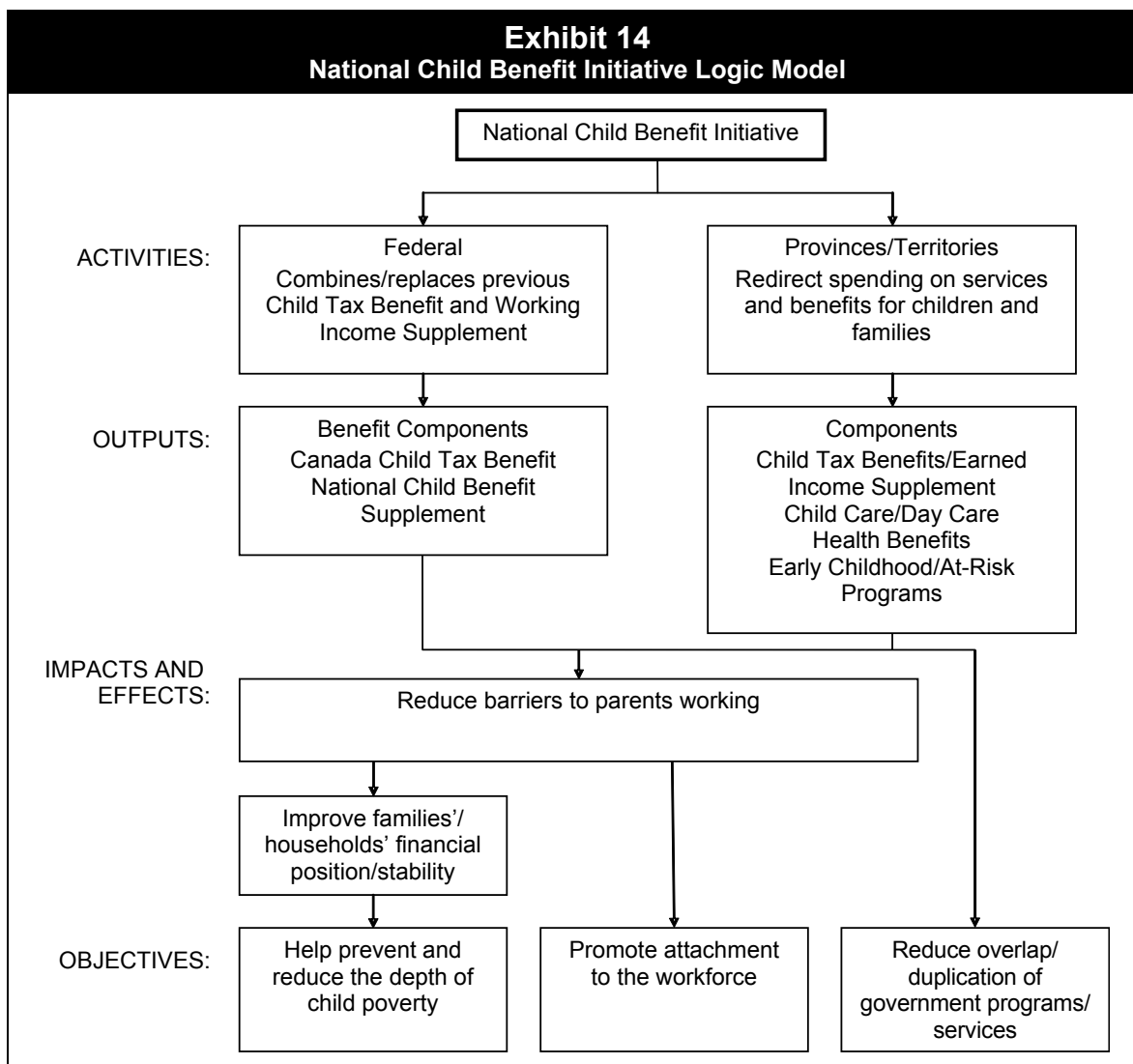
Limitations

- Analysis is limited to a theoretical assessment of the effects of program design provisions in varied circumstances.

Annex Two: NCB Initiative Logic Model

Exhibit 14 presents the structure of the NCB in the form of a logic model. The logic model provides a summary of the important elements of the initiative:

- Activities – actions taken on behalf of the program;
- Outputs – things created as a result of the activities;
- Impacts and Effects – outcomes which happen as a result of outputs; and
- Objectives – goals of the Agreement.



Further, the model displays the logical links between these elements.

This detail was the starting point for the development of a research design which probes the existence and substance of each element of the model and of the linkages between elements.

A number of themes are significant for the evaluation:

- A large amount of flexibility is built into the delivery of the NCB programs. Those delivering NCB programs are encouraged to adjust the initiatives to meet local needs and conditions;
- The NCB is a reflection of a new federal/provincial/territorial initiative that is expected to lead to less overlap and duplication among government programs and services;
- There is a shift of support to all low-income families, outside of the social assistance system; and
- The NCB programs are expected to encourage parental participation in the workforce, in turn improving the financial positions of families in society.

Provincial and territorial reinvestments being made as a result of NCB funding include Child Benefit and Earned Income Supplements programs, Child Care/Day Care programs, Supplementary Health Benefit programs, and Early Childhood Services.