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Assessing Active Labour-Market Programs: How Effective Is Ontario Works?

by

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- The Ontario Works social assistance program assigns beneficiaries to employment assistance activities intended to prepare them for finding and maintaining employment. Ontario Works provides income support to a substantial swath of the population: approximately 449,000 beneficiaries (over 3.3 percent of the population) received some form of assistance from Ontario Works in 2016.
- Using an administrative dataset from the Ontario Ministry of Community and Social Services, we examine the short-term and longer-term effectiveness of different categories of employment assistance programs over the 2003–13 period.
- After accounting for selection in enrolment and other relevant omitted variables, we find a significant differential impact on both spell durations (time on social assistance) and one- and two-year return rates (return to social assistance) across programs.
- This finding implies that there is a tradeoff between short- and longer-term effectiveness across programs. Our results suggest that the Ontario government may be able to achieve better outcomes by emphasizing assignment to the programs that achieve its policy goals.

The sluggish recovery from the 2008–9 recession and recent political election campaigns in Europe and the United States have brought a renewed focus on labour-market polarization and the role of public policy in smoothing the effects of job separations. In addition to providing income support, social assistance programs in many jurisdictions also provide a variety of active labour-

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market programs. These programs often include a mix of job-search assistance and job placements (“job-first” programs) as well as education and training (skills-building programs). The ultimate goal of these policies is to reduce dependency on benefits by getting people back in the workforce.

In the 2016–17 fiscal year, the province of Ontario spent an estimated \$2.8 billion on financial and employment assistance to beneficiaries of Ontario Works (OW) – Ontario’s social assistance program for residents without disabilities (Ontario 2016).¹ OW serves as a safety net for people living in Ontario that experience financial hardship – for example, the unemployed whose Employment Insurance benefits have run out, or those who have emergency financial needs like the loss of a house or fleeing an abusive relationship (Ontario Works website). Ontario Works provides income support to a substantial swath of the population: approximately 449,000 beneficiaries (over 3.3 percent of the population) received some form of assistance from Ontario Works in 2016.²

Since 1997, eligibility for the receipt of benefits from the Ontario Works program has rested on meeting asset and income cut-offs and an agreement to participate in an active labour-market program (those designed to help recipients with finding and maintaining employment, such as résumé workshops or direct job placements).³ There are no limitations on the length of benefit-spells or the cumulative number of months on assistance. Exit from Ontario Works, therefore, is voluntary so long as eligibility is maintained – for example, the recipient continues to live in Ontario, commits no fraud, or fails to meet other qualifiers.⁴ Assignment to an active labour-market program occurs after each applicant has an interview with a caseworker. The interview collects hard information, such as employment history, former occupation, and educational attainment, as well as observations from the caseworker on the applicant’s behaviour, appearance, and soft skills.

This study evaluates the effectiveness of active labour-market programs in Ontario. In particular, we study administrative records of social assistance beneficiaries over the years 2003–13, a period that encompasses the recent recession and the subsequent recovery. We considered multiple outcomes, including the duration of benefit-spells and whether a recipient returns to social assistance after exit (within both one-year and two-year periods). Examining the program effects on spell duration gives an idea of the short-term efficacy of the programs: how effective they are at getting recipients employed. We define a social assistance spell as the number of consecutive months that enrollees in any of the OW programs received benefits. By contrast, examining the probability of return to social assistance after leaving provides information on the longer-term efficacy of these programs: how effective they are at helping recipients to find and maintain employment.

We find that the outcomes depend on the type of assistance provided. Assignments that require participation in job-search workshops or training programs are effective for reducing the time spent collecting benefits (spell

1 In all, Ontario spent approximately \$8.9 billion on financial and employment supports – 7.3 percent of all program spending. This amount includes spending on the Ontario Disability Support Program and the Ontario Drug Benefit Program.

2 This number includes all members of benefit units (adults, children, and dependents) and comprises 252,900 individual cases (MCSS, 2016).

3 The asset and income cut-offs depend on family structure (particularly the presence of children); for example, a single applicant with no dependents faced a cut-off of \$2,500 in non-exempt assets.

4 This flexibility stands in contrast to other well-known social assistance programs such as Temporary Assistance for Needy Families (TANF) in the United States, which has a 60-month limit on financial benefits over a recipient’s lifetime.

length), while a combination of such workshops and training or employment assistance through direct job placements increase the spell length.

However, direct job placements have a statistically significant and economically meaningful effect on reducing the one- and two-year return rates. These results suggest that there is a tradeoff between short- and longer- term effectiveness across programs. Assignment to a training program is the only approach that reduces spell length while still having a slight positive impact on return rates.

Overall, the suite of active labour-market programs contains ones that are effective by different measures. However, it follows that the Ontario government may be able to achieve better outcomes by emphasizing assignment to the programs whose effects suit its goals. For example, the government could increase assignment to programs that lead to shorter spell durations if its goal was to get recipients off social assistance more quickly. Alternatively, it could increase assignment to programs that lead to lower probabilities of return to social assistance if its aim was focused more on longer-term labour-market attachment.

Related Literature

There is an extensive literature examining different aspects of social assistance programs for the unemployed in different countries. Our work focuses on the impact of training programs on recipients' outcomes.⁵

This study contributes to the evaluation of Canadian social welfare policies. Barrett and Cragg (1998) and Barrett (2000) were among the first researchers to examine the duration of welfare use in Canada. Barrett and Cragg (1998) examines the characteristics of welfare recipients in British Columbia and how these qualities affect the length of benefit-spell, while Barrett (2000), using data from New Brunswick in the 1990s, looks at the effect of educational attainment on welfare duration. The findings of these two papers show correlations between recipients' characteristics and spell duration, so they do not make any claim of causal relationships. In other words, although having certain characteristics may go along with having longer (or shorter) durations, the characteristics themselves do not necessarily cause the increase (or decrease) in duration.

More closely related to our work, a substantial body of research has developed surrounding the effectiveness of various active labour-market programs. The mix of programs used across jurisdictions ranges from subsidized wages, as in the Self-Sufficiency Program (SSP) or the earned income-tax credit in the United States, to participation in public works as a precondition of the social assistance benefit, on-the-job training, basic literacy and skills training in the classroom, and job-search assistance. In their survey of the literature, Brown and Koettl (2015) find that effectiveness varies very substantially across programs and recipient groups as well as when outcomes are measured – short-term outcomes of one year without assistance or medium-term outcomes of two or three years. They find that the burden of evidence suggests that the positive impact of programs such as job-training tends to be larger for the long-term unemployed (this would include Ontario Works recipients) and that many treatments that do not show short-term evidence of a statistically significant impact show positive medium-term impacts.

5 Since there is no special requirement to enter the OW program, and, moreover, there were no major reforms during our sample period, we opt for an instrumental variable approach that gives us a clean and statistically robust estimation of treatment effect. This is a method of estimation that is widely used in many economic applications when correlation between the explanatory variables and the error term is suspected. For example, due to omitted variables, measurement error, or other sources.

Card, Kluve, and Weber (2010) find that classroom and on-the-job-training programs have positive effects over the medium term, whereas job-search programs have more immediate positive effects. Frölich and Lechner (2010) use an approach exploiting geographic borders to look at the effects of different programs on the Swiss unemployed. Grouping active labour-market programs into a single category, they find that being assigned to a program increases the probability of employment by approximately 15 percent.

Turning to the Canadian context, Handouyaha et al. (2016) look at the impact of three different active labour-market programs (employment assistance services, skills development, and targeted wage subsidies) available to people enrolled in employment insurance (EI) over the period April 2002 to March 2005. They find that even controlling for self-selection by participants into the different treatments, all three lead to statistically significant increases in employment compared to a control group of untreated EI claimants, with the effects becoming more pronounced over the medium term. For the two programs that have the most in common with those accessible to Ontario Works beneficiaries, Employment Assistance Services and Skills Development, the effects on employment in the first year of the post-program period are, respectively, 0.6 and 2.4 percentage point increases over the control group. These effects climb to 1.7 and 4.4 percentage points, respectively, in the fifth year of the post-program period. Employment and Social Development Canada (2017) released a report that predicted the costs and benefits of these labour-market programs for EI claimants over the same 2002–5 period. They find that, for most programs, the benefits recover the costs over periods ranging from two to 10 years after participation.

This study departs from previous work about these labour-market programs in Canada in two important ways. First, although these programs have been studied in the Canadian context using individuals receiving EI benefits, this study is the first to examine their impact on recipients of social assistance. The distinction is important because the labour-market attachment of this group is much weaker. Whereas eligibility for EI benefits is essentially conditional on minimum job tenure requirements (paying into the insurance program), receipt of OW is conditional on meeting income and asset cut-offs. Many OW beneficiaries may have been ineligible to claim EI benefits following a job separation, and a common reason for joining OW is the exhaustion of EI benefits. The work of Brown and Koettl (2015) and Card, Kluve, and Weber (2010, 2015) suggests that this group could be differentially affected by these programs, so it follows that any policy aimed at improving the labour-market outcomes of social assistance beneficiaries should be based on evidence that is pertinent to them.

Second, owing to the nature of the administrative data, the outcomes analyzed in this study include the duration of a social assistance spell – that is, the number of months that elapse between the commencement of benefits (and enrollment in an active labour-market program) and exit from social assistance – as well as returns to social assistance within a certain time-frame after leaving.⁶

Active Labour-Market Program Assignments

The vast majority of active labour-market program assignments fall into four categories:⁷

6 Although we are the pioneers of this approach in the Canadian context, it is closely associated with Sianesi's (2004) study of Swedish active labour-market programs.

7 It should be noted that although programs in the administrative data may be labelled the same, the exact activities that they include can vary from region to region. Recipients can also be assigned to other programs that are excluded from this analysis because of sample size issues.

- independent job search (beneficiaries make a commitment to seek out new employment and are left to their own devices);
- structured job search (attendance at some combination of peer job-clubs, or résumé and interview workshops is required);
- training programs (such as basic education training, literacy training, and job-specific skills training); and
- placement services (including both direct job placements with and without incentives for employers as well as unpaid community placements).

We use an administrative data set from the Ontario Ministry of Community and Social Services that follows all Ontario Works recipients from January 2003 to December 2013. We restrict our dataset to single, prime-working-age recipients (aged 25 to 54)⁸ to analyze a population that is more homogenous in its labour-market experiences and unlikely to retire during the period of study.⁹ We also exclude recipients who applied for OW for reasons other than being unemployed and looking for work (e.g., being a low-income student or waiting to transfer to disability support) along with recipients who exited OW for reasons other than finding employment.¹⁰

Overall, the majority of recipients in the sample of interest are assigned to the independent job-search program. Structured job search and training programs are the next most popular programs, while a combination of these two and placement services are less common.

There is some variation in the “average” recipient assigned to each of the programs. For example, recipients assigned to a training program (with or without being assigned to structured job search) tend to skew younger. Relatively more males are assigned to independent or structured job search (with or without also being assigned to a training program) than to the other programs. Notably, fewer immigrants get assigned to both structured job search and a training program than to any of the other programs.

Figure 1 shows the relative assignment of beneficiaries to the various labour-market assistance programs over the period 2003–11.¹¹ For this figure (and for our quantitative analysis), only the initial program assignment for recipients is considered. Figure 1 is not adjusted for seasonal trends: clearly, for all the programs, enrollment has a seasonal component (usually peaking around December or January). With these points in mind, it can be seen that assignment to structured job search has trended upward since 2005. Meanwhile, assignment to direct placements has had a sharp decline over the period of observation. In addition, assignment to independent job search peaks after the 2008 recession – indicative, perhaps, of a need to curtail spending by substituting lower-cost programs for more expensive options.

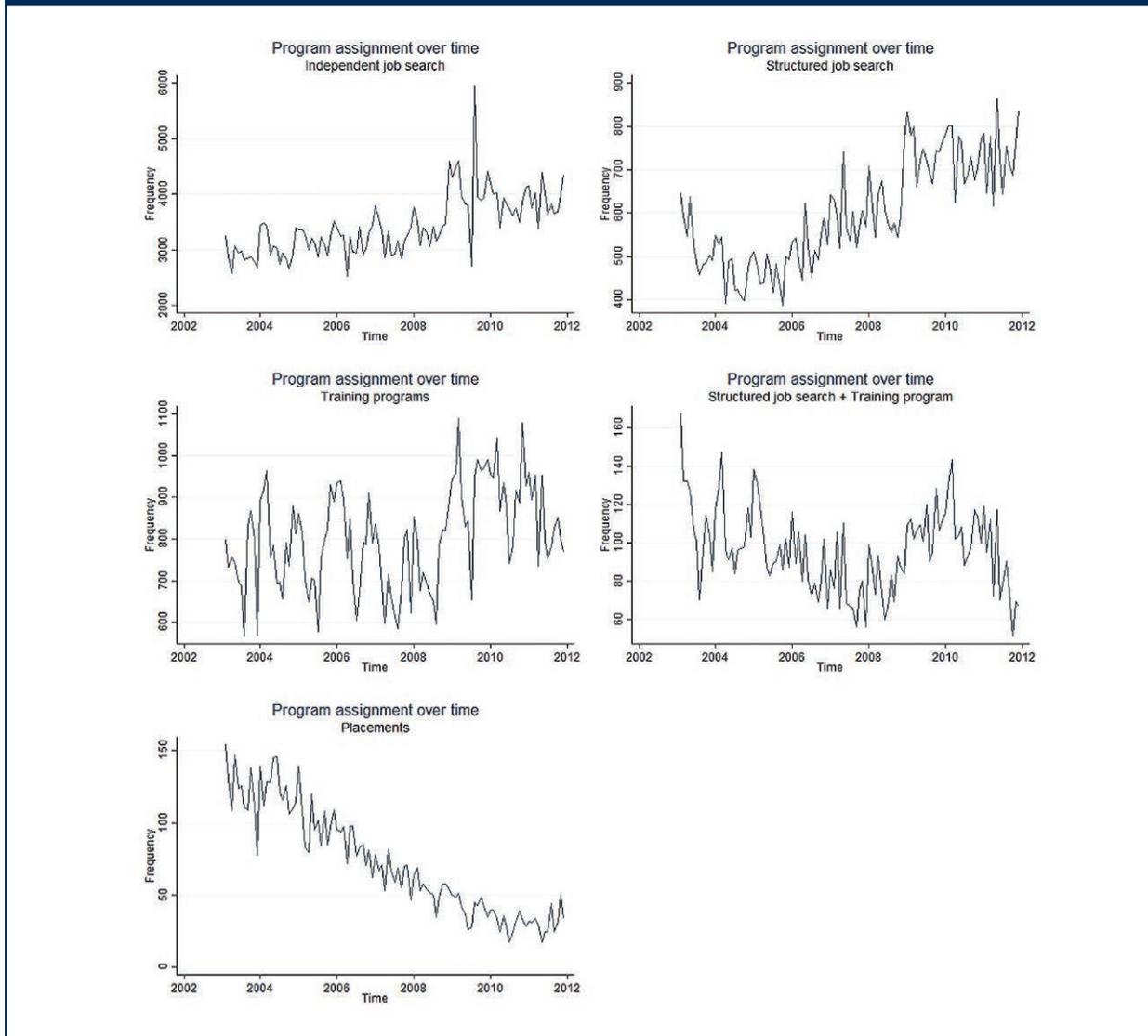
8 This definition of the prime working-age population is used by Statistics Canada and is common in much of the literature.

9 We focus on single recipients to ensure that spouses’ actions have no impact on spell duration and likelihood of return, but the results remain very similar if we include married recipients as well.

10 Missing values were an unavoidable issue because the data for these variables were not always recorded by caseworkers. Fortunately, we were still able to remove those with recorded reasons that precluded them from belonging to this sample of interest.

11 Although the data encompasses observations until the end of 2013, Figure 1 and the later analysis focus on recipients starting their spells before 2012. This earlier date helps to mitigate the issue of our not being able to observe the ends of longer spells that extend past the data cut-off point.

Figure 1: Assignment of Beneficiaries by Program, 2003-11



Source: An administrative dataset from the Ontario Ministry of Community and Social Services.

Evaluation of Programs

Using a dataset from the Ontario Ministry of Community and Social Services, we examine the short-term and longer-term effectiveness of different categories of employment assistance programs over the 2003–13 period. As noted earlier, we study several outcomes: benefit-spell duration and the probability of returning to social assistance after leaving within, respectively, one year and two years. We define a social assistance spell as the consecutive months of benefit receipt for enrollees in any of the OW programs, and we construct the social

Table 1: Program Effects on Spell Duration and Return Rate

Reference Program: Independent Job Search	Spell Duration (months)	Return Rate (percentage points)	
		One year	Two Year
Structured Job Search	-1.650*	-0.4	-0.4
Training Programs	-3.171*	-0.7*	-1.1*
Structured Job Search and a Training Program	4.598*	-1.2	-0.7
Placement Services	16.618*	-7.4*	-10.3*
Number of Observations	547,424	547,424	547,424

Note: Program effects marked with an asterisk are statistically significant at the 0.05 level. The results are relative to independent job search. The estimation was done with quarterly fixed effects,¹³ geographic/annual interaction fixed effects,¹⁴ skills possessed by recipients (including licences held, other languages spoken, interpersonal skills, etc.), and occupation of the recipient's last held job, as well as other co-variates discussed in the Appendix.

Source: Authors' calculations using an administrative dataset from the Ontario Ministry of Community and Social Services.

assistance spells for each assistance recipient from the monthly data. We look at recipients' initial labour-market program assignments during their first month on social assistance.¹²

Spell Duration

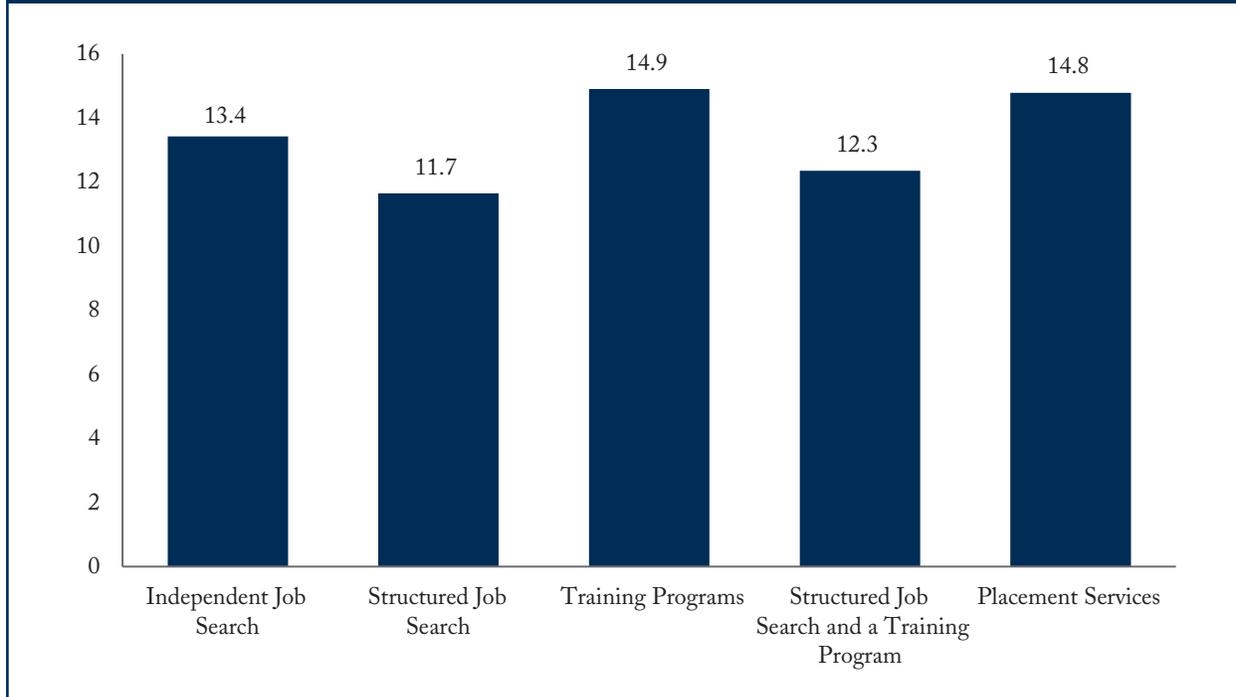
Figure 2 shows the average spell duration of the sample of recipients by their labour-market program assignment. These spell durations are not conditional on the characteristics of the recipients assigned to each program, so they do not show the effect of the respective program on spell duration for individuals with similar backgrounds (these program effects can be seen in Table 1). However, Figure 2 gives an idea of how the differing characteristics of assignees in each program, and not the program itself, could affect spell length. For example, the recipients assigned to training programs have the longest spells on average, but this does not necessarily mean that undergoing a training program increases assignees' spell length. The type of recipients that get assigned to these programs are often in need of literacy or basic education training and, therefore, may be expected to take longer to find employment.

12 Individual recipients can have multiple assistance spells if they leave the program and then re-enrol in OW at a later date.

13 Quarterly fixed effects are included in the regression to account for the differences experienced by recipients starting their social assistance spells in different quarters of different years.

14 These fixed effects are included to account for the differences between geographic regions (in this case, by Ontario EI economic region) by year.

Figure 2: Average Spell Duration by Program, Months



Source: Authors' calculations using an administrative dataset from the Ontario Ministry of Community and Social Services.

Return Rate

Figure 3 shows the unconditional return rates to social assistance by labour-market program assignment for our sample. The return rates for each program give the proportion of recipients that return to social assistance within, respectively, one year of leaving and two years of leaving.

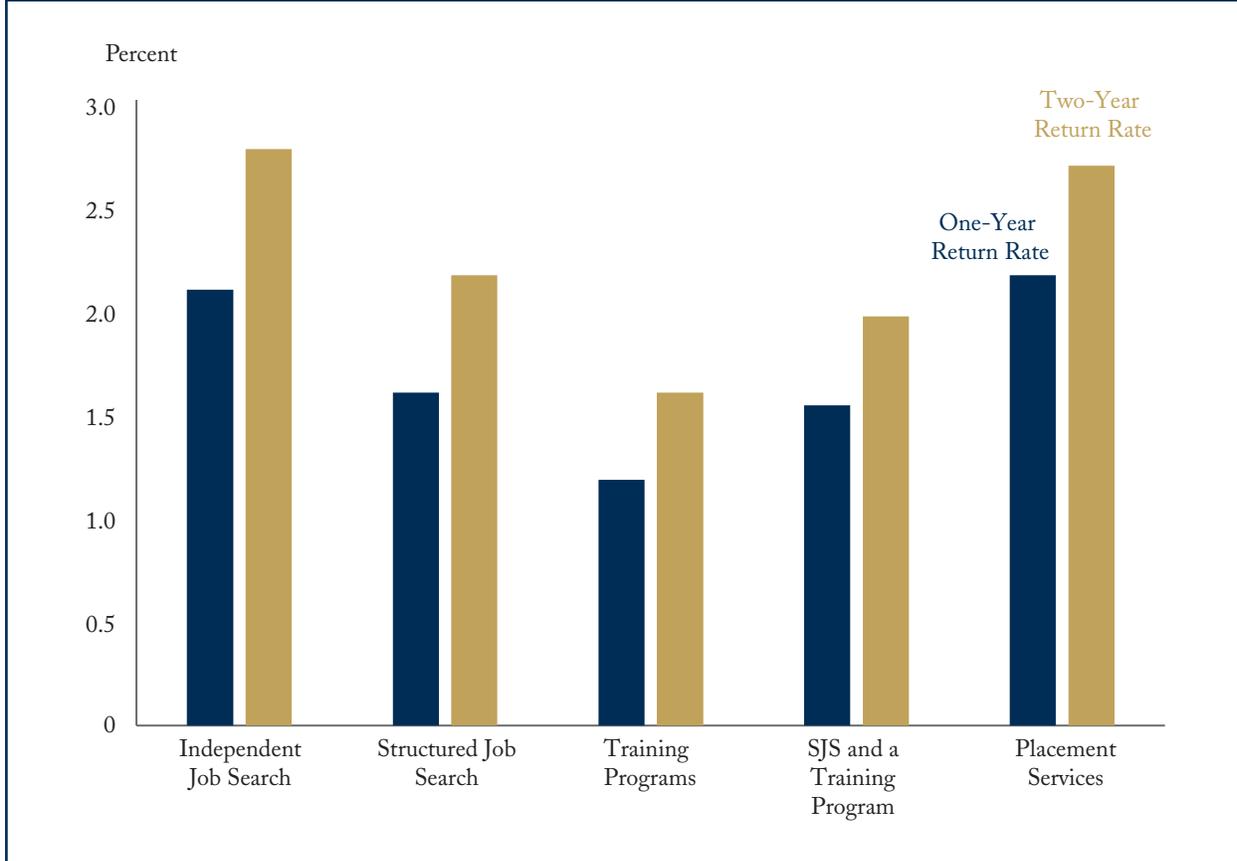
The recipients assigned to the independent job-search program or placement services are, on average, more likely to return to social assistance within one year or two years after exit. By contrast, those assigned to structured job search, training programs, or both have a lower propensity of returning to unemployment after leaving Ontario Works. Again, these return rates do not account for the average characteristics of recipients who are generally assigned to each program, and do not tell us whether the programs themselves are the cause for the difference in outcomes.

Program Effects on Outcomes

We adopt a treatment-effects approach to estimate the efficacy of different programs in terms of increasing labour-market attachment. To do so, we evaluate the impact of active labour-market programs (the treatment groups) relative to independent job search (the control group). See the online Appendix for more details.

The program effects on spell duration are given in months and represent the change in the number of months spent on social assistance by the average recipient when that program is assigned, relative to being assigned to

Figure 3: Probability of Return to Ontario Works by Program



Source: Authors' calculations using an administrative dataset from the Ontario Ministry of Community and Social Services.

independent job search (see Table 1). These results can be thought of as measuring the shorter-term efficacy of these programs – that is, how effective they are at getting recipients back to work more quickly.

We find:

- Being assigned to structured job search will, on average, reduce spell duration by approximately 1.7 months compared to recipients assigned to independent job search.
- Assignment to one or more of the training programs outlined earlier reduces spell length by around 3.2 months.
- However, being assigned to both these program categories (structured job search and a training program) adds 4.6 months to a spell – a significantly longer period than after assignment to only one of the programs.
- This result suggests that the effects of these programs are not additive in nature. The average recipient is better off being assigned only to a training program rather than also being assigned to structured job search, or vice versa.
- Similarly, being given a direct job or volunteer placement has a negative impact on spell duration relative

to independent job search, adding 16.6 months to the average spell on social assistance. By this measure, direct placements are the least effective of the treatments studied in the short term.

Looking at the longer-term efficacy of the active labour-market programs, we estimate the return rate to social assistance within one year and two years after leaving Ontario Works.

- The results show that being assigned to structured job search does not have a statistically significant effect on the probability of return within one year or two years.
- Being assigned to a training program has a small statistically significant effect, reducing the return probabilities by 0.7 percent within one year and by 1.1 percent in two years.
- However, being assigned to both structured job search and a training program does not have statistically significant effects on the probability of returning to social assistance over either time horizon, so, once again, pairing up these two categories of programs for recipients does not appear to be an effective treatment.

Placement services, which had the worst effect on spell duration of all labour-market programs studied, have the strongest effect on return rates, reducing them by 7.4 percent and 10.3 percent, respectively, over one-year and two-year periods. With the exception of structured job search paired with a training program, which are not effective by both measures examined, we find that programs generally exhibit a tradeoff between shorter- and longer-term efficacy, where they have stronger effects by one metric and mild or harmful effects by the other.

Conclusion

We compare the different categories of employment assistance programs, using various measures of effectiveness, with the default assignment of independent job search.

We find there is a tradeoff between short- and longer-term effectiveness across programs. Assignment to a direct job placement has a strong adverse effect on spell duration but, compared to independent job search, reduces the probability of return to social assistance by approximately 10 percent within two years of leaving. By contrast, being assigned to structured job search or a training program reduces the average spell on social assistance by a number of months relative to the baseline of independent job search but either has no statistically significant impact on the return rate of the recipients or has a mild effect.

It should be noted that assignment to either structured job search or a training program alone is more effective (by the measures of efficacy examined here) than assignment to both these programs; in this case, more is not better. This finding suggests that the assignment of more than one category of active labour-market program by caseworkers makes it, on average, harder for recipients to find and maintain employment. It seems that recipients benefit from focusing on one set of assigned workshops or training programs instead of spreading their attention over multiple programs.

The main takeaway is that it is possible to improve outcomes for recipients of social assistance in Ontario by emphasizing programs that are more effective in meeting objectives. If the Ontario government wants recipients to find work and exit social assistance sooner, this goal may be possible by increasing assignment to structured job search or training programs. Alternatively, if the government wants to emphasize building employment stability and investing in recipients to reduce future reliance on Ontario Works within a couple of years of leaving the program, increasing assignment to direct job placements would be an effective approach.

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