

***Management by Results:
Employment Benchmarking
and Savings Impacts for
Employment Insurance***

Final Report

***Strategic Evaluation and Monitoring
Evaluation and Data Development
Strategic Policy
Human Resources Development Canada***

Prepared by:

***Ging Wong
Lesle Wesa***

February 1999

Paper

ISBN: 0-662-34057-4

Catalogue No.: RH63-2/062-02-99E

Internet

ISBN: 0-662-34058-2

Catalogue No.: RH63-2/062-02-99E-IN

Acknowledgements

The developmental work and results presented in this report involved extensive discussions relating to the corporate need to establish an accountability framework for the Employment Benefits and Support Measures (EBSM) under Part II of the Employment Insurance (EI) Act. Discussions with Norine Smith, Marcel Nouvet, and Ken Kerr on the policy and program management requirements are acknowledged with many thanks, as is the valuable feedback from regional workshops in British Columbia, Alberta, Ontario, Prince Edward Island, Nova Scotia and Newfoundland. The authors are also grateful to Tom Siedule and Harold Henson for their helpful comments and suggestions.

Table of Contents

Executive Summary	i
Management Response	v
1. Introduction	1
2. Benchmarking of Employment Benefits and Support Measures (EBSM) Primary Results Indicators for Employment and Unpaid Benefits	3
2.1 Background	3
2.2 Benchmark Estimates for 1994 and 1995	5
2.3 Targets	11
2.4 1996 Update	13
2.5 1997-98 Update	17
3. Estimates of Employment Benefits and Support Measures (EBSM) Net Corporate Savings	25
3.1 Concept of Value Added	25
3.2 Methodology for Net Short Term Savings	26
3.3 Methodology for Net Medium Term Savings	29
3.4 Estimates	30
4. Conclusions	33
4.1 Primary Results Indicators	33
4.2 Net Results	35

List of Tables

Table 1	Primary Indicator Benchmarks, 1994 and 1995	6
Table 2	Provincial/Territorial Employment Caseloads, 1994	7
Table 3	Components of the Primary Indicator of Savings from Employment Service and Program Clients, by Province, 1994 and 1995	9
Table 4	Primary Indicator Benchmarks Adjusted for Bill C-12 Entitlement Changes, 1994 and 1995	11
Table 5	HRIB Use of Primary Savings to Estimate Benchmarks and Targets (\$M)	12
Table 6	Benchmark Update of Primary Indicators, Clients “Finding Work”	14
Table 7	HRIB Client Take-Up	14
Table 8	Benchmark Update of Primary Indicators, Savings	16
Table 9	Average Weeks and Dollars Saved	16
Table 10	Benchmark Update, FY 1997-98	19
Table 11	1997-98 Targets HRIB-MIS Results and Benchmark Update.....	20
Table 12	Comparison of Benchmark Update and HRIB-MIS Tracking, for Active Claimants Only, FY 1997-98	21

List of Figures

Figure 1	Estimation of Primary Savings (in Weeks).....	6
Figure 2	Benefits Paid Relative to Entitlement, Employment Clients, 1994.....	8
Figure 3	Proportion of Clients Who “Found Work”, Canada	15
Figure 4	Clients Who “Found Work”, by Province	15
Figure 5	Benchmark Update	19
Figure 6	HRIB-MIS 3 Client Groups	20
Figure 7	HRIB-MIS Results.....	22
Figure 8	Employment with DIR and 12-Week Adjustments (1000s)	23
Figure 9	Actuarial Values	27
Figure 10	Estimation of Net Short Term Savings (in Weeks)	28
Figure 11	Net Corporate Savings: Estimates, Benchmarks, Incremental Objective, Achievement	32

Executive Summary

This report documents the methodology that has been developed to benchmark two of the primary results indicators in the accountability framework for Employment Benefits and Support Measures (EBSM). The developmental work in this area is both innovative and complex. Also, it has involved extensive and ongoing discussions with the Human Resources Investment Branch (HRIB), the Employment Insurance (EI) Legislative Committee, and the regions.

To place this methodology report in the broader context, the following summary provides a brief overview of the course of events surrounding the development and use of the benchmarks.

The EBSM were introduced in 1996 by Part II of Employment Insurance (EI). The objective of these measures is to help clients find work and reduce dependency on insurance benefits and other income supports.

As indicated in the 1997 Employment Insurance Monitoring Report, the results-based accountability framework adopted for the EBSM by HRIB includes two primary results indicators:

- **EI clients returned to employment:** the number of insured participants (including active and “reach-back” EI claimants) who are working in paid employment and had received support through active programs; and
- **Savings in Part I Income Benefits:** the amount of unpaid benefits, measured in dollars, as represented by the difference between the maximum entitlement to regular income benefits (EI Part I) and the actual payout of Part I income benefits.

The EI Legislative Committee asked Strategic Evaluation and Monitoring (SEM), of Evaluation and Data Development, to estimate benchmarks for these primary results indicators. SEM took on the challenge using available data sets and recognizing the short timeframes.

The benchmarks developed by SEM for 1994 and 1995 were used as a starting point by HRIB to develop operational accountability targets for 1997-98, 1998-99 and 1999-2000. The benchmarks were achieved with 1994 and 1995 budgets and performance. The targets were set to allow for increased budgets from reinvestment and the same levels of performance, but they were not adjusted for expected improvements from a greater emphasis on results, design-enhancements, or increased efficiency under

EI. The targets were used in the Labour Market Development Agreement negotiations. Regions were asked to use the provincial targets and the Human Resource Centre of Canada (HRCC) benchmarks to prepare their own HRCC targets for 1997-98.

Tracking of the primary indicators began in July 1996, with the data being compiled by Management Information Systems (MIS) and retained within the Human Resources Investment Dataset. The primary results indicators are posted monthly on the HRDC Intranet, and HRCC managers can access them and monitor their performance.

The HRIB-MIS data collection and tracking framework continued to be refined through 1996. Some differences were noted between the tracking estimates for 1996 and the benchmarking methodology used by SEM. For example, the benchmarks only count workers “finding work” among active Unemployment Insurance (UI)/EI claimants with an Employment service or program intervention, while the HRIB-MIS tracking framework attempts to capture additional groups of HRIB clients including non-active claimants who found work after the end of their entitlement period. Some elements of the estimates of unpaid benefits also differ. To help examine the implications of these differences, SEM was asked to update the benchmarks by generating estimates for 1996 using the same methodology that had been used to generate the 1994 and 1995 benchmarks.

Over the course of 1997 and 1998, client coverage in the HRIB-MIS tracking system was refined and data entry was carefully documented. Also, the HRIB-MIS tracking system was systematically reviewed by an internal working group and refined in the fall of 1998.

Following these refinements, SEM was asked to validate the HRIB-MIS results by estimating the benchmarks on a fiscal year basis for 1997-98. The update showed that, at the national level, the HRIB-MIS results for active claimants were very close to the benchmark estimates.

The benchmarks continue to be a useful evaluation tool and SEM will continue to produce updates at the request of HRIB-MIS.

SEM’s benchmark work also includes developing a net results indicator that measures the incremental impact of a program or service. This indicator, referred to as net corporate savings, is being designed to capture the difference in outcome with and without the Employment intervention. Using this approach means that the confounding influences can be ruled out and the results can be attributed to the Employment intervention. Also, by capturing both the net short term savings and net medium term savings, this indicator brings together the full cycle of net savings.

Management Response

With regards to the Management of Results: Employment Benchmarking and Savings Impacts for Employment Insurance, we appreciate the efforts of Strategic Evaluation and Monitoring (SEM) to update the evaluation benchmark data as it relates to the number of people self-employed or employed within the benefit period and the savings in Insurance Benefits resulting from Employment Insurance (EI) claimants returning to work before the end of the benefit period. This exercise was very important in validating the 1997-98 operational results generated by the Human Resources Investment Branch (HRIB) Management Information Services for the two Employment Benefits and Support Measures (EBSM) key indicators. It showed that the divergence between the two data sources was within an acceptable range taking into consideration the difference in methodology and range of clients tracked. These findings helped to confirm that the data integrity of the most recent EBSM results had improved considerably over the 1996-97 results. I look forward to future updating of the Evaluation benchmarks with a view to validating the 1998-99 EBSM results.

The regions and the provinces/territories are eagerly awaiting the next step in the development of the EBSM accountability framework, since they too are wanting to look beyond the short term indicators to have information on incremental impacts. As you know, as part of the early development of the EBSM accountability framework in 1996, we included the concept of Medium-Term Savings (MTS) which would provide feedback at the regional/provincial/territorial and local levels on incremental impacts of actions they had taken. Key to making this work, is to have medium-term indicators that are timely, easy to calculate, accurate and simple to understand. These guiding principles need to be at the forefront of our thinking as we move this project forward.

I would like to stress the importance of reporting MTS results at years one and two as well as year three in order to ensure that the data is timely and relevant for planning purposes. It would also be useful to explore in more detail what the regional numbers provided in the report mean. For example, large differences in the same program between regions, and between years are not explained. Some commentary is needed to understand what the numbers are actually telling us.

Further to this, I would propose that a clear plan of action be developed for the MTS with expected time frames and responsibilities for outcomes so that we can target an implementation date.

As you know, I place a high priority on this project and would like to assure you that Roger Scott-Douglas and his staff intend to work closely with SEM to support this undertaking.

David A. Good
Assistant Deputy Minister
HRIB

1. Introduction

The system of Employment Benefits and Support Measures (EBSMs) was introduced in 1996 under Part II of the *Employment Insurance (EI) Act*. This part of the EI reforms sets out a legislative framework that calls on Human Resources Development Canada (HRDC) to work with the provinces, territories, and other community partners, using flexibility in design and delivery, to get more Canadians working and to respond to a budgetary requirement to reduce program costs.

The EBSM under EI Part II focus on results-oriented assistance. Historically, when HRDC measured results, the emphasis was more on process than on outcomes. For example, the number of clients attending a counselling session or the number of Service Needs Determination interviews were counted and used as indicators of performance. Under the new results-oriented system, however, the emphasis has shifted to outcomes.

Under the new results-oriented system, emphasis is on the outcomes of interventions.

As indicated in the 1997 Employment Insurance Monitoring and Assessment Report, the results based accountability framework adopted for the EBSM includes the following two primary results indicators:

- **EI clients returned to employment:** the number of insured participants (including active and “reach-back” EI claimants) who are working in paid employment and had received support through active programs; and
- **Savings in Part I Income Benefits:** the amount of unpaid benefits, measured in dollars, as represented by the difference between the maximum entitlement to regular income benefits (EI Part I) and the actual payout in Part I income benefits.

These two indicators were adopted to provide information on whether the approach being taken in each Human Resources Centre of Canada (HRCC) is helping to get more Canadians working and, thereby, helping to reduce EI payout.

To provide a baseline, the EI Legislative Committee asked Strategic Evaluation and Monitoring (SEM) to use available pre-EI data sets to develop benchmarks for the two primary indicators. The benchmarks were used to help set operational accountability targets and in the Labour Market Development Agreement negotiations with the provinces.

Although SEM agreed to develop benchmarks for the primary results indicators, early in the process SEM noted a number of limitations

associated with the adopted indicators. For example, the indicators do not capture the results from longer term interventions. Also, they were not designed with attribution in mind. This means that the indicators present a *gross* measure of change, which reflects the combined influences of a variety of factors including changes in economic conditions.

To measure the *net*, or incremental, impact of EBSM interventions, a net results indicator is being developed. This indicator — referred to as net corporate savings — is being designed to measure the difference in outcome with and without an EBSM intervention. Furthermore, the net results indicator brings together the net short term savings and the net medium term savings and, therefore, captures the full cycle of savings to the EI Account that can be attributed to the EBSM interventions. Capturing the savings in both periods provides a fuller picture of the results achieved by longer term interventions.

This report documents the benchmark methodology and results so far for: (a) the primary indicators for employment and unpaid benefits; and (b) net corporate savings.

This report documents the benchmark work that has been done to date on the primary results indicators (i.e. the number of EI clients returned to employment, and the corresponding amount of unpaid benefits) and the net results indicator (i.e. net corporate savings).

- The first part of the report focuses on the primary results indicators. It outlines the methodology and data sources, and presents the benchmark estimates for the years immediately prior to the implementation of EI. It also updates the benchmarks for calendar year 1996 and fiscal year 1997-98, to obtain a measure of program performance in those periods. This represents the first step in the ongoing monitoring of EBSM results.
- The second part of the report focuses on net corporate savings. It outlines the concept, methodology and data sources, and presents benchmark estimates for examining the net corporate savings attributable to EBSM interventions.

2. Benchmarking of Employment Benefits and Support Measures (EBSM) Primary Results Indicators for Employment and Unpaid Benefits

2.1 Background

Results Based Accountability

Human Resources Development Canada (HRDC) and the Government of Canada have been undergoing fundamental changes in the way they do business. These changes are driven by the need for fiscal restraint and the need to provide quality services to the Canadian public. Within this environment, HRDC has chosen to base its management practices on the concept of “results based accountability”.

A managing-by-results measurement system provides a systematic approach to managing departmental performance. It includes: (a) defining results; (b) measuring the attainment of results; (c) monitoring and reporting performance; (d) auditing management practices; and (e) evaluating overall program effectiveness.

The HRDC Management Board agreed in March 1996 that Program heads should: develop new service standards; identify a maximum of three Key Performance Measures (for which Human Resources Centres of Canada (HRCCs) would be accountable); and identify Other Tools (secondary measures for monitoring performance of an activity). Accordingly, the Human Resources Investment Branch (HRIB), Insurance, Labour, and Income Security Program developed eleven Key Performance Measures.

The EBSM Accountability Framework

The system of EBSMs introduced in 1996 calls on HRDC to work with the provinces, territories, and other community partners, using flexibility in design and delivery, to get more Canadians working and to respond to a budgetary requirement to reduce program costs.

Historically, when HRDC measured results, the emphasis was more on process than on outcomes. What was examined were indicators such as the number of clients registered for different programs and services, rather than the outcomes of interventions. Under the new results-oriented system

The results based accountability framework adopted for the EBSM includes primary results indicators for employment and unpaid benefits.

of EBSM, HRCCs focus on the results they achieve with all clients who receive case management and other employment supports and measures to help with reemployment. As part of the EBSM Accountability Framework, each office tracks two primary results indicators:

- **Employment Insurance (EI) clients returned to employment:** the number of insured participants (including active and “reach-back” EI claimants) who are working in paid employment and had received support through active programs; and
- **Savings in Part I Income Benefits:** the amount of unpaid benefits, measured in dollars, as represented by the difference between the maximum entitlement to regular income benefits (EI Part I) and the actual payout in Part I income benefits.

These indicators were adopted to provide information on whether the approach being taken in each HRCC is helping to get more Canadians working and, thereby, helping to reduce EI payout. They form key components of the EBSM Accountability Framework.

Role of Evaluation and Data Development

The EI Legislation Committee asked SEM, which is part of Evaluation and Data Development (EDD), to develop benchmarks for the EBSM primary indicators. The benchmarks were to provide baselines for the primary indicators — and were to be used to help set operational accountability targets for provinces/territories and HRCCs, and in the Labour Market Development Agreement (LMDA) negotiations with the provinces.

While recognizing the tight timeframes, EDD was able to draw on its in-house expertise to use available pre-EI claimant and program files to comply with this request. The methodology for the benchmarks was developed with continuous feedback from HRIB, the EI Legislation Committee, and the regions.

Further Specification of the Primary Indicators

The following method was adopted by HRIB in 1996 to measure the primary indicators:

- For case-managed clients in receipt of EI, employment and unpaid benefit results were considered to occur when the client returns to work before the end of his claim period. A client is considered to have found work if he stops drawing benefits for 12 consecutive weeks, or less if fewer weeks remain in his entitlement period. He is also considered to have found work if he draws no more than 25 percent of his benefits for 12 consecutive weeks (or less if closer to entitlement end) due to employment earnings.

Benchmarks for the primary indicators were developed to help set operational accountability targets for provinces/territories and HRCCs, and for use in the Labour Market Agreement (LMA) negotiations.

- Case-managed clients in receipt of EI but not finding work within their benefit period, and case-managed clients not receiving EI, do not contribute to the primary results indicator for unpaid benefits. These clients can, however, be counted in the employment results if they report having found work on their action plan or in a follow-up survey.
- Clients in Employment programs count as an employment result if employment continues when the program agreement ends. Unpaid benefits are calculated by counting back to the start date of the agreement.

It should be noted that some changes in terminology have occurred over time. Initially the primary results indicator for unpaid benefits was referred to as the indicator for “gross savings” or “primary savings”. Eventually it became known as the primary indicator for unpaid benefits.

2.2 Benchmark Estimates for 1994 and 1995

Strategic Evaluations and Monitoring (SEM) Benchmark Methodology

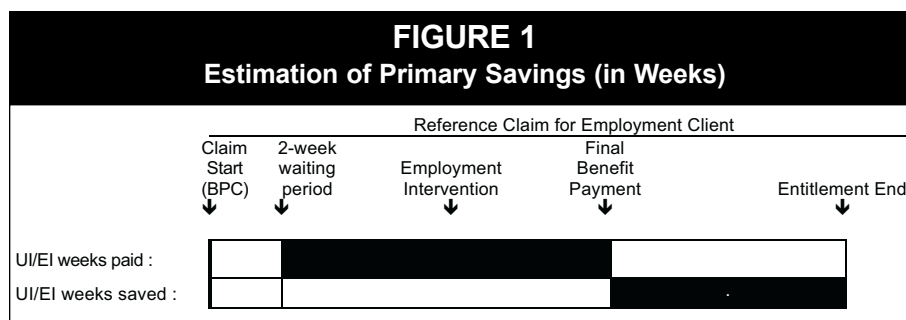
Not all aspects of the primary results indicators were benchmarked. Only claimants receiving Employment services and/or programs and currently on Unemployment Insurance (UI)/EI were included. Clients finding work after their claim terminated were not counted; also not counted were self serve clients, and clients not currently collecting EI.

All estimates were prepared using HRDC administrative files. The Status Vector file, maintained by the Data Development Directorate of EDD, is an extract of the Benefits and Overpayments File (BNOP). The Status Vector file is updated quarterly and is more manageable than the BNOP. It provides information on UI claimants, including their socio-economic background, details on their current and previous claims, and data on Unemployment Insurance Developmental Uses (UIDU) programs.

To identify UI claimants having received an Employment service, EDD used the National Employment Services System (NESS) files. The UI claimants file was merged with the NESS Transaction File to discover those with a Service Needs Determination (SND). The claimant was deemed to be an Employment service client if the SND resulted in referral to: counselling, a group information session, an HRDC program, or an external HRDC-sponsored source. If the Status Vector indicated the claimant was also in a program, then that status was overriding and the claimant was considered to be an Employment programs client. If the SND resulted in the claimant being declared “self serve”, then the claimant was not considered to be an Employment client in the benchmarking methodology.

The benchmark estimates were developed using the available HRDC administrative data files.

Calculation of the primary results indicators was straightforward. Employment clients who collected fewer weeks than their entitlement were counted as having “found work”. The corresponding amount of unpaid benefits was the product of the weeks saved and the individual benefit rate. The amount of unpaid benefits at the national level was the sum of the unpaid benefits summed over all clients who “found work”.



Initial Results

According to the benchmarking methodology, Employment interventions helped about 205,000 clients to find work in 1994 and 170,000 clients in 1995 (see Table 1). The amount of unpaid benefits corresponding to these clients reached \$1,025M and \$821M in 1994 and 1995, respectively. The average amount of unpaid benefits per client was in the range of \$4,800 to \$5,000.

The initial results showed that Employment interventions helped 205,000 clients to find work in 1994 and 170,000 clients in 1995. Unpaid benefits corresponding to these clients reached \$1,025M in 1994 and \$821M in 1995.

TABLE 1
Primary Indicator Benchmarks, 1994 and 1995

Province/ Territory	1994			1995		
	Clients ¹ who “Found Work”	Primary Savings ² (\$M)	Average Savings (\$)	Clients ¹ who “Found Work”	Primary Savings (\$M)	Average Savings (\$)
Newfoundland	5,230	18.7	3,581	3,790	13.8	3,649
PEI	2,590	9.6	3,703	1,810	5.8	3,192
Nova Scotia	8,030	33.8	4,210	7,580	30.7	4,054
New Brunswick	8,850	37.2	4,201	7,580	30.5	4,026
Quebec	55,140	238.3	4,322	45,920	200.0	4,355
Ontario	59,330	334.4	5,636	49,000	269.4	5,497
Manitoba	11,780	60.2	5,110	7,970	36.9	4,627
Saskatchewan	6,050	29.4	4,858	4,600	20.7	4,502
Alberta	22,000	128.1	5,823	19,360	101.0	5,216
BC	25,670	130.2	5,072	21,310	108.0	5,067
NWT	390	2.9	7,531	410	2.0	4,831
Yukon	350	2.1	6,099	260	2.1	8,058
Canada	205,410	1025.1	4,990	169,600	820.9	4,840

¹ Clients include those receiving services and/or programs.

² Gross amounts of unpaid benefits related to current savings to the EI Account.

As shown in Table 1, there was considerable variation by province and territory. This was due to many factors — the volume of clients, levels of entitlement as determined by regional unemployment rates, average benefit rates, economic conditions, and choices and delivery of programs and services.

Some of the details behind these results are discussed below and presented in Tables 2 and 3, and Figure 2.

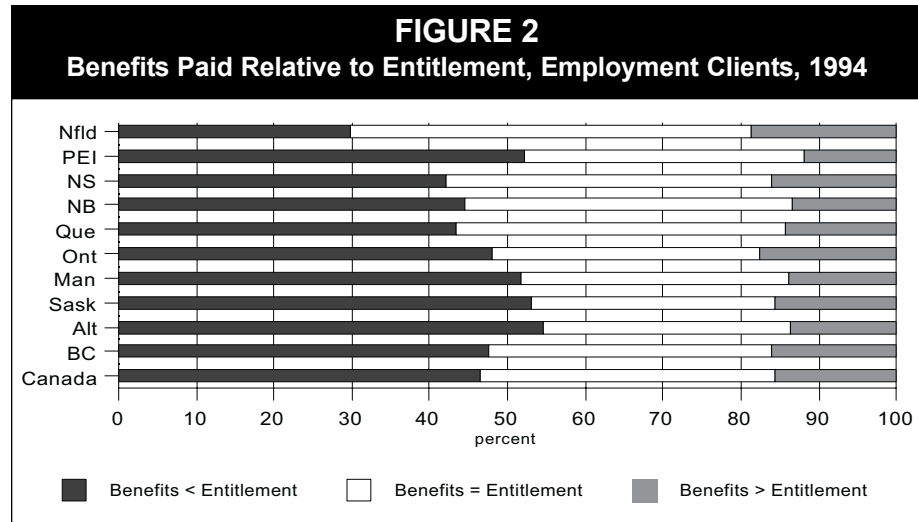
Province/Territory	UI Claimants, BVT 1994 (thousands)	Employment Clients (thousands)	Clients by Intervention Type	
			Services (percent)	Programs (percent)
Newfoundland	106	17	16.7	83.3
PEI	26	5	32.0	68.0
Nova Scotia	113	18	32.2	67.8
New Brunswick	111	19	29.7	70.3
Quebec	727	122	38.0	62.0
Ontario	671	121	31.6	68.4
Manitoba	72	21	52.9	47.1
Saskatchewan	58	11	38.3	61.7
Alberta/NWT	175	39	35.7	64.3
BC/Yukon	290	53	20.2	79.8
Canada	2,350	427	33.0	67.0

Table 2 and Figure 2 provide information on Employment client caseload at the time the 1994 estimates of unpaid benefits were achieved. Table 2 shows the number of UI claimants with a claim ending in 1994 and the number of those claimants receiving an Employment intervention. The clients are broken down into those receiving services and those with programs.

Employment interventions assisted 18.2 percent of UI claimants at the national level, with some variation by province. Coverage ranged from about 16 percent for Newfoundland and Nova Scotia to 22 percent for Alberta/NWT and 29 percent for Manitoba. Overall, 33 percent of clients received a service, while 67 percent received a program. Newfoundland and BC/Yukon were noticeably weighted toward programs, while Manitoba placed more emphasis on services.

Figure 2 indicates the distribution of Employment clients in 1994 according to whether the clients collected UI benefits for a period: (a) less than their entitlement; (b) exactly equal to their entitlement; or (c) in excess of their entitlement. Those drawing less than their entitlement constitute the clients considered to have “found work” and, therefore, comprise the benchmark results for the employment indicator. Those

exceeding their entitlement are mainly clients who received an extension due to being on a program.



As shown in Figure 2, the proportion of clients finding work within their entitlement reached 46.5 percent in Canada in 1994. Another 37.9 percent collected exactly their entitlement, and the remaining 15.6 percent were on a program that allowed them to draw more than their entitlement. With the exception of PEI, Quebec and provinces east recorded relatively lower proportions of clients who found work within their entitlement; while Ontario and provinces west witnessed higher proportions. Newfoundland (29.9 percent) and Alberta (54.5 percent) represent the extremes.

Table 3 shows average entitlement, weeks paid, weeks saved, benefit rate, and dollar savings for clients who contributed to the benchmark results for primary savings (i.e. unpaid benefits). Weeks paid plus weeks saved do not always sum to entitlement. This occurs because of gaps in claims where no payment is made and which push potential weeks saved beyond the 52-week collection period. These “weeks saved” can never be paid and cannot be attributed to Employment interventions.

For Canada as a whole, average entitlement among Employment clients was 42.9 weeks in 1994 (Table 3). Average claim duration amounted to 20 weeks. The average “gap” in a claim, where no report card was received or earnings were reported for example, was about 3.7 weeks. This left savings of 19.2 weeks. The average benefit rate during the period was about \$257, yielding average savings (i.e. unpaid benefits) per client of about \$4,990 in 1994.

...average entitlement among clients was 42.9 weeks in 1994... average claim duration amounted to 20 weeks. These results corresponded to savings (i.e. unpaid benefits) of 19.2 weeks.

TABLE 3
Components of the Primary Indicator of Savings from Employment Service and
Program Clients, by Province, 1994 and 1995

Province/ Territory	1994						1995					
	Entitlement (weeks)	Benefit Period (weeks paid)	Weeks Saved*	Benefit Rate (\$)	Primary Savings (\$)	Entitlement (weeks)	Benefit Period (weeks paid)	Weeks Saved*	Benefit Rate (\$)	Primary Savings (\$)		
Nfld	45.3	25.6	15.1	239	3,581	39.3	21.9	14.7	245	3,649		
PEI	46.1	26.7	16.1	214	3,703	39.8	24.0	13.4	230	3,192		
NS	44.6	22.2	18.2	233	4,210	38.4	18.9	16.2	248	4,054		
NB	44.3	23.4	16.3	243	4,201	38.0	19.0	16.2	243	4,026		
Que	44.1	21.9	17.9	241	4,322	38.6	17.7	17.7	241	4,355		
Ont	42.6	18.9	20.3	274	5,636	35.3	14.7	18.8	279	5,497		
Man	42.3	18.0	21.5	236	5,110	35.9	14.9	18.7	238	4,627		
Sask	38.8	16.1	20.4	241	4,858	34.3	13.3	18.7	244	4,502		
Alta	41.6	17.0	21.3	270	5,823	34.8	14.1	18.8	270	5,216		
BC	41.5	18.7	18.4	271	5,072	35.8	15.0	18.2	275	5,067		
NWT	48.7	21.2	23.8	301	7,531	40.6	19.0	18.1	302	4,831		
Yukon	45.6	26.6	16.8	303	6,099	42.1	15.8	25.7	295	8,058		
Canada	42.9	20.0	19.2	257	4,990	36.6	16.1	18.0	260	4,840		

* Weeks Saved = Entitlement Period – Benefit Weeks Paid, but reduced by weeks occurring beyond the (BPC + 52) week limit.

Differences in these parameters between provinces and territories generated the differences observed in average savings (i.e. unpaid benefits) across provinces (Table 1). Higher regional unemployment rates implied higher entitlement in the provinces east of and including Quebec and in the territories. Weeks paid on those claims were also higher and were so high, in fact, as to prevent the number of weeks saved from reaching levels occurring in the provinces west of Quebec. BC was the only western province to fall below the national average with respect to weeks saved.

When it comes to average benefit rates, Quebec and east are lower than the Canadian average, although so too are Manitoba and Saskatchewan. With these differences between provinces, it is not surprising that average unpaid benefits in Quebec and east fall short of those in the other provinces. These observations hold for both 1994 and 1995.

Claims ending in 1994 were established under Bill C-21 and Bill C-17, while claims ending in 1995 were predominantly established under Bill C-17. A general reduction in entitlement between these two bills can be noted in the reduction in average entitlement among clients, from 42.9 to 36.6 weeks. Despite the large reduction in entitlement, average weeks saved between the two periods declined by only 1.2 weeks — from 19.2 to 18.0 weeks. Those finding work were able to do so well within the reduced entitlement. It must be noted, however, that the share actually finding work within their entitlement declined from 46.5 to 38.6 percent.

Adjustments for Bill C-12

Between 1994 and 1995, the count of clients finding work declined by 17 percent (Table 1). An important explanatory factor lies in the legislative changes occurring in July 1994. Bill C-17 significantly reduced entitlement over Bill C-21. Claims ending in 1994 were dominated by C-21 legislation while 1995 claims were established more under C-17. With shorter entitlement, 1995 claims had to find work substantially more quickly than 1994 claims in order to demonstrate savings.

Under Bill C-12, maximum entitlement was reduced from 50 to 45 weeks effective July 1996. In benchmark year 1994, 51 percent of clients generating savings were in the 50 to 46 week entitlement range. Had these individuals been under the C-12 regime, their savings would have been reduced (i.e. by 1 to 5 weeks). Discussions with the regions and HRIB revealed concern that targets based on benchmarks consisting of C-21 and C-17 claims would be set too high and be difficult to achieve. They suggested the benchmarks be adjusted for C-12 entitlement changes prior to the setting of targets.

The initial benchmark estimates showed the influence of entitlement changes under Bill C-21 and Bill C-17.

SEM re-estimated the 1994 and 1995 benchmarks to substitute the C-12 entitlement schedule for the C-21 and C-17 schedules. No allowance was made in the methodology for behavioural change. To the degree that clients alter their behaviour to intensify job search under shorter entitlement, the benchmark savings are underestimates.

The C-12 adjusted benchmarks are presented in Table 4. The largest impact appeared in 1994. Under actual entitlement, about 205,000 clients (47 percent) were re-employed within their entitlement period. However, with C-12 entitlement, this dropped to about 162,000 (38 percent). In 1995 the effect was also negative, but much smaller — with a drop from 170,000 (39 percent) to 167,000 (38 percent). The corresponding amount of unpaid benefits declined from \$1,025M (actual entitlement) to \$755M (adjusted for Bill C-12) in 1994 and from \$821M (actual) to \$798M (adjusted for Bill C-12) in 1995.

Adjusting the initial benchmarks to reflect Bill C-12 entitlement rules indicated that Employment interventions helped 162,000 clients to find work in 1994 and 167,000 clients in 1995. The corresponding savings (i.e. unpaid benefits) were \$755M in 1994 and \$798M in 1995.

Province/Territory	1994		1995	
	Clients who "found work"	Primary Savings (\$M)	Clients who "found work"	Primary Savings (\$M)
Newfoundland	3,238	11.7	3,736	13.5
PEI	1,840	6.4	1,984	6.6
Nova Scotia	5,648	22.8	6,981	26.9
New Brunswick	6,083	24.6	7,326	28.1
Quebec	41,780	168.3	43,941	187.6
Ontario	49,136	253.5	48,260	260.2
Manitoba	9,230	43.9	8,112	35.7
Saskatchewan	5,104	23.2	4,831	21.6
Alberta	18,161	98.7	19,651	102.3
BC	20,675	98.4	21,791	110.0
NWT	410	2.5	525	3.8
Yukon	276	1.3	331	1.8
Canada	161,591	755.5	167,478	798.4

Most 1994 claims were established under C-21, while most 1995 claims were under C-17 entitlement rules. Major differences existed between C-21 and C-12, but only minor differences existed between C-17 and C-12. This explains the large impact on the 1994 benchmark for primary savings (i.e. unpaid benefits) and the smaller impact on 1995.

2.3 Targets

HRIB developed targets for three primary results indicators: (a) number of EI claimants served; (b) EI clients returned to employment; and (c) unpaid benefits (as a result of claimants returning to work before the end of their claim).

The average of the primary savings benchmarks (adjusted for Bill C-12) was taken as the starting point for developing targets for primary savings (i.e. unpaid benefits) for 1997-98, 1998-99 and 1999-2000.

TABLE 5
HRIB Use of Primary Savings to Estimate Benchmarks and Targets (\$M)

Region	Primary Savings Adjusted for C-12		Average '94 & '95	Pan Canadian Adjustment	HRIB Benchmark for Unpaid Benefits (Ave – Pan Can Adj)	Targets		
	1994	1995				1997-98	1998-99	1999-2000
	Newfoundland	11.7	13.5	12.6	1.43	11.17	15.78	18.66
PEI	6.4	6.6	6.5	0.04	6.46	8.26	9.44	10.06
Nova Scotia	22.8	26.9	24.8	1.46	23.34	26.55	29.32	30.64
New Brunswick	24.6	28.1	26.4	2.59	23.81	25.86	29.22	30.77
Quebec	168.3	187.6	177.9	35.89	142.01	174.34	194.57	203.96
Ontario	253.5	260.2	256.9	41.14	215.76	235.15	253.91	261.99
Manitoba	43.9	35.7	39.8	1.66	38.14	36.32	37.63	38.11
Saskatchewan	23.2	21.6	22.4	0.95	21.45	20.65	21.88	22.47
Alberta	98.7	102.3	100.5	7.8	92.70	92.25	99.49	102.87
BC	98.4	110.0	104.2	7.91	96.29	117.40	135.88	144.21
NWT	2.5	3.8	3.1	0.02	3.08	3.33	3.59	3.72
Yukon	1.3	1.8	1.6	0.05	1.55	2.04	2.36	2.50
Total Regions					675.76	757.94	835.96	871.30
Pan-Canadian				100.94	100.94	105.75	100.74	96.73
Canada	755.5	798.4	776.9		776.70	863.69	936.70	968.03

As shown in Table 5, the average of the 1994 and 1995 benchmarks (adjusted for Bill C-12) for primary savings was taken as a starting point for developing targets for primary savings (i.e. unpaid benefits) for 1997-98, 1998-99 and 1999-00. The targets took into account the level of investment (UIDU final expenditures) expended to achieve the benchmark plus the expectation of additional unpaid benefits as a result of the injection of reinvestment dollars in the same proportion as past experience.

The targets were distributed to the provinces in December 1996 for use in the Labour Market Development Agreement (LMDA) negotiations. In the spring of 1997, the regions were asked to use the provincial targets and the HRCC benchmarks to prepare their own HRCC targets for 1997-98. Most regions complied and sent in targets in July.

2.4 1996 Update

Management Information Systems (MIS) began to track the primary results indicators in July 1996. They are posted monthly on the HRDC Intranet, and HRCC managers can access them and monitor their performance.

Early in 1997, it became apparent that the indicators being compiled were falling short of the benchmarks. Regions felt that estimates for 1996 should be generated using the same methodology that had been used to generate the 1994 and 1995 benchmarks, as a way of providing for a valid comparison of the benchmarks with 1996 performance.

Table 6 summarizes the results of the 1996 benchmark update. The principal message derived from the update is that, when the identical methodology is applied, the primary indicators have declined in 1996 but not nearly to the degree suggested by the figures that were appearing in the HRIB-MIS tracking system. Furthermore, some of the underlying results provide room for optimism.

As shown in Table 6, the count of clients having found work within their entitlement declined by 10 percent over 1995 (C-12 adjusted) to 1996 — from about 167,000 to 151,000. The decline was widespread across all provinces and territories. As shown in Table 7, an important factor in the reduction was a smaller caseload — with the number of clients falling from about 444,000 in 1995 to 388,000 in 1996 (a decline of 12.6 percent). It should be noted that, despite the fall in client numbers, the coverage of active EI claimants dropped only 1.4 percentage points from 1995 to 1996 and was, in fact, the same as in 1994. That is, 18.2 percent of active UI claimants were provided with Employment programs or services in 1994 and that level of coverage was maintained into 1996.

For 1996, the benchmark update showed that 151,000 clients (i.e. active UI/EI claimants with an Employment intervention) found work within their entitlement — down from 167,000 in 1995.

TABLE 6
Benchmark Update of Primary Indicators,
Clients "Finding Work"

Province/Territory	Clients who "Found Work"		
	Adjusted for C-12		Update
	1994	1995	1996
Newfoundland	3,238	3,736	3,369
PEI	1,840	1,984	1,482
Nova Scotia	5,648	6,981	5,346
New Brunswick	6,083	7,326	5,166
Quebec	41,780	43,941	42,025
Ontario	49,136	48,260	43,057
Manitoba	9,230	8,112	6,573
Saskatchewan	5,104	4,831	4,334
Alberta	18,161	19,651	17,817
BC	20,675	21,791	20,728
NWT	410	525	487
Yukon	276	331	276
Canada	161,591	167,478	150,663

TABLE 7
HRIB Client Take-up

Province/Territory	Active UI Clients			Clients as % Claimants		
	1994	1995	1996	1994	1995	1996
Newfoundland	16,969	12,720	1,064	16.1	14.1	13.1
PEI	5,168	5,016	3,809	19.7	19.5	15.9
Nova Scotia	17,976	20,070	15,020	15.9	18.4	15.5
New Brunswick	19,271	25,356	22,834	17.4	22.8	22.0
Quebec	122,330	130,789	121,775	16.8	18.5	18.2
Ontario	120,727	120,898	102,954	18.0	19.1	17.0
Manitoba	20,927	19,573	14,657	28.9	28.2	22.7
Saskatchewan	11,275	10,821	8,724	19.4	19.8	17.6
Alberta/NWT	38,515	43,833	36,712	22.0	24.7	23.1
BC/Yukon	52,577	53,139	48,740	18.1	18.5	18.2
Canada	427,144	443,799	387,647	18.2	19.6	18.2

The 1996 update also showed lower client volumes — but with an increase in the success rate for those served.

The encouraging news from these findings is that the proportion of clients finding work in 1996 actually increased. Among clients ending their claim in 1994 and predominantly under Bill C-21, 46.5 percent found work within their entitlement period (as shown in Figure 3). The share of clients in 1995, and mainly under C-17, finding work within their entitlement was 38.6 percent. The corresponding share for 1996 clients (under C-17 and C-12) was 38.9 percent. The increase in 1996 over 1995 was small but it

is important to note that it occurred despite reduced entitlement under C-12 and a higher national unemployment rate (9.5 percent to 9.7 percent)

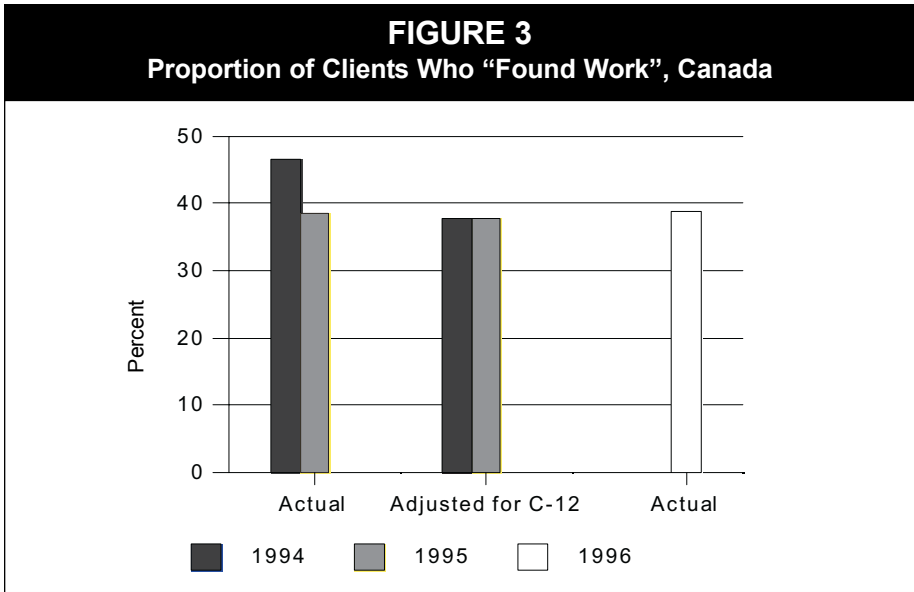
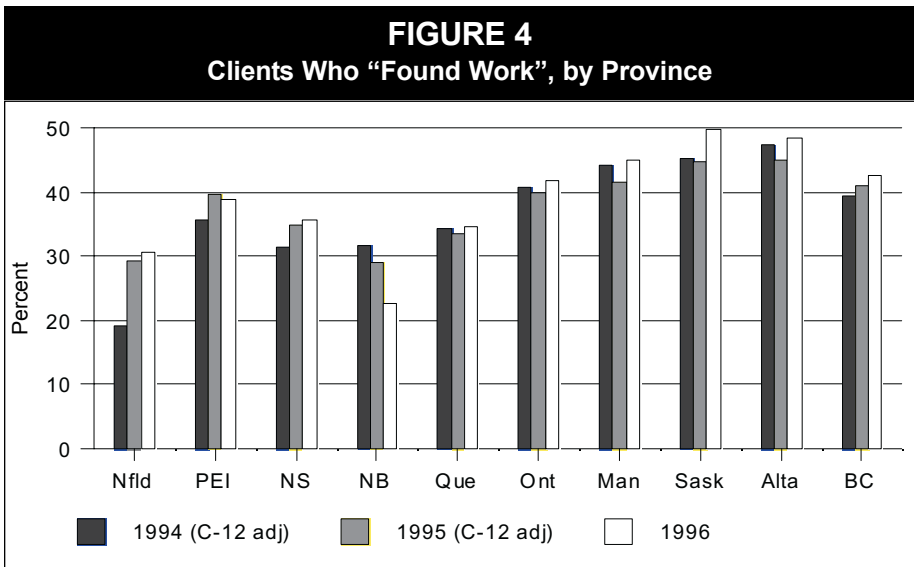


Figure 4 gives similar results by province. The proportion of clients finding work in 1994 and 1995 (adjusted for Bill C-12 entitlement changes) are compared to the proportion finding work in 1996. The share in 1996 exceeds that in the preceding two years in all provinces except PEI and New Brunswick.



The 1996 update showed that primary savings (i.e. unpaid benefits) declined from \$798M in 1995 to \$763M in 1996 — a drop of 4.4 percent.

However, the update also showed an increase in average weeks saved and in the average amount of unpaid benefits per client.

Primary savings (i.e. unpaid benefits) equalled \$763M in 1996, down \$35.5M or 4.4 percent from 1995 (adjusted for Bill C-12) at the national level. New Brunswick witnessed the greatest percentage decline (from \$28.1M in 1995 to \$21M in 1996) while the drop in Quebec was marginal (only \$0.5M) and BC actually experienced a small increase (\$0.4M). The decrease in primary savings can be attributed in part to lower client numbers.

TABLE 8
Benchmark Update of Primary Indicators, Savings

Province/Territory	Primary Savings (M\$)		
	Adjusted for C-12		Update
	1994	1995	1996
Newfoundland	11.7	13.5	12.8
PEI	6.4	6.6	5.6
Nova Scotia	22.8	26.9	22.6
New Brunswick	24.6	28.1	21.0
Quebec	168.3	187.6	187.1
Ontario	253.5	260.2	250.8
Manitoba	43.9	35.7	31.4
Saskatchewan	23.2	21.6	20.7
Alberta	98.7	102.3	95.1
BC	98.4	110.0	110.4
NWT	2.5	3.8	3.9
Yukon	1.3	1.8	1.5
Canada	755.5	798.4	762.9

TABLE 9
Average Weeks and Dollars Saved

Province/Territory	Average Weeks Saved			Average Dollars Saved		
	Adjusted for C-12		Update	Adjusted for C-12		Update
	1994	1995	1996	1994	1995	1996
Newfoundland	15.6	15.1	15.7	3,621	3,605	3,809
PEI	16.1	14.3	15.6	3,510	3,344	3,782
Nova Scotia	16.9	15.5	16.9	4,032	3,855	4,230
New Brunswick	16.7	15.7	16.5	4,047	3,842	4,065
Quebec	16.7	17.5	17.6	4,027	4,269	4,451
Ontario	18.3	18.7	19.5	5,159	5,393	5,826
Manitoba	19.8	18.0	18.8	4,755	4,408	4,782
Saskatchewan	18.6	18.1	18.7	4,538	4,476	4,769
Alberta	19.7	18.8	18.8	5,437	5,204	5,337
BC	17.1	17.9	18.2	4,760	5,050	5,329
NWT	20.3	23.3	24.2	6,158	7,222	7,929
Yukon	16.2	18.3	17.6	4,877	5,494	5,573
Canada	17.8	17.9	18.3	4,675	4,767	5,064

On a positive note, average weeks saved have increased in all provinces, moving from 17.9 weeks in 1995 to 18.3 in 1996 nation-wide. In combination with higher average benefit rates, the average dollar savings per client also increased in all provinces between 1995 and 1996, reaching \$4,767 in 1995 and \$5,064 in 1996.

2.5 1997-98 Update

The development of the HRIB-MIS tracking system included specifying and documenting data entry requirements to ensure that local offices received credit for their results. With the exception of claimants in some regions who participated in apprenticeship training or who were documented in the province's Standard Data File, all participants (active, former, and reach-back claimants) had to be recorded in the National Employment Services System (NESS) at the beginning of their intervention. The HRIB-MIS information is then compiled from the NESS Action Plan File, the NESS Contact File, the CONTACT IV file (with third party data), the Standard Data File, OLIS, and CJS II.

Over the course of 1997, client coverage for the HRIB-MIS tracking system was refined. In particular, the definition of Support Measures was extended to include individualized and group counselling and group information sessions (GSSE). Therefore, more clients are being checked for an employment result.

In the spring of 1998, as part of its ongoing validation of the HRIB-MIS tracking system, EDD completed a benchmark update for calendar year 1997. The update commended the improved client coverage of the HRIB-MIS tracking system but noted certain methodological concerns. Three in particular were highlighted.

The first concern involved the 12-week-25-percent rule, wherein the tracking system credits an employment result if an active claimant collects 25 percent or less of his entitlement for twelve consecutive weeks. The result was downloaded monthly and no subsequent check was made as to whether the individual actually returned to his claim. This approach implied overestimating unpaid benefits and counting individuals as employed despite their returning to claim and ultimately exhausting entitlement.

A second concern entailed the use of the entitlement period (covering the interval from claim start to entitlement end week) rather than the benefit period (covering the 51 weeks following the claim start) to measure results. Implicit in the entitlement approach was the assumption that a claimant collected continuously from BPC (benefit period commencement) without a break. The pattern for many persons is one of payment, non-payment, and resumed payment — a sequence that can occur over a full year. Crediting results prior to the end of a full year contaminates the results measurement.

Following refinements in the HRIB-MIS tracking system, SEM was asked to re-estimate the benchmarks but on a fiscal year basis for 1997-98.

Finally, it was noted that the tracking system was not handling disentanglements and disqualifications accurately. Voluntary quitting or dismissal for misconduct causes an individual to be disqualified from EI. The reduction in benefits cannot be attributed to an employment intervention.

EDD applied the benchmark methodology to the definition of “employed” clients adopted by the tracking system, retested for employment, and re-estimated unpaid benefits. EDD found that more than 20,000 cases that the tracking system considered to be employed within entitlement had actually: (a) exhausted entitlement; (b) collected in the final allowable weeks of their claim; or (c) been disqualified. In the case of unpaid benefits, EDD found that the two systems yielded about the same average unpaid benefits but that there were other compensating errors in the tracking system. Persons returning to claim after an absence of twelve weeks overestimated unpaid benefits, while use of the entitlement period rather than the benefit period underestimated unpaid benefits. On a claim by claim basis, 10 percent of claims were underestimated by more than \$2,000, and 10 percent were overestimated by \$1,000. The counterbalancing effects implied little impact on total unpaid benefits at the national level but this may not have been the case at the regional level.

The HRIB-MIS tracking system was systematically reviewed by an internal technical working group and refined in the fall of 1998. Results were compiled for 12 months of the fiscal year — allowing a shift from “real” time mode to “historical” time mode. Other changes included reprogramming to eliminate unpaid benefits greater than the maximum possible (a situation which arose in cases where there was an extension to the claim), reprogramming of the 12-week-25-percent rule, modifications to allow for discrepancies in information between the BNOP header and trailers, and adoption of the benefit period approach instead of the entitlement period approach.

In the fall of 1998, SEM of EDD was asked to re-estimate the benchmarks but on a fiscal year basis to be consistent with the Parliamentary reporting requirement of EI Monitoring and Assessment. The 1997-98 benchmark update appears in Table 10.

The 1997-98 benchmark update showed that the proportion of clients finding work within their entitlement increased from 39 percent in 1996 to 43 percent in 1997-98.

Relative to 1996 results, the number of clients having found work within their entitlement in 1997-98 was lower (down from about 151,000 in 1996 to 123,000 in 1997-98). This was a considerable drop but followed from a decline in the number of active claimants identified for interventions. In fact, the proportion of clients finding work within their entitlement increased markedly between 1996 and 1997-98 — from 39 percent to 43 percent. This may be partially a function of the improvement in the national unemployment rate in the same period, which declined from 9.7 to 9.0 percent.

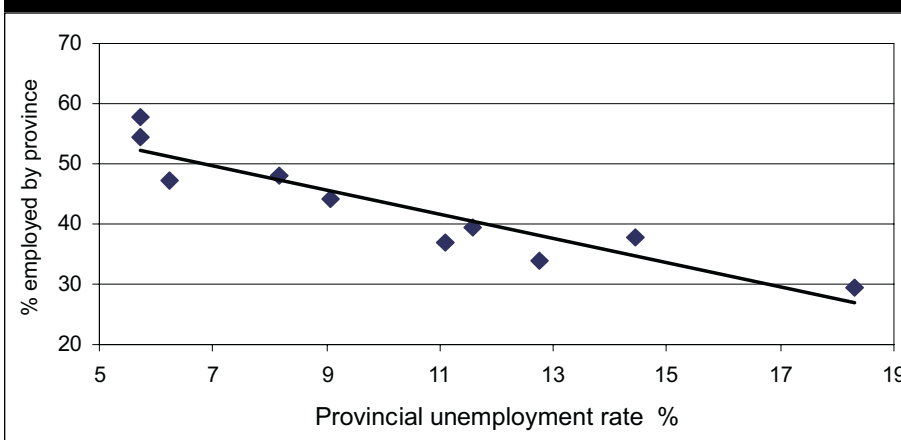
TABLE 10
Benchmark Update, FY 1997-98

Region	Employment	Unpaid Benefits (\$M)	Average				
			Entitlement	Weeks Paid	Weeks Unpaid	Benefit Rate (\$ s)	Unpaid Benefits (\$ s)
Nfld	2,869	11.2	39.0	21.7	14.6	264	3,904
PEI	1,241	4.3	37.8	21.9	14.4	236	3,459
NS	4,349	17.0	37.2	19.0	15.6	246	3,903
NB	4,267	16.6	36.9	18.7	15.2	252	3,887
Que	33,351	144.9	37.7	17.3	17.1	247	4,344
Ont	38,000	210.0	34.9	14.7	18.4	286	5,525
Man	5,393	25.6	33.9	14.4	18.2	250	4,743
Sask	2,958	15.4	34.0	13.5	18.7	270	5,208
Alta	14,235	83.4	33.3	12.8	19.1	293	5,860
BC	15,352	81.5	34.9	14.7	17.8	288	5,310
NWT	374	3.0	42.2	16.1	23.5	332	7,989
Yukon	304	2.0	41.7	20.5	19.6	337	6,645
Canada	122,693	614.9	35.7	15.7	17.7	271	5,011

Lower client numbers translated into lower total unpaid benefits. At the individual level, however, 1996 and 1997-98 unpaid benefits remained almost the same — averaging \$5,064 and \$5,011 respectively. Average weeks paid to clients who became employed were about the same in each period (15.6 weeks) but average entitlement fell from 36.3 to 35.7 weeks, with an accompanying decline in unpaid weeks from 18.3 in 1996 to 17.7 in 1997-98 (a difference of 0.6 weeks).

Figure 5 relates the proportion of clients employed in each province to the corresponding provincial unemployment rate. The two are negatively correlated with the proportion finding work increasing as the unemployment rate declines.

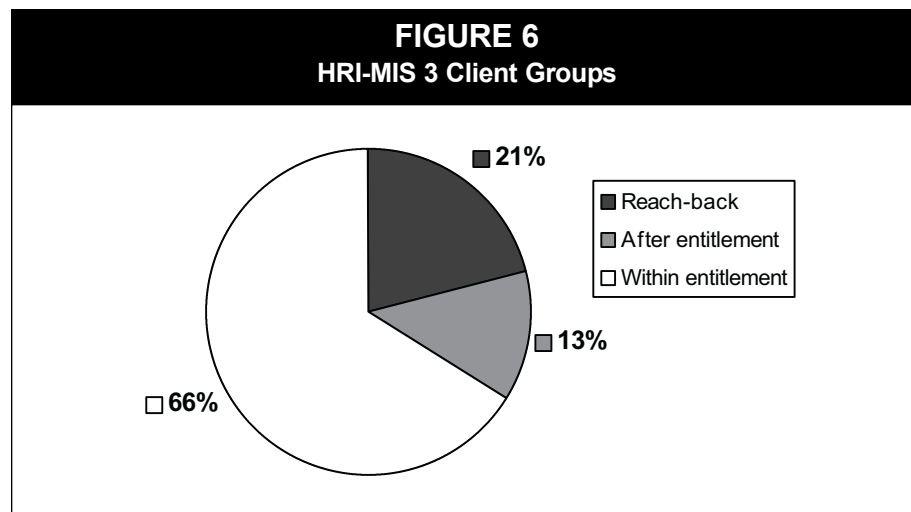
FIGURE 5
Benchmark Update



The HRIB-MIS tracking system results for the same time period appear in Table 11. Relative to the targets, employment was exceeded by 5 percent while unpaid benefits fell short by 12 percent. The benchmark update figures also appear in the table, but the reader should take note that comparison at this stage is not really appropriate. The tracking system compiles results for three groups of HRIB-MIS clients: (a) active claimants who find work within their entitlement; (b) claimants who exhaust their claim but find work shortly thereafter and inform their case manager; and (c) reach-back clients who had a claim within the last three years or special benefits within the past 5 years. The two latter groups do not contribute to unpaid benefits. The benchmark updates measure results only for the first group (i.e. those who become reemployed while actively on claim). Therefore, it is the results for the active claimant group that should more accurately be compared.

TABLE 11 1997-98 Targets, HRIB-MIS Results and Benchmark Update		
	Employed	Unpaid Benefits
Targets	174,062	\$ 763.5 M
HRIB-MIS Results	183,327	\$ 673.6 M
BM Update	122,693	\$ 614.9 M

Figure 6 illustrates the distribution of the 183,327 HRIB-MIS clients who found work over the three HRIB-MIS client groups. The majority of employed clients are of the active claimant type (66 percent), but the shares finding work after entitlement (13 percent) and as reach-back (21 percent) are also large.



As shown in Table 12, when we compare the 1997-98 benchmark update with HRIB-MIS results for active claimants only, differences at the aggregate level are small at the national level. The benchmarks show 2 percent more employed and 9 percent less in unpaid benefits, compared to HRIB-MIS tracking.

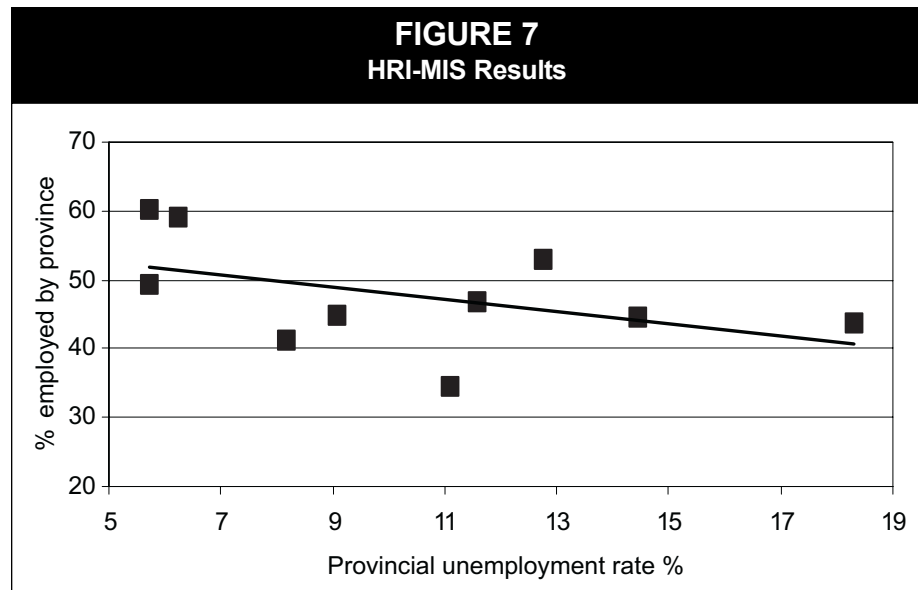
The 1997-98 benchmark update showed that, at the national level, the HRIB-MIS results for active claimants were very close to the benchmark updates.

TABLE 12 Comparison of Benchmark Update and HRIB-MIS Tracking, for Active Claimants Only, FY 1997-98				
Region	Benchmark Update		MIS Tracking	
	Employment	Unpaid Benefits (\$M)	Employment Within Entitlement	Unpaid Benefits (\$M)
Newfoundland	2,869	11.2	2,469	11.1
PEI	1,241	4.3	1,138	4.1
Nova Scotia	4,349	17.0	4,732	22.8
New Brunswick	4,267	16.6	3,327	13.1
Quebec	33,351	144.9	23,297	116.1
Ontario	38,000	210.0	51,221	303.2
Manitoba	5,393	25.6	4,867	25.0
Saskatchewan	2,958	15.4	3,430	18.3
Alberta	14,235	83.4	10,131	62.2
BC	15,352	81.5	15,239	93.8
NWT	374	3.0	240	2.3
Yukon	304	2.0	236	1.7
Canada	122,693	614.9	120,327	673.7

Regional differences are more marked (see Table 12), most notably in Quebec and Alberta where the benchmarks exceed HRIB-MIS employment and unpaid benefit results by a substantial margin. By contrast, benchmark estimates for Ontario are significantly below the HRIB-MIS calculations.

One factor in the discrepancies may be the fact that the benchmark updates use terminated claims whereas the HRIB-MIS tracking system uses the 12-week-25-percent rule. Under this rule, an individual is counted as having found work if he collects 25 percent or less of his benefits for 12 consecutive weeks, or fewer weeks if he is closer to the end of his benefit period. With this approach, there is always the possibility that the person may return to claim and cause the HRIB-MIS results to overestimate unpaid benefits. The fact that HRIB-MIS average unpaid benefits are greater than the benchmark average unpaid benefits in every province suggests that this may be the case. Nationally, update average unpaid benefits in the benchmark update equals \$5,000, while the HRIB-MIS estimates reach \$5,600. Application of the 12-week-25-percent rule may be a factor in the regional differences in the HRIB-MIS and benchmark results. Another explanation could lie in the fact that the benchmarks include directed training, while the HRIB-MIS tracking system excludes this item.

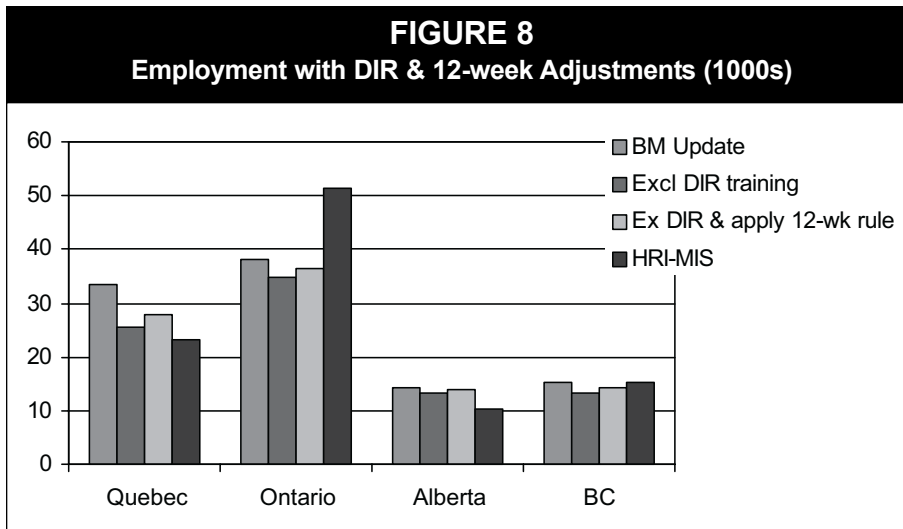
With respect to the proportion of clients who found work at the national level, the estimates produced by the two systems are very close. The benchmark update records 43 percent, as compared to the HRIB-MIS results with 42 percent. There is less correspondence between the ratios when the regional data are examined, however. Figure 7 plots the HRIB-MIS employed ratio against the respective provincial unemployment rates, as was done in Figure 5. The HRIB-MIS results exhibit some negative correlation with regional unemployment rates, but it is less pronounced than was the case with the benchmarks. Unemployment rates in the Atlantic region are high, and yet the proportion of clients finding work remains above the average for the country.



The 1997-98 benchmark numbers were modified to: (a) apply the 12 week-25 percent rule; and (b) exclude directed training. With these adjustments, the average unpaid benefits per client became \$5,633, which corresponds to the average coming from the HRIB-MIS tracking system.

To examine the observed differences in more detail, SEM was asked to modify the benchmarks on two fronts: (a) to apply the 12-week-25-percent rule; and (b) to exclude directed training. With these modifications to the benchmark calculations, the number of clients employed in 1997-98 adjusted downward from 123,000 to 114,000, while the corresponding amount of unpaid benefits rose from \$614.9M to \$638.4M. Comparing these modified benchmark results to the HRIB-MIS tracking results indicates that applying the 12-week-25-percent rule and removing directed training increased the observed difference in the employment numbers (from plus 2,400 to minus 6,200 persons) and reduced the observed difference in the unpaid benefits numbers (from minus \$59M to minus \$35M). Adjusting for only directed training increased average unpaid benefits per client from \$5,011 to \$5,223 in the benchmark analysis. Adjusting for the 12-week-25-percent rule increased the average unpaid benefits from \$5,223 to \$5,633, which is essentially the same as the average of \$5,598 coming from the HRIB-MIS tracking system for 1997-98.

Figure 8 indicates the effects of the adjustments step by step on employment in four provinces. Removal of directed training reduced benchmark employment in Quebec to a level more comparable with HRIB-MIS. The outstanding large understatement of employment in Ontario may be attributable to the large GSSE component in the Ontario numbers. The benchmarks require an SND with referral to counselling, group information session, or third party to identify clients. This selection process may not pick up all the GSSE clients.



In the aggregate, the HRIB-MIS tracking system is now producing results much closer to the estimates produced by the EDD benchmarking system. A few outstanding problems may remain, due primarily to methodological issues and data collection issues.

The benchmarks continue to be a useful evaluation tool, and EDD will continue to produce updates at the request of HRIB-MIS. The benchmarking methodology uses terminated claims, which means that the claimant will not resume activity and collect further benefits. This approach removes the chances of overstating unpaid benefits. Furthermore, the benchmarking methodology can be used unchanged to provide a consistent method of tracking year-to-year results since 1994 — allowing for meaningful monitoring and validation through time.

3. Estimates of Employment Benefits and Support Measures (EBSM) Net Corporate Savings

3.1 Concept of Value Added

The primary results indicators of unpaid benefits discussed in the first part of this report include a gross measure of unpaid benefits. While a gross measure may be useful for setting operational accountability targets, a measure of net savings is needed for corporate reporting to Central Agencies.

The measure of net corporate savings discussed in this part of the report captures the incremental savings — the difference between income support in the presence of an Employment intervention and income support in the absence of an intervention. With this approach, confounding influences can be ruled out and the results can be attributed to the intervention.

Net corporate savings also cover the full cycle of savings — including both a short term component and a medium term component. Short term savings include savings that accrue to the Employment Insurance (EI) Account on the client's current claim. Clients with services and short-duration programs often draw less than they would in the absence of the intervention and can demonstrate positive short term savings. Clients on more intensive programs often have their entitlement extended and consequently produce negative savings during the program year. However, the more intensive programs make a larger investment in human capital and the returns can be more long lasting. Therefore, to capture the savings down the road, net medium term savings measure the incremental savings from an intervention in the five years following program participation.

The fact that net corporate savings allow for both short term and medium term savings provides a significant advantage over the primary results indicator of unpaid benefits. The latter currently considers only potential savings during the claim period and ignores potential savings accruing in any subsequent period. This emphasis on the short term can skew Human Resources Centre of Canada (HRCC) portfolios toward short term interventions.

Net corporate savings covers the full cycle of incremental savings — to capture the difference between income support in the presence of an Employment intervention and income support in the absence of an intervention.

The EI Legislation Committee recognized the merits of corporate savings estimates early in the post-reform period. The Government amended Bill C-12 early in 1996 resulting in the need to generate additional savings of \$105M in 1996-97 and \$205M in 1997-98 to the EI Account. The savings were to be achieved by increasing activities or effectiveness in four areas: delivery of EBSM (Human Resources Investment Branch (HRIB) activities); the EI Program; the Investigation and Control (I&C) function, and the Assignment of Benefit Agreements (AOB). The incremental savings, which covered both net short term savings and net medium term savings, were also estimated by Evaluation and Data Development (EDD) and were used as a baseline for Part I savings from HRIB activities.

3.2 Methodology for Net Short Term Savings

Net short term savings were estimated by comparing the UI draw of a client following the start of his Employment intervention with his expected draw in the absence of the intervention.

Net short term savings have been estimated by comparing the Unemployment Insurance (UI) draw of an Employment client following the start of his intervention with his expected draw in the absence of the intervention. His expected draw was obtained from actuarial tables.

Actuarial Tables

HRDC produces actuarial tables for the setting of premium rates. The tables are also used by UI Control Branch in the estimation of their performance measures, in particular their savings to UI as a result of a disentitlement or disqualification. I&C's application of actuarial tables prompted EDD to consider actuarial tables in the estimation of savings to UI from Employment activities.

UI/EI actuarial tables provided information on the expected remaining duration on a claim, as of a particular week in the claim.

UI/EI actuarial tables provide the expected remaining duration on a claim, as of a particular week in the claim. They are similar to life expectancy tables which indicate the expected remaining years in the life of an individual, given that he has reached a particular age.

The UI actuarial tables are based on the same concepts as the life expectancy tables — on the principle of averages. They represent the average behaviour of persons used in the sample to construct them. It is important in the application of the tables that the individual to which the tables are being applied have characteristics matching the actuarial sample.

Figure 9 illustrates this point. At the outset of a claim, a Newfoundland claimant can be expected to collect for 31 weeks while a Saskatchewan claimant can be expected to collect for 21 weeks. This is a reflection of entitlement schedules varying with regional unemployment rates, different economic conditions, and different demographic influences in the provinces. The point is: application of a Saskatchewan actuarial table would significantly underrepresent the expected duration of a Newfoundland claimant.

FIGURE 9
Actuarial Values

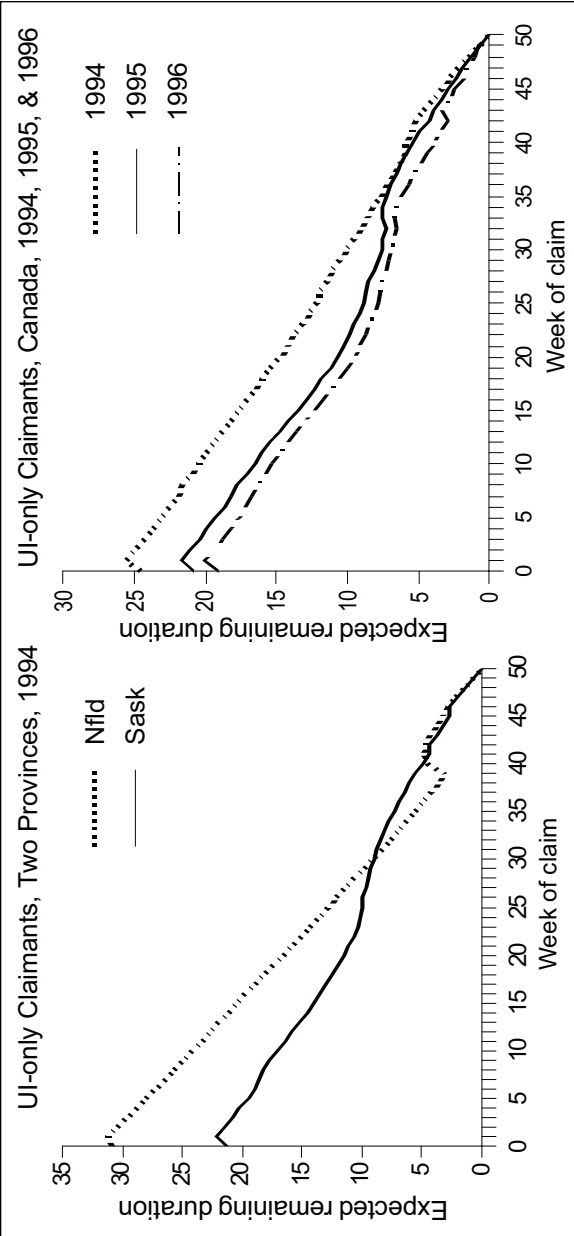


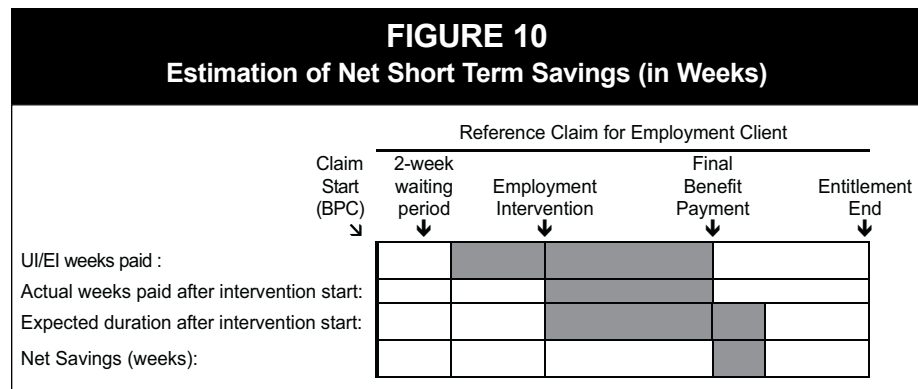
Figure 9 also shows the results for populations in three years. The expected life of a UI-only claim has declined from 24.6 weeks in 1994, to 20.8 weeks in 1995, to 19.0 weeks in 1996. Economic conditions are an important determinant of claim duration, but a critical element in the recent decline has been the legislative changes in Bill C-17 and Bill C-12. Bill C-17, implemented in July 1994, generally reduced entitlement for any given number of weeks of insurable employment. Bill C-12, effective July 1996, reduced maximum entitlement from 50 to 45 weeks. Again, it is critical to use the current year actuarial table to estimate duration on a current year claim.

Analytical Approach

To prevent bias in the results, claimants must be matched with the “appropriate” actuarial tables. EDD investigated the various possibilities extensively and chose to match on the basis of year, province, UI history (i.e. presence/absence of a previous claim), entitlement, and benefit rate. By differentiating the actuarial tables across several lines, EDD attempted to remove bias that would exist between Employment clients and the actuarial sample. The population used to estimate the actuarial tables covered all UI claimants with a claim ending in 1994 or 1995 and not having received an Employment intervention.

By differentiating the actuarial tables across several lines, EDD attempted to remove bias that would exist between Employment clients and the actuarial sample.

With respect to the specifics of the methodology, the start date of the Employment intervention was available either from the Status Vector or the NESS files. The Status Vector indicated the actual number of weeks collected following the service/program start date. The actuarial values indicated the number of weeks the claimant would be expected to collect had he not had an intervention. The difference in the expected and the actual provides the number of weeks saved as a result of Employment services. Savings were converted to dollar terms by multiplying individual claimant weeks saved by their corresponding benefit rate. The sum over all claimants — including those with both positive and negative savings — produced net short term savings.



3.3 Methodology for Net Medium Term Savings

Early Work

Net short term savings compared actual payout with expected payout during the current claim. To be consistent, net medium term savings should compare actual cumulative payout over the three to five years following the claim with expected payout over the same period. This would require actuarial tables with a longer time horizon. Actuarial Services has contracted out development of multi-year actuarial tables. In the meantime, EDD used evaluation post-program incremental results to estimate longer term benefits. Post-program results generally covered 12-18 months following program completion. EDD assumed the weeks saved in the first 12-month period were maintained over each of the five years following program participation.

Clients were identified by program type and were matched with the appropriate five-year savings. Future savings were discounted to present value, where the social discount rate was assumed to be the prime rate less the inflation rate. The sum of net short term savings and net medium term savings gave the full cycle of savings from a program or service.

Originally, primary savings (i.e. gross short term unpaid benefits) and net savings were estimated based on claims terminated in 1993. The EI Legislation Committee felt that benchmarks based on 1993 data were out of date and requested re-estimation of the primary results indicators based on 1994 and 1995. Time constraints prevented re-estimation of the net savings, and a method to convert primary to net savings was developed. Regression analysis was applied to the 1993 benchmarks to determine whether a functional relationship existed between the two. A relationship was identified, and the resulting coefficients were applied to 1994 and 1995 primary savings estimates to predict the corresponding 1994 and 1995 full-cycle savings estimates.

Bookable Medium Term Savings

Discussions with HRIB indicated a need for year-by-year tracking of net savings for operational planning purposes, instead of the total five-year full-cycle savings. The initial methodology for benchmarks of corporate medium term savings was revised such that savings could be identified at 12, 24, and 36 months after claim termination. This would assist in the setting of targets.

A method known as “difference estimation” was adopted. It is a well known and respected evaluation methodology. The difference method compares (a) the change in UI draw 3 years before and 3 years after the

Pending development of multi-year actuarial tables, evaluation post-program incremental results were used to estimate net longer term savings.

***The difference method compares:
(a) the change in UI draw 3 years before and 3 years after the program, with (b) the expected change in UI draw 3 years before and 3 years after the claim without the program.***

program with (b) the expected change in UI draw 3 years before and 3 years after the claim without a program. The estimate of the expected change is derived from claims with the same termination year, no intervention and matched by province and economic region, UI history, and age.

Since EDD needed 36 months of UI follow-up information, the difference estimates were based on claims terminated in 1992. The change in UI draw between the period 1989-91 and the period 1993-95 was computed for clients by program type. The change was also calculated for comparison groups consisting of claims ending in 1992 but with no program intervention. The comparison groups were disaggregated, as indicated above, by province and economic region, UI history, and age. The difference in the client pre-post change and the comparison group pre-post change gave an estimate of weeks saved from program participation by program type.

The 1994 and 1995 clients in a given program were assumed to save the same net weeks as the 1992 clients in that program. The product of weeks saved and individual benefit rates, summed over all clients, and discounted to present value produced the 1994 and 1995 net medium term savings benchmarks.

Next Steps

Although an important improvement over the regression method, EDD considers this “difference estimation” methodology to be an interim solution. One shortcoming is that it is based only on the 1992 cohort of claims. Further work needs to address the robustness of the 1992 results. EDD intends to use multivariate analysis to identify significant determinants of behaviour. Once set up, the analytical method will allow EDD to make projections and to develop simulation capacity that can examine the implications of different scenarios.

3.4 Estimates

Initial estimates of net corporate savings based on the regression methodology suggested savings of \$683M in 1994 and \$549M in 1995 (Figure 11). The EI Legislation Committee averaged these values and proposed a benchmark of \$616M. As indicated above, amendments to Bill C-12 necessitated additional EI savings of \$105M for 1996-97. The Committee derived HRIB’s required contribution to the corporate incremental savings objective by taking 5 percent of the benchmark baseline ($0.05 \times \$616M$), giving HRIB a savings objective of \$30.4M. This was communicated to the regions by the Deputy Minister in July 1996.

Although the 1996 savings objective of \$30.4M was not met, the probably more realistic incremental objective of \$19M was actually exceeded.

In the following months, more current data became available, allowing an update of the actuarial tables. Also, operational demands for bookable savings and less tight time constraints allowed the exploration of alternate methodologies. EDD re-estimated corporate savings for 1994 and 1995 using the difference-in-differences method and using concurrent actuarial tables. Revised savings were \$670.7M in 1994 and \$380.0 in 1995.

The revised estimates for 1994 were very close to the regression estimates but those for 1995 were dramatically different. Entitlement changes in moving from Bill C-21 to C-17 to C-12 had major impacts on actuarial tables and expected durations. This prompted adjustments to the primary savings benchmarks but no comparable adjustments were made to the net savings. This led EDD to surmise that the large drop in the 1995 revised benchmarks might be due to legislated changes in entitlement. This proved to be the case. When EDD used the difference-in-difference methodology but applied the 1993 actuarial tables, the 1995 “revised” estimates were much closer to the early regression estimates.

Corporate net savings in 1994 are based heavily on claims established in the Bill C-21 regime. Bill C-21 entitlement was more generous than C-12 entitlement and it would seem inappropriate to benchmark net savings on a period with such radically different circumstances. 1995 corporate net savings are based on claims established under C-17 entitlement. Although C-17 entitlement does not coincide with that of C-12, at least the differences are less marked. Therefore, it would seem more reasonable to benchmark net savings on 1995 net savings, rather than an average of 1994 and 1995. Using this reasoning, the benchmark would be \$380M. If the HRIB incremental savings objective is to be 5 percent of the baseline, then the savings requirement for 1996 becomes \$19M.

Using the 1996 actuarial tables, the difference-in-difference methodology and the best EI data available in September of 1996, EDD updated the corporate incremental savings. The full cycle of net savings generates \$403.7M. This represents an increase of \$23.7M (\$403.7M - \$380.0M) over the proposed benchmark. These results indicate that HRIB activities did not meet the 1996 savings objective of \$30.4M disseminated to the regions. However, the probably more realistic incremental savings objective of \$19M was exceeded.

FIGURE 11
Net Corporate Savings: Estimates, Benchmarks,
Incremental Objective, Achievement

Methodology	Full Cycle Net Savings Estimates	Adjustment ⇒	Employment Benchmark	Decision Rule ⇒	Objective/Achievement
Regression Estimates (coefficients based on 1993 functional relationship)	1994: 683.5 1995: 548.6	Average of 1994 & 1995	616.0	Benchmark x 5%	Corp Incremental Savings Objective DM memo to regions, July 1996 30.4
Methodology improvement					
Difference-in-difference Estimates (using 1993 actuarial tables)	1994: xxx 1995: xxx				
Incorporate C-17 into actuarial tables					
Difference-in-difference Estimates (using 1994 & 1995 actuarial tables)	1994: 670.7 1995: 380.0	Select 1995: C21 entit ('94) ≠ C12 ent C17 entit (95) ≈ C12 ent	Improved Benchmark 380.0	Benchmark x 5%	Incremental Objective Based on More Realistic Benchmark 19.0
Update to 1996					
Difference-in-difference Estimates (using 1996 actuarial tables)	1996: 403.7			Change over Improved Benchmark	Incremental Objective Achieved 23.7

4. Conclusions

4.1 Primary Results Indicators

The objective of the Employment Insurance (EI) Part II Employment Benefits and Support Measures (EBSM) is to help clients find work and reduce their dependency on insurance benefits and other income supports. As part of the EBSM Accountability Framework, two primary results indicators have been adopted:

- **EI clients returned to employment:** the number of insured participants (including active and “reach back” EI claimants) who are working in paid employment and had received support through active programs; and
- **Savings in Part I Income Benefits:** the amount of unpaid benefits measured in dollars, as represented by the difference between the maximum entitlement to regular income benefits (EI Part I) and the actual payout of Part I income benefits.

Historical 1994 and 1995 Human Resources Development Canada (HRDC) administrative data were used to develop benchmarks for the two primary results indicators. The benchmark estimates were limited to active UI claimants with an Employment service or program. Clients not currently drawing UI were omitted, as there was no certain method for identifying whether they had found work. This implies that the persons identified in the benchmark methodology as having found work correspond exactly to those generating the unpaid benefits.

The initial 1994 and 1995 estimates indicated the results attainable if the accountability framework had been in place in the pre-reform period. EI reform introduced changes in entitlement. Consequently, the benchmarks were re-estimated to substitute the Bill C-12 entitlement rules for the C-21 or C-17 rules that had been applicable at the time the 1994 and 1995 claims were established. The C-12 adjusted benchmarks represent the results generated in 1994 and 1995 but in the context of the C-12 entitlement rules.

Human Resources Investment Branch (HRIB) used the benchmarks (adjusted for Bill C-12) to develop targets for primary savings (i.e. unpaid benefits) for 1997-98, 1998-99 and 1999-00. The targets were used in the Labour Market Development Agreement negotiations. Regions were asked to use the provincial targets and the HRCC benchmarks to prepare their own HRCC targets for 1997-98.

HRDC administrative data for 1994 and 1995 were used to develop benchmarks for two primary results indicators in the EBSM Accountability Framework.

The initial 1994 and 1995 benchmark estimates were adjusted for Bill C-12 entitlement rules.

The 1996 benchmark update showed a decline in the numbers corresponding to the primary results indicators (i.e. clients returned to employment, and unpaid benefits), but this may be traced to lower client volumes.

For those served, outcomes were better in terms of the rate of returning to work and the average amount of savings per client.

Tracking of the primary results indicators began in July 1996. They are being compiled by Management Information Systems (MIS) and are being retained within the HRI Dataset.

EDD was asked to update the benchmarks by generating estimates for 1996 using the same methodology that had been used to generate the 1994 and 1995 benchmarks. The benchmark update for 1996 revealed that the count of active UI/EI claimants who found work within their entitlement, after receiving an Employment program or service intervention, fell from 167,000 in 1995 (adjusted for C-12) to 151,000 in 1996 — a decline of 10 percent. In part, this may be attributed to a smaller caseload as the number of active claimants with an Employment intervention dropped from 444,000 to 388,000 — a decline of 12.6 percent.

It should be noted that the observed drop in caseload corresponded to an overall decline in UI/EI claimants. The proportion of active UI/EI claimants covered by Employment programs and services was about 18.2 percent in 1996, which was actually the same as the coverage in 1994. The benchmarking work did not look at Employment assistance to non-active UI/EI claimants and does not have information on changes in their coverage.

The positive outcome underlying the count of clients (i.e. active UI/EI claimants with an employment intervention) who found work within their entitlement is that the success rate among clients did improve. This means that the proportion of clients finding work within their entitlement actually increased between 1995 and 1996. This occurred despite higher unemployment rates and reduced entitlement.

The benchmark update for 1996 also showed that the amount of primary savings (i.e. unpaid benefits) declined by 4.4 percent in 1996 as compared to 1995. These savings corresponded to the unpaid benefits of clients returning to work before entitlement end. Again this decline might be attributed to the smaller caseload. The good news observed from the 1996 data is that the average savings per client increased. This follows from a higher average number of weeks saved as well as higher average benefit rates. This means that the average number of weeks saved on a claim increased in 1996 despite reduced entitlement.

In summary, the 1996 benchmark update indicates that the absolute numbers corresponding to the primary results indicators (i.e. clients finding work, and unpaid benefits) have declined, but this may be traced to lower client volumes. For those served, outcomes are better in terms of the HRCCs rate of returning them to work and in terms of the average weeks saved and, consequently, the average dollar savings per client.

Over the course of 1997 and 1998, the HRIB-MIS tracking system refined client coverage and carefully documented data entry. In the spring of 1998, EDD applied the benchmarking methodology to the HRIB-MIS 1997-98 results for periods 1 to 11. EDD noted the improvements in client coverage but also indicated several outstanding methodological concerns.

The HRIB-MIS tracking system was systematically reviewed by an internal technical working group and refined in the fall of 1998. Following these refinements, and leading up to the Monitoring and Assessment Report to Parliament, HRIB-MIS asked EDD to re-estimate the benchmarks but on a fiscal year basis for 1997-98. The updates showed that, at the national level, the HRIB-MIS results for active claimants were very close to the benchmark estimates. The benchmarks show 2 percent more employed and 9 percent less in unpaid benefits compared to the HRIB-MIS tracking system. Although there are some regional discrepancies, these are probably explained by some remaining methodological and data collection issues.

The benchmarks remain a useful evaluation tool and EDD will continue to produce updates at the request of HRIB-MIS. The benchmark methodology uses terminated claims and, as a consequence, the claimant will not resume activity and collect further benefits. This approach removes the chances of overstating unpaid benefits. Furthermore, the benchmarking methodology can be used to track year-to-year results since 1994 — allowing for more meaningful monitoring and validation through time.

4.2 Net Results

A measure of net savings is necessary to disentangle the effects of the employment interventions from all the other factors. Net savings measure the incremental impact — the difference in the outcome with the program or service and the outcome without the program or service.

Furthermore, the primary results indicator reflects unpaid benefits in the short term only. The measure does not presently recognise the returns in reduced UI/EI payout in years subsequent to the intervention. If the medium term results are not captured by the success indicators, HRCC activities will be skewed away from interventions which are longer in duration, which do not contribute to positive short term savings, but which do add to human capital and will produce returns down the road.

Therefore, the measure of net corporate savings presented in this report is being developed to capture both short term savings and medium term savings. Net short term savings compare the actual UI/EI draw of a client with his expected draw in the absence of his Employment program or service intervention. The expected values are derived from actuarial

The 1997-98 benchmark update showed that, at the national level, the HRIB-MIS results for active claimants were very close to the benchmark numbers.

Net corporate savings allow for the full cycle of savings and measure the incremental impact of programs and services so that confounding influences can be ruled out.

tables. Net medium term savings compare the difference in the pre- and post-intervention UI/EI draw of a client with the difference in the pre- and post-intervention UI/EI draw of a comparison group matched on several characteristics. The technique is known as difference in differences. The savings are measured over the five years following the intervention claim. Together, the short and medium term estimates comprise the full cycle of savings.

In 1994, net corporate savings reached \$670 million. By 1995, they had dropped to \$380 million. A large part of the decline can be explained by the changes in entitlement in moving from Bill C-21 to Bill C-17. Bill C-17 introduced a major reduction in entitlement thereby reducing claim durations and reducing values in the actuarial tables. In order to demonstrate savings, an Employment client had to find employment more quickly in 1995 than in 1994 because his expected values, as revealed in the actuarial tables were considerably shorter. The 1994-95 decline can also be explained by program delivery. There is evidence that some programs covered a longer timeframe in 1995 than in 1994, thus contributing to substantial negative short term savings. Certain programs also exhibited later start dates in 1995, which can similarly lead to negative short term savings.

The full cycle of net savings increased from \$380M in 1995 to \$404M in 1996. This occurred notwithstanding the reduction in entitlement from Bill C-17 to Bill C-12.

The full cycle of net savings increased from \$380 million in 1995 to \$404 million in 1996. This occurred notwithstanding the further reduction in entitlement from C-17 to C12, which would lower actuarial estimates and again make short term savings more difficult to achieve. The increase in net savings amounted to \$24 million or 6.3 percent.

Net savings allow for the full cycle of savings and measure the incremental impact of programs and services so other confounding influences have been ruled out. Therefore the \$24 million increase in net savings suggests an increase in program performance.

Although HRIB activities did not meet the corporate incremental savings objective of \$30 million, perhaps this objective was set too high. This is suggested in light of information that became available in months subsequent to the setting of the objective.