

Strategic Initiatives Evaluation



Graduate Employment/ Self-Employment Program (GESEP)



Human Resources
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Government of Newfoundland
and Labrador

Canada

Formative Evaluation of the Graduate Employment/ Self-Employment Program (GESEP)

Final Report

**Evaluation & Data Development
Strategic Policy
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The Graduate Employment/Self Employment Program (GESEP) is a jointly funded federal-provincial Strategic Initiative being managed by the Newfoundland and Labrador Departments of Development and Rural Renewal (formerly Employment and Labour Relations), Education, and Social Services in cooperation with Human Resources Development Canada-Newfoundland Region.

This evaluation study was conducted by the Goss Gilroy Inc., the Institute for Human Resource Development and Omnifacts Research under the direction of the Evaluation Committee comprised of representatives from the four partners..

The evaluation team would like to thank all those who contributed to the study, including officials in the Provincial Departments of Education, Development and Rural Renewal (formerly Employment and Labour Relations), and Social Services as well as officials in HRDC—Newfoundland Region and Evaluation and Data Development at National Headquarters. Extensive federal-provincial cooperation was essential to the success of the evaluation.

Finally, we wish to thank the many social assistance recipients, students, businesses and sponsors who generously shared information about their experience with GESEP.

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Executive Summary

The Graduate Employment/Self-Employment Program (GESEP) represents a joint response of the Government of Canada (through Human Resources Development Canada (HRDC)) and the Government of Newfoundland and Labrador (through 3 departments: Employment and Labour Relations (ELR), Social Services (DOSS) and Education (DE)) to challenges faced by recent post-secondary graduates in Newfoundland.

The GESEP program is a pilot project implemented under the federal government's Strategic Initiatives (SI) Program announced in the federal budget of February 22, 1994. Like other elements of SI, GESEP has been implemented in a single province on a cost-shared basis with the provincial government.

To be eligible for GESEP, individuals must:

- have graduated from a post-secondary program of minimum one year duration within the past two years;
- be unemployed, working less than 20 hours per week, or, working in a job unrelated to their field of study; and,
- have been actively seeking employment in their field of study for a minimum of three months.

Priority was given to individuals dependent on income support; to individuals in rural areas of the Province; and, to individuals who located their own placement. The program does not explicitly target graduates with specified fields of study or intended occupations. However, since positions with firms in growth sectors (as identified in the Province's Strategic Economic Plan) receive priority, this may implicitly favour graduates from related fields of study. The program is intended to be as accessible to graduates of a one-year program at a public or private college as to university graduates.

GESEP consists of two components both of which are promoted throughout Newfoundland and Labrador. Both components are administrated by ELR.

Graduate Employment (GE)

This component of the Program is based on a pre-existing program of the Government of Newfoundland and Labrador, the Graduate Employment Program (GEP), which has been in existence since 1989.

GEP was from its inception intended to increase employment opportunities for post-secondary graduates, who were having great difficulty in obtaining relevant employment, to help them gain work experience in their field of study, and to assist them in forming attachments to the labour force. The rationale for implementing GEP was to address the paradox new graduates face: cannot get a job without experience; cannot get experience without a job. GEP has been renewed annually since 1989, and been recognized as an important program due to concerns that if the more highly educated individuals leave, then Newfoundland and Labrador loses its most innovative and potentially most productive individuals.

GEP was evaluated by an external firm in 1990. As well, ELR prepared an internal review dated June, 1995 which describes activity under the program from 1989/90 until 1992/93. The internal review reports:

- a completion rate of about 60% over the four fiscal years;
- a post-program retention rate of graduates by their program employer (based on administrative data sources) of up to 70.3% of the graduates who completed their placement;
- two thirds of the employment has been located in urban areas; and,
- the average cost per contracted placement was approximately \$9000.

While the GE component was largely based on GEP and, like GEP, was delivered by ELR, a number of refinements were introduced:

- under GESEP, placement of Social Assistance Recipients was specifically targeted;
- under GESEP, attempts were made to increase the proportion of placements outside the Avalon region. In particular, notional budgets were allocated per region, and the assessment threshold on the rating scale (see below) was lower outside the Avalon region (a minimum of 60 points out of 100 were required versus 70 for the Avalon region);

- as well, graduate-employer combinations were approved as opposed to the approval of employer applications under GEP; and,
- a computerized registry of eligible graduates was created for possible referral to interested employers. As well, graduates were encouraged to note their eligibility for GESEP on their resumes.

The Graduate Employment Component of GESEP has budgeted for 250 participants of which 50 spaces are designated for Social Assistance Recipients (SARs). This component provides a wage subsidy of 60% (up to a maximum of \$10,000) to employers who can provide participants with one year of experience directly related to their area of study. GE targets, but is not restricted to, those industry sectors which are identified for growth in the Strategic Economic Plan for Newfoundland and Labrador.

Self-Employment (SE)

This component of the Program is a new initiative. It is intended to encourage new graduates to consider self-employment as an employment option upon graduating from post-secondary training and to stimulate entrepreneurship among this group. Through a combination of program supports, graduates are assisted from the business plan through to the implementation of a new business. Fifty graduates are budgeted for in this aspect of the program. There is no specific quota for SARs or regional representation under this component of the program. However, program promotion included providing information to DOSS offices (as well as other government offices) throughout the Province.

SE provides income support(\$260/week) for one year to recent graduates while they are developing and operating a small business in one of the growth sectors designated in the Province's Strategic Economic Plan (see above). Payments are made to the business rather than the individual. Nevertheless, the intention is to ensure that participants are able to support themselves during the first year of the business.

SE also includes a variety of supports to participants to assist them in the development of their businesses.

Summary of Findings Regarding Graduate Employment

Rationale

The Graduate Employment Component has a strong rationale in Newfoundland and Labrador in view of the difficulty experienced by many new graduates in obtaining employment. However because of the apparently privileged status of participants, the rationale is strong only if there is adequate protection against providing subsidies where they are not needed.

Design and Delivery

A number of opportunities exist to improve both the design and delivery of the program. The design of the program does not provide adequate protection against well-established risks of wage subsidy programs. In particular, a substantial risk of deadweight loss exists. The evaluation does not provide evidence that substantial deadweight loss has occurred but it does establish that known effective strategies to minimize its occurrence have not been applied. The administrative aspects of the delivery of the program are strong because of the experience obtained under a pre-existing program for this client group in Newfoundland. Conversely, promotion of the program; linkages to local offices of HRDC and DOSS; follow-up with graduates; and, selection of applications for funding all offer opportunities for improvement.

GE applications approved in 1994/95 were consistent with projects funded under the pre-existing provincial program. In 1995/96, the program was successful in increasing the representation of Social Assistance Recipients and in increasing placements in rural locations.

Potential For Long Term Impacts

This evaluation, like the 1990 Evaluation of GEP, provides strong indications that many of the subsidized placements are incremental and that many of the participants will continue to be employed after the program. It is important that this potential be verified since it contrasts markedly with statistics produced by the Government of Newfoundland and Labrador on the high unemployment rates for recent post-secondary graduates.

Cost-Effectiveness

While the long-term impacts from the program remain to be established, the investment made under the program is small relative to the potential gains offered. Improvements to the design and delivery of the program identified in this evaluation will further improve cost-effectiveness.

Summary of Findings Regarding Self-Employment

Rationale

The Self-Employment Component has applied programming to recent post-secondary graduates, which many countries, including Canada, have found effective with UI recipients. Emerging trends in Canada and elsewhere suggest that self-employment is increasingly common especially among well-educated individuals. In view of the limited employment opportunities for new graduates in Newfoundland and Labrador, supporting well-motivated potential entrepreneurs from this group has a strong rationale. As well, the funding of such an initiative under Strategic Initiatives is strongly indicated since, programming of this nature for this population has not been widely attempted.

Design and Delivery

In general, the design and delivery of the program is consistent with experience gained from other self-employment programs. The funding of participants to prepare a business plan is inconsistent with experience from other self-employment programs and should be reconsidered. Also, increased promotion of the program directly to recent graduates would be advisable.

The delivery of the program has evolved throughout its brief duration. The current approaches to helping participants as they establish their businesses are well-regarded. However, since the needs of participants are somewhat different than had been expected, other approaches are worth considering.

The provision of a constant level of income support which ends after one year creates the risk of creating program dependency and may lead to a high incidence of business failure shortly after assistance ends. Alternate schemes which incorporate a declining level of support after an initial period of constant support would likely reduce this risk and need not affect program expenditures.

Potential For Long-Term Impacts

Self-employment programs have been found to be effective in increasing the percentage time employed of participants after the program. Even those participants, whose businesses are unsuccessful are more likely to be working than similar non-participants. It is premature to project these impacts for SE participants but the potential exists.

Cost-Effectiveness

Self-employment programs are relatively expensive since they include both income assistance as well as entrepreneurial training. When directed at UI recipients, their cost-effectiveness tends to be strong since the income assistance does not represent a net expenditure. Under SE, this is not the case and cost-effectiveness is unclear. Monitoring of the initiative to maximize its potential impacts and to keep costs at a reasonable level, is likely to be necessary for cost-effectiveness to be achieved.

MANAGEMENT RESPONSE

Strategic Initiatives is a series of programs designed to test new labour market operations and delivery approaches. In the Graduate Employment/Self-Employment Program (GESEP), this involved the provision of wage subsidies and income and business learning supports to recent post-secondary graduates to assist them to obtain employment in their fields or to pursue entrepreneurial opportunities.

Based upon the evaluation findings, the Management Committee is satisfied that the Graduate Employment/Self-Employment Program was on target in meeting the objectives of the strategic initiative. It assisted graduates, including social assistance graduates, to obtain employment in their fields of study and/or pursue entrepreneurial opportunities. The graduates were linked with economic development opportunities identified in the provinces strategic economic plan. In addition, business supports were provided by distance education under the self-employment option.

The program tested a partnership delivery process whereby Human Resources Development Canada (HRDC), three Provincial Government departments (Development and Rural Renewal, Social Services and Education) and a community agency (Eastern College) participated in program delivery. In addition to participation on all steering committees and working groups, the partners were responsible for joint budgeting and financial planning. Furthermore the program was responsible for creating new mechanisms for information sharing and the development of a joint strategic communications plan. The Management Committee is pleased with the strength of the partnerships formed by the program. In light of the recent decision to co-manage and co-deliver HRDC's employment benefits and support measures, the links established by this program will be very beneficial in labour market negotiations.

The Management Committee agrees with the evaluator that the program is an effective mechanism for fighting the employment paradox of new graduates: cannot get a job without experience; cannot get experience without a job. The SI partners recognize the importance of this issue and are fighting the potential "brain drain" of our most innovative and potentially most productive individuals to other areas of the country through programs such as GESEP. The emphasis on rural jobs in the program is a further attempt to maintain the viability of businesses established outside of the major urban centre.

The nature of the Newfoundland labour market presents an interesting challenge for program designers. At one end of the spectrum the highly competitive job market created by an unemployment rate hovering around 20% permitted employers to pay lower salaries to their employees, especially recent graduates.

In many cases, the maximum subsidy available was not requested. However, at the other end of the spectrum are the emerging high technology and information processing sectors. Students graduating in these areas are often paid up to \$50,000. as a starting salary. In these cases, the maximum subsidy was deemed to be too low. The Management Committee feels that the parameters established by the program were effective and appropriate.

Overall, the Management Committee is pleased with the evaluator's comments concerning the viability and worthiness of the program. The program is beneficial to both graduates and employers. At the same time, the program meets the Management Committee's objectives pertaining to cost effectiveness and the potential for long term impact. As with any pilot program, lessons learned from the implementation and operation of the program will affect the design of future initiatives. Strategic Initiatives is an important link to ongoing labour market discussions and the strengthening of integrated partnerships.

1.0 Introduction

1.1 The Graduate Employment/Self-Employment Program (GESEP)

Program Rationale

The GESEP program represents a joint response of the Government of Canada (through Human Resources Development Canada (HRDC)) and the Government of Newfoundland and Labrador (through 3 departments: Employment and Labour Relations (ELR), Social Services (DOSS) and Education (DE)) to challenges faced by recent post-secondary graduates in Newfoundland.

Framework

The GESEP program is a pilot project implemented under the federal government's Strategic Initiatives (SI) Program announced in the federal budget of February 22, 1994. Like other elements of SI, GESEP has been implemented in a single province on a cost-shared basis with the provincial government. SI allows the federal government to experiment with new and emerging ideas about social security supported by provincial governments. By implementing projects on a pilot basis in a single province, HRDC is able to:

- implement projects more quickly than is possible for national programs;
- learn about the potential applicability of a large number of program options within a limited budget; and,
- work in cooperation with provincial governments.

In view of the experimental nature of the program, an essential part of the SI Program is that each pilot project be evaluated on a timely basis.

1.2 The Context of the Evaluation

The design of the GESEP Program was initiated in the summer of 1994. Activity commenced in the fall of 1994. The evaluation is formative and thus concentrates on rationale; design and delivery; potential for success; and, cost-effectiveness. In accordance with the Evaluation Strategy long term impacts will be addressed at a later date.

To the extent possible, we have addressed the potential applicability of the initiative in other jurisdictions. Funding for the program, under current mechanisms, is expected to expire in the near term as the Strategic Initiatives Program comes to an end. However, the rationale for the program is well-linked to Newfoundland and Labrador's Strategic Economic Plan. An important goal of the evaluation has been to provide information which can support improvement of both components since Newfoundland and Labrador is likely to continue programming of this nature.

1.3 Evaluation Issues

The Terms of Reference identify 17 issues grouped into four categories:

- Relevance;
- Implementation;
- Success; and,
- Cost Effectiveness.

The 17 specific issues and detailed evaluation findings for each are provided in Chapter 3. In Chapter 4 we provide conclusions in relation to the four issue categories.

1.4 Evaluation Methodology

The methodology applied to this evaluation has been described in detail in the Methodology Report submitted on September 25, 1995. In brief the following methodologies were applied to the study:

- a **document review** relating to the GESEP program, in particular, as well as to the Strategic Initiatives Program;

- **key informants interviews** with federal/provincial officials responsible for the design and implementation of this initiative and delivery agents;
- **Focus groups** with employers and graduate participants;
- **a literature review** addressing the policy objectives and program design of the initiative;
- **analysis of administrative data** via program-specific data bases;
- **a follow-up survey of participants** from both components of the program; and,
- **a follow-up survey of 110 employers** from the GE component.

2.0 Program Description

To be eligible for GESEP, individuals must:

- have graduated from a post-secondary program of minimum one year duration within the past two years;
- be unemployed, working less than 20 hours per week, or, working in a job unrelated to their field of study; and,
- have been actively seeking employment in their field of study for a minimum of three months or as approved by ELR¹.

As noted below, priority was given to individuals dependent on income support; to individuals in rural areas of the Province; and, to individuals who located their own placement. The program does not explicitly target graduates with specified fields of study or intended occupations. However, since positions with firms in growth sectors (as identified in the Province's Strategic Economic Plan) receive priority, this may implicitly favour graduates from related fields of study. The program is intended to be as accessible to graduates of a one-year program² at a public or private college as to university graduates.

GESEP consists of two components both of which are promoted in the five administrative regions³. Both components are administrated through Employment and Labour Relations. An Employment Services Officer (ESO) was assigned to cover both aspects of GESEP and serve as co-chair of the Assessment and Review Committee. Later a second ESO was assigned to the program and the Director of Employment Services was brought in to serve as co-chair.

A joint Assessment and Review Committee is in place with representation of the federal and provincial partners. This committee evolved from the working group that developed GESEP and recommends applications and program changes to

¹ The three month requirement does not apply to the Self-Employment component. In the Graduate Employment Component, it may be waived if ELR judges that the individual's prospects for career-related employment are poor.

² Although, graduates of a one-year program must have completed, at least, nine months of study to be eligible.

³ Avalon, Eastern, Central, Western and Labrador.

the Management Committee, also representing the partners. A representative of Enterprise Newfoundland and Labrador was added to the Assessment and Review Committee in September of 1994.

2.1 Graduate Employment (GE)

This component of the Program is based on a pre-existing program of the Government of Newfoundland and Labrador, the Graduate Employment Program (GEP), which has been delivered by the Department of Employment and Labour Relations (ELR), dating back to 1989.

GEP was from its inception intended to increase employment opportunities for post-secondary graduates, who were having great difficulty in obtaining relevant employment, to help them gain work experience in their field of study, and to assist them in forming attachments to the labour force. The rationale for implementing GEP was to address the paradox new graduates face: cannot get a job without experience; cannot get experience without a job. GEP has been renewed annually since 1989, and been recognized as an important program due to concerns that if the more highly educated individuals leave, then Newfoundland and Labrador loses its most innovative and potentially most productive individuals.

GEP was evaluated by an external firm in 1990. As well, ELR prepared an internal review dated June, 1995 which describes activity under the program from 1989/90 until 1992/93. The internal review reports:

- a completion rate of about 60% over the four fiscal years;
- a post-program retention rate of graduates by their program employer (based on administrative data sources) of up to 70.3% of the graduates who completed their placement;
- two thirds of the employment has been located in urban areas⁴; and,
- the average cost per contracted placement was approximately \$9000.

⁴ In practice, urban is defined as St. John's and surrounding communities and Corner Brook. Over 95% of the urban placements were in St. John's and surrounding communities.

There was an evolution of the participating graduates' education over the time period of 1989-93. Graduates from private colleges have increased from 23% to 37% in that time; MUN graduates have varied from 19% to 29% with considerable fluctuation; public colleges have generally declined from a high of 48% to 31%; institutions outside Newfoundland have been between 5% to 10%. One year programs accounted for 42% of all contracted graduates. The relatively high percentage of one year graduates was described by informants as related in the main to an active approach by private colleges to utilize programs such as GEP.

While the GE component was largely based on GEP and, like GEP, was delivered by ELR, a number of refinements were introduced:

- under GESEP, placement of Social Assistance Recipients was specifically targeted;
- under GESEP, attempts were made to increase the proportion of placements outside the Avalon region. In particular, notional budgets were allocated per region, and the assessment threshold on the rating scale (see below) was lower outside the Avalon region (a minimum of 60 points out of 100 were required versus 70 for the Avalon region);
- the initial assessment of applications was done using a seven-point rating scale

Rated Item	Maximum Points
Quality of the Opportunity	15
Economic Growth Sector	15
Adequacy of Salary for Occupation	15
Position relevant to Training	15
Personal Investment of Graduate	15
Graduate receiving income support (UI or SA)	15
Graduate Identified Placement	10
Total Points Available	100

As well, graduate-employer combinations were approved as opposed to the approval of employer applications under GEP.

- ELR's initial assessments were reviewed by a committee which included representatives of all the SI partners as well as Enterprise Newfoundland and Labrador; and,
- a computerized registry of eligible graduates was created for possible referral to interested employers. As well, graduates were encouraged to note their eligibility for GESEP on their resumes.

The Graduate Employment Component of GESEP has budgeted for 250 participants of which 50 spaces are designated for Social Assistance Recipients (SARs). This component provides a wage subsidy of 60% (up to a maximum of \$10,000) to employers who can provide participants with one year of experience directly related to their area of study. GE targets, but is not restricted to, those industry sectors which are identified for growth in the Strategic Economic Plan for Newfoundland and Labrador⁵:

- manufacturing and technical industries including
 - ✓ non-resource-based manufacturing
 - ✓ innovative technologies
 - ✓ information industries
 - ✓ professional services, and
 - ✓ environmental industries;
- tourism and culture industries; and,
- the energy sector including
 - ✓ electricity generation
 - ✓ petroleum exploration both offshore and onshore and
 - ✓ energy efficiency and alternative energy industries.

The link to growth sectors, while preferred, is not an essential requirement in approving applications.

While the Evaluation terms of reference indicate that only private sector employers are eligible, employers from the non-profit sector have also participated in the program. However, provincial and federal government departments cannot engage graduates through the program.

⁵ *Change & Challenge - A Strategic Economic Plan for Newfoundland and Labrador*, June, 1992, Government of Newfoundland and Labrador, Chapter 5 - New Opportunities For Growth, P. 41 - 56

The intent of the GE component is “to assist graduates to acquire work experience related to their education and career interests, preferably in growth sectors”⁶. It is hoped and expected that the program will stimulate employers to create long-term jobs by allowing employers to engage individuals on a trial basis at below-market costs. Employers must stipulate in the contract that the job is new and are prohibited from laying-off a permanent employee in order to access the program. This stipulation also means that an employer may not use the program to cycle through a new graduate each year (unless of course, the prior year’s graduate is retained or has resigned). Nevertheless, it is expected, based on experience with GEP, that not all placements will be long term and that many will terminate prior to expiration of the wage subsidy. Consequently, the primary output of the program is seen as providing experience for new graduates.

Program Delivery

ELR has basic responsibility for delivery of the program. Enquiries are received from both employers and graduates about the program. ELR provides information on program terms and conditions and assistance as required. An important element of communication to employers has been the change, relative to GEP, to the application process. Under GESEP, applications must include both the employer and the graduate. While ELR has developed a registry of eligible graduates and made it available to interested employers, interest in this service has been limited. Employers generally preferred to identify candidates directly and often had identified a candidate prior to approaching ELR.

Once a completed application is received, the screening and approval process has three components:

- an Employment Services Officer (ESO) of ELR reviews submitted applications, rates them according to the criteria developed, and recommends whether or not each application should be approved;

⁶ GESEP evaluation terms of reference

- the Assessment Review Committee (ARC) reviews the recommendations of the ESO and submits recommended applications to the Management Committee; and,
- the Management Committee reviews recommended applications⁷.

The ESO communicates the decisions on individual applications and prepares contracts for approved applications. Each contract includes the graduate as well as the employer and is non-transferable. Follow-up by means of site visits is included in the design of the program.

2.2 Self-Employment (SE)

This component of the Program is a new initiative. It is intended to encourage new graduates to consider self-employment as an employment option upon graduating from post-secondary training and to stimulate entrepreneurship among this group. Through a combination of program supports graduates are assisted from the business plan through to the implementation of a new business. Fifty graduates are budgeted for in this aspect of the program. There is no specific quota for SAR^{LF} or regional representation under this component of the program. However, program promotion included providing information to DOSS offices (as well as other government offices) throughout the Province.

SE provides income support (\$260/week) for one year to recent graduates while they are developing and operating a small business in one of the growth sectors designated in the Province's Strategic Economic Plan (see above). Payments are made to the business rather than the individual. Nevertheless, the intention is to ensure that participants are able to support themselves during the first year of the business.

The screening and approval process for submitted applications has four components:

⁷ In practice, the Management Committee does not typically meet to review submitted applications. However, the co-chairs of the Management Committee must sign-off before the application is approved.

- an Employment Services Officer (ESO) of ELR reviews submitted applications and recommends whether or not each application satisfies eligibility criteria;
- individuals submitting applications which satisfy eligibility criteria are assessed by the PJ Gardiner Institute in terms of their potential to be successful entrepreneurs. This assessment process is based on personal interviews and assessment tools. The personal interview is conducted jointly by a representative of P. J. Gardiner Institute and a representative of ENL. The assessment results in a recommendation that is favorable, conditional (generally meaning to be reviewed after ten weeks), or unfavorable.
- the Assessment Review Committee (ARC) reviews the recommendations of the ESO and the PJ Gardiner Institute and submits recommended applications to the Management Committee ; and,
- the Management Committee reviews recommended applications.

The ESO communicates the decisions on individual applications and prepares contracts for approved applications.

In addition to the income support, accepted candidates are provided with a variety of other services including:

- a distance education training program (incorporating distance education technology and printed materials) relating to operation of a small business. This service is offered by a full-time facilitator with a small business background at the Eastern Community College in Clarenville, in eastern Newfoundland. Specific services provided to participants include:
 - ✓ongoing access to the facilitator via site visits and a 1-800 number;
 - ✓Internet access for all participants;
 - ✓training needs identification;
 - ✓specific recommendations for training incorporating home-study programs, referral services and mentoring;
 - ✓teleconferences with other participants; and,
 - ✓advice regarding effective operation and management of the business.

The facilitator also provides periodic feedback to participants and program officials regarding progress achieved by participants and identified needs of individual participants.

- counseling of graduates in regard to successful entrepreneurship. The facilitator and the ESO involved in SE provided ongoing support to graduates and referral to appropriate resources. The facilitator has visited a number of the businesses and provided direct assistance with accounting and marketing;
- identification of mentors and role models; and,
- direct assistance to participants in the establishment of their businesses. Training allowances of up to \$800 were available to participants under the program; and,
- a three day exposition was held in St. John's, highlighting the activities of SE as well as providing further training to the graduates.

2.3 Statistical Profile of the Program

This profile of the program has been prepared from administrative data and includes program activity up until December, 1995.

2.3.1 Timing of Placements

Strategic Initiatives was announced in the February, 1994 federal budget. The first placement under GE occurred in October, 1994. SE, as an entirely new initiative proceeded somewhat more slowly and the first placements occurred in January, 1995. Activity under the two components was distributed by quarter as follows:

Quarter	GE Placements	SE Placements
October - December, 1994	62	0
January - March, 1995	67	8
April – June, 1995	27	10
July – September, 1995	36	7
October - December, 1995	29	5
TOTAL	221	30

The decline in GE placements after the first two quarters is due to budget limitations and a greater focus on strategic priorities. For example, placements with employers in growth sectors; placements outside the Avalon region; and, placement of Social Assistance Recipients were all strategic priorities under GE.

2.3.2 Regional Involvement

In the design phase of GESEP, specific attention was devoted to improving the penetration of the Graduate Employment Component to all regions of the Province relative to what had been achieved under the Graduate Employment Program.

Region	National Budget	94/95		95/96		Total	
		No.	%	No.	%	No.	Total
Avalon	45.0%	105	70.5%	32	44.4%	137	62.0%
Eastern	10.0%	8	5.4%	7	9.7%	15	6.8%
Central	21.0%	18	12.1%	8	11.1%	26	11.8%
Western	19.0%	17	11.4%	20	27.8%	37	16.7%
Labrador	5.0%	1	0.7%	5	6.9%	6	2.7%
Total	100.0%	149	100.0%	72	100.0%	221	100.0%

In fiscal 1994/95, when two thirds of program placements occurred, a heavy concentration of placements in the Avalon region occurred. This is consistent with experience in GEP and occurred despite modifications to program approval criteria which provided an advantage to applications from outside the Avalon region. Since April 1, 1995, however, placements in the Avalon region are in accordance with the notional budgets. Half of the non-Avalon placements since April have been in the Western Region.

Under the Self-Employment Component, 30 placements had occurred by December, 1995. Of these,

- 20 (66.7%) have been in the Avalon Region;
- 4 (13.3%) have been in the Eastern Region;
- 1 (3.3%) has been in the Central Region;
- 4 (13.3%) have been in the Western Region; and
- 1 (3.3%) has been in Labrador.

2.3.3 Urban and Rural Placements

As indicated in Section 2.1, GEP historically placed about two-thirds of the graduates in urban areas (St. John's, Mount Pearl and Corner Brook). Under GE, 103 (69%) placements in fiscal 1994/95 were in urban areas. However, in fiscal 1995/96, only 38 (53%) of the placements were in urban areas. Under SE, 17 (54.8%) of 31 placements have been in urban areas.

2.3.4 Characteristics of participants

The following table illustrates personal characteristics of participants.

Characteristics	Graduate Employment		Self-Employment	
	Number	%	Number	%
Gender				
Male	100	45.2%	21	67.7%
Female	121	54.8%	10	32.3%
Age				
17 – 19	5	2.3%	1	3.3%
20 – 21	37	16.9%	2	6.7%
22 – 23	52	23.7%	1	3.3%
24 – 25	45	20.5%	5	16.7%
26 – 29	36	16.4%	8	26.7%
30 or more	44	20.1%	13	43.3%
Social Assistance Recipients				
	32	14.5%	8	25.8%

Gender

In GE, participants were slightly more likely (54.8%) to be female. By contrast, participants in SE were predominantly (67.7%) male.

Age

In GE, most participants (63.4%) are 25 or younger. This is consistent with traditional patterns involving proceeding directly from high school to post-

secondary education. The remainder of GE participants were split approximately equally between being in their late 20's and being age 30 or more.

Participants in SE are substantially older and the majority would appear to have undertaken post-secondary education after a break in their education. Nearly half (43.3%) were 30 or older when they enrolled in the program and an additional 26.7% are age 26 - 29. Only 30% are 25 or younger.

Social Assistance Recipients (SARs)

Participation of SARs in GE has been consistent with targets with 32 (14.5%) placed in that component of the program. SE also achieved participation by SARs with 8 (25.8%) SARs placed. In aggregate, 40 SARs have been placed relative to a target of 50. ELR and DOSS have recently intensified efforts to increase the degree of SAR participation among the relatively small number of available placements. Survey data validates this information. In our survey of 97 participants in GE, 17 (17.5%) indicated that they had been in receipt of social assistance at some point in the 12 months prior to their placement. Of these, 7 indicated that they had been in receipt of social assistance immediately prior to entering the program.

Study Program

Since data on program of study was not consistently available from the administrative data and because of difficulties in manipulating this data into the required form, survey data was used to examine the program of study of participants. This data is reported in relation to Issue 2 in Chapter 3 of this report.

2.4 Program Expenditures

Program expenditures under GESEP consist of:

- wage subsidies paid to employers under GE;
- income support paid to graduates under SE;
- training allowances paid to graduates under SE;
- a contract with P. J. Gardiner Institute to assess applicants under SE;
- a contract with Eastern Community College to provide facilitation and distance education services for SE;

- staff involvement in program administration at ELR and, to a lesser extent, with the other partners.

Since the program is continuing, expenditures cannot be clearly identified but are estimated based on anticipated levels of activity.

Wage Subsidies

Wage subsidies of up to \$10,000 are budgeted for 250 participants under GE for an estimated expenditure of \$2,500,000. Assuming that some participants do not complete their placements, total expenditures of approximately \$2,000,000⁸ on wage subsidies are likely.

Income Support

Participants under SE are eligible for income assistance of \$13,200. Assuming that 40 candidates complete the program (50 were budgeted), expenditures of \$528,000 can be anticipated.

Training Allowances

Participants under SE are eligible for a training allowance of \$800. Based on 40 participants, expenditures of \$32,000 are anticipated.

Candidate Assessment

Payment of \$25,000 to P. J. Gardiner Institute is anticipated for assessment of potential candidates for SE. The cost for each candidate assessment is \$250. Individuals who proceed through the program to the point of receiving application forms and test materials result in a cost of \$100. As of March, 1996, 100 candidate applications had been provided to P. J. Gardiner. Of these, 55 assessments had been completed.

Facilitation Services

The costs for facilitation services from Eastern Community College were originally estimated at up to \$200,000. The lower number of participants and the evolution of the service from what had originally been intended are expected to lead to substantial savings. We have no clear indication of what total expenditures are likely to be and have estimated them at \$100,000.

⁸ Under GEP, 40% of participants did not complete their placement. If the experience under GESEP is similar and if we assume that discontinuants are placed, on average for 6 months, total expenditures of \$2,000,000 will result. This slippage of 20% is consistent with ELR experience under GEP.

Staff and Administration Costs

Two full-time staff at ELR are assigned to the program. In addition, management personnel and information systems personnel are required to assist with the program. Over the approximately 2 year life of the program, we have estimated the level of involvement at 6 person-years. Other partners have a more limited involvement, which, in aggregate, we have estimated as consisting of an additional 2 person-years. Based on an estimated average cost per PY of \$50,000, staff-related expenses are estimated at \$400,000. Additional administrative costs for travel, program promotion, the SE Symposium in St. John's and other matters are roughly estimated at \$200,000.

Total Expenditures

Based on the above information, total expenditures are estimated at \$3,285,000. Most, but not all, of these expenditures are funded under the Strategic Initiatives program where costs were shared equally between the federal and provincial government.

Costs per Participant

The following table provides an allocation of expenses to the two components and a corresponding estimated cost per participant for each component:

Item	GE	SE	GESEP
Wage Subsidies	\$2,000,000		\$2,000,000
Income Support		\$528,000	\$528,000
Training Allowances		\$32,000	\$32,000
Assessment		\$25,000	\$25,000
Facilitation		\$100,000	\$100,000
Staff and administration	\$325,000	\$275,000	\$600,000
Total Cost	\$2,325,000	\$960,000	\$3,285,000
Number of participants	250	40	290
Cost per participant	\$9,300	\$24,000	\$11,328

Cost per participant in GE is estimated at \$9,300, Under SE, cost per participant is estimated at \$24,000.

3.0 Evaluation Findings

3.1 Program Relevance

Evaluation issues relating to program relevance address:

- how the program reflects the criteria established for Strategic Initiatives;
- how the program reflects the guiding principles of Newfoundland and Labrador's Strategic Economic Plan;
- the extent to which the program reaches the intended target groups;
- the extent to which participants are representative of the target groups; and,
- the extent to which the services/interventions provided are consistent with the needs of the target group.

Issue 1. a) In what way do the pilot projects reflect the criteria established for Strategic Initiatives (SI)?

✓ innovation/experimentation potential?

Finding: The Graduate Employment component of the Program is not innovative since a similar program has existed in Newfoundland for many years and was not significantly altered by SI support.

As noted in Chapter 2, the funding of the program under SI led to refinement of program procedures. These refinements were intended to expand the availability of placements to individuals dependent on income support and individuals in rural Newfoundland; to improve assessment of applications; and, to improve the accessibility of the program for graduates. These refinements did not alter the basic concept underlying GEP: the use of wage subsidies to encourage employers to engage unemployed (or underemployed) recent graduates in order to stimulate the creation of new jobs and/or to provide these graduates with useful experience.

Finding: The Self-Employment component of the program includes significant innovation in that it applies programming which has been found to be successful with other client groups (UI recipients) to new graduates. Another example of innovation is that this component provides funding to businesses as opposed to individuals thereby eliminating the risk of creating UI dependency. Mechanisms for providing specialized training to a small dispersed group of participants were also innovative; e.g. distance education, networking from teleconference calls and an exposition as well as individualized home study and hands on counselling and support both from program staff and a contracted facilitator.

The literature review provides clear evidence that a number of OECD countries have had success with self-employment programs targeted to UI recipients. The clients of these programs, generally, have lower levels of education but greater experience in the labour market than the clients of SE. Extending self-employment programming to the target population of new graduates has necessitated the design of a program which incorporates lessons learned from other self-employment programs while also addressing the needs of this different target group.

- ✓ relevancy to SI objectives?
- ✓ evaluation/information potential for social reform?

Finding: Both components of the program target a group which has significant difficulty in obtaining employment in Newfoundland — recent post-secondary graduates. While other groups may have greater needs than the target group, past experience in Newfoundland's Graduate Employment Program indicates that government may be able to make an impact on the future employment success of this population for a relatively small investment. As well, if the program can, as it is intended, increase the prospects of graduates for meaningful long-term employment, it is supportive of policies of the federal and provincial government which encourage post-secondary education.

Both the federal and Newfoundland government face difficult choices in their program funding decisions for social programs. Strategic Initiatives was conceived as an approach to learning, through experimentation, how to provide more cost-effective programming for populations which need government assistance.

Post-secondary graduates have not been historically viewed, in Canada, as a population in need. Indeed, they have generally been viewed as a group which society expects to be self-sufficient after a lengthy period of dependence on government support (through subsidized education). In the context of the difficult decisions government is making in terms of reducing support to citizens whose needs have typically been viewed as greater than those of post-secondary graduates, government assistance to this apparently favoured group is difficult to justify. Nevertheless, evidence compiled in this evaluation strongly supports programming aimed at this population, at least in Newfoundland and Labrador:

- employment prospects for post-secondary graduates in Newfoundland and Labrador have not been strong for many years. A provincial government program (the Graduate Employment Program) aimed at this population has existed since 1989 and an external evaluation of this program as well as an internal review indicate that the program provides the potential for incremental results in terms of employment of this population at a relatively low cost;
- the literature review (see also the SWASP literature review) identified a number of authors who warn of the consequences of prolonged unemployment for youth. The net cost of these consequences would appear to be even greater for well-educated youth⁹ due to their potential for greater productivity on average;
- key informants noted that it is important for the future economic development of Newfoundland and Labrador that its well-educated youth secure employment within the Province; and,
- experts cited in the literature review as well as the Province's Strategic Economic Plan noted the importance of long-term approaches emphasizing training and education as opposed to ameliorative approaches (e.g. make work or income support) for youth. If the current generation of educated young people fail to achieve labour market success despite having followed the advice to stay in school, future generations may be less likely to make the investment in their own education.

⁹ Although the risk of long term unemployment would presumably be less.

Finding: The SE component of the program is highly relevant for the future in view of limited opportunities for conventional employment and thus the greater need for government to establish a climate which supports self-employment.

This point was made by a number of key informants and also is supported by the literature review.

Issue 1 b) In what way do the projects reflect the guiding principles of Newfoundland's Strategic Economic Plan?

Newfoundland and Labrador's Strategic Economic Plan recommends a new approach to community economic development and also identifies a number of growth sectors which the Government of Newfoundland and Labrador intends to support.

Finding: The design of GESEP includes provisions which favour applications from firms in growth sectors and from firms located in rural Newfoundland where the economy is underdeveloped.

In regards to GE, the application assessment methodology specifically included both of these criteria. Key informants noted that, in practice, this methodology resulted in a greater focus on growth sector placements in the Avalon region than had been achieved under GEP. They also noted, and administrative data support this¹⁰, that more placements occurred outside the Avalon region than under GEP. Generally, however, placements outside the Avalon region were unlikely to be in growth sectors. Nevertheless, as the Strategic Economic Plan continues to be implemented (e.g. as Regional Economic Development Boards are created in each of the 19 economic zones and as these boards complete their local economic development plans), the current GE application assessment methodology will ensure that GE supports other initiatives taken in accordance with the Strategic Economic Plan

Issue 2 To what extent do the projects reach the intended target groups? Are participants representative of the target groups? If not, why?

Finding: Program terms and conditions ensure that participants are members of the target group — unemployed or under-employed recent post-secondary graduates. Refinement of the program in its

¹⁰ See Section 2.3.1.

second year increased the focus on specific target groups (e.g. SARs and individuals in rural Newfoundland) to intended levels.

Our review of program administrative procedures and interviews with program administrators provided clear evidence that only qualifying individuals were admitted to the program.

Administrative data (see Section 2.3) indicates that participation by Social Assistance Recipients (SARs) was at a level consistent with program targets. Program placements in rural Newfoundland were infrequent in 1994/95 (about one third of all placements) but constituted about half of placements in 1995/96.

Survey data indicates that participants were clustered among some groups of graduates:

Finding: Graduates of one year college programs are substantially under-represented in GE even though they are the group of post-secondary graduates with the least likely prospects for employment. About half the college graduates in the program had graduated from a private college. Whether from a public or private college, participants were likely to have specialized in business, computer science or secretarial science.

University graduates are slightly under-represented as would be expected given their better prospects for finding employment. Fields of study tended to be concentrated on graduates or Arts or Social Sciences programs.

The following table contrasts the participation rates of various groups of graduates under GE with those observed under GEP in previous years and with graduation statistics from the Government of Newfoundland and Labrador.

Program	GEP				GESEP (survey)	Graduation Statistics
	1989/90	1990/91	1991/92	1992/93		
1 year	48%	37%	40%	48%	26%	46%
2 year	20%	16%	19%	19%	35%	9%
3 year	13%	11%	13%	12%	21%	6%
MUN and Marine Institute	19%	37%	28%	22%	28%	39%

Based on these data, university graduates are slightly under-represented in the program as they were under GEP. This would be expected since university graduates are most likely to obtain employment¹¹ and thus would have less need for the program.

The table also indicates that graduates of 2 and 3 year college programs have typically been over-represented under GEP but that this pattern is even more pronounced under GESEP.

The under-representation of one year graduates is new under GESEP. One possible explanation is that the priority assigned to growth sector placements has limited the number of opportunities for graduates of one-year programs.

Under-representation of this group raises an important policy question. On the one hand, since this group — according to Job Futures — is the most likely of all graduates to be unemployed, they may be ideal candidates for the program and this may have implications for future promotion of the program. On the other hand, with their somewhat limited education, a more appropriate response may be to encourage them to seek further training or education. As noted in the literature review, one of the concerns about wage subsidy programs is that they may encourage young people to make decisions which are not in their long-term interest in terms of career development. Specifically, wage subsidies for young individuals with minimal qualifications can create a temporary increase in labour market demand for such individuals. As a result the subsidy may act as a disincentive to seek additional qualifications.

Data on the program of study of participants indicate that assistance under the program has been concentrated on some quite specific groups of graduates. Among the 27 university graduates participating in the program 11 (41%) described their program of study as Social Sciences, while 7 (26%) described their program of study as Fine or Applied Arts. By contrast, graduates the Faculty of Arts, the School of Music and the School of Social Work accounted for only 27.5% of Memorial University's graduates in 1990/91¹².

Data pertaining to college graduates also indicate a concentration on particular groups of graduates. Among the 70 surveyed participants from private and public colleges participating in the program, 4 groups of graduates were prominent:

¹¹ *Job Futures, Newfoundland, Experience of Recent Graduates*, 1993 Edition, P.4.

¹² These three Faculties/schools accounted for 476, 5 and 52 graduates respectively out of a total of 1,936 graduates of Memorial University undergraduate degree programs in 1990/91.

- 14 (20%) graduates of computer science programs at private colleges;
- 13 (19%) graduates of Business programs at public colleges and 9 (13%) graduates of business programs at private colleges;
- 10 (14%) graduates at secretarial courses at private training colleges; and,
- 6 (9%) graduates from programs in natural sciences and primary industries at public colleges.

Among the 18 participants from SE who were surveyed, 9 graduated from Memorial University, 5 graduated from public colleges, 3 from private colleges and 1 from an unspecified institution outside the Province. The 9 Memorial graduates all listed their specialty as Fine or Applied Arts (3), Social Sciences (4) or Education (2). The specialties of the college graduates were diverse.

Survey data also indicate that half of the college graduates placed were from private colleges. This is consistent with what had been observed under GEP in 1992/93¹³. Key informants attributed the high incidence of graduates of private colleges to the fact that placement offices of these private institutions are more active in the placement of their graduates and may have made graduates and potential employers aware of the program.

There is no clear answer as to why the program has focussed on certain clusters of graduates noted above. We have offered partial explanations for the preponderance of graduates of private institutions and the rarity of graduates of one-year college programs. Since the program was driven by employer applications, these and other cluster effects noted can be assumed to be at least partially attributable to employer demand.

Issues and findings in Section 3.2 address the suitability of the program design in terms of its accessibility and its ability to focus on individuals with greatest need and greatest potential gain.

¹³ See *Review of the Graduate Employment Program*, Department of Employer and Labour Relations, June, 1995. In earlier years, private college graduates constituted about one third of college graduates in the program. This apparent change is attributable, at least in part, to substantial growth in enrollment in private colleges.

Issue 3 Are the services/interventions provided consistent with the needs of the target groups?

Finding: The GE component does not provide supports to participants on the assumption that the needs of graduates are limited to obtaining employment and relevant experience. The high satisfaction levels of graduates suggests that this assumption is valid in most cases. Opportunities exist to improve follow-up and monitoring during placements and with discontinuants.

Some key informants expressed concern that GE did not include provisions for consistent follow-up with participating graduates and employers. This issue was discussed a number of times by the Assessment and Review Committee and lead to recommendations to increase staffing for the program. ELR has indicated that site visits by an ELR official have occurred for approximately 90% of placements. Provisions for on-going follow-up and monitoring are relatively informal.

Only 2 of 97 graduates surveyed identified a need for follow-up by government officials. As well, survey data indicates that graduates were extremely satisfied with the quality of experience they received:

- 100% of participants were satisfied with their job in terms of “knowing what you are supposed to do”;
- 97% of participants were satisfied with their job in terms of “opportunities to learn”;
- 87.6% of participants were satisfied with their job in terms of “feedback on your performance”;
- 95% of participants were satisfied with their job in terms of “treatment by management”; and,
- 98% of participants were satisfied with their job in terms of “providing the experience you need”.

These results are similar to those reported in the 1990 Evaluation of the Graduate Employment Program.

However, participants in both focus groups with graduates identified potential benefits from increased follow-up by government officials. In the Gander group, one individual identified a problem with the employer regarding expectations that

a government official could have resolved. Other participants had not experienced any particular problems but supported an increase in contact with government officials so that a mechanism to address issues would be available.

Participants in the St. John's focus group did not identify a need for regular follow-up but did identify concerns about follow-up of discontinuants. The two discontinuants in this group indicated that no follow-up occurred. They and others in the group agreed that when a placement ends prematurely through no fault of the graduate, follow-up by government and assistance in securing an alternate placement under the program would be appropriate.

Finding: Survey and focus group results indicate that the wage subsidy component of the program made it possible for employers to make training investments in the graduates in an appropriate way.

In the survey, one third of graduates indicated that they had received “special training for the job when you started” and virtually all of these were satisfied with the training. Of those that did not receive special training, most (85%) agreed that they did not require training. In the focus groups, both employers and employees discussed the training, and, also the on-the-job training provided to graduates. Employers noted that with a lower wage subsidy or a subsidy of shorter duration they could not have afforded to make this training investment. It was very clear in this discussion that, for these employers, the major barrier to hiring recent graduates is their limited initial productivity and the accompanying need to train them.

This evidence establishes that a training investment¹⁴ in recent graduates is often required to make them more productive. GE employers considered that the substantial subsidy provided allows them to make such training investments. However, given that training is frequently provided to program participants, consideration might be given to a lower wage subsidy supplemented by a training subsidy. As indicated in the focus groups, training of graduates typically includes on-the-job training and less frequently includes conventional training investments. Consequently, any change to program terms and conditions would need to include a wide definition of training. Nevertheless advantages exist with this approach. If, for example, the program included a wage subsidy of \$5,000 and a training allowance of \$5,000, employers would better understand the labour market integration objectives of the program. Employers could use the training allowance for on-the-job training but would be required to submit a plan with their application. This would constitute a barrier to employers that do not

¹⁴ This training investment may take many forms including on-the-job training.

need a subsidy and also to employers who are seeking short-term inexpensive labour thereby reducing deadweight loss and program misuse. Employers who are committed to the program objectives and require the subsidy are unlikely to be deterred.

Potential disadvantages with this approach include increased bureaucracy and reduced appeal to employers who use the program appropriately but who do not find training to be necessary.

Finding: The SE component provides substantial supports and includes sufficient flexibility for entrepreneurs to use these supports in a way most suitable for their own needs and those of their businesses.

As described elsewhere in this report, the SE component included a number of approaches to training and mentoring. Participants showed little interest in the home study programs available through ECC and instead identified a need for more practical assistance. The availability of the ECC facilitator and ELR personnel, the teleconference calls, a \$800 training allowance and the program-sponsored workshop, however, provided participants with other mechanisms to access the assistance they required.

Finally, while key informants and participants have responded positively in regards to support provided under the program, 10 of 18 participants surveyed identified needs for additional services as follows:

- 4 identified a need for accounting courses **designed for operating your own business** or assistance with tax matters;
- 2 identified a need for marketing help; and,
- 4 identified a need for business support services, a business owners' drop-in centre or on-site counselling.

These data underline the fact that these new entrepreneurs will be best served by an approach which allows them to seek the assistance they require as and when the need arises.

3.2 Program Design and Delivery

Evaluation issues relating to program design and delivery address:

- strengths and weaknesses of organizational structures;
- clarity and appropriateness of the roles of the various partners and service providers;
- constraints encountered and strategies used to overcome them;
- consistency of program design with the stated objectives of the program;
- extent to which participants also accessed other programs;
- monitoring mechanisms in place; and,
- the evaluation strategy for the program;

Issue 4 What are the strengths and weaknesses of the organizational structures of the pilot project? Does the structure hinder or help the implementation of innovative projects? Are the roles and responsibilities of the various partners and service providers (e.g. federal/provincial departments, third parties, employers) clearly enunciated and carried out?

This issue is addressed separately for the two components of the program.

Graduate Employment

Finding: ELR's experience in administering the Graduate Employment Program has been used in the design of the GE component. No significant challenges arose in the delivery of this component of the program. Other partners have not had a significant role in the delivery of the GE component.

Key informants consistently identified this as an ELR program and referred to their expertise in running the program and the established impacts of the program as administered by ELR as documented by the 1990 evaluation of ELR's Graduate Employment Program.

Finding: The program has failed to take advantage of existing infrastructure within DOSS and HRDC to identify candidates for the program.

Although the program guidelines indicate that 50 of 300 candidates (for GE and SE combined) would be SARs, the Department of Social Services (DOSS) has not had a significant involvement in the program. ELR and DOSS did undertake

some promotion with DOSS offices, but there is no evidence that procedures were developed within DOSS to promote the program to SARs who met program criteria. In the summer of 1995 when funding remaining under the program was limited, only SAR placements were considered. Recently, DOSS has initiated a follow-up of 'unmatched' SAR candidates on the GE registry. Administrative data indicates that the notional target of 50 SARs will be met or nearly met.

Similarly, there is no evidence that procedures were developed within HRDC to ensure that qualified candidates presenting themselves to a Canada Employment Centre (CEC) were consistently informed about GESEP. In the case of HRDC, the investment this would have required was seen as a barrier since:

- HRDC's involvement in the program was seen as short-term and could not be assumed beyond the mandate of SI;
- the difficulties involved in liaison between HRDC's decentralized delivery structure and ELR's centralized approach. For example, Canada Employment Centres (CECs) operate autonomously and with most HRDC programs, are aware of the number of placements available to them. As well, many HRDC programs include sufficient flexibility to allow for modifications in response to local needs. ELR's centralized approach involves a more consistent approach to programming across the program. As well, while ELR actively seeks participation from across the Province it does not tend to use operational regional quotas¹⁵; and,
- the benefits were perceived to be limited or non-existent since ELR anticipated no difficulty in fully subscribing the program and referred candidates would not have been likely to succeed in securing a placement.

As well, HRDC's role in the partnership was perceived primarily as one of providing funding and assisting with the design. It was resolved at an early date that ELR was to be primarily responsible for program delivery. Nevertheless, given HRDC's role, at present, as the major service provider to unemployed individuals in the Province, it seems essential that ELR and HRDC work together

¹⁵ Under GESEP, notional targets were defined and pursued under the program. However, with the centralized delivery structure, variations from these targets in response to demand was quite acceptable.

to find an effective way to use HRDC's infrastructure to market the program to unemployed graduates (and, perhaps also to employers) across the Province.

In the case of DOSS, two barriers existed to more effective involvement:

- the small target¹⁶ for SAR placements (50) and the (possibly) short term involvement of DOSS in the program made it difficult to justify incurring expenses required by revisions to existing procedures. This was especially the case given DOSS's decentralized delivery approach; and,
- the focus of the program on using employers as delivery agents made it difficult to determine effective ways to include SARs as participants in view of possible employer biases and employer desires to identify their own employees.

It had been anticipated that the Registry might be a useful way to get SARs into the program. However, since the program design allowed employers to identify candidates using their own means and since most preferred to do this, the registry did not prove effective in meeting the SAR quota. Short of a radical change in program design, this approach is unlikely to be effective in the future.

Two alternate approaches exist:

- **Approval of SAR Placements.** Under this approach, employers could be informed that they were required to accept a candidate from the registry and a number of SARs could be referred to them. DOSS would have to promote the program and identify a sizable number of candidates to include on the registry. This approach would be problematic since there is no valid reason to restrict employers to using the registry for the other 200 non-SAR placements. Based on the experience with SWASP, it is likely that the SAR spots would be the last ones to be filled, and, that employers would be aware that they had received a SAR approval thereby increasing the stigma associated with being a SAR.
- **Approval of SAR Candidates.** With this approach, SARs could be provided with a certificate indicating their conditional acceptance under

¹⁶ While no specific barrier existed to placement of more than 50 SARs, the limited number of total program placements available and, the high demand for the program would have limited the extent to which the minimum quota of 50 could have been exceeded.

the program and outlining the wage subsidies available to qualifying employers. They could then be provided with job-search assistance. A similar approach was used in the now-defunct Jobs Ontario program. The issue of stigmatization could be minimized by also providing some conditional candidate approvals to non-SARs. If desired, the current delivery approach could also be maintained for some share of the total placements.

Finding: The delivery of the program is more focussed on employers than on graduates although graduates are the intended beneficiaries of the program. In particular, graduates have no means of securing a conditional approval unless they have identified a willing employer; and, are not provided with job search assistance.

Under the prior Graduate Employer Program (GEP), employers applied for the program and, if approved, hired a graduate subject to approval of ELR. Under GESEP this process changed. The Assessment and Review Committee reviewed employer-employee combinations and conditional approvals of employer applications were not provided. A computerized registry was implemented whereby graduates (and employers) could indicate their willingness to be involved in the program. However, most approved applications were pre-matched and the registry was rarely used, in practice, to match suitable employers and graduates. Survey evidence indicates that most of the pre-matched applications were employer generated:

- 70.1% of graduates indicated that the employer applied for the program;
- 19.1% of sponsors indicated that they found out about the program from the graduate; and,
- 83.6% of sponsors answered that program officials had no involvement in identifying possible candidates.

This occurred even though the application assessment methodology attempted to support graduate-generated placements by assigning points to applications which were graduate generated. However, since all applications exceeding the threshold levels were funded subject to availability of funds and the threshold level could fairly easily be met without these points, this mechanism was not effective.

Graduates were encouraged to find their own placement but were not provided with any job search assistance and received no assurance that funds would be

available if they identified a willing and suitable employer. Since demand for the program was high and it was easier for an employer to find a willing and qualified graduate than vice versa, the lack of such assurance may have limited the number of graduate-generated placements.

It is not clear that graduate-generated placements offer substantial advantages over those generated by an employer. The most likely advantage is that dead-weight loss would be reduced. Graduates who could obtain employment without the program would gain little advantage from attempting to access the program and are thus unlikely to do so. Employers, on the other hand, gain a substantial advantage by accessing the program even if they would hire without the wage subsidy. Consequently, fine-tuning of the design to encourage graduate-generated placements would be a worthwhile investment.

A bigger concern arises from the lack of a mechanism for graduates to continue in the program if their program employer found it necessary to withdraw. Two individuals in the focus groups had this experience and had not found their quite limited experience helpful in securing other employment. Under GEP, about 40% of placements terminated prior to the end of the subsidy and there is no reason to expect higher completion rates under GESEP. While many of the early completions will be due to graduates obtaining alternate employment, a mechanism to follow-up with graduates who do not complete their program placement seems to be an essential part of a program designed to promote successful integration of new graduates into the labour market.

Self Employment

Finding: All partners contributed to the design of the program which is based on successful entrepreneurship programs applied to UI Recipients. ELR in conjunction with the ECC facilitator, and assisted by ENL delivered the program.

ELR's responsibility for delivery of this component of the program was generally seen as appropriate by key informants for reasons of efficiency. In particular, ELR's centralized approach was seen as cost-effective by most key informants due to the small number of participants. As well, efficiency in program administration was expected due to ELR's responsibility for GE. However, some key informants considered that ELR was not the best choice due to their limited expertise in economic development and their lack of infrastructure outside of St. John's. The involvement of ENL, the P. J. Gardiner Institute and Eastern Community College clearly provided the required expertise in economic development.

Finding: The role of P.J. Gardiner Institute in assessing candidates for SE was appropriate and was executed cost-effectively.

As indicated in the program description, the P. J. Gardiner Institute used a well-defined mechanism for assessing the entrepreneurial potential of candidates; the quality of the business plan; the conformance to the Strategic Economic Plan; and, for identifying training needs of candidates. The assessment mechanism also incorporated input from ENL and ELR and information provided was appropriate and sufficiently detailed both for decision-making and for identifying support needs of approved candidates.

The approach of buying assessment services is characteristic of successful self-employment programs as indicated in the literature review. Key informants identified how helpful this information was for selecting candidates for the program. The cost of this service, at \$225 per participant represented excellent value.

Finding: Eastern Community College (ECC) was contracted to provide support services to program participants. ECC has provided a range of services to participants and has effectively modified its initial plans in response to the needs of participants.

ECC was selected for this role largely because of their expertise in distance education and they have effectively made their home study program available to participants and have, according to key informants, done a good job of running teleconference calls and communicating directly with individual participants. The complete range of services provided by ECC is described in Section 2.2.

As might be expected with a new program, this aspect of the program was slow to take shape. There were a series of meetings to clarify the role of the ECC facilitator and the financial arrangements, which continued well into the establishment of the program.

Throughout the program, the role of the facilitator has evolved. Initially, it was expected that a major component of the service would be to facilitate access to ECC's highly regarded home study program. However, program participants have demonstrated little interest in this service. ECC has responded effectively by revising the Home Study Program to better meet the needs of participants and by increasing their focus on providing the mentoring services which participants have requested.

Issue 5 a) Have any operational/legislative/jurisdictional constraints been identified that impinge on the ability of the project to achieve its objectives? How were these handled?

Finding: No such constraints were identified which significantly impinged on the ability of either component of GESEP to achieve its objectives.

Finding: Limited staffing of the GE Component constrained ELR's ability to undertake revisions to the GEP Program as had been intended. In particular follow-up with participants and effective implementation of the registry received limited attention.

There was considerable discussion at the A&R level about staffing requirements at ELR to administer the program. A need for support in data entry, claim payments, coding of applications, and maintaining the registry was identified and resulted in some indirect measures by ELR to respond to these concerns.

As noted earlier, both the 1990 evaluation of the Graduate Employment Program and the current evaluation suggest that, for most placements, follow-up activities will find that no problems exist. Nevertheless, it was intended to do more, and we have identified some instances where it would have been helpful (see findings under Issues 3 and 4).

The heavy workload on staff assigned to this component also impacted the implementation of the registry. ELR did accept applications from graduates and the data was entered into a computerized registry. Nevertheless, applicant graduates who did not have an identified employer had virtually no chance of being accepted into the program since the registry was rarely used¹⁷ successfully by employers to find an employee. Effective implementation of the Registry would have necessitated greater promotion of the program's capability to match employers and graduates; increased staffing at ELR to handle the volume of applications which would have resulted; and, a mechanism to select the "best" placements in view of the restricted funding available.

¹⁷ ELR indicates that the registry was used to identify possible candidates to approximately 35 employers. However, in the survey of employers, almost all indicated that they identified the graduate who was hired with no assistance from program officials.

While the Registry was not implemented as intended, it is not clear that this had negative consequences. Employers have not identified difficulties in identifying suitable employees who were eligible for the subsidy. Based on the evidence from this evaluation, they are entirely satisfied with recruiting on their own and would likely to continue to do so even with a more effective registry.

Issue 5 b) Are the project design features — i.e. operational guidelines that define eligibility criteria, funding limits, etc. — consistent with the stated objectives of the project?

Finding: The SE component incorporates self-screening, which OECD experience indicates is an important component of successful self-employment programs. Screening of applications is heavier than included in most programs which exist in OECD countries (which is appropriate given the inexperience of some potential candidates). This screening process incorporates expertise from outside government which, according to the OECD, is important. Finally, SE has devoted considerable resources to development of approaches to entrepreneurial training in accordance with the relative inexperience of program participants.

In its review of self-employment programs in nine OECD countries, the OECD notes:

“... most countries minimize the role of program administrators in selecting winners, and instead, rely on self-screening mechanisms in selecting program participants.

The self-screening mechanisms used — applications, use of pre-entry business advisory services and training, and development of business plans — require a commitment of participant's time before being admitted to the program ...(this) ... serves to screen out applicants whose time can be used more productively elsewhere and screen into the program those who expect to realize a favourable return on their investment.”

For the most part, the design of SE was consistent with this experience. However, in some cases, candidates were conditionally accepted into the program that had not prepared a business plan and were provided with income support during the preparation of their business plan. Based on OECD experience, the likely consequence of such decisions would be to encourage participation in the program by individuals with a relatively weak commitment to establishment of their own business.

SE also includes an intensive screening of program applicants. Potential candidates are assessed in regards to their potential to be a suitable entrepreneur. The assessment consists of written tests, a personal interview and a review of applicants by the Assessment and Review Committee. This screening serves a number of useful purposes:

- it provides a barrier to entry to less motivated candidates which encourages self-screening;
- it offers the potential to identify highly motivated candidates with Limited suitability for entrepreneurial activity; and,
- it offers the potential to identify specific training and mentoring needs of applicants.

The involvement of the P.J. Gardiner Institute, Enterprise Newfoundland and Labrador and Eastern Community College in the screening process is consistent with OECD experience that eligibility decisions for entrepreneurship programs should not be left solely to government administrators.

The program has included a significant investment in training/mentoring of participants in entrepreneurship in recognition of the relative inexperience of participants:

- the P. J. Gardiner assessment includes recommendations to improve the prospects for success of the businesses of recommended candidates;
- the availability of home-study courses through Eastern Community College to program participants;
- site visits by the ECC facilitator to advise and assist participants on successful operation of their businesses;
- the availability of the ECC facilitator and ELR personnel to act as mentors on an as-and-when required basis;
- regular monitoring of businesses by the ECC facilitator;
- telephone conference calls which have been used to deliver specific training, encourage networking among participants, and identify needs of participants for specific types of support; and,

- a three day seminar in St. John's where participants had the opportunity to attend specific sessions relating to business success; demonstrate their products and services to the general public; network with each other; and, consult with program officials.

The intensive screening results in a somewhat lengthy elapsed time from application to approval. This was raised as a concern by some participants. However, experience cited in the literature review indicates that some delay has beneficial effects since less committed individuals or those who do not require support will pursue other opportunities.

Finding: The design of GE incorporates an appropriate self-screening mechanism — i.e. restricting eligibility to candidates unemployed or under-employed 3 months after graduation. This mechanism minimizes deadweight loss (i.e. subsidizing activities which would have occurred anyway) without delaying intervention until candidates have been scarred by a long bout of unemployment. However, evidence indicates that this screening criteria may not have been consistently applied thereby resulting in significant risk of deadweight loss.

- Under program terms and conditions, exemptions from the 3 month unemployment or underemployment provision were only allowed for graduates judged to have poor prospects for unsubsidized employment. However, no specific mechanism was identified for such assessments and under-employment is not clearly defined. Individuals involved with administration of the program indicated in interviews that exceptions to this provision were rare. However, survey data indicates that over half of the participants in the program did not experience a period of unemployment of three months or more in the 12 months prior to their involvement in the program. Out of 97 participants surveyed:
 - ✓ 45 (46.4%) reported zero months of unemployment prior to the program;
 - ✓ 3 (3.1%) reported one month of unemployment; and,
 - ✓ 4 (4.1%) reported two months of unemployment.

When asked what they were doing immediately prior to their participation in the program,

- ✓ 30 (30.7%) graduates indicated that they had been working; and,
- ✓ 15 (15.5%) indicated that they had been attending training.

The remainder indicated that they had been unemployed.

While these results are inconclusive, they do suggest that a clear definition of under-employment would be beneficial in ensuring that the self-screening mechanism included in the program is consistently adhered to. The literature review provides strong indications that such a self-screening mechanism is a very important element of a program which is unable to admit all apparently qualified candidates.

Finding: Even with limited promotion, demand for the GE component exceeded resources available. Although a mechanism existed to rate applications, all applications rated over a specific threshold were approved subject to the constraint of available funding. With more promotion, which would be desirable, greater attention would be needed to assure approval of applications with the greatest merit.

Promotion was not seen as an important activity under GE due to the limited funds available under the program and the large number of applications expected to be received without promotion. However, based on the evidence from the literature review, the approach used was inferior to other approaches. Based on the literature review, it would be advisable to promote the program more heavily to ensure fairness and equity. Limited promotion, on the other hand has the potential to bias participation towards groups aware of the program who may or may not be the graduates who can best gain from the program or the employers who can offer the best placements.

If the program had been more heavily promoted, additional funding; a more efficient approach to self-rationing; and/or a more clearly defined approach to rationing by program administrators would have been required.

Self-Rationing

Possible opportunities for enhancing self-rationing include:

- lower subsidies;
- alternate forms of subsidy (e.g. a wage subsidy and a training allowance without increasing total expenditures per participant);
- requiring a longer period of un- or underemployment; and/or,

- increasing the barriers to entry by requiring stronger evidence from employers that the intended hiring is dependent on the subsidy and/or stronger evidence from graduates that they have sought but been unable to find suitable employment.

Any of these approaches would make the program less appealing to graduates (and employers) who could secure appropriate employment without the program. Substantial changes in the suggested directions would be inappropriately risky since both this evaluation and the 1990 evaluation indicate that the program is largely successful. However, based on the literature review, some small changes in the directions indicated is preferable to limiting promotion.

Rationing by Administrators

The program would also benefit from a more clearly defined approach to rationing by program administrators. The current approach consisted of funding all applications above the minimum threshold until all funds were committed. This has two disadvantages:

- employers and/or graduates with early access to information about the program have a much better chance of being accepted into the program; and,
- applications of very high merit may have to be rejected due to earlier decisions to approve applications of lesser merit.

The first of these disadvantages is of particular concern when promotion is limited whereas the second is of concern when demand is high.

Issue 6 a) To what extent did GESEP participants also participate in SEOP (and SWASP)?

Finding: No graduate participants identified previous participation in SEOP or SWASP.

Of 97 GE participants surveyed, only 5 indicated that they had ever participated or were currently participating in a government-sponsored employment program. None of these five individuals identified the SEOP or SWASP Programs. One of the SE participants was also participating in the SEOP program as an employer.

Finding: Employers had significant experience with other employment programs but a limited involvement with SEOP and SWASP.

Of 110 employers surveyed, 32 (29.1%) indicated that they had participated in the Graduate Employment Program (GEP). In terms of involvement in other employment programs, 50 (45.5%) indicated that they had been involved in other programs. In terms of SEOP and SWASP, 4 employers indicated that they were involved in SEOP and 15 indicated that they were or had been involved in SWASP. Other employment programs cited included the Employment Generation Program (13 employers) and Challenge (14 employers).

Issue 6 b) To what extent did GESEP participants also receive funding from other related federal and provincial programs?

Finding: Participation in GESEP made participants ineligible for federal and provincial income support programs.

Participants in the SE component may have been eligible for other business support programs offered by Economic Development Agencies. No information is available regarding the extent to which participants accessed other programs.

Issue 7 a) What monitoring mechanisms have been put in place to collect information on participants and interventions?

- ✓ Are these adequate for measuring project impacts?
- ✓ Has sufficient baseline information been collected?

This issue is addressed separately for the GE and SE components.

Graduate Employment

Finding: Comprehensive data bases have been developed in regards to both employers and graduates participating in the GE component of the program. The data was obtained from application and registration forms. No formal ongoing monitoring procedures are in place.

Key informants noted that budget limitations constrained the implementation of ongoing monitoring to assess, for example, the quality of work experience received by graduates.

Self-Employment

Finding: A comprehensive data base was developed on participants in SE. Assessment of candidates created data on strengths and weaknesses of candidates as well as perceived training needs.

Issue 7 b) Has an evaluation strategy been developed?

Finding: An evaluation strategy has been developed for the program consisting of this formative evaluation and a subsequent summative evaluation. The Evaluation Committee for SI in Newfoundland has responsibility for conducting these evaluations and other activities to assess the effectiveness of the program. The four partners under SI are all represented on the Evaluation Committee.

Finding: Based on this evaluation, revisions to the evaluation strategy may be advisable. In particular,

✓ For GE, the essentially similar GEP, provides an opportunity to assess long term impacts more quickly than would otherwise be possible. By surveying participants in GEP and a retrospective comparison sample, long term impacts of the program can be measured. By contrast, measurement of long-term impact on the current group of candidates probably cannot realistically be conducted until 1998¹⁸. However, delaying such measurement for three years means that decisions will have to be made on the future use of this type of programming in the absence of this data. It also means that the very positive data which has existed on the potential impacts of the program since 1990 will remain unconfirmed for an additional three years.

✓ For SE, a survey of businesses established under the program could be conducted in about 2 years to assess the performance of the businesses and examine performance in relation to strengths and weaknesses identified in pre-program assessments. Due to the small number of participants, there is nothing to be gained from including a comparison sample.

These two studies together with this formative evaluation will address many of the evaluation issues identified for GESEP. Once these studies are completed, any remaining information needs can be identified and will form the basis for the summative evaluation.

¹⁸ A shorter elapsed time would likely over-estimate long-term impact in view of the obvious short term benefits of program participation.

3.3 Project Success

Issues relating to project success address:

- development of partnerships;
- satisfaction of participants;
- extent and reasons for discontinuance;
- removal of disincentives for employment and training;
- potential for creation of long-term, full-time jobs for individuals who would otherwise be dependent on income support;
- extent to which GESEP contributes to the UI/Make-work cycle;
- whether GESEP encourages the creation of small businesses;
- extent to which GESEP has prepared participants for achieving economic self-sufficiency; and,
- extent to which GESEP has assisted participants to achieve economic self-sufficiency.

Issue 8 **How and to what extent has the project succeeded in developing successful partnerships among the various levels of government, regional economic partners and small enterprises? To what extent has it succeeded in promoting the joint management of similar services?**

Finding: There were structures created to support a partnership approach among provincial and federal government departments in the design and implementation of GESEP. This was extended to include an economic development agency. Small enterprise participated in GESEP solely in the role of sponsor/employer of graduates.

The Management Committee for SI consisted of senior officials of ELR, HRDC, DOSS and DE and oversaw the development of the program. All contracts in both GE and SE were vetted through this group. There were some key policy decisions taken by this group in terms of the GE component (matching of approvals, length of qualified training programs, staffing).

A working group was established to design the GE and SE components of the program, and included representation from ELR, DOSS, DET, HRDC, and latterly ENL. This group also served as an Assessment and Review Committee, developing policy and procedures, reviewing applications, and advising the Management Committee.

The rationale for the A&R committee in GE was questioned by some key informants. Once the grid was designed the primary responsibility for assessing applications rested with ELR. As there were no targeting procedures in place with regard to clients of DOSS or HRDC, there was seen to be a limited usefulness of this committee as an ongoing group.

The SE component required a greater level of coordination of effort. DET was responsible for arranging the involvement of ECC, and ENL facilitated bringing in P.J. Gardiner Institute. (ENL was first conceived as a consultant resource to the committee. The input of ENL was welcomed by the A&R and seen as a major benefit in SE.)

The consensus view of the partners interviewed was , while partnerships bring with them some level of tension and conflict, they are necessary in ensuring the success of programs such as GESEP. In particular, the combination of social and economic agencies of government was one which informants felt was important to maintain. However it was emphasized these relationships need to be functional.

Issue 9 **How satisfied are participants with various aspects of the project, e.g. application and selection, services provided, etc.? To what extent did participants discontinue before their anticipated completion date? What are the main reasons?**

Finding: Participants (graduates and employers) in GESEP are highly satisfied with all aspects of the program.

Graduate Employment

Almost all graduates (97%) reported that they experienced no difficulty in obtaining information about the program. Most graduates indicated they became aware of the program through their employer (70%). In the focus groups

with graduates there were concerns expressed about the approval process. There was a general sense in the focus groups that the program was skewed towards employers' needs and more choice for graduates in securing placements would be preferable.

Almost all employers polled found ELR staff helpful and cooperative (94%). None of the 110 employers surveyed described the application process as very complex and only 8% described it as somewhat complex. Virtually all employers were satisfied with the procedure to recover the wage subsidy. A small number of employers were concerned about the length of time required to recover the wage subsidy. Employers reported that recruitment of graduates was done without the aid of ELR in most instances (84%) and based on their positive responses on cooperation received from officials, we assume that they preferred this approach. It was noted in key informant interviews that most employers applying for the program had already identified a candidate employee.

The survey findings with respect to various aspects of services received by graduates on the job are very positive. High percentages of participants were satisfied with the clarity of their role (100%), opportunities to learn (97%), salary (80%), feedback on their work (78%), treatment by management (95%), and receiving the experience they need (98%).

One third of the participants surveyed received training on commencing the job, and of these almost all (87%) found the training to be sufficient. Of those not receiving training, only 15% felt it should have been offered to them. In the focus groups with graduates and employers there were indications employers had in some instances purchased training courses on behalf of graduates, sent them out of Province for specialized instruction, or provided intensive on-the-job training.

All but one of the graduates surveyed indicated their work contributes a great deal (76%) or somewhat (23%) to the company employing them. The focus groups underscore this finding as both employers and graduates spoke of the essential quality of the work done by the graduates, especially in organizations with few staff.

There were some suggestions offered by graduates surveyed in terms of additional services that might be offered under GE in future. These include;

- more awareness for the public and businesses;
- longer retention of placements;
- more upgrading courses;

- more follow-up.

In addition to these suggestions, graduates in the focus groups added the following;

- transferability of the approval in the event of a breakdown in the placement;
- more publicity, including detailed descriptions of the program;
- conditional approvals for graduates;
- more ongoing contact with ELR staff.

Self-Employment

SE participants generally reported no difficulty in getting information on the program (78%) or in applying for the program (72%). A minority of those surveyed reported that the application process was too slow.

In discussions with SE participants, they were very positive about the ongoing support of ELR staff and the facilitator at ECC. These relationships entailed technical support, linking participants with each other, information on regulations, referral to other resources, and encouragement.

The Home Study component of the program was not utilized as intended. While materials were made available to participants, several reported in interviews they did not have time to complete such courses and attempt to establish their businesses at the same time. Other informants felt more practical information would be of greater benefit than a formal course. The format of the exposition, with guest speakers, an intense time frame, and an opportunity to ask specific questions was seen by participants and others to be superior. Also the facilitator, and to a lesser extent the ESO handling SE, were seen as instrumental in providing practical information.

The teleconferences were generally regarded as a means of sharing experiences with other businesses and breaking isolation. The participation rate for those in St. John's was considerably lower than for those elsewhere in the Province. This is seen by staff as a function of the greater availability of resources in the St. John's area.

The income support received was seen by participants as an incentive to be involved in SE. Half of the respondents said they would have started their business without SE but it was clear in the interviews that several of them relied totally on this support at this time, and could not have devoted full-time attention to starting a business without it.

SE participants who were surveyed suggested a need for the following services to be offered in the program;

- accounting courses;
- marketing;
- business support services;
- tax information;
- on-site counselling;
- more supervision.

In personal interviews additional changes were recommended, including;

- better promotion;
- an information kit, explaining SE, its components and expectations.

Finding: Most GE participants surveyed were still involved in their work placement (83.5%). Of those that did not complete the placement, the reasons given were employer terminating the job (56.3%), finding a better job (37.5%), and resigning(6.2%). Remarkably, all of those currently placed expected to complete their placement.

In the focus groups, two graduates whose employer had terminated the placement for internal business reasons noted that the program did not seem to include a provision for transferring the placement to an alternate employer.

Finding: Out of twenty-eight participants in SE, all but three are still with the program. One withdrew because of the absence of a viable market, while the other two, a partnership funded together, were discontinued because they were in direct conflict with existing businesses.

Issue 10 **To what extent has the project succeeded in removing disincentives to employment and training? Has the project resulted in long-term, full-time jobs for participants previously receiving UI or SA?**

Finding: GE has succeeded in providing incentives to employers that have resulted in their participation in the program.

Most employers surveyed said they would not have hired generally without the program (70%), and would not have hired a recent graduate (79%). Cost was the primary obstacle described by employers. In a focus group, employers

described the financial and indirect costs of hiring and training a graduate as a general disincentive. This focus group reported a significant investment in the training of the graduate, and this was supported by the focus groups with graduates themselves. While most surveyed would not have looked for more education in an unsubsidized employee (82%), more than one third reported they would have hired someone with more experience.

Finding: GE has resulted in a high rate of employer intention to retain graduates after the completion of the program, and a comparatively high interest in and expectation of retention on the part of graduates.

Remarkably, all those employers polled (n=110) said they would be interested in getting involved in this program in the future. A high percentage (81%) were sure of keeping the graduate to full-term in GESEP, and 71% intended to retain the graduate after the end of the wage subsidy. There was a lower likelihood of long-term retention by public sector employers, but 60% expected to retain the graduate. These outcomes are in line with those reported in the 1990 evaluation of GEP.

The survey shows over three quarters of the graduates want to be retained by their employers (87.7%), and a similar number expect to be retained (88.9%). All expected to at least finish their one year term. Early completions accounted for 16.5% of graduates surveyed.

In focus groups with employers and graduates it was clear the employees became in many instances integral to the success of the business over the one year period. For small businesses the opportunity to employ skilled workers resulted in additional revenues generated for some and skills supporting the business infrastructure for others.

Finding: Approximately one third of participants in GE had been collecting UI or Social Assistance immediately prior to participation in the program.

In the survey of 97 graduate participants, 23 (23.7%) indicated that they had been collecting UI immediately prior to the program while 7 (7.2%) had been collecting social assistance. An additional 22 (22.7%) had been looking for work but not collecting income support. In the 12 months prior to the program, 60 of the 97 participants had collected UI at some time and 17 had received Social Assistance.

Finding: Approximately one third of participants in SE had been collecting UI or Social Assistance immediately prior to participation in the program.

Of 18 graduates surveyed, 4 had been collecting social assistance immediately prior to the program and 2 had been collecting UI. However, in the 12 months prior to their involvement in the program 8 participants had collected UI at some time

Issue 11 **Does the project contribute to the UI\ make-work cycle? Is there a mechanism to prevent the misuse of wage subsidies to qualify for UI benefits?**

Finding: The GESEP program does not contribute to the UI\make-work cycle and offers real opportunities for graduates to find long-term employment.

The GE results suggest a high retention rate (71 % of employers surveyed said that it was very likely or quite likely that the graduate would be retained after the wage subsidy ends). Of 97 graduates surveyed only two expected to be in receipt of income support after the completion of the program. Those graduates who do not expect to be retained by their current employer, see themselves primarily obtaining a similar or better job or returning to school.

There is little potential for misuse of the subsidy to qualify for UI in either GE or SE, and there were no indications from any source that this had occurred. In SE the income support is paid to the company and not the individual and this disqualifies participants from qualifying for UI. In GE, employers incur significant expenses relating to the unsubsidized component of the wages and also bear the costs of integrating inexperienced individuals into their workforce. The preponderance of graduates in GE were engaged in meaningful work of benefit to their employers, as evidenced by the retention rates in this year and in previous years, and the results of the surveys and focus groups as discussed.

Issue 12 **Has the project encouraged the establishment of small businesses(and subsequent creation of jobs) in growth sectors and remote regions? How many have succeeded\ failed and for what reasons?**

Finding: SE has encouraged the establishment of new businesses in various regions of the Province.

Those surveyed in SE all indicate they intend to continue to be in business after the program ends. Half stated they would not have started their businesses without GESEP. Prior to the program, most were unemployed and not in full-time studies in the year prior to entering the program. Further, most were in receipt of either UI or Social Assistance in that year as well(67%).

Given the total number of participants in SE is 25, it is difficult to state whether or not the program is encouraging new businesses in growth sectors or remote areas. There are participants approved from all regions and involvement in a growth sector is a criteria for admission to the program.

It is too early to discuss success and failure of the businesses funded in SE. The participants generally expect to employ themselves and either none or one other person as a result of this program. The maximum projected number of full-time employees by any participant is five. The range of projected part-time employees is 0-20 but the majority are 0 or 1(55.5%). The majority of the businesses are not seen by their owners or by key informants as likely by their nature to create large numbers of jobs. However, this is consistent with the results from self-employment programs in Canada and other OECD countries and is not viewed as a negative indicator.

Issue 13 **Has the project brought about any changes in the quality of the participants' home/family life (e.g., mentoring, family inter-relationships, involvement in other community activities, use of other community services, etc.)?**

Finding: By providing graduates with quality work experiences and/or opportunities to establish their own businesses, the program can be presumed to have also enriched the personal lives of participants.

The linkage between productive employment and success in other areas of life is well-established. Evidence cited in regard to other “success” issues, provides clear evidence that:

- graduates obtained placements which, for the most part, they would otherwise not have obtained;
- most graduates placed under the program expect to be retained by their program employer and, in most cases, their employer also expects to retain them;

- the vast majority of participants consider themselves to be making an effective contribution to the firm/organization employing them and their employers agree; and,
- virtually all graduates have noted new learning which has occurred as a result of their placement.

As a result of these productivity impacts, it is reasonable to presume that improvements in other aspects of participant's lives have and will occur.

- Issue 14** **To what extent has the project prepared participants for achieving economic self-sufficiency?**
- a) increased their motivation and self-esteem?**
 - b) assisted in the development of a business plan?**
 - c) provided them with relevant work experience?**
 - d) provided them with self-employment/business skills?**
 - e) facilitated access to training and business support services?**
 - f) provided them with mentoring/role models?**

This issue is addressed separately for the two components of the program.

Graduate Employment

Finding: The vast majority of participants have achieved economic self-sufficiency and fully expect to remain self-sufficient.

The survey results provide the following evidence:

- 74.2% of participants expect to continue to work for the same employer¹⁹ after the program. Of the remainder, virtually all expect to obtain another job — most expect to obtain that job in Newfoundland;
- only 2% of participants expect to rely on UI after the program and none expect to rely on Social Assistance, TAGS or other income support programs;

¹⁹ This constitutes 88.9% of those still with their employer at the time of the survey. The difference consists of discontinuants.

- 98% of participants indicated that the placement provided the experience they needed in order to be successful in the labour market.

Discontinuants under the program, however, are at a greater risk of dependency. In the survey, 16 of 97 participants had discontinued. Six of these had left because they obtained a better job. However, of the remaining 10, only 2 were employed. Modification of the program to allow participants who are discontinued by the employer (for non-performance reasons) to transfer their subsidized placement to another employer would likely improve the prospects for this group.

These very promising initial results, which correspond to those noted in the 1990 evaluation of the Graduate Employment Program, do not, however, establish that long-term economic self-sufficiency will occur for these participants.

Self-Employment

Finding: The Self-Employment Component has provided preparation for economic self-sufficiency of participants. Self-esteem and motivation was developed through participation in the program and all candidates surveyed expect to be operating their business after program support has ended. Opportunities exist to improve the approaches used to develop self-employment/business skills and to provide mentors/role models.

Experience with other self-employment programs suggests that assistance with business plan preparation should consist of guidance and mentoring and that eligibility for income support should be delayed until a suitable business plan has been prepared. Experience from these other programs also suggests that training and mentoring services are most effective if they are responsive to participants self-perceived needs.

- Issue 15** **To what extent has the project assisted participants to achieve economic self-sufficiency?**
- a) **What activities/interventions were most effective? For what type of participant? For completers/non-completers?**
 - b) **For what reasons are some participants unemployed and on income support after the project?**
 - c) **Did the project motivate participants to go on to further training or education?**

This issue was identified as out of scope for the formative evaluation. In regard to sub-issue c), 5 of 97 participants surveyed want and expect to return to school.

3.4 Project Cost-Effectiveness

Issue 16 a) What are the benefits to society, participants, and the government as a result of the projects (considering SA/UI savings, net change to income tax revenue, and other factors)?

Finding: GESEP offers the potential for sizable benefits to individuals, society and government. It targets post-secondary graduates who offer the potential to be very productive members of society but who are currently at risk of long term unemployment due to economic conditions in the Province. Evidence from the literature review suggests that the scarring effects of lengthy unemployment are particularly severe for young people. The demonstrable short term impacts and the potential for long term impacts are evident from this evaluation as well as the 1990 evaluation of the essentially similar Graduate Employment Program.

Evidence for this finding is provided separately for the two components.

Graduate Employment

Key informants agreed that the benefits of GE outweighed the costs. They were also of the view that support under the program was even worthwhile for graduates who would otherwise leave the Province for unsubsidized employment elsewhere. As one key informant observed:

“Outmigration is highly concentrated among the best-educated people. We need to arrest this for the future economic development of the Province.”

This observation is supported by statistical evidence. The following table indicates out-migration from 1986 to 1991 by level of education²⁰:

²⁰ Compiled from Statistics Canada Census data, cat. 93-322

Level of Education	Outmigration	Percentage
Less than Grade 9	1,730	5.7%
Less than high school completion	6,885	22.7%
Completed high school	4,395	14.5%
Some post-secondary	3,780	12.5%
Completed post-secondary	13,510	44.6%
Total	30,300	100.0%

The 44.6% of outmigrants who had completed post-secondary education contrasts markedly with the fact that 16.3% of Newfoundland residents reported this level of education in 1991.

Another observed that even if some of these individuals do have to leave the Province for future employment, the experience gained under GE will help them overcome disadvantages they may face in an unfamiliar labour market.

A number of experts cited in the literature review were of the opinion that no society can afford the risk of letting its youth become dependent on income support programs. Although the qualifications and relatively high self-esteem of the target population may allow them to overcome the scarring effects of short-term unemployment, the net cost of the more damaging effects of long term unemployment may be very high in view of the above-average potential of this group.

The demonstrable short term impacts and potential for long term impacts cited in the finding have been reported in relation to other issues.

Self-Employment

Key informants saw this component of the program as potentially offering even greater benefits than GE. All of the benefits cited under GE were also expected under this component. A number of key informants observed that Newfoundland and Labrador has not historically fostered a supportive climate for entrepreneurs. They saw the Strategic Economic Plan as a radical departure from the past both in terms of its attempts to develop a climate which will support entrepreneurs and in its identification of growth sectors where Newfoundland and Labrador have advantages. The linkage to the growth sectors in the Strategic Economic Plan was seen as particularly important. Successful businesses would increase the inherent advantages these sectors have for Newfoundland while unsuccessful businesses would, at least, lead to increasing the skill base of participants and potentially lead to their involvement in other enterprises in these sectors.

As noted by one key informant, experience in most OECD countries establishes the effectiveness of well-designed self-employment programs for UI recipients, a group which would appear to have less potential than the individuals targeted under SE. However, self-employment programs targeted at UI recipients, have limited net cost since income support would be received by participants whether they participate or not. Post-secondary graduates have limited eligibility for income support programs resulting in a higher net cost of the program. Consequently, it is critically important that the design of the program ensure that candidates with limited chance of success will elect to avoid the program and that training/mentoring services be provided in a cost-effective way. As noted under Issue 16 b), below, opportunities exist to improve these elements of SE.

This evaluation, due to its timing, has provided only limited evidence on the prospects for success of the businesses and individuals supported under SE. These early results are encouraging but further follow-up will be necessary.

Issue 16 b) Is the pilot project model a cost-effective way of achieving project objectives? Are there more cost-effective methods of achieving the same objectives? How do results compare with the results of other programs with similar objectives?

Results for this issue are reported separately for the two components.

Graduate Employment

Finding: Like other wage subsidy programs, the cost-effectiveness of GE depends on having a design which minimizes displacement (replacement of an unsubsidized worker with a subsidized one) and deadweight loss (subsidizing activities which would have occurred anyway). Evidence from this evaluation suggests that these difficulties have not occurred to any great extent in GE. Nevertheless, the opportunity exists to modify the program to reduce the risk of these concerns.

As noted previously, the program could be made less appealing to employers who would hire without the wage subsidy by reducing the wage subsidy; diverting a portion of the wage subsidy to a training subsidy; and/or by requiring employers to make a larger investment in justifying their application.

Also, a more rigorous application of the 3 month unemployed/underemployed rule would reduce the risk of subsidizing graduates with good prospects for employment without the program.

Self-Employment

Finding: Experience with self-employment programs in other jurisdictions and with other target groups establishes the importance of designing the program so that clients without a strong entrepreneurial commitment or with a poorly conceived business idea will have little to gain from the program and will elect not to participate. SE needs to be revised to more fully reflect this experience in order to ensure its cost-effectiveness. In particular, the income support provisions of the program should not be available to applicants with an incomplete business plan.

The evidence on the importance of self-rationing provisions is reported in the literature review and summarized under several of the issues addressed in this report.

Finding: For SE, providing a long-term subsidy was judged as important by participants and key informants in view of the high risk of failure in the early stages of a business and the relative inexperience of the client group. However, the use of a constant subsidy may create dependency on the income support provided under the program and lead to a high incidence of failure shortly after funding ceases.

Some key informants suggested a sliding subsidy. This would have the advantage of requiring businesses to be more revenue-driven from the outset. By providing a reasonably high level of income support throughout the program, a risk exists that participants can avoid the decisions that are necessary for survival of the business. The sliding scale could either reduce total outlays per participant or lengthen the period of support without increasing expenditures.

Finding: The model for SE combined with the small number of participants have combined to result in high per capita costs for the SE component. A large share of these costs relate to program administration and training and mentoring services. Reduction of per capita expenditures in these areas is necessary to improve the cost-effectiveness of this component.

As reported in Section 2.4, per capita expenditures under SE are estimated at \$24,000. This contrasts markedly with the GE component where per capita expenditures are estimated at \$9,300.

Experience with Self-employment programs for UI recipients in OECD countries has established that these programs do impact positively on participants. However, the impacts are not substantial and relate primarily to improved employ-

ment for participants. These employment impacts relate to both successful and unsuccessful entrepreneurs. For the latter, evaluations have found that entrepreneurs whose businesses close are more likely to be employed after the program than members of a comparison sample. However, these employability impacts are typically small and the successful businesses rarely employ other staff. Consequently, cost-effective implementation is critical. For programs targeted at UI recipients, cost-effectiveness is easily achieved since income support would be received whether the individual participates in the program or not and is not an incremental expense. Under SE, income support is an incremental expense for many participants and it is thus important that expenditures on training/support and administration be fully justified.

During the trial period, the small number of participants, their dispersion across the Province, and the need to develop administrative procedures and to provide and refine a full range of services have combined to make this array of services expensive on a per capita basis.

Costs related to internal administration and facilitation and assessment services are not excessive in view of what has been provided. Nevertheless, it is important that the need for the current level of services be verified and that those services which are retained be provided as cost-effectively as possible.

Opportunities to improve cost-effectiveness may include:

- increasing the number of participants while maintaining expenditures on administration and facilitation near current levels;
- reducing expenditures on administration and facilitation by clarifying specific responsibilities of ELR, ENL and the ECC facilitator; and/or
- reducing the need for facilitation services through greater empowerment of participants to identify and service their own training needs. Other self-employment programs have had success with a chequebook approach to training whereby participants can access personalized training or assistance, as required, up to a pre-specified limit. Such an approach would have allowed the program to take advantage of existing infrastructure and services (e.g. CASE counselling and Business Mentoring services available through the Business Development Bank of Canada; similar services available through Enterprise Newfoundland and Labrador, ACOA, the Women's Enterprise Bureau, the Youth Enterprise Bureau, and Business Development Centres; and, consulting services available from private sector accountants and marketing consultants).

For example, the Business Development Bank of Canada (formerly FBDB) offers such services in its CASE Program. Since this service is primarily delivered by retired business people, it has the advantages of being provided by individuals with an understanding of local business conditions and being relatively inexpensive.

Issue 17 **What lessons can be learned from this project on interventions to assist the target group? How and to what extent does it contribute to the development of a policy framework for social security reform? Does the project lead to a more efficient delivery of services? To what extent can this project be successfully expanded or replicated in other regions/provinces?**

Lessons Learned

Finding: GESEP provides few lessons learned. The potential benefits from using wage subsidies to encourage employment of new graduates facing limited employment opportunities had been well-established through Newfoundland's Graduate Employment Program. As well, the risks associated with wage subsidies are well-known. The Self-Employment Component has included a small number of participants and is still evolving. While its rationale is strong, results cannot be assessed at this early stage.

One important lesson learned from the Self-Employment component is that new graduates are unlikely to be interested in conventional training/education as a means to assist them in effective establishment of a business. On the other hand, their interest in hands-on assistance or counselling is substantial.

Expansion of the Initiatives Within Newfoundland

Finding: Both components of the program demonstrate potential for expansion within Newfoundland and Labrador.

This evaluation provides clear evidence that GE provides beneficial short term impacts and very strong indications that it provides positive long term impacts at a relatively low cost. Since demand for the program has exceeded the number of available positions even though the program was not promoted extensively, the opportunity for expansion is clear. The continuing high unemployment among recent graduates and the views of experts on the scarring effects of long term unemployment on youth provide a strong rationale for such an expansion. Any expansion of the program should be accompanied by more effective approaches to include graduates without linkages to the labour market (i.e. graduates who are unlikely on their own to find a willing employer).

Finding: The Self-Employment component links very well to the Province's Strategic Economic Plan and with modifications suggested herein to ensure effective self-rationing and improved cost-effectiveness could be made available on an unrestricted basis to recent post-secondary graduates.

Replication in Other Jurisdictions

Results on this issue are reported separately for the two components.

Graduate Employment

Finding: The very positive results from GE are partially attributable to conditions which do not exist in some Canadian jurisdictions. Providing productive employment for young people within the Province is seen by most Newfoundlanders as critical to the future economic prosperity of the Province. Employers, well aware of the economic realities of the Province, are unlikely to see unemployed graduates as undesirable or stigmatized. Replication of the program in other jurisdictions with high unemployment among recent graduates is worthwhile but it may be necessary to improve the design as indicated herein in order to achieve a level of success as impressive as has occurred in Newfoundland.

Self-Employment

Finding: Trends in the Canadian and global economy as well as an increasing focus of the educational system on providing entrepreneurial training provide a strong rationale for replication of the program in other jurisdictions. However, evidence on the effectiveness of the self-employment component of GESEP is inconclusive at this stage.

Many experts have identified two fundamental changes which are occurring to the Canadian and other global economies. First, is the growth in information technology and related industries. Second, is the increasing tendency of business and government to buy services outside their primary area of expertise rather than hiring additional employees. If these trends continue, well-educated individuals will be provided with increasing entrepreneurial opportunities and inexperienced graduates will face limited employment opportunities and significant disadvantages in the self-employment market. Programs which support new initiatives and provide necessary training/mentoring have the potential to complement current initiatives in education to provide entrepreneurial courses to graduates.

4.0 Conclusions

This evaluation has addressed a wide range of issues. As a formative evaluation, it has not addressed long term impacts. In this chapter, we provide — separately for the two components — conclusions in relation to the rationale for the initiative; the design and delivery; the potential for long term success; and, the cost-effectiveness of the initiative.

4.1 Graduate Employment

Rationale

The Graduate Employment Component has a strong rationale in Newfoundland and Labrador in view of the difficulty experienced by many new graduates in obtaining employment. However because of the apparently privileged status of participants, the rationale is strong only if there is adequate protection against providing subsidies where they are not needed.

Design and Delivery

A number of opportunities exist to improve both the design and delivery of the program. The design of the program does not provide adequate protection against well-established risks of wage subsidy programs. In particular, a substantial risk of deadweight loss exists. The evaluation does not provide evidence that substantial deadweight loss has occurred but it does establish that known effective strategies to minimize its occurrence have not been applied.

The administrative aspects of the delivery of the program are strong because of the experience obtained under a pre-existing program for this client group in Newfoundland. Conversely, promotion of the program; linkages to local offices of HRDC and DOSS; follow-up with graduates; and, selection of applications for funding all offer opportunities for improvement.

Potential For Long Term Impacts

This evaluation, like the 1990 Evaluation of GEP, provides strong indications that many of the subsidized placements are incremental and that many of the participants will continue to be employed after the program. It is important that this potential be verified since it contrasts markedly with statistics produced by

the Government of Newfoundland and Labrador on the high unemployment rates for recent post-secondary graduates.

Cost-Effectiveness

While the long-term impacts from the program remain to be established, the investment made under the program is small relative to the potential gains offered. Improvements to the design and delivery of the program identified in this evaluation will further improve cost-effectiveness.

4.2 Self-Employment

Rationale

The Self-Employment Component has applied programming to recent post-secondary graduates, which many countries, including Canada, have found effective with UI recipients. Emerging trends in Canada and elsewhere suggest that self-employment is increasingly common especially among well-educated individuals. In view of the limited employment opportunities for new graduates in Newfoundland and Labrador, supporting well-motivated potential entrepreneurs from this group has a strong rationale. As well, the funding of such an initiative under Strategic Initiatives is strongly indicated since, programming of this nature for this population has not been widely attempted.

Design and Delivery

In general, the design and delivery of the program is consistent with experience gained from other self-employment programs. The funding of participants to prepare a business plan is inconsistent with experience from other self-employment programs and should be reconsidered. Also, increased promotion of the program directly to recent graduates would be advisable.

The delivery of the program has evolved throughout its brief duration. The current approaches to helping participants as they establish their businesses are well-regarded. However, since the needs of participants are somewhat different than had been expected, other approaches are worth considering.

The provision of a constant level of income support which ends after one year creates the risk of creating program dependency and may lead to a high incidence of business failure shortly after assistance ends. Alternate schemes which incorporate a declining level of support after an initial period of constant support would likely reduce this risk and need not affect program expenditures.

Potential For Long-Term Impacts

Self-employment programs have been found to be effective in increasing the percentage time employed of participants after the program. Even those participants, whose businesses are unsuccessful are more likely to be working than similar non-participants. It is premature to project these impacts for SE participants but the potential exists.

Cost-Effectiveness

Self-employment programs are relatively expensive since they include both income assistance as well as entrepreneurial training. When directed at UI recipients, their cost-effectiveness tends to be strong since the income assistance does not represent a net expenditure. Under SE, this is not the case and cost-effectiveness is unclear. Monitoring of the initiative to maximize its potential impacts and to keep costs at a reasonable level, is likely to be necessary for cost-effectiveness to be achieved.