

**Program for
Older Worker Adjustment**

Evaluation Report

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Evaluation and Data Development
Strategic Policy
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EXECUTIVE SUMMARY

Background and Purpose

Over the past 15 years, the pace of economic restructuring in Canada has quickened. While this has created opportunities for some workers, it has increased the vulnerability of others. Older workers more often fall into the latter group. The Program for Older Worker Adjustment (POWA) was introduced in 1987 to address some of the difficulties faced by older workers who have been laid off from their jobs. POWA is intended to help displaced older workers with poor reemployment prospects by providing compensation to bridge the period between layoff and retirement.

The overall purpose of this study was to evaluate the impacts of POWA on older workers and, in particular, to compare these impacts with those of older workers who did not participate in the program. Four broad issue areas were addressed in this evaluation: 1) rationale; 2) program design; 3) impacts; and 4) alternatives.

Program Description

The Program for Older Worker Adjustment was established in 1987. Established under Labour Canada, the program is now administered by Human Resources Development Canada (HRDC) and partner provinces. At the time of the evaluation, there were 11,751 participants in the program from 916 layoffs.

POWA is directed at older (aged 55 to 64), pre-retirement workers who have lost their employment as part of a mass layoff. Eligibility for POWA is determined in a two step process: designation of the layoff and certification of individual workers. Designation of the layoff is based on factors such as level of economic disruption resulting from the layoff and the proportion of older workers affected. Certification of individuals considers age, prior labour force experience and employment status. Certified participants are eligible for financial support through to age 65. The calculation and amount of benefits and benefit deductions (e.g., for private pensions,

employment income) vary across jurisdictions. POWA benefits are delivered through private sector insurance companies.

Since the inception of POWA, there have been three program regimes or signings of framework agreements. The second regime, adopted in 1992, introduced changes designed to provide more equity in the benefit structure, better target lower income older workers and to improve women's access to POWA. The emphasis of this evaluation study is on Regime 2 participants. POWA is being terminated by the end of the 1996-97 fiscal year.

Methodology

The methodology for this evaluation was based on multiple lines of evidence which included:

- ***Literature and Documents Review.*** This review involved an examination of the literature on the displacement experiences of older workers and the international experience with respect to adjustment programs for older workers. A thorough review of program documentation was also conducted. A description of POWA, including a program logic model, was developed.
- ***Key Informant Interviews.*** Several key informant interviews were conducted with program staff at headquarters. These interviews provided an important program context for the evaluation and information on administrative data sources.
- ***Pre-Survey Focus Groups.*** During the research design phase, two focus groups were conducted with POWA participants. The findings from these groups were used in the design of the survey questionnaires.
- ***Administrative Data Analysis.*** Three types of administrative data were analyzed for this project: POWA applicant database, HRDC administrative data files and a POWA payments file.
- ***Survey of Participants.*** In total, 1,050 interviews were completed with a random sample of participants who had received benefits from the POWA program and were laid off between 1989 and 1993.
- ***Survey of Non-Certified Participants.*** A small survey was conducted of individuals selected at random who were eligible for POWA (i.e., they appeared on the POWA applicant database) but did not participate in the program. Included in this survey were: 1) 150 interviews with program "no shows"; 2) 100 interviews with individuals in the "zero benefit" category; and 3) 51 interviews with individuals who had withdrawn from the program.
- ***Survey of a Comparison Group.*** In total, 612 interviews were conducted with individuals in a comparison group who had been laid off during the time period covered by the study but who had not used the program. In order to ensure their comparability with POWA participants, comparison group individuals were selected in three stages to ensure that: 1) the size of layoff and size of community were similar to the participant group; 2) selected

individuals fell within the age criterion of the program; and 3) selected individuals met the other POWA program eligibility criteria (e.g., number of years working, permanent layoff).

Findings

Program Targeting

POWA targets a segment of displaced workers in need of income assistance. The profile of POWA participants indicated that these workers generally have low levels of formal education and are concentrated in low-skilled industries. Lack of educational credentials and portable skills translate into poor prospects for obtaining employment for these workers.

POWA is not reaching all older workers who could potentially benefit from the program. To some extent, the limited availability of POWA and the low profile maintained by the program limits outreach. The program's eligibility criteria also limit access. The exclusion of smaller layoffs excludes some of the most vulnerable segments of the labour market — older laid-off workers from smaller companies with no or low severance payments or pensions.

Delivery and Timing

Participants generally expressed high levels of satisfaction with the program, although satisfaction levels were lower under Regime 2. From the perspective of participants, the delay between the time they are eligible for assistance and the time they start receiving benefits is a source of dissatisfaction. Some of these delays are external to the program operations, including delays in receiving the application and getting framework agreements in place.

Adjustment Services

POWA participants were more likely to have participated in adjustment services such as job search advice or retirement planning following their layoff than the comparison group. Given the types of layoffs from which POWA participants are drawn (mass layoffs, plant closures), they are more likely to have had these services available to them. Only a minority of workers in the participant and comparison groups pursued training following their layoff.

Labour Market Outcomes

Re-employment opportunities for older displaced workers in both the participant and comparison groups were poor, with only a minority finding work following their layoff. While most POWA participants and comparison group workers searched for work following their layoff, POWA participants were less likely to find employment. The jobs which were found by POWA participants were more likely to be temporary and part-time and with lower earnings and benefits than the comparison group. It is evident from this evaluation that POWA's income support element

has turned out to be a disincentive to labour market participation. Further, changes to the program under Regime 2 did not stimulate greater labour market participation among participants.

In terms of earnings, the evaluation data indicate that workers in both the participant and comparison groups experienced a substantial loss of earnings following their layoff. This loss of earnings was significantly higher for participants than the comparison group. While POWA participants experienced a greater earnings loss, they fared better than the comparison group in terms of total income, at least in the shorter-term following layoff.

The income data indicate that POWA does not tend to promote financial self-sufficiency or encourage independence from other government support among participants. Rather, as intended in the program design, POWA links and supplements other government support programs. Since almost 90 per cent of both participants and comparison group members received early Canada Pension Plan (CPP) benefits, it would appear that CPP is used by older workers as a way of coping with layoff.

Quality of Life

POWA appears to have contributed to a greater quality of life for the participants. Participants, particularly under Regime 1, express greater satisfaction with aspects of their life such as ability to spend time with family, and participation in social and recreational activities.

Contribution to the Community

While level of contribution to the community was not measured directly, POWA resulted in higher levels of income for participants which would be expected to yield benefits for the community in terms of higher expenditures. POWA also helps retain laid-off older workers within their own community. There was little evidence to support the notion of greater community participation in terms of voluntarism.

Conclusions

The evaluation evidence suggests that POWA has been a valuable adjustment strategy for many displaced older workers and has fulfilled a real need for this segment of the workforce. Because of the profile of the target group and current labour market realities, POWA functions primarily as a passive support strategy which provides needed financial support to workers.

The program's criteria, however, give rise to significant inequities. In particular, limiting eligibility to large layoffs functions to exclude many laid-off workers who could benefit from the program. These workers face adjustment situations which are often more challenging and severe than POWA participants.

1

INTRODUCTION

1.1 Background

Over the past 15 years, the pace of economic restructuring in Canada has quickened. While this has created opportunities for some workers, it has increased the vulnerability of others. Older workers more often fall into the latter group. Compared to displaced workers in other age categories, those 55 years and over tend to have longer durations of unemployment that frequently terminate not with employment but, rather, with an exit from the labour force. For those who do find employment, the average wage loss (relative to the previous job) is larger than for other age groups. Labour adjustment difficulties are particularly acute for workers who have lost jobs in declining sectors in depressed local labour markets.

The Program for Older Worker Adjustment (POWA) was introduced in 1987 to address some of the difficulties faced by older workers who have been laid off from their jobs. POWA is intended to help displaced older workers with poor reemployment prospects by providing compensation to bridge the period between layoff and retirement.

The overall purpose of this study is to evaluate the impacts of POWA on older workers and, in particular, to compare these impacts with those of older workers who did not participate in the program. Evaluation objectives include:

- to provide a profile of program participants and non-participants;

- to assess the underlying program rationale;
- to examine POWA delivery results;
- to determine the labour market impacts of POWA; and
- to determine the non-labour market impacts of POWA.

1.2 Research Issues

The Terms of Reference for the study identified four broad issue areas for this evaluation. These are:

1. Rationale
2. Program Design and Objectives Achievement
3. Impacts
4. Alternatives

Each of the research issue areas is discussed in more detail below.

(a) Rationale

Rationale issues refer to questions about the relevance of POWA and the overall logic of the program. Is the original rationale for implementing the program still valid? Is there a continued need for the program? Are the program's resources appropriately targeted? The specific rationale issues for the POWA evaluation are:

- Under what conditions is there a need for the government to provide income assistance (annuity) for older workers laid off at pre-retirement age (55-64)?
- older workers, who have lost their jobs at pre-retirement age (55-64) as a result of a major layoff, live independent of government support until they reach the age of 65?

(b) Program Design and Objectives Achievement

Program design issues refer to questions of program operation and the extent to which the parameters of the program affect the achievement of the objectives for which the program is accountable. Evaluation questions under program design and objectives achievement are:

- What are the main objectives of POWA? What are POWA's sub-objectives (e.g., temporary income support, last resort income support for long-service workers involved in a major layoff, labour market adjustment, etc.)?
- Has POWA enabled recipients to live without accessing other types of government income support? Have recipients been adequately supported through POWA?
- Are the criteria for qualifying as a major layoff appropriate in terms of helping those most in need? Do the criteria exclude certain individuals who may need assistance? Does POWA provide assistance to certain individuals who do not require assistance?
- How have POWA's criteria and benefit levels changed over time and what are the implications of these changes to the individual, the industries, and the community?

(c) Impacts and Effects

Impacts and effects are the more general consequences of the program. These include both labour market or employment outcomes and non-labour market outcomes. The latter category of impacts and effects will be particularly important in the current context given the objectives of the program and the client group. The evaluation issues identified in the Terms of Reference under impacts include:

- To what extent do POWA recipients differ from the general population of workers who have lost their jobs in pre-retirement age in terms of labour force activities?
- How do POWA recipients continue to contribute to the community, both financially and non-financially?
- What is the current living situation of POWA recipients and to what extent are they satisfied with their current living situation, including their standard of living, their leisure activities, their prospects/expectations, and their labour force activities?

- To what extent has POWA enabled recipients to attain a level of self-sufficiency through employment or other means of non-government income (e.g., pensions, savings, investments, etc.)?
- Do POWA recipients stay in the communities where they worked after POWA benefits begin?

(d) Alternatives

Alternative issues reflect the forward-looking aspect of the evaluation. The issue of alternatives asks whether there are more cost-effective alternatives to the current configuration of the program that would yield the same or better results. Specifically, alternative issues for this evaluation include:

- Are there other cost-effective alternative programs or strategies that might achieve the same objectives as POWA?
- What is the relative cost-effectiveness and cost-efficiency of POWA compared to other types of income support?
- To what extent is it cost-efficient and/or cost-effective to deliver POWA benefits via the private sector (i.e., annuity) rather than through traditional government mechanisms?

Not all of the cost-effectiveness issues could be addressed in this evaluation. Reliable comprehensive cost information was not available from either HRDC's administrative data or from external sources. Annual reports from the insurance companies and the POWA payment file were the two sources of data available for the evaluation of the costs associated with the Program. Based on the annual reports from the insurance companies, it was virtually impossible virtually impossible to determine the real costs a particular annuity plan since unspent amounts could be applied to new annuity contracts. The second source of data (the POWA payment file) was only available from one company and only contained the total payments for an individual in a given year and not the total costs associated with that person since the beginning of the annuity. Given the lack of cost information, more effort was devoted to other research activities such as developing a detailed profile of the participants and the comparison group using the administrative data.

1.3 Evaluation Methodology

The methodology for this evaluation was based on multiple lines of evidence. Initial preparatory research included:

- *literature and documents review.* This review involved an examination of the literature on the displacement experiences of older workers and the international experience with respect to adjustment programs for older workers. A thorough review of program documentation was also conducted. A description of POWA, including a program logic model, was developed.
- *key informant interviews.* Several key informant interviews were conducted with program staff at headquarters. These interviews provided an important program context for the evaluation and information on administrative data sources.
- *pre-survey focus groups.* During the research design phase, two focus groups were conducted with POWA participants. The findings from these groups were used in the design of the survey questionnaires.

The two most important data sources for the evaluation were surveys of POWA participants, non-certified participants and a comparison group of non-participants, and an analysis of administrative data. These methods are described in more detail below.

(a) Survey of Participants

For the purposes of this study, POWA participants were defined to include those who received benefits from the POWA program (i.e., were certified) and were laid off between 1989 and 1993.¹ In total, 1,050 interviews were completed with a random sample of the approximately 10,000 POWA participants who were laid off during these years.

1. There were two groups of respondents in this survey. The majority of POWA participants (950) surveyed were selected from the population of participants having a geographical match to layoffs in the comparison group. A second smaller sub-group of cases (150) included participants from layoffs without a geographically matched layoff in the comparison group.

(b) Survey of Non-Certified Participants

A small survey was conducted of individuals who were eligible for POWA (i.e., they appeared on the POWA administrative database) but did not participate in the program. Three categories of non-certified participants were surveyed: 1) 150 interviews were conducted with "no shows", that is, individuals who were invited to attend a POWA information session but did not show up because they were ineligible, had found other employment or were receiving relatively high pension benefits; 2) 100 interviews were conducted with individuals in the "zero benefit" category which includes those who met the program eligibility criteria but who, after deductions for other income sources, had their POWA benefits reduced to zero; and 3) 51 interviews were conducted with individuals who had withdrawn from the program.

(c) Comparison Group Survey

In order to ensure the comparability of the non-participant sample, a comparison group sample was created in three steps. The first step involved identifying mass layoff firms with characteristics similar to firms participating in POWA during the period under study. Firms that had experienced permanent layoffs of 20 employees or more in any calendar year between 1989 and 1993 were included in the initial sample. Second, those firms who satisfied the initial criteria were further screened based on community size. The POWA program determines firm eligibility based on size of layoff in relation to size of the community. Firms in the comparison group that did not meet the layoff size and community size criteria simultaneously were excluded.² Third, laid-off workers from eligible comparison group firms were selected. These workers had to be between 55 and 64 years of age at the time of layoff. To ensure their comparability to the POWA participant group, the telephone survey also contained a number of screening items based on program eligibility criteria. These items excluded respondents who were not Canadian citizens or landed immigrants, had worked fewer than 13 years in the 20 years prior to their layoff and whose layoff was temporary.

2. Due to vagaries in the estimation of community size, sub-sample of small layoff size cases was included to moderate their underrepresentation in the core comparison group sample.

(d) Administrative Data Analysis

Three types of administrative data were analyzed for this evaluation study. The administrative data analysis began, first, with an examination of the full POWA applicant database. This database included information on over 30,000 applicants to the program who were laid off between 1986 and 1995. The analysis was used to profile POWA participants and to examine program take-up.

Second, administrative data linkages were established between HRDC administrative data files, the POWA applicant database and the comparison group respondents to the telephone survey.³ HRDC administrative data files, specifically the Status Vector, Record of Employment and T1 files were used to provide important historical and outcome information for POWA participants and the comparison group, including, for example, utilization of unemployment insurance and total income/earnings.⁴ Finally, a POWA payments file was examined in the administrative data analysis. This analysis provided information on program benefits and the impact of changes introduced to the program on the benefits structure.

1.4 Report Organization

This report contains five additional chapters. Chapter two provides a brief description of POWA. A profile of POWA participants is presented in Chapter three. Chapter four describes program delivery results. Final outcomes of the program are provided in Chapter five. Conclusions are presented in Chapter six.

3. A potentially broader comparison group of older layoff workers available from the administrative data was rejected for the analysis because there was no information to ensure the comparability to POWA participants (e.g., employment history, permanent layoff). As a result, administrative data for those in the telephone survey only were used.
4. The Status Vector file includes information on utilization of unemployment insurance. Record of Employment file has data on employment experience and job separations. The T1 file is based on taxation information.

2

PROGRAM DESCRIPTION

2.1 Program Objectives

The Program for Older Worker Adjustment was established in 1987. It is a successor program to earlier labour adjustment programs including the Labour Adjustment Benefits (LAB) program which ran from 1982 to 1987. Established under Labour Canada, the program is now administered by Human Resources Development Canada (HRDC) and partner provinces. POWA is targeted to older, pre-retirement workers who have lost their employment as part of a mass layoff. The program is intended to: 1) provide income support for older unemployed workers after their UI expires; and 2) ensure a more equitable distribution of the impacts of major layoffs.

2.2 Program Administration

Unlike earlier programs which were completely financed by the federal government, POWA is a jointly funded and administered federal-provincial program. POWA payments are cost shared 70 per cent federal and 30 per cent provincial. Not all provinces participate in POWA. Between 1988 and 1991, agreements were signed between the federal government and eight jurisdictions. Currently agreements are signed with Nova Scotia, Quebec, Ontario, Newfoundland, New Brunswick and British Columbia. Saskatchewan has signed agreements for individual layoffs.

Because separate agreements have been signed with each jurisdiction, the benefit calculation and program benefit levels vary among provinces depending on the amounts specified in the federal-provincial framework agreements. POWA benefits are linked to prior unemployment insurance benefits in some jurisdictions, while others specify a basic minimum benefit level for all participants. There are benefit deductions for other pension or employment income, though again these rates differ among jurisdictions.

2.3 Approval Process

Eligibility for POWA is determined in a two step process: designation of the layoff and certification of individual workers. In the first phase, layoffs that are considered potential candidates to be included in the program are reviewed and analyzed by program representatives (either federal or provincial). This layoff analysis includes an examination of factors such as layoff size in relation to the size of the community, level of economic disruption caused by the layoff and proportion of workers that are older (i.e., 55 to 64 years of age) who are affected. Layoff analyses are submitted to a federal-provincial POWA committee for approval. Following POWA approval, recommendations are sent for Ministerial and Treasury Board approval.

Once a layoff has been designated as eligible for POWA, the second phase — approval of individual laid-off workers — is implemented. All eligible applicants are invited to an information session. At the information session, the applicants' eligibility is assessed according to the following criteria:

- must be between 55 and 64 years of age (inclusive);
- UI entitlement is exhausted;
- worker must be a Canadian citizen or landed immigrant; and
- worker must have been in the labour force for at least 13 years in the past 20 years with a minimum of 750 hours of employment annually.

Since the inception of POWA, there have been three program regimes or signings of framework agreements. The second regime, adopted in 1992, introduced changes designed to provide more equity in the benefit structure, better target lower income older workers and to improve women's access to POWA. For example, the labour force attachment eligibility requirement was lowered from 15 years out of the 20 years prior to layoff to 13 years. Also under

the second regime, the average amount of benefits for participants decreased as a result of a reduction in the maximum level of benefits and a dollar-for-dollar deduction of private pensions (there were no pension deductions under the first regime). Average monthly payments under Regime 1 were \$856. Under Regime 2, average benefits were reduced by \$219 per month or 26 per cent.

Note that the emphasis in this evaluation study is on Regime 2 participants. The experiences of these program participants are more relevant to the current program design. The third regime was not examined in this evaluation because it was only recently introduced in 1994.

POWA administrative data indicate that about 89 per cent of eligible applicants were certified in Regime 1. This proportion decreased under Regime 2 to 71 per cent. This difference was largely the result of the dollar-for-dollar deduction of pension income introduced in Regime 2 which led to a large number of "zero benefit" cases (deductions which reduced some participants' benefits to zero). There were virtually no zero benefit cases recorded in the first regime.

Unlike other government programs which have traditionally provided services directly to client, POWA benefits are delivered through private sector insurance companies. These financial institutions are contracted by the government based on a competitive bidding process to provide monthly annuity payments to POWA participants until they reach the age of 65.

2.4 Program Resources

The POWA database, at the time the evaluation was conducted, indicated that there have been 11,751 participants from 916 layoffs over the life of the program. As of September 1995, \$424.7 million in annuities had been purchased. The federal contribution has been \$297.4 million and the provincial contribution has been \$127.3 million. The majority of federal expenditures have been in Quebec (\$155 million) and Ontario (\$94.5 million). The average per participant cost for the federal government is \$20,000.⁵

5. POWA activity report, September 1995.

POWA has now been terminated (1996). While no new projects will be approved, projects that are currently active will continue until completion.

3

PARTICIPANT PROFILE

3.1 Sociodemographic Profile

(a) Age

POWA participants' age at the time of the layoff was nearly 59 years on average. Approximately two-thirds of participants (63 per cent in Regime 1 and 65 per cent in Regime 2) were between 55 to 60 years of age at the time of their layoff, with the remaining one-third being over 60. The relatively low percentage of workers in the higher age category reflects their lower participation rate in the labour market. Currently, Regime 1 participants are 65 years of age on average and Regime 2 participants are 63 years of age on average.

(b) Gender

Males substantially outnumber females among POWA participants. In Regime 1, 79 per cent of participants were male versus 21 per cent who were female. This unusually high incidence of male program participants would appear to be due to program targeting toward large layoffs in traditional manufacturing industries which have historically had a male-dominated workforce. This male/female ratio improved under Regime 2, with 31 per cent of the participants

being female. Part of this increase may be explained by a reduction in the required years of work experience introduced under Regime 2 (from 15 to 13 years of age over 20 years prior to layoff). However, at least half the increase in the female participation rate is due to the impacts of other program changes (e.g., the dollar-for-dollar pension deduction) which reduced the program take-up rate for males.

(c) Education and Skills

POWA participants have low levels of formal education. Seventy-eight per cent of the Regime 1 participants and 75 per cent of the Regime 2 participants did not graduate from high school. A large proportion did not even attend high school; in Regime 2, 34 per cent had only a primary school level education. This lack of schooling was not compensated by trade certification. Approximately 81 per cent of the participants reported no trade or professional certification.

Considering the low levels of formal education and certification, it is not surprising that POWA participants were not optimistic about their skills and chances of finding re-employment. Forty-eight per cent of POWA participants strongly disagreed with the statement that at the time of the layoff they felt they would have no problem finding a good new job and 56 per cent strongly agreed that their skills were only useful in the same industry.

3.2 Prior Labour Market History

The majority of POWA participants had prior labour market experience exceeding the requirement of the program. The majority of participants had been employed 19 years on average of the 20 years prior to their layoff. In terms of total years in the labour force, 80 per cent of Regime 2 participants had worked for more than 30 years.

The majority of POWA participants (65 per cent in both Regimes 1 and 2) were employed in the manufacturing sector at the time of their layoff. Within the manufacturing sector,

the largest number of participants are from labour intensive manufacturing industries (e.g., leather, textiles, clothing and furniture). There was a large decline in the "other primary" sector category from Regime 1 and Regime 2 — from 16 per cent to seven per cent. The largest increase was for research-based manufacturing (e.g., heating equipment industry, aircraft and aircraft parts industry, electrical and electronic products industries) which increased from 10 per cent to 17 per cent between Regime 1 and Regime 2.

POWA participants appear to be drawn from industries which typically have a lower skilled workforce and in which one would expect workers to have difficulty in the labour market following a layoff. For example, workers in the labour intensive manufacturing industries — the largest manufacturing category among participants — were substantially less likely to be classified in the zero benefit category, indicating they are more likely to come from jobs with lower benefits and pay.

Unemployment insurance (UI) records and prior information on job separations indicate that POWA participants had a highly stable employment history prior to their layoff. While participants had two or more prior layoffs since 1987, most of these appear to have been temporary. Most of the POWA participants had received no UI since 1987 (64 per cent in Regime 1 and 51 per cent in Regime 2) or had received UI for only one to thirteen weeks (15 per cent for Regime 1 and 19 per cent for Regime 2).

One year prior to the layoff, Regime 1 POWA participants earned approximately \$32,000 and Regime 2 earned \$28,000. There was little difference between the older and younger workers within each regime.

3.3 Layoff/Employer Characteristics

As dictated by the program criteria, POWA participants tend to come from mass layoffs (70 per cent of participants were from layoffs involving more than 100 workers). There was also a high concentration of older workers in layoffs served by the program with the proportion of older workers well exceeding the requirement of the program; on average participants came from layoffs where 20 per cent of laid-off workers were between 55 and 64 compared to eight per cent which is required by the program. Virtually by definition, POWA participants also tend to be

drawn from larger companies. The average company size was over 500 employees in both regimes. Nearly 60 per cent of participants came from companies with more than 200 employees. POWA participants were drawn mainly from plant closures rather than layoffs — 94 and 87 per cent of participants under Regimes 1 and 2 respectively were drawn from plant closures. The majority of POWA participants (71 per cent) reported receiving advance notice prior to their layoff — 17 weeks on average. A similar proportion received some layoff-related payments at that time.

3.4 Region and Community Size

Under Regime 1, Ontario and Quebec accounted for approximately 84 per cent of certified applicants. This increased to 88 per cent under Regime 2. The dominance of Ontario and Quebec is due to the fact that these two provinces account for the majority of the types of layoff assisted by POWA. The absence of framework agreements in some provinces is another reason why Ontario and Quebec account for the vast majority of certified applicants.

Community size is considered to be a key predictor of older workers' ability to find suitable employment following their layoff. A substantial proportion of POWA participants come from small communities (i.e., population under 30,000). Under Regime 1, nearly 48 per cent came from communities of 30,000 or less and only 25 per cent came from larger communities of 100,000 or more. While there was a slight increase in the participation of certified applicants from larger communities under Regime 2 — 34 per cent from communities of 100,000 or more — the majority still tend to come from smaller size communities.

4

DELIVERY RESULTS

4.1 Length of Time for Approval

The length of time between layoff date and Ministerial approval of the layoff was 67 weeks on average under Regime 1 and 98 weeks after the layoff under Regime 2. While this time period may seem lengthy, most participants are not eligible for POWA payments until at least one year after their layoff (65 weeks under Regime 2) after their severance and UI benefits have been exhausted. The length of time between participant eligibility for POWA benefits to commence and the Minister's approval was five weeks on average under Regime 1 and 32 weeks on average under Regime 2. The lengthier approval period under Regime 2 is due, in part, to a gap between the expiry of the Regime 1 framework and the establishment of the Regime 2 framework and a Regime 2 funding arrangement which resulted in delays due to cash flow issues.

4.2 Program Experience

(a) Awareness and Take-Up

Less than half the program participants had heard of POWA before they received their notice to attend the program information session. In Regime 1, 36 per cent had heard of POWA previously. This figure was higher at 48 per cent for the Regime 2 cases. The most common sources of information about the program were co-workers, the union and, third, the employer.

A small proportion of eligible applicants did not participate in the POWA program (e.g., the no shows and withdrawals). According to the survey data, the main reason for not participating among those who recalled receiving the notice to attend the POWA information session were: receiving other income (34 per cent), did not think they were eligible (25 per cent) and found other employment (21 per cent).

(b) Program Satisfaction

Satisfaction with various aspects of the delivery of POWA was quite high. The majority of participants were very satisfied with the quality of service, although satisfaction levels were higher among Regime 1 participants than Regime 2 (88 per cent reported being very satisfied in Regime 1 compared to 77 per cent in Regime 2). Less than three per cent of participants were very dissatisfied. Participants were also generally satisfied with the initial information they received about the program, although again there was a decline in the level of satisfaction between the two regimes; 88 per cent in Regime 1 were very satisfied compared with 65 per cent in Regime 2.

The delay between participant eligibility for POWA benefits and their benefits actually commencing may have been problematic for some participants. While participants experiencing a delay are compensated by a lump sum payment, survey respondents expressed a clear preference for more timely, monthly payments.

4.3 Other Adjustment Services

Information on participation in other adjustment services was collected to examine if POWA participants were disinclined to participate in other programs and services because of their participation in the program and to ensure that differences in employment outcomes could not be explained by participation in other adjustment programs and services. The data indicate that POWA participants were more likely to have participated in adjustment services following their layoff than the comparison group. Approximately 48 per cent of Regime 1 participants and 58 per cent of Regime 2 participants claimed to have participated in at least one form of adjustment service at the time of their layoff, while only 40 per cent of the comparison group reported receiving at least one of the services. The most commonly reported services were job search advice and advice on retirement. Because POWA participants were more likely to have come from a plant closure and from large layoffs, the POWA participants may have had more adjustment services available to them than the comparison group. In many instances POWA layoffs also received adjustment services through Industrial Adjustment Service (IAS) funding.

Neither the POWA participants nor the comparison group appeared to demonstrate much interest in training. In fact, ten per cent or less of workers in both groups took formal training lasting more than 40 hours following their layoff. Considering the age and generally low levels of education of these workers, a low training take-up rate is not unexpected.

5

OUTCOMES

5.1 Job Search

There was very little difference between POWA participants and the comparison group in terms of job search following the layoff. Slightly more POWA participants stated they actively searched for employment (69 per cent) than the comparison group (64 per cent). POWA participants and the comparison group were equally likely to have begun their job search prior to their actual layoff. Over 80 per cent of respondents in each group indicated they were searching for year round employment following their layoff.

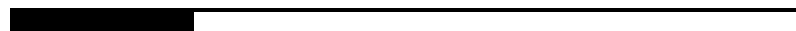
5.2 Labour Market Outcomes

Despite the similarity in their job search activities, the employment outcomes were substantially different for POWA participants and the comparison group, particularly on the key measure: did workers find employment following their layoff? The bivariate results indicate that POWA participants had a lower incidence of re-employment following layoff compared to the comparison group. Changes introduced to the program under Regime 2 did not increase the labour market participation of this group. In both Regime 1 and Regime 2, only 19 per cent of POWA participants found full-time or part-time employment following their layoff. This is in sharp contrast to the 39 per cent of comparison group workers who found employment following their layoff. In terms of current employment status, few individuals from either the participant or the

comparison group are now employed (four and seven per cent of Regime 1 and Regime 2 participants were employed full-time or part-time at the time of the survey respectively, compared to 20 per cent of the comparison group). The jobs which were found by POWA participants were less stable and offered less pay than the comparison group. Of those POWA participants who were employed following their layoff, their current or most recent job was often temporary or casual (47 per cent) and less than 40 hours per week (51 per cent). Average weekly earnings were \$581 and few workers had fringe benefits at their job (18 per cent).

While the bivariate analysis indicates that there are significant differences between the POWA participant and comparison groups with respect to employment outcomes, a multivariate analysis was conducted in order to examine whether these differences were due to participation in the POWA or were the result of pre-existing differences between the groups. Profile data had indicated that the participant and comparison groups were significantly different in terms of some basic background characteristics (e.g., education, age and income).

The multivariate results confirmed the POWA participants were less likely to have found a job and less likely to have found a full-time job in the post-layoff period than the comparison group. Older, female workers were less likely to be employed following their layoff. Workers in the service sector, those with higher levels of education (Regime 2 only) and with higher pre-layoff earnings were more likely to have found a job following their layoff.



5.3 Earnings and Income



(a) Earnings

Earnings and income data for both the participant and comparison groups were examined using administrative data. All groups examined in this evaluation — POWA participants, non-certified participants and the comparison group — experienced a substantial loss of earnings in the years subsequent to their layoff, with the average earned income diminishing each year following the layoff.

All earnings results were segmented by age and include all workers (i.e., with and without earned income). One year prior to layoff, younger POWA participants (55 to 59 years of age) under Regime 1 earned approximately \$32,000 and \$29,000 under Regime 2. In the first year after the layoff, the Regime 1 younger participants had earned income of only \$4,000 (a decrease of \$28,000 from the year prior to the layoff) and Regime 2 reported average earnings of about \$2,000 (a decrease of approximately \$27,000).

The earnings results further confirm that the program changes implemented in Regime 2 did not stimulate more labour market participation. The earnings of the Regime 1 participants were generally equal to the level of earnings for the Regime 2 participants. There were differences, however, by the age of the participant, with the older age group (60 to 64) experiencing a greater loss in earnings than the younger age group.

The average earnings of the comparison group in the year prior to the layoff was similar to the POWA participants in Regime 1, but approximately \$4,000 higher than Regime 2. The post-layoff earnings of the comparison group, however, were substantially higher than the POWA participants because proportionately more individuals were working and, of those who were working, their earnings were higher on average than POWA participants. For example, younger comparison group workers experienced a loss of earned income in the order of \$20,000 in the first year following layoff.

The multivariate models confirm that employment earnings were lower for POWA participants than for the comparison group following the layoff. Controlling for earnings the first year after the layoff, Regime 1 participants earned about \$2,000 less than the comparison group two years after the layoff and \$2,600 less four years after the layoff. For Regime 2 participants, earnings were \$1,500 less than the comparison group two years after the layoff and \$3,300 less four years after layoff. The most significant predictor of earnings two and four years after layoff was earnings one year after the layoff.

(b) Total Income

One year prior to the layoff, Regime 1 POWA participants had a total annual income of approximately \$37,000, while in Regime 2 the average annual income one year prior to

the layoff was lower at \$34,000. During the layoff year, although total earned income was reduced substantially (depending on when during the calendar year the layoff occurred), other sources of income such as severance packages and UI resulted in total average annual incomes that were often higher than the year prior to the layoff.

In the first year following the layoff, the POWA participants experienced a large income loss, approximately \$13,000. This loss was about the same for participants from both regimes and across the younger and older age groups. Participants' income remained relatively stable and, in fact, increased gradually starting in the second year after their layoff.

Similar to the participant group, the comparison group workers' total income fell in the first year after the layoff by approximately \$12,000 to \$13,000. In the second year after the layoff, the comparison group had a further drop in their income of approximately \$2,000 to \$3,500. Their income had stabilized in the third year and rose four years after their layoff.

Government income sources and pensions were important sources of income for both the participant and comparison groups. In the layoff year and the year following layoff, UI was the most important source of government income. UI was more important for the comparison group, particularly younger workers. CPP payments become more important in each year subsequent to the layoff as workers reach age 60 (the majority claimed CPP prior to reaching age 65). Only a minority of those in the participant or comparison group collected social assistance following their layoff (five per cent and eight per cent respectively).

Private pensions, while an important source of income for all groups, was higher for the Regime 1 participants than Regime 2. Being a recipient of a company pension has a significant impact on the income of older laid-off workers. The zero benefits group who had the highest levels of company pension income also had the highest average total income. Conversely, non-participants who were from layoffs which were not served by the program (typically because their layoff did not meet POWA's size criteria), had the lowest company pension income and the lowest average income.

After controlling for earnings the first year after layoff, the multivariate analysis indicated that, although POWA participants' earned income was significantly lower than the comparison group, total income two years after the layoff was higher than the comparison group

for Regime 1 participants (about \$3,000 higher) and about equal for Regime 2 participants. Four years following the layoff, the initial income advantage among Regime 1 participants disappears and Regime 2 participants, at this time, have a total average income that is about \$3,300 less than the comparison group.

5.4 Assets and Debts

Bivariate survey data were used to examine the impacts of the program on participants' overall financial situation. POWA participants were less financially secure at the time of the layoff than the comparison group. Participants had less savings and residential capital. The net change in workers' financial situation between the time of the layoff and the time of the interview varies significantly across the groups. For Regime 1 participants, their financial status improved between the time of the layoff and the survey interview — a positive difference of \$2,460. For Regime 2 participants, however, the change in financial situation was negative — a loss of about \$1,350 since the layoff. The comparison group improved their situation, increasing the value of net assets by about \$5,000 between the time of the layoff and the time of the survey interview.

The multivariate analysis included a model to predict current net assets (savings minus debts) controlling for savings and debts at the time of the layoff. Differences in current net assets between Regime 1 and the comparison group were not significant. Current net assets of the comparison group were \$4,000 higher than participants in Regime 2, however, after controlling for earnings one year after layoff, this difference became non-significant.

Survey respondents were asked to indicate what types of financial consequences resulted from their layoff. The majority of workers (over 80 per cent of all the participant and comparison groups) cited at least one financial consequence following their layoff. The most likely impact of the layoff for both participants and the comparison group was a reduction in expenses — about three-quarters of workers in all groups reported having to reduce their expenses following their layoff. The second most frequently mentioned impact of the layoff was on individuals' personal savings. Consistent with the financial data reported above, Regime 2 POWA participants were somewhat more likely than Regime 1 participants or the comparison group to report dipping into their savings as a consequence of their layoff.

The remaining impacts of layoff — borrowing from financial institutions or family and friends, selling assets, getting help from charities or declaring bankruptcy, were mentioned far less frequently. These effects were mentioned in similar proportions by POWA participants and the comparison group.

5.5 Non-Labour Force Outcomes

A significant portion of workers in all groups felt that their current standard of living is much worse compared to the time of their layoff. Regime 2 POWA participants were the most likely to express this sentiment.

POWA participants were more satisfied with their overall quality of life than the comparison group. About one-half of Regime 1 participants and 46 per cent of Regime 2 participants reported being very satisfied with their life overall compared to one-third of the comparison group workers. On all indicators (e.g., satisfaction with family time, recreational activities), Regime 1 participants expressed higher levels of satisfaction than Regime 2. All groups expressed least satisfaction with their financial situation.

The majority of workers (between 77 and 80 per cent) are not members of voluntary, charity or community organizations. Those who are members of these organizations are quite active, spending between 18 and 23 hours per month on average on their voluntary activities. POWA participants in both Regime 1 and Regime 2 were only slightly more likely than the comparison group to be a member of a voluntary organization and spent between five and six more hours per week on these activities than the comparison group.

About one-third of surveyed participants rated their current health as excellent, while seven per cent or less indicated that their health was very poor. POWA participants, particularly Regime 2 participants, provided a poorer rating of their health compared to the comparison group. The older age profile of the respondent group translates into quite significant use of health care services, though there were few differences among the groups on these indicators.

The vast majority of workers in all groups (between 82 and 91 per cent) have remained in their communities since the layoff. Workers in the comparison group were most likely of all the groups to have relocated outside their community following their layoff.

6

SUMMARY AND CONCLUSIONS

The purpose of this chapter is to present our summary observations and conclusions based on the data collected for this evaluation of POWA.

Program Targeting

POWA targets a segment of displaced workers that is in need of income assistance. The profile of POWA participants indicated that these workers generally have low levels of formal education and are concentrated in low skilled industries. Lack of educational credentials and portable skills translate into poor prospects for obtaining employment for these workers.

POWA is likely not reaching all older workers who could potentially benefit from the program. To some extent, the limited availability of POWA and the low profile maintained by the program limits outreach. The program's eligibility criteria also limit access. The exclusion of smaller layoffs excludes some of the most vulnerable segments of the labour market — older laid-off workers from smaller companies with no or low severance payments or pensions.

Delivery and Timing

Participants generally expressed high levels of satisfaction with the program, although satisfaction levels were lower under Regime 2. From the perspective of participants, the delay between the time they are eligible for assistance and the time they start receiving benefits is a source of dissatisfaction. Some of these delays are external to the program operations, including delays in receiving the application and getting framework agreements in place.

Adjustment Services

POWA participants were more likely to have participated in adjustment services such as job search advice or retirement planning following their layoff than the comparison group. Given the types of layoffs from which POWA participants are drawn (mass layoffs, plant closures), they are more likely to have had these services available to them. Only a minority of workers in the participant and comparison groups pursued training following their layoff.

Labour Market Outcomes

Re-employment opportunities for older displaced workers in both the participant and comparison groups were poor, with only a minority finding work following their layoff. While most POWA participants and comparison group workers searched for work following their layoff, POWA participants were less likely to find full-time or part-time employment. The jobs which were found by POWA participants were more likely to be temporary and part-time and with lower earnings and benefits than the comparison group. It is evident from this evaluation that POWA is a mild disincentive to labour market participation. Further, changes to the program under Regime 2 did not stimulate greater labour market participation among participants.

In terms of earnings, the evaluation data indicate that workers in both the participant and comparison groups experienced a substantial loss of earnings following their layoff. This loss of earnings was significantly higher for participants than the comparison group. While POWA

participants experienced a greater earnings loss, they fared better than the comparison group in terms of total income, at least in the shorter-term following layoff.

The income data indicate that POWA does not tend to promote financial self-sufficiency or encourage independence from other government support among participants. Rather, as intended in the program design, POWA links and supplements other government support programs. Since 87 and 88 per cent of the participants and the comparison group respectively received early CPP benefits, it would appear CPP is used as a national labour adjustment program for older workers.

Quality of Life

POWA appears to have contributed to a greater quality of life for the participants. Participants, particularly under Regime 1, express greater satisfaction with aspects of their life such as ability to spend time with family, and participation in social and recreational activities.

Contribution to the Community

While level of contribution to the community was not measured directly, POWA resulted in higher levels of income for participants which would be expected to yield benefits for the community in terms of higher expenditures. POWA also helps retain laid-off older workers within their own community. There was little evidence to support the notion of greater community participation in terms of voluntarism.

Conclusions

The evaluation evidence suggests that POWA has been a valuable adjustment strategy for many displaced older workers and has fulfilled a real need for this segment of the workforce. Because of the profile of the target group and current labour market realities, POWA functions primarily as a passive support strategy which provides needed financial support to workers.

The program's criteria, however, give rise to significant inequities. In particular, limiting eligibility to large layoffs functions to exclude many laid-off workers who could benefit from the program. These workers face adjustment situations which are often more challenging and severe than POWA participants.