Card & Hyslop (2005) analyzed the effect of Canada's Self Sufficiency Project (SSP) on welfare usage and labor market outcomes among participants. SSP was a welfare program intended to be more conducive to work among recipients than traditional welfare programs. In particular, it began with a one-year time limit to establish a subsidy payment, and once initiated, functioned as a negative income tax with a 50% tax rate, a higher "guarantee level" than traditional welfare programs, and a minimum hours requirement of at least 30 hours a week. In contrast, the traditional program in Canada, called Income Assistance (IA), recipients experienced a 100% implicit tax rate above a certain threshold, discouraging work. Participants were placed into one of the two programs randomly, which aids in experimental analysis.

The authors first provide a direct comparison between the two groups to capture the trends in the data. Overall, the program led to a rise in employment among the treated group in the short run, peaking at 14 p.p. higher in months 12-13 post-randomization, but this effect decreases to 6 p.p. by month 36 and reaches 0 by month 52. Similarly, the experiment was associated with a $125 increase in monthly earnings in the short-run, again peaking in months 12-13, and again disappearing by month 52. Moreover, the vast majority of jobs obtained by the treated group seem to be very close to minimum wage. They also do not find evidence of distributional differences between the groups by month 52.

The authors point out that the structure of the program provides a substantial challenge to analyzing the effects of the two components of the program separately, i.e., the time limit and the subsidy change. In particular, the group of individuals who successfully meet SSP eligibility requirements by initiating the subsidy within the time limit are endogenously determined and may be different from the individuals who don't initiate the subsidy, as well as the individuals in the control group. Indeed, the group who qualified was younger and more likely to be working just before randomization. The authors proceed with a model-based approach to disentangle the effects of each component of the program. They begin by writing out a simple dynamic model of work and welfare decisions under SSP. They then estimate and validate a variety of models of welfare participation for the IA group to establish a counterfactual. Finally, building on the last two steps, they devise an econometric model for estimating and interpreting each effect of SSP's key components. Overall, they find that the establishment effects drive a majority of the results.

This paper was very interesting, and the model-based efforts to decompose the effects of the two components was compelling. However, much of the analysis was assumption-heavy, and it left me wondering if there would be a partial identification approach that might provide informative (albeit less precise) insights into the question of interest with fewer assumptions. Additionally, it is slightly unclear to me how I should think about the implications of this analysis of the experiment as a matter of prospective public policy. In particular, in addition to being unsure of the effects if scaled up, I'm also not sure how to think about a policy rooted in a time limit as a continuously, rather than sporadically, applied rule – or if it is formalized in a continuous fashion, it seems the details of the formalization would influence how this paper connects to the policy (though the economic behavior documented is very interesting in any case).