Does More Generous Income Assistance Discourage Work? Evidence from Canada

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Data Sources
- Study period is 1990-2006
- Welfare income reports published by the National Council of Welfare: tracks IA/SA income, tax credits, and liquid asset exemption levels for the single-earner, single individual with a disability, single parent with child aged 2, and couple with two children, aged 10 and 15 households that have zero earnings
- Detailed dataset on other parts of IA/SA policy, compiled by Tudor Schilinger, Joseph Tel, and me through reading legislation; includes information on earnings exemptions, the presence of work-related sanctions, the oldest age at which a child can cause their parent(s) to be considered unemployed, and other aspects of IA/SA policy
- The Labour Force Survey compiled by Statistics Canada: a monthly rotating panel survey that gathers information on the labor force status and basic demographics of Canadians in all provinces

Estimation Strategy
- Look at the difference in labor force participation and employment between university graduates and high school dropouts
- Due to data limitation, only study singles, single parents that have one child, and couples that have two children

\[ Y_{\text{regress} / \text{coefficients}} = \beta_0 + \beta_1 X_{\text{regress} / \text{coefficients}} + \beta_2 X_{\text{regress} / \text{coefficients}} + \beta_3 X_{\text{regress} / \text{coefficients}} + \beta_4 X_{\text{regress} / \text{coefficients}} + \beta_5 X_{\text{regress} / \text{coefficients}} + \beta_6 X_{\text{regress} / \text{coefficients}} + \epsilon_{\text{regress} / \text{coefficients}} \]

Key Summary Statistics

Employment Results for Singles and Single Parents

Labor Force Participation Results for Couples

Robustness Checks: Employment for Singles and Couples

Robustness Checks: Labor Force Participation for Singles and Couples

Interpretation of Results
- For singles and single parents with one child, an increase in the level of assistance by one standard deviation is associated with a decrease of 0.0031 in the probability of labor force participation and a decrease of 0.0022 in the probability of employment
- For couples with two children, an increase in the level of assistance associated with one standard deviation is associated with an increase of 0.0248 in the probability of labor force participation and an increase of 0.0132 in the probability of employment
- One explanation for this result may be that higher IA/SA benefits can allow couples to spend less time on non-work-related activities, such as bargaining and child-rearing, and hence encourage labor force participation
- These findings suggest policy makers may not need to be very concerned with negative employment effects when raising assistance levels