

## THE TARGETED WAGE SUBSIDY: HOW PROGRAM DESIGN CREATES INCENTIVES FOR “CREAMING”

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### ABSTRACT

Across most developed nations, including Canada, parallel systems of social welfare and employment insurance have increasingly been replaced by programs that emphasize work as a means to achieve welfare goals within the so-called re-employment framework. Various authors have drawn attention to the tension between the goal of long-term sustainable employment, and re-employment-based strategies that emphasize short-term and stand-alone interventions. In this paper, we focus on the implementation of one such program in Canada, the Targeted Wage Subsidy. This program seeks to place the most marginal qualifying participants in employment by offering employers a financial inducement. By paying close attention to the experiences of those tasked with monitoring and implementing the program in Toronto, we identify various ways in which program design elements may systematically disadvantage the intended recipients. These program delivery mechanisms are shaped both in the practices of implementing agents, as well as by the public accountability framework that enforces rigid timelines and reporting requirements, resulting in a practice commonly referred to by employment service providers as “creaming.” Our observations lead us to question whether the target population is, in fact, the one benefiting from these return-to-work supports.

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### INTRODUCTION

Since the early 1990s, Canadian labour market policies have been guided by the concept of re-employment. This concept favors active or direct interventions that promote job-readiness and rapid workforce re-entry strategies over approaches that focus on labour demand or

long-term education and training interventions to address unemployment (Peck and Theodore, 2000; Buchanan and Klassen, 2005). The design and implementation of re-employment-based programs in Canada has occurred within the context of a broader policy environment that, since early 2000, has been guided by an accountability regime born from the new public management system (see Phillips and Levasseur 2004; MacNeil, 2005). Government departments, in particular Human Resources and Skills Development Canada (HRSDC)<sup>1</sup>, have relied on such management mechanisms to ensure financial accountability in program delivery. We argue that when the new accountability regime is folded into the re-employment model, foundational tensions between policy objectives and program outcomes are amplified.

We explore these tensions through a close examination of the Targeted Wage Subsidy Program (TWS) implementation in Toronto. The TWS is one of the five HSRDC Employment Benefits and Support Measures programs accessible through Employment Insurance for workers that have paid into this social security program and thus qualify for these benefits. This group of interventions is designed to provide training, education, and/or employment opportunities to unemployed workers with the goal of reintegrating them back into the workforce via the shortest route available.<sup>2</sup>

When targeted programs are evaluated on narrowly quantitative measures of success, the result is often creaming. This is the selection (for program benefits) of those who are more likely to succeed over those candidates who are less qualified and hence, presumably, who are more in need. Creaming takes on particular significance in relation to the stated objectives of the TWS, because this is the only re-employment-based program that has a mandate directed toward those individuals identified as having multiple barriers to employment.

Several authors have drawn attention to the problem of creaming in the delivery of government programs (see Lipsky, 1980; Stone, 1993). In Canada, Torjman (2000) has referred to the problem of creaming in HSRDC programs, and our research interviews confirmed a widespread belief amongst program officials and service providers that creaming does occur. Our research adds to the discussion of the disconnection between policy and implementation, by presenting qualitative evidence of creaming in a particular geographical region and policy context. Through a careful examination of the TWS program, we have isolated the specific mechanisms or pathways by which creaming occurs.

The findings reported here are drawn from in-depth interviews conducted by the lead author during the second half of 2005. We show that these program delivery mechanisms are shaped both in the practices of implementing agents, as well as by the public accountability framework that enforces rigid timelines and reporting requirements. This leads us to question whether the target population is, in fact, the one benefiting from this return-to-work support

that is so favoured in the re-employment framework.

While the economic and policy context has changed significantly since this research was conducted, we argue that our analysis is timely. The transfer in funding and program accountability for the Employment Benefits and Supports Program from Human Resources and Skills Development Canada to the Ontario Ministry of Training Colleges and Universities, and MTCU's ongoing transformation process - under the banner of Employment Ontario - has created an important window of opportunity for policy reflection and adjustment. This task is all the more urgent in light of the tough economic conditions, and the demands on government for economic stimulus and livelihood support. This is precisely the right time to re-examine program design and delivery in the light of our research findings.

**Re-employment** Through Canada's Targeted Wage Subsidy Program The concept of re-employment has emerged as a guiding ideology of contemporary labour market policy in the developed world since the 1990s, and was the cornerstone of workfare models in both the U.S.A. and Canada (Peck and Theodore 2000; Etherington and Jones, 2004; Fletcher, 2004). We use the term re-employment to describe a framework that combines 'narrow' (see McQuaid and Lindsay, 2005) interventions on both supply- and demand-sides of the labour market, without embracing fundamental change in either. Re-employment interventions are limited on the demand-side in the sense that instead of creating new demand for workers, "demand-led programmes locate employers that have a demand for new employees and then train the unemployed specifically for the available openings" (Fletcher, 2004: 115). On the supply-side, re-employment approaches may be regarded as an extension of "supply-side fundamentalism" which "[locates] the causes of (and therefore the remedies to) unemployment on the supply-side of the labour market" (Peck and Theodore, 2000; 729). This approach is narrow in the sense that it ignores personal circumstances and external conditions, focusing instead "upon 'employability skills and attributes', often resulting in purely supply-side 'employability' policies" (McQuaid and Jones, 2005: 214). Re-employment seeks rapid labour market re-entry for unemployed workers, offers assistance that is consciously minimal in an effort to avoid creating dependency, and is typically confined to job-preparation and employment search assistance (Etherington and Jones, 2004).

Critics argue that such re-employment-based strategies have, to this point, paid relatively little attention to fundamental change on the demand-side such as changing the number, quality or durability of job opportunities, while on the supply-side, these short-term interventions do little to create more productive and skilled workers (Corak, 1993; Peck and Theodore, 2000; Fletcher, 2004). The weaknesses of the re-employment concept are amplified by the fact that, in practice, intended beneficiaries are not necessarily the first to be chosen

for assistance.<sup>3</sup> As designed, re-employment interventions are intended for people who have the weakest attachment to the labour force. Often, these are individuals who face “a broad array of barriers to work” (McQuaid and Lindsay, 2005: 201), ranging from low levels of education and few market-appropriate skills, to cultural, language and disability barriers, and systemic discrimination in hiring practices.

The current re-employment-based programs in Canada were launched on July 1, 1996; with progression from the Unemployment Insurance Act (of 1940) to the Employment Insurance Act (of 1996), the emphasis was now on active re-employment strategies, not simply a passive system of income maintenance (Audas and Murrell, 2001). These active employment strategies are collectively termed Employment Benefits and Support Measures (EBSM). The Targeted Wage Subsidy (TWS) is one of these interventions, funded by HRSDC and delivered by local service providers, which are public, private, or non-profit delivery agents that are contracted to deliver government-sponsored employment programs to the community. In Toronto, the Service Providers offering TWS at the time the study was conducted were comprised of both public (a school board), and non-profit organizations. Service Providers delivering employment programs are further divided into two categories: assessment centres and job developers. Assessment centres conduct client intake, while job developers match program participants to local employers. Their responsibilities in this employment supports framework are detailed in Figure 1: Pathways to Creaming (see the end of the article).

## **THE TWS AS AN ACTIVE LABOUR MARKET INTERVENTION**

Targeted Wage Subsidies (TWS) are an active labour market intervention used by governments in several advanced industrial democracies to increase the long-term employment prospects of workers by subsidizing on-the-job training with local employers. Katz (1996) argues that “Targeted Wage Subsidies are often motivated by desires to affect the composition of employment and aim program benefits at specific groups of workers whose employment opportunities are viewed as particularly in need of improvement” (5). In the case of the TWS in the Canadian Employment Insurance system, this specific group of workers is a sub-set of the general EI population, defined as having multiple and/or significant barriers to employment.

The employment program (that an EI claimant gets directed into) is decided at the assessment phase. During a one-on-one 20 minute needs assessment with an employment counsellor, clients are interviewed to determine which of the five EBSM interventions best suit their employment needs. If they are identified (or have self-identified) as having multiple and/or significant barriers to employment they meet the eligibility criteria for Targeted Wage

Subsidy and may be directed to this intervention. From assessment at one agency they are then sent to a job developer at an unrelated agency. The job developer is charged with securing appropriate employment for this client within a three month timeframe. If the client cannot be placed with a local employer inside that three month window they are sent back to the assessor for re-evaluation to be placed into another intervention. This cycle will continue until they have exhausted all EBSM options or their benefits have expired.

Subsidized placement in appropriate employment can be beneficial to an individual work-seeker. Green and Riddell (1991) suggest that wage subsidies can, over the long-term, create productive employees for those 'targeted' by this intervention: "What a subsidy can do is to buy time to accommodate change, so that subsidized employees can gain a niche in the labour market and adapt to changing labour market conditions. Therefore, in the long-run, the "effect of a wage subsidy is to improve the productivity, employment prospects, and wages of the targeted groups" (6). There is a general consensus among policy makers and critics of the program alike that the wage subsidy program is intended for those with the weakest attachment to the labour market, and that it is expected to lead to long-term sustainable employment. However, the question remains, are those for whom the program is intended the ones securing long-term employment?

### **'CREAMING' AND THE ACCOUNTABILITY REGIME**

In Canada, tensions inherent in the re-employment model have been amplified by a new and highly restrictive accountability regime. According to Phillips and Levasseur (2004), the demand for accountability significantly affected the funding arrangements for employment programs: "In terms of accountability, Canada ... imposed very stringent approval and reporting requirements on contributions and contracts after the crisis in Human Resources Development Canada in 2000" (452). As noted by one Service Provider: "The placement requirement is high on new clients with a limited staff...HRSDC is putting increasingly higher quantitative demands on the agencies doing it." A major concern of this new accountability regime is that it exasperates the contradiction between the policy goals of increased long-term employment for target groups and actual, measured, program outcomes.

Financial accountability in the TWS translates into counting job placements. Attention to the quality of jobs secured, and to the targeting of individuals on the basis of policy criteria, suffers. Service providers are required to meet job placement quotas or risk non-renewal of their contracts by HRSDC. In this environment, project officers morph into "police, pressured from above to ensure that rules are followed ... and [are] necessarily being pre-occupied with financial reporting rather than with program impacts" (Phillips and Levasseur:

2004: 461). Under these conditions creaming can occur: “(w)ith the pressure to produce good results or risk being dropped service providers are engaging in creaming (serving mainly those clients highly likely to succeed), cover-ups, and similar organizational misdeeds [that] come to be regarded as essential to agency survival” (Stone: 1993: 591). Commenting on the Canadian situation, Torjman (2000) asserts that delivery agents “are under pressure to short-change participants and/or select only those most likely to succeed” (17). To ensure their dollars get reimbursed, agencies that deliver the Targeted Wage Subsidy Program choose the most job-ready for placement or those arguably without multiple and/or significant barriers to employment.

## **RESEARCHING THE ISSUES**

In the absence of quantitative data on program participation and outcomes, in this research we sought to understand the ways in which creaming could potentially occur as a result of program design. In-depth interviews with TWS program stakeholders in a single place, Toronto, were chosen as the primary research method. To encourage participation, interviews were not tape-recorded but hand-written interview notes were transcribed after each interview; this allowed for a fresh review of the interview. The transcribed notes were then sent back to the study participants to capture their reactions and to correct any inaccuracies in note-taking (see Patton, 2002). No study participants withdrew their consent as a result of being asked to review interview notes.

One important reason for the qualitative approach to this research is that HRSDC policies - and especially the Targeted Wage Subsidy and related programs - are in constant flux, in part to address acknowledged program flaws. The richness of first-hand perspectives in a context of policy change became very clear to us when HRSDC’s Call for Proposals (CFP) became the main point of interest for all service provider respondents<sup>4</sup>. The controversy surrounding the CFP process did make some respondents wary, but once reassured, it provided a useful entry-point for the interviews, providing a deeper understanding of the role of program intentions, design, implementation and monitoring mechanisms, as well as the larger policy framework in which they are set.

The findings from HRSDC and Service Provider respondents are discussed below; findings drawn from interviews with employers are not reported here, although they did inform our analysis. HRSDC is comprised of three levels: National Headquarters (NH), Regional Headquarters (RH), and Human Resources Centres of Canada (HRCC). An interview was conducted with an official at each level of Human Resources and Skills Development Canada. National Headquarters (NH) is responsible for policy design of the TWS program; RH for program implementation regionally; and HRCC for ensuring project-specific processes follow program guidelines. The focus of these

interviews was on understanding how federal program design and monitoring translated into project delivery in the community. Every Service Provider providing either assessment or job development for the TWS funded through EI was contacted. All but two of the six Toronto agencies agreed to be interviewed. In addition, all current service providers holding contracts with HRSDC in 2005 were interviewed.

## RESEARCH FINDINGS: PATHWAYS TO CREAMING

Interviews with HRSDC and Service Providers revealed a surprisingly strong consensus that the gaps between program objectives and implementation processes, in conjunction with financial accountability mechanisms, do indeed result in the practice of creaming. In Figure 1 (placed at the end of the article) we depict the steps through which an individual EI recipient proceeds from initial acceptance for one of the five ESBMs, to placement with an employer in a TWS position. We have identified three pathways in the delivery of the TWS by which creaming, the selection of better qualified candidates, may occur. In Figure 1, and in the text that follows, we refer to these “pathways to creaming” as PW#1, PW#2 and PW#3:

PW#1: Qualifying EI recipients visit an assessment center which determines whether “TWS is the best intervention.” An action plan is completed. This determination, and thus the client’s eligibility to access TWS, is based on the center’s identification of barriers. Potential for creaming exists here because barriers are based on subjective criteria determined by the individual service provider. Once identified, these barriers are documented and client is sent to a separate SP agency to see a “Job Developer”.

PW#2: The job developer may engage in creaming. We distinguish between integrated service providers, with a diverse funding stream and some ability to combine and change interventions if the assessment proves inappropriate or subsequently requires modification, and single service providers that rely on a single funder without the ability to vary the interventions. In the single-service approach, the decisions concerning which clients to assist are in danger of being determined more by an employer’s requests and the funder’s financial target requirements than the client’s needs, resulting in creaming. Creaming may also occur with a service provider that offers an integrated approach to program delivery. When one program is not suitable for the client, (as may happen with TWS assessments), then the client may be directed into another program at the agency, potentially resulting in creaming.

PW#3: Employer calls or is called by an employment agency; employer provides a list of requirements they are looking for in the right candidate. Creaming occurs to the extent that employers shape or influence how the job

developer selects candidates to meet employer-defined job needs. The job developer sends what they regard as appropriate clients to employer, who makes final decision on hiring and so the employer may also engage in creaming.

It is our contention that these pathways to creaming are a result of the practices of implementing agencies and the strict accountability requirements that exacerbate the foundational contradictions of the re-employment framework. In coming to this conclusion, we have arranged interview responses in three analytical themes: the Selection Process, Performance Indicators, and Program Abuse.

### **SELECTION PROCESS**

Program goals and project timelines collide at the intake phase, especially for job developers. According to one Service Provider: “The fear of putting in unpaid hours and giving money to employers in wage subsidy costs that may not be recouped if employment is secured outside the three month window can result in service providers betting on the sure thing and picking participants they are confident they can find work for within three months.” This source of PW#1 and PW#2 creaming was to be eliminated by a new delivery mechanism (introduced by HRSDC in 2005) that no longer allowed the same service provider to engage in both selecting and actually placing the participant in employment. Yet, the new delivery mechanism met considerable resistance from service providers because HRSDC simultaneously increased placement rates for job developers who no longer had control over the selection process, without relaxing the 3-month placement timeframe. According to a Service Provider who secured a contract in 2005 under the new delivery mechanism, “80% [of clients assessed as having multiple barriers to employment] will have to be placed into subsidized positions.” The new, higher target means that service providers will likely still engage in creaming: “We have to be fussy about who we take into the program. Of course, they still have to have two significant barriers but now they have to be highly marketable.” Arguably thus, the new targets that were introduced in 2005 created the incentive for more PW#2 creaming, directly affecting how effective the program becomes in serving those with multiple barriers to employment.

In addition to the selection of service providers, the mutable concept of ‘multiple and/or significant barriers to employment’ as the foundational criteria for participant selection remains an underlying source of PW#1 creaming. In fact, one Service Provider commented that in the absence of any clear parameters regarding barriers, creaming is not only likely, it is inevitable: “The very issue of barriers as a criteria feeds into the practice of creaming and is further magnified by the unobtainable targets set by HRSDC for program success.” In the presence of financial measures of success, those unemployed individuals who present

with the fewest barriers are chosen first. For this reason, what qualifies as a barrier was an issue of much debate. HRSDC National Headquarters explained the barrier criteria from a policy perspective: "TWS is the only one of five EBSMs that is targeted, but by program design it is intended this way - to assist those with barriers." However, according to one job developer, barriers are the 'wild west' of employment supports.

Perhaps the reason the 'barriers' criteria resemble the Wild West is because no one group is accountable for setting the parameters. National Headquarters hands the responsibility off to Regional Headquarters (RH): "We leave the specific definition of barriers to employment up to the regional and local offices to have flexibility to meet local needs." RH likewise defers to HRCC "We don't impose a uniform approach ... I can't tell the tools to you, but we look at the clients they [SP] help and compare this against the type of clients we want them to serve." In turn, HRCC leaves the act of defining barriers up to the Service Providers. So, who exactly are the clients HRSDC want service providers to assist? The "genuinely barriered" was the answer from RH; though what makes one genuinely barriered remains open to interpretation.

The struggle over the concept of 'barriers' actually signals the central paradox of the re-employment model. How can a client be deemed too barriered to find work on his/her own, yet still present as job-ready? According to one assessment centre, "there is barriered, and then there is barriered and then there is more barriered." Another job developer explained the crux of the paradox thus: "They must be too barriered to find their own job, yet not barriered enough that they can't find employment within three months!" Herein lies the tension between programmatic targets and realities of the client population mandated for service. While the program is intended to serve those with multiple and/or significant barriers to employment, Service Providers (and indeed many HRSDC officials) acknowledge that those are the very individuals often excluded from placements.

## PERFORMANCE INDICATORS

HRSDC headquarters readily described the two key performance indicators used to measure the program's overall success as financial. They are 1) percentage of participants returning to work three months after the end of the intervention and 2) savings on unpaid benefits. National Headquarters described these as "crude indicators" for evaluating program success: "This measurement is a dollar-driven factor. We would like to be more results-oriented... but currently we are focused on two outcomes." Focusing on these two indicators to the exclusion of others that might examine long-term job quality or participant satisfaction also allows the practice of creaming to take hold. Reinforcing the notion that what is measured is important, the NH respondent noted that any

record keeping on activity at the community level was all anecdotal and hence suspect in their opinion.

Financially-based performance indicators at the federal program level result in an even more narrow focus on finances and timeframes within the regional and local offices. The success of service providers is measured by the clients referred for job placement (for the assessor). Both the assessment centre and the job developer are measured by the number of clients that have been successfully placed in employment. HRCC respondents claimed that the 70% target for successful placement is 'conservative' (in the sense of being too low), and that if assessments are accurate, the job developer should be able to place an even higher percentage without having to cream:

They should be able to place 80% of those referred to them by assessment because all the referrals should be suitable for the intervention referred. And this percentage is based on the numbers in their proposals. If they are doing this then there shouldn't be any creaming. If the assessment centre says that this is the appropriate intervention then in theory they should be able to place 100% of the referrals (HRCC respondent).

One of the largest Toronto service providers not to have their contract renewed in 2005 argued that they lost out because their proposed placement rate, based on previous experience, "came in below [HRSDC's] target on our estimates of clients we would be able to serve." According to the same SP, HRSDC was expecting an unrealistically high placement percentage that no Service Provider could accomplish and still serve the more barriered. However, one of the "winning" Service Provider was likewise displeased with the imposed new targets: "(w)e won the contracts, but HRSDC ignored everything we submitted. Basically it was a redesign of the proposal.... Changed in budget, forecast, procedures, policies, and staffing." In order to meet the new requirements, the service provider with the newly awarded contract(s) stated that they would have to be "more involved in the filtering process to meet the new targets." What this new filtering mechanism implies is that creaming will continue to occur unless targets are brought more in line with program philosophies. According to the same provider, "this high placement rate is rubbish. It may look good to the Canadian taxpayer, but it is unachievable."

In a climate in which unspent funding is frowned upon<sup>5</sup> "some [service providers] will turn people away because they will not be able to place them within three months and they need to ensure they can get paid"; this is a potential source of PW#2 creaming. Conversely, PW#3 creaming may occur as the job developer seeks to increase placement rates. According to a former Service Provider, job-readiness takes on a new meaning in this context. In an environment where the percentage of clients expected to be served exceeds

realistic goals, “job-ready means you have a realistic chance of getting them into subsidized employment within three months.” What is the danger of defining job-ready in this way? In the words of a former Service Provider, “Clients with the most barriers, those who need training or a series of intensive interventions just bounce back from assessment center to job developers trying to find one that will take them. Sometimes they will find a survival job, or they will move to social assistance where they have an easier time accessing training and other services.”<sup>6</sup>

Both assessment centres and job developers are equally anxious to meet placement targets and while both engage in the practice of creaming, both also blame the other for resorting to this action. A former service provider commented: “Assessment Centers need to enter some kind of action plan into the NESS (National Employment Services Systems) database to justify their existence, so they refer many of these clients to TWS. But many providers bound by performance guidelines that require employment within twelve weeks are reluctant to accept anyone unlikely to be successful.” Others indicate that both assessment centres and job developers resent that they share some of the same targets -i.e. the percentage of intakes that need to be employed three months after the end of the subsidy. At least one assessor interviewed commented on resenting being evaluated on employment placements when they do not control the job matches. Their targets are very much a measure of “how good the job developer is, their circle of contacts, and their relationship with employers.” However, HRSDC acknowledges that both parties need to work together to achieve success: “The assessment center suffers if they don’t give a good referral, so it is in the assessment centers and that of the job developer’s mutual interest to work together.” Acknowledging that Assessment Centers and Job Developers need to work in collaboration reinforces the significance of the creaming pathways earlier identified. It becomes apparent then that PW1 and PW2 fuel each other and increase, not decrease the likelihood that creaming occurs within the current system of program design.

In perhaps a more subtle way, employers are also engaged in creaming (PW#3). While they are not directly responsible for the delivery approach established within the TWS program, their needs drive the demand for the TWS program, and thus for the type of client served by this intervention. Recalling Fletcher (2004), “[using] hiring requirements of employers as a basic standard of job readiness, such interventions may legitimate discriminatory behaviour which is a cause of the inequalities that some groups face in the labour market” (115). The potential for creaming at pathway 3 becomes increasingly possible when rigid placement timeframes is factored into current labour market realities. According to one respondent, “The employment rate is not high and this flips the challenge of finding work. It is an employer’s market right now.”

## PROGRAM ABUSE

Our interviews revealed an important divergence between the attitudes of HRSDC staff and service providers on the role of program abuse in creaming. One reason for the atmosphere of strict accountability for program dollars is the belief that program abuse exists and is widespread (Torjman, 2000; Fletcher, 2004). All our respondents understood creaming as a predictable by-product of current program implementation processes. But, for service providers, this meant that strict accountability was part of the problem. One Service Provider stated that “(d)ue to eligibility requirements and rigid timelines this program has the potential to lead to creaming.” However, not all HRSDC respondents accepted that excessive concern about abuse contributes to the problem of creaming. Instead, HRSDC staff engaged in two discourses. First, they generally argued that creaming was not abuse (we would agree), and second they argued that further tightening up of the accountability framework could help eliminate creaming (we would not agree).

An HRSDC official in the national office addressed the concern of creaming thus: “If I can put words in your mouth, are you asking if individuals are being creamed?” Without waiting for a response they continued, “You are probably on the right track. There are lots of clients served that have more education than you would expect. Look at the 2003 summary report.”<sup>7</sup> Likewise, one HRCC respondent dismissed creaming as merely a little “coloring outside the lines”, while the regional headquarters staff respondents claimed that if creaming does happen, it is not a significant problem: “I can’t say that it is not happening. But there are enough checks in place that the practice is not widespread.”

Yet, in their follow-up comments, the RH staff revealed great sensitivity that creaming may be conflated with abuse. After noting that creaming was not widespread, they continued to note that the “policy people” at NH “understood that there is a potential for creaming, a possibility that you can ‘feed yourself’ so they separated job development from assessment.”<sup>8</sup> Likewise, the NH respondent also revealed that they were seeking to limit creaming within the confines of strict reporting and performance requirements:

We are struggling with this (creaming) issue. We are asking ourselves how best do we select or target individuals to participate in our programs? The question we have to ask then is if you have an accountability framework in play that has performance indicators what objectives are you trying to change?

Our data gathered from all study participants suggests that creaming is nurtured in an environment when the tools that are used measure the wrong thing. The indicators of success being measured lead service providers anxious to

meet targets to select only those most likely to succeed, not necessarily those for whom the program was designed. While performance indicators are the most visible explanation for creaming, the larger context of re-employment provides fertile ground for its development.

## **TARGETED WAGE SUBSIDIES - AN EFFECTIVE INTERVENTION?**

The narrow strategy of re-employment that guides labour market policy, program design, and program implementation is incongruent with an overarching goal of ensuring long-term sustainable employment. When the current accountability measures are folded into this model of employment delivery, system flaws are amplified. Nowhere is this more evident than in the Targeted Wage Subsidy Program. The in-depth interviews shared here emphasize the incongruence between current measurement tools and broader program objectives. Creaming throws into question the ability of these programs to accomplish long-term sustainable employment for the targeted group.

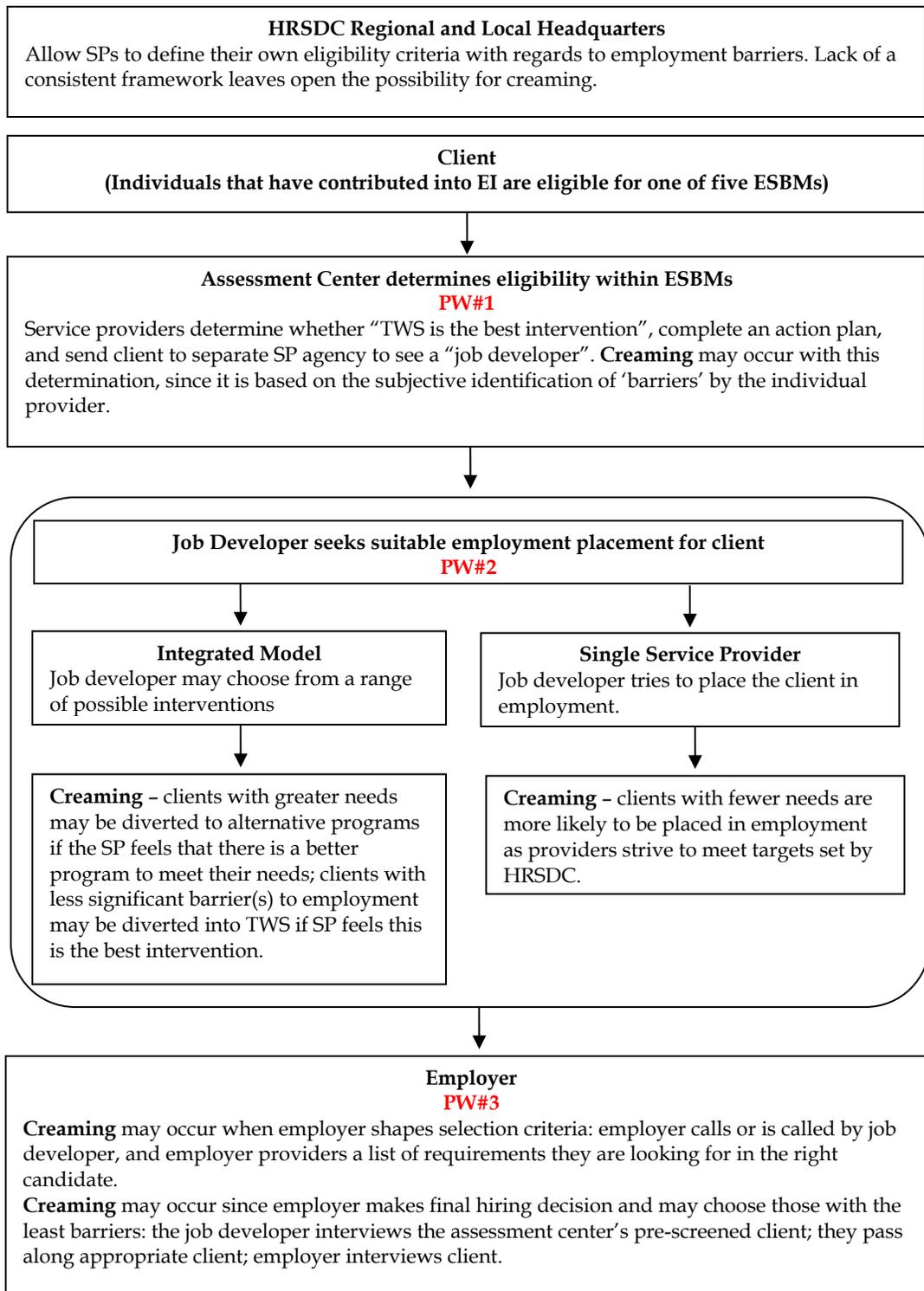
An alternative to the financially-based success measurement system would be a participant-centered measurement of program effectiveness. Yet no such data are collected in Ontario in a way that can influence the day-to-day practices and decisions that create program outcomes. Instead, participant perspectives are limited to what amount to customer service satisfaction surveys. HRSDC acknowledges the value of client feedback in improving the program's effectiveness, and promises to publish some participant data in future in the form of Summative Evaluations. In the meanwhile, 'evaluation' in the form of financial performance indicators continues having a decisive impact on program outcomes.

Performance indicators for the TWS program are not in line with program philosophies. This is a fact that study respondents readily acknowledged. The intake and placement timeframes are too restrictive to accommodate those with more significant barriers. Strict adherence to a limited set of indicators contributes to creaming and, ultimately, the inability of the program to meet the needs of the clients targeted for assistance. A former Service Provider offers this suggestion for improving the current system delivery: "[extend the intervention from] three months to one year or at least to the end of a person's EI claim." Pushing out timelines would, they argue, result in serving the target group mandated for service.

When financial targets serve to exclude from assistance unemployed workers who are supposedly within the program's target population, new measures or, at the very least, additional measures of success should be established to guide which interventions are delivered to participants. Instead, dogmatic adherence to a policy of rapid re-employment - which seems to have become entrenched in current policy thinking - is making it impossible for policy

makers to conceive of a new and adaptable model of employment that would allow long-term sustainable outcomes. As argued by Hum and Simpson (1999) and Fletcher (2004), it is possible and indeed necessary for policy makers to combine supply-side policies with demand-based agendas to address the problems that are created when short-term strategies are used to effect long-term employment goals. Addressing the policy climate that allowed these tensions to flourish may do much to address the especially negative consequences for the most marginal workers of the short-term, low-pay job churning that has characterized Canada's labour market over the last decade (Cranford, Vosko and Zukewich, 2003).

**Figure 1:**  
Hypothetical pathways to creaming in the  
Community Coordinator Model Wage Subsidy Program



## NOTES

- <sup>1</sup> Human Resources and Skills Development Canada and Social Development Canada were re-merged in February 2006; their new name is Human Resources and Social Development Canada and is meant to reflect “integrated policy development, as well as improved delivery of programs and services through Service Canada” (see Service Canada, <http://www.servicecanada.gc.ca/eng/about/reports/sir/section1.shtml>, last accessed 1 March 2009).
- <sup>2</sup> In January 2007, these programs were transferred to the Ministry of Training Colleges and Universities under the 2005 Canada-Ontario Labour Market Development Agreement. It is too early to determine what effect this will have on program design and delivery, but our hope in writing this paper is that the MTCU will address the shortcomings we have identified. Employment Ontario’s transformation process is not expected to be completed until June 2010, with new service contracts rolling out in phases beginning in April 2009.
- <sup>3</sup> We are concerned here with mis-selection of intended program beneficiaries. Another significant concern in Canada that has already received attention in the literature is the fact that only 39% of job-seekers qualify for Employment Insurance programs (Gagnon, 2004: 23; Maxwell, 2004: 7). The non-qualifiers include new labour market entrants, especially youth, new Canadians, and other first-time job-seekers. According to a more recent report (MISWAA, May 2006), only 29% of the unemployed (and only 22% of the unemployed in Toronto) are eligible to access EI and therefore benefit from Part II programs, Employment Benefits
- <sup>4</sup> In an effort to create a more transparent and accountable system of awarding contracts to Service Providers, HRSDC implemented the new approach to funding in February 2004.
- <sup>5</sup> Government officials refer to unspent funds as “slippage”, which is reclaimed at the end of each fiscal year. Service providers understand this as a disciplining mechanism, since unspent allocations may jeopardize future allocations. Several used the colloquial phrase “spend it or slip it” to describe this operating environment.
- <sup>6</sup> The majority of Service Providers claimed these targets (and other program policies) affect program effectiveness, but one respondent did challenge this view. This Service Provider employee, although concerned about the gaps in client service that resulted from the “back and forth” of contract negotiations said that they were “very fond of the program.” They believed that the targets “were all obtainable goals.” This can, perhaps be explained by their comment: “The goals are all different for different Service Providers.” Despite HRSDC and other Service Providers’ claims that targets are similar across the board, perhaps this Service Provider had lower targets to meet. However, the most likely explanation is revealed by the respondent’s admission that “I don’t know what the goals are for the current contract.” The study participant interviewed was not directly involved with the new (2005) contracts.
- <sup>7</sup> To access the 2003 Monitoring and Assessment Report visit <http://dsp-psd.pwgsc.gc.ca/Collection/H51-2-2003E.pdf>, last accessed 1 March 2009.
- <sup>8</sup> Recall that this separation was initiated with the 2005 CFP process.

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