

**The Employment Retention  
and Advancement Project**

**Benefit-Cost Findings for Three Programs in the  
Employment Retention and Advancement  
(ERA) Project**

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## Overview

This report presents an analysis of the financial benefits and costs of three diverse programs designed to increase employment stability and career advancement among current and former welfare recipients. The programs are part of the national Employment Retention and Advancement (ERA) project, which tested 16 models in eight states. Each program was evaluated using a random assignment research design, whereby individuals were assigned, at random, to the ERA program group or to a control group that received services generally available in the sites' communities. MDRC is conducting the ERA project under contract to the Administration for Children and Families (ACF) in the U.S. Department of Health and Human Services.

The analysis focuses on three programs that operated in four sites:

- **Corpus Christi and Fort Worth, Texas.** This ERA program targeted welfare applicants and recipients who were seeking work; it used financial incentives and other services to help participants find jobs, stay employed, and increase their earnings.
- **Chicago, Illinois.** This ERA program targeted welfare recipients who were working steadily but earning too little to leave the welfare rolls; partly by helping individuals to change jobs, it aimed to increase participants' earnings.
- **Riverside County, California.** The Riverside Post-Assistance Self-Sufficiency (PASS) ERA program targeted individuals who had left welfare and were working; services were delivered primarily by community-based organizations to promote retention and advancement and, if needed, reemployment.

These programs were selected for this report because, as described in other ERA documents, comparisons between the program and control groups indicated that these programs increased individuals' employment and earnings — the primary goal of the project. The benefit-cost analysis presented here provides an overall accounting of the financial gains and losses produced by the programs from three perspectives: those of the ERA program group members, the government budget, and society as a whole. The analysis also examines whether the government's investment in these programs was cost-effective. The study's key findings follow:

- Program group members were better off financially as a result of the ERA programs. All three programs produced net financial gains from the perspective of program group members.
- From the perspective of the government budget, Riverside PASS essentially broke even, but the ERA programs in Chicago and Texas did not produce net savings. That is, the additional amount spent on ERA services was not recouped by welfare savings and increased tax revenue.
- All three ERA programs produced financial gains for society as a whole. Combining both net gains and net losses from the perspectives of the program group and the government budget, the programs led to financial increases for society. Riverside PASS had the largest gains because it increased program group members' income at no net cost to the government.
- For every dollar that the government invested in these ERA programs, program group members gained more than one dollar. This suggests that the three ERA programs were cost-effective.

As part of the ERA project, over a dozen different programs have been evaluated, and most did not produce consistent increases in employment retention or advancement, suggesting that it is difficult for these types of programs to attain positive effects. The three programs highlighted here did have positive effects, and while these effects were generally achieved at a cost to the government, all three programs produced net financial gains for program group members, and they did so by amounts that were more than the government spent to provide the services.



# Contents

<b>Overview</b>	iii
<b>List of Tables, Figures, and Boxes</b>	vii
<b>About the Employment Retention and Advancement Project</b>	xi
<b>Acknowledgments</b>	xii
<b>Executive Summary</b>	ES-1

## Chapter

<b>1</b>	<b>Introduction</b>	1
	The ERA Research Design	2
	About This Report	3
	The Programs Discussed in This Report	5
	The Benefit-Cost Methodology and Analytic Approach	8
	Limitations of the Analysis	17
<b>2</b>	<b>Costs and Benefits of the Texas ERA Program (Corpus Christi and Fort Worth)</b>	19
	Description of the Program	19
	Characteristics of the Sample Members at Baseline	21
	Participation in Services	21
	Summary of Impact Results	27
	Costs of Operating the Program	29
	Impacts on Financial Costs and Benefits of the Program	36
	Net Present Value, by Analytical Perspective	40
<b>3</b>	<b>Costs and Benefits of the Chicago ERA Program</b>	45
	Description of the Program	45
	Characteristics of the Sample Members at Baseline	47
	Participation in Services	47
	Summary of Impact Results	48
	Costs of Operating the Program	50
	Impacts on Financial Costs and Benefits of the Program	53
	Net Present Value, by Analytical Perspective	57
<b>4</b>	<b>Costs and Benefits of the Riverside PASS ERA Program</b>	59
	Description of the Program	59
	Characteristics of the Sample Members at Baseline	60
	Participation in Services	62
	Summary of Impact Results	62
	Costs of Operating the Program	63

Impacts on Financial Costs and Benefits of the Program	69
Net Present Value, by Analytical Perspective	70
<b>5 Summary of Findings Across the Three ERA Programs</b>	<b>73</b>
Program Implementation	73
ERA Costs, Financial Effects, and Net Value, by Accounting Perspective	74
The Cost-Effectiveness of the ERA Programs	77
Limitations of the Analysis	78
Conclusion	79
<b>Appendix</b>	
<b>A</b> The Methodology for Estimating Benefits and Costs	81
<b>B</b> The Methodology for Projecting Future Program Effects	93
<b>C</b> Sensitivity Analysis of Decay Rates of Impacts	99
<b>D</b> Sensitivity Analysis of Discount Rates	111
<b>E</b> Sensitivity Analysis of Tax Credit Take-Up Rates	117
<b>F</b> Sensitivity Analysis of Fringe Benefit Rates	123
<b>G</b> Quarterly Impacts on Key Outcomes	129
<b>H</b> Supplementary Tables for the Chicago ERA Site	141
<b>I</b> Limitations of the Analysis	145
<b>References</b>	<b>149</b>
<b>MDRC Publications on the Employment Retention and Advancement Project</b>	<b>151</b>

## List of Tables, Figures, and Boxes

### Table

ES.1	Highlights of Programs That Increased Employment Retention and Advancement	ES-5
ES.2	Five-Year Estimated ERA Costs, Financial Effects, and Net Value per Program Group Member (in 2008 Dollars)	ES-6
1.1	Program-Control Group Differences: Texas	6
1.2	Program-Control Group Differences: Chicago	7
1.3	Program-Control Group Differences: Riverside PASS	9
2.1	Selected Characteristics of ERA Sample Members as of Random Assignment: Texas	22
2.2	Receipt Rates, Timing, and Duration of Stipends in the ERA Program: Texas	24
2.3	Impacts on Participation and Service Receipt: Texas	25
2.4	Impacts on Economic Outcomes: Texas	28
2.5	Estimated Unit Costs and Participation (in 2008 Dollars): Texas	32
2.6	Estimated Gross and Net Costs per Sample Member (in 2008 Dollars): Texas	33
2.7	Estimated Impacts on Financial Outcomes During the Observation Period, Projection Period, and Within Five Years After Random Assignment (in 2008 Dollars): Texas	37
2.8	Five-Year Estimated Net Value, by Accounting Perspective (in 2008 Dollars): Texas	41
3.1	Selected Characteristics of ERA Sample Members as of Random Assignment: Chicago	46
3.2	Impacts on Participation and Service Receipt: Chicago	48
3.3	Impacts on Economic Outcomes: Chicago	49
3.4	Estimated Unit Costs and Participation (in 2008 Dollars): Chicago	50
3.5	Estimated Gross and Net Costs per Sample Member (in 2008 Dollars): Chicago	52
3.6	Estimated Impacts on Financial Outcomes During the Observation Period, Projection Period, and Within Five Years After Random Assignment (in 2008 Dollars): Chicago	54
3.7	Five-Year Estimated Net Value, by Accounting Perspective (in 2008 Dollars): Chicago	57
4.1	Selected Characteristics of ERA Sample Members as of Random Assignment: Riverside PASS	61
4.2	Impacts on Participation and Service Receipt: Riverside PASS	63

**Table**

4.3	Impacts on Economic Outcomes: Riverside PASS	64
4.4	Estimated Unit Costs and Participation (in 2008 Dollars): Riverside PASS	65
4.5	Estimated Gross and Net Costs per Sample Member (in 2008 Dollars): Riverside PASS	66
4.6	Estimated Impacts on Financial Outcomes During the Observation Period, Projection Period, and Within Five Years After Random Assignment (in 2008 Dollars): Riverside PASS	68
4.7	Five-Year Estimated Net Value, by Accounting Perspective (in 2008 Dollars): Riverside PASS	71
5.1	Five-Year Estimated ERA Costs, Financial Effects, and Net Value per Program Group Member (in 2008 Dollars)	75
A.1	Participation Rates from Programs' Management Information Systems (MIS)	84
A.2	Monthly Medicaid Payments per Enrollee, in Dollars Inflation-Adjusted to 2008 Quarter 1	85
A.3	2003 Federal Income Tax Rate Schedule	86
A.4	2003 Parameters for Earned Income Tax Credit	87
A.5	2003 California State Income Tax Rate Schedule	89
A.6	Sales Tax Rates	90
A.7	Administrative Cost for Every Dollar of Benefits, Fiscal Year 2003	91
B.1	Projection Assumptions: Decay Rates	95
B.2	Number of Quarters Projected, by Data Source	96
B.3	Trend-Line Equations Used to Calculate Projection Decay Rates	97
C.1	Sensitivity Analysis - Decay Rates of Impacts: Five-Year Estimated Net Value per Program Group Member, by Accounting Perspective (in 2008 Dollars): Corpus Christi	103
C.2	Sensitivity Analysis - Decay Rates of Impacts: Five-Year Estimated Net Value per Program Group Member, by Accounting Perspective (in 2008 Dollars): Fort Worth	105
C.3	Sensitivity Analysis - Decay Rates of Impacts: Five-Year Estimated Net Value per Program Group Member, by Accounting Perspective (in 2008 Dollars): Chicago	107
C.4	Sensitivity Analysis - Decay Rates of Impacts: Five-Year Estimated Net Value per Program Group Member, by Accounting Perspective (in 2008 Dollars): Riverside PASS	109



**Table**

D.1	Sensitivity Analysis Using a 3 Percent and 7 Percent Discount Rate: Five-Year Estimated Net Value, by Accounting Perspective (in 2008 Dollars): Corpus Christi	113
D.2	Sensitivity Analysis Using a 3 Percent and 7 Percent Discount Rate: Five-Year Estimated Net Value, by Accounting Perspective (in 2008 Dollars): Fort Worth	114
D.3	Sensitivity Analysis Using a 3 Percent and 7 Percent Discount Rate: Five-Year Estimated Net Value, by Accounting Perspective (in 2008 Dollars): Chicago	115
D.4	Sensitivity Analysis Using a 3 Percent and 7 Percent Discount Rate: Five-Year Estimated Net Value, by Accounting Perspective (in 2008 Dollars): Riverside PASS	116
E.1	Sensitivity Analysis of Tax Credit Take-Up, Setting the Tax Credit Take-Up Rate at 64 Percent: Corpus Christi	119
E.2	Sensitivity Analysis of Tax Credit Take-Up, Setting the Tax Credit Take-Up Rate at 56 Percent: Fort Worth	120
E.3	Sensitivity Analysis of Tax Credit Take-Up, Varying the Tax Credit Take-Up Rate from 57 Percent to 73 Percent: Chicago	121
E.4	Sensitivity Analysis of Tax Credit Take-Up, Varying the Tax Credit Take-Up Rate from 63 Percent to 82 Percent: Riverside PASS	122
F.1	Sensitivity Analysis of Optional Fringe Benefits, Varying the Percentage of the Sample with Optional Fringe Benefits from 11 Percent to 24 Percent: Corpus Christi	125
F.2	Sensitivity Analysis of Optional Fringe Benefits, Varying the Percentage of the Sample with Optional Fringe Benefits from 12 Percent to 25 Percent: Fort Worth	126
F.3	Sensitivity Analysis of Optional Fringe Benefits, Varying the Percentage of the Sample with Optional Fringe Benefits from 10 Percent to 30 Percent: Chicago	127
F.4	Sensitivity Analysis of Optional Fringe Benefits, Varying the Percentage of the Sample with Optional Fringe Benefits from 21 Percent to 57 Percent: Riverside PASS	128
G.1	Impacts on Quarterly Earnings, TANF, Food Stamps, and Medicaid: Corpus Christi	131
G.2	Impacts on Quarterly Earnings, TANF, Food Stamps, and Medicaid: Fort Worth	133
G.3	Impacts on Quarterly Earnings, TANF, Food Stamps, and Medicaid: Chicago	135
G.4	Impacts on Quarterly Earnings, TANF, Food Stamps, and Medicaid: Riverside PASS	138
H.1	Five-Year Estimated Net Value Including Child Care Subsidy, by Accounting Perspective (in 2008 Dollars): Chicago	143
H.2	Impacts on Quarterly Child Care Subsidy: Chicago	144

**Figure**

1.1	Simplified Diagram of Gross and Net ERA Costs	15
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**Box**

1.1	The Expected Financial Effects of ERA Programs	13
2.1	How to Read the Impact Tables in the ERA Evaluation	26

## About the Employment Retention and Advancement Project

The federal welfare overhaul of 1996 ushered in myriad policy changes aimed at getting low-income parents off public assistance and into employment. These changes — especially cash welfare’s transformation from an entitlement into a time-limited benefit contingent on work participation, in the form of Temporary Assistance for Needy Families (TANF) — have intensified the need to help low-income families become economically self-sufficient and remain so. Although a fair amount is known about how to help welfare recipients prepare for and find jobs, the Employment Retention and Advancement (ERA) project is the most comprehensive effort thus far to ascertain which approaches help welfare recipients and other low-income people stay steadily employed and advance in their jobs. The study was conceived and funded by the Administration for Children and Families in the U.S. Department of Health and Human Services; supplemental support has been provided by the U.S. Department of Labor. The evaluation is being conducted by MDRC.

Launched in 1999, the ERA project encompasses more than a dozen models and uses a rigorous research design to analyze the programs’ implementation and impacts on research sample members.<sup>1</sup> In total, over 45,000 individuals were randomly assigned to research groups — in each site, to either a program group, which received ERA services, or a control group, which did not — starting in 2000 in the earliest-starting test and ending in 2004 in the latest-starting test. The random assignment process ensured that when individuals entered the study, there were no systematic differences in sample members’ characteristics, measured or unmeasured, between the program and control groups in each site. Thus, any differences between them that emerge after random assignment (for example, in employment stability or average earnings) can be attributed to a site’s ERA program — in contrast to the services and supports already available in the site. These differences are known as “impacts.”

The aims, target populations, and services of the programs studied in ERA varied:

- **Advancement programs** focused on helping low-income workers (in most cases, workers currently or recently receiving welfare) move into better jobs by offering such services as career counseling and education and training.
- **Placement and retention programs** sought to help participants find and hold jobs and, in some cases, were aimed at “harder-to-employ” people, such as welfare recipients who had disabilities or substance abuse problems.
- **Mixed-goals programs** focused on job placement, retention, and advancement — in that order — and were targeted primarily to welfare recipients who were searching for jobs.

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<sup>1</sup>Sixteen different ERA models were implemented and studied in eight states: California, Illinois, Minnesota, New York, Ohio, Oregon, South Carolina, and Texas.

Prior ERA project reports describe the implementation and impacts of each ERA program, drawing on administrative and fiscal records, surveys of study sample members, and field visits to the participating sites, as well as using the strong random assignment designs (also known as “experimental” designs) embedded in each ERA model test. These reports address such questions as: What services were provided by the program? How were the services delivered? Who received them? How were implementation and operational problems addressed? To what extent did the program improve employment rates, job retention, advancement, and other key outcomes?

This report provides a comprehensive benefit-cost analysis of three of the ERA programs, which were run in four sites. An accounting of the financial gains and losses produced by the three ERA programs is presented from various viewpoints, or perspectives, recognizing that the same program effect might elicit gains from one perspective and losses from another. These results thus provide further knowledge to use in determining how best to improve the employment retention and advancement of low-income individuals.

## Acknowledgments

The Employment Retention and Advancement (ERA) evaluation would not be possible without the cooperation, commitment, and hard work of a wide range of administrators and staff in all the ERA sites. In addition to everyone named in the Acknowledgments of the ERA final impact report<sup>1</sup> — to which this report is a companion — the authors thank the following individuals who contributed to this benefit-cost study.

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- **Texas.** From Corpus Christi, Worksource of the Coastal Bend: Louis Tatum, Amy Villarreal, and Pam Miles provided financial records and other key data for the Corpus Christi site. From Fort Worth, Workforce Solutions for Tarrant County: Jack Cummings, Jill Navarrete, Jo Aleshire, and Doug Arnold patiently worked with the researchers to obtain critical information.
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<sup>1</sup>Richard Hendra, Keri-Nicole Dillman, Gayle Hamilton, Erika Lundquist, Karin Martinson, and Melissa Wavelet, *The Employment Retention and Advancement Project: How Effective Are Different Approaches Aiming to Increase Employment Retention and Advancement? Final Impacts for Twelve Models* (New York: MDRC, 2010).

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The Authors

## Executive Summary

This report presents an analysis of the financial benefits and costs of three programs that are part of the national Employment Retention and Advancement (ERA) project. Conceived and funded by the Administration for Children and Families (ACF) in the U.S. Department of Health and Human Services, the ERA project tested 16 models in eight states that aimed to promote steady work and career advancement for current and former welfare recipients or other low-income groups. MDRC — a nonprofit, nonpartisan research organization — is conducting the ERA project under contract to ACF.

The three programs chosen for this analysis were operated in four sites: Corpus Christi and Fort Worth, Texas; Riverside County, California; and Chicago, Illinois.<sup>1</sup> These programs were selected because evaluation results during the five-year follow-up period indicate that they increased the employment and earnings of individuals who were assigned to them. This report serves as a companion document to a larger ERA report that presents effectiveness results for a majority of the ERA programs.<sup>2</sup>

### Background

Launched in 1999, the ERA project identified and tested a diverse set of models designed to promote employment stability and career advancement. Some models also sought to reduce recidivism among individuals who exited the Temporary Assistance for Needy Families (TANF) program — the cash welfare program that mainly serves single mothers and their children. Programs that were successful in reducing recidivism would, in turn, reduce government expenditures on welfare.

The project used a rigorous random assignment design to analyze the programs' effects on individuals' outcomes. In each site, individuals who met the ERA eligibility criteria (which varied by site) were assigned, at random, to a program group or to a control group. Members of the program group were recruited for (and, in some sites, were required to participate in) the services offered by the ERA program, while members of the control group were not eligible for ERA services but were eligible for other services and supports. The control group services and

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<sup>1</sup>Houston also operated the Texas ERA program. It is not included in the benefit-cost analysis because it did not have any effect on employment and earnings during the follow-up period. The Riverside program that is examined in this report is the Post-Assistance Self-Sufficiency (PASS) program. Two other ERA programs operating in Riverside County did not have effects on employment and earnings.

<sup>2</sup>Richard Hendra, Keri-Nicole Dillman, Gayle Hamilton, Erika Lundquist, Karin Martinson, and Melissa Wavelet, *How Effective Are Different Approaches Aiming to Increase Employment Retention and Advancement? Final Impacts for Twelve Models* (New York: MDRC, 2010).

supports were those generally available in the sites' communities and could also include the standard welfare-to-work program or, in some cases, minimal efforts that the sites already had in place to provide assistance to individuals who found jobs. Each site's control group thus represents the benchmark against which that site's ERA approach is assessed. Differences in outcomes between the program group and the control group after random assignment are known as "impacts," and they indicate the effects of the ERA program in each site.

The benefit-cost analysis in this report goes beyond the basic impact measures that are presented in the final ERA impact report by providing an overall accounting of the programs' financial gains and losses from three perspectives: the ERA program groups, the government budget, and society as a whole. The analysis also examines whether the programs were cost-effective. In this report, cost-effectiveness is defined as the amount gained by program participants for every dollar invested by the government, net of what was spent on the control group; if the gain to individuals is more than one dollar for every dollar the government spent, then the program may be considered to be cost-effective.

## Benefit-Cost Methodology

The ERA benefit-cost analysis compares the costs and benefits of the ERA program services with the costs and benefits of the usual services (in most cases) that were available to the control group. The amounts presented are the *net present values* per ERA program group member, that is, the difference in financial effects between the ERA program group and the control group. The benefit-cost analysis extends the findings on program impacts by considering program effects on additional outcomes, such as fringe benefits from employment; income and sales taxes; Medicaid expenditures; and the costs of administering welfare payments, food stamps, and Medicaid payments (in this report, collectively referred to as "public assistance").<sup>3</sup> As noted, the analysis also examines the benefits and costs from three perspectives:

- **Program group.** The *program group perspective* identifies the net gains or losses for the program group members, indicating how they fared as a result of the ERA program, relative to the control group. The program group derives a net gain if the program increases earnings (plus fringe benefits) or other forms of income — such as Earned Income Tax Credits — by an amount that exceeds any income lost (for example, from reductions in welfare or other public assistance) and increases in taxes paid.

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<sup>3</sup>Unlike the impacts that are presented in the final impact report (Hendra et al., 2010), the benefit-cost analysis incorporates positive and negative financial estimates even when they do not reach the level of statistical significance, because they nonetheless represent the best estimates available. Thus, the financial estimates presented in this report should be considered approximations.



- **Government budget.** The *government budget perspective* measures whether the government realized a net revenue increase or decrease as a result of operating the ERA program. Financial gains can occur from increases in tax revenues, net of the Earned Income Tax credit, and from reductions in public assistance and their associated administrative cost. These gains are compared with any losses from increases in public assistance and administrative costs plus the net cost of providing ERA services, relative to the cost of services for the control group.
- **Society.** The *social perspective* measures the monetary effects of the programs on society as a whole and combines the costs and benefits of both the program group members and the government budget.

The benefit-cost analysis measures only the program effects that are easily monetized. Not included in the analysis are such effects as the displacement of other workers by program group members, changes in children's achievement and behavior, losses of leisure time, changes in health status, changes in quality of life, increased satisfaction on the part of the general public due to more employment among welfare recipients, and any other effects that are not easily monetized. In addition, the analysis does not include all the work-related expenditures for program and control group members — such as for child care, transportation, and other work supports — because data were not readily available to measure the full expenditures for both groups. Not including these factors could increase or decrease the net gains from ERA.

## **The Programs Discussed in This Report**

The ERA evaluation tested a range of models that differed in terms of when services were first provided and to whom they were provided. The Texas program, for example, targeted TANF applicants and recipients who were not employed; the Chicago program targeted employed TANF recipients; and the Riverside PASS program targeted individuals who had left TANF and were working.

The three ERA programs included in this report were similar in some of their features. First, TANF agencies had lead roles in implementing the ERA programs, although they also relied on organizations other than government social service agencies to provide services. Second, the programs used one-on-one staff-client interactions as the platform from which to provide services. Third, these programs also offered job search assistance, to get participants into jobs or to get them a new job if they lost their job. Finally, some referrals to education or training were made by these programs, but none of them made this the primary focus.

These ERA programs had additional special features, some of which are noted in Table ES.1. The Texas program offered financial incentives (stipends) to encourage people to stay employed at full-time jobs, as a way to try to reduce the rate at which TANF leavers returned to the TANF rolls. The Chicago program, aiming to help employed TANF recipients advance into higher-paying jobs, used a for-profit employer intermediary — a provider with strong linkages to firms in a variety of industries — to place people into better jobs and also offered financial incentives to participants who reached program benchmarks. The Riverside PASS program provided services via community-based organizations (CBOs) in a majority of locations, based on the assumption that organizations other than the welfare agency would be more familiar with the jobs and services available in their communities and that those who were leaving TANF would be more willing to work with organizations other than the welfare agency. In all three programs, a greater share of program group members participated in retention and advancement services than control group members.<sup>4</sup>

While these three ERA programs were selected for this report because they increased program group members' employment and earnings, some of the other programs in the national ERA project also contained some of these features, but they lacked positive impacts. It is not clear which features “drove” the impacts in any given site.

## **Benefit-Cost Findings**

The benefit-cost analysis addresses several questions. Was the cost of operating the ERA programs more or less than the cost of providing services to the control group? Are program group members financially better off or worse off as a result of ERA? Is the government's net investment in services for the program group offset by budget savings? Does society as a whole come out ahead or behind as a result of the programs in these sites? Were the ERA programs cost-effective, overall?

The same program effect might elicit gains from one perspective and losses from another. In assessing each main program effect, it is important in the benefit-cost analysis to consider the perspective of each directly affected group. Table ES.2 summarizes the main financial effects of the ERA programs from each perspective. Gains are indicated by positive values, and losses are shown by negative values. These results were then summed to obtain an estimate of the overall net value (net gain or net loss) of each program, analyzed by perspective.

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<sup>4</sup>The participation impacts presented in Table ES.1 are based on client survey data. The Riverside PASS cost estimates in this report are based on data from the program's management information system (MIS). Analysis of the MIS data suggests that PASS increased the use of retention and advancement services.

## The Employment Retention and Advancement Project

### Table ES.1

#### Highlights of Programs That Increased Employment Retention and Advancement

	Texas	Chicago	Riverside PASS
Strategy	Placement, retention, and advancement strategies: job search assistance, stipend for employed former TANF recipients, reemployment assistance, and work site visits	Advancement strategies: job search assistance, career counseling, financial incentives to participants who reached program benchmarks, and reemployment assistance	Retention and advancement strategies: reemployment assistance, career counseling, and referrals to education and training
Target population	Unemployed TANF applicants and recipients	TANF recipients who had worked at least 30 hours per week for at least 6 consecutive months	Employed former TANF recipients who recently left TANF
Service providers	Local workforce development boards contracted with nonprofit organizations	Experienced, for-profit, employment intermediary	Primarily community-based organizations and a community college
Control group services	Relatively strong welfare-to-work program	Standard welfare-to-work program	Limited postemployment services for those leaving TANF
Participation highlights	In Corpus Christi, 30 percent took up the financial incentive; 20 percent did so in the other Texas sites. Increased percentages received help with retention and advancement in Corpus Christi and Fort Worth.	Increased percentages received help in finding a better job while working and in getting other forms of retention and advancement help.	While increases in participation were not large, participation data are for a cohort that had few positive economic impacts. <sup>a</sup>
Economic impacts	Increased employment retention and advancement in Corpus Christi and Fort Worth	Increased employment retention and advancement and reduced welfare receipt	Increased employment retention and advancement

SOURCE: Hendra et al. (2010).

NOTES: <sup>a</sup>The participation impacts presented in this table are based on client survey data. As detailed in the final impact report (Hendra et al., 2010), survey response issues were present in the Riverside PASS site. Analysis of program data suggests that the Riverside PASS program may have increased the use of a broader range of services. ERA costs were estimated using data from the management information system.

The Employment Retention and Advancement Project

Table ES.2

Five-Year Estimated ERA Costs, Financial Effects,  
and Net Value per Program Group Member  
(in 2008 Dollars)

Program	Accounting Perspective		
	Program Group	Government Budget	Social
<b><u>Corpus Christi</u></b>			
Net earnings and fringe benefits	4,048	0	4,048
Net taxes and credits	50	221	0
Net public assistance <sup>a</sup>	-424	583	159
Net employment and training costs	0	-1,844	-1,844
Net gain or net loss (net value)	3,673	-1,041	2,362
<b><u>Fort Worth</u></b>			
Net earnings and fringe benefits	2,458	0	2,458
Net taxes and credits	-262	427	0
Net public assistance <sup>a</sup>	1,083	-1,208	-125
Net employment and training costs	0	-1,595	-1,595
Net gain or net loss (net value)	3,279	-2,376	738
<b><u>Chicago</u></b>			
Net earnings and fringe benefits	2,566	0	2,566
Net taxes and credits	168	4	0
Net public assistance <sup>a</sup>	786	-899	-113
Net employment and training costs	0	-1,631	-1,631
Net gain or net loss (net value)	3,520	-2,527	822
<b><u>Riverside PASS</u></b>			
Net earnings and fringe benefits	5,082	0	5,082
Net taxes and credits	-314	654	0
Net public assistance <sup>a</sup>	-373	438	65
Net employment and training costs	0	-1,022	-1,022
Net gain or net loss (net value)	4,394	70	4,125

(continued)

### Table ES.2 (continued)

SOURCES: MDRC calculations from TANF and food stamp records; Medicaid eligibility records; unemployment insurance (UI) earnings from the States of Texas, Illinois, and California; and published data on tax rates, employee fringe benefits, and Medicaid benefits. Corpus Christi and Fort Worth calculations also include postemployment stipend or incentive payment records. Riverside PASS calculations include supportive service payment records from the DPSS P3 automated program tracking system.

Employment and training costs for Corpus Christi and Fort Worth are based on fiscal and participation data from Workforce Solutions for Tarrant County, WorkSource of the Coastal Bend, ERA program tracking data, The Workforce Information System of Texas (TWIST), Texas Education Agency, Texas Higher Education Coordinating Board, U.S. Department of Education, and ERA 12-Month Survey.

Employment and training costs for Chicago are based on fiscal and participation data from Employment and Employer Services, Inc., ERA program records and participant case files, Illinois Department of Human Services, TANF administrative records from the State of Illinois, Illinois Community College Board, U.S. Department of Education, and ERA 12-Month Survey.

Employment and training costs for Riverside PASS are based on fiscal and participation data from Riverside County Department of Social Services, Riverside DPSS P3 automated program tracking system, TANF administrative records from the State of California, California Department of Education, U.S. Department of Education, and ERA 12-Month Survey.

NOTES: Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

<sup>a</sup>Public assistance includes welfare payments, food stamps, and Medicaid. It also includes stipends in Texas and incentives in Chicago. From the government budget perspective, it also includes public assistance administration.

- **Averaged across the four sites, the net operating cost of the ERA programs was about \$1,500 per program group member.**

The employment and training costs (the costs of providing ERA services, along with other education and training services) was about \$1,500 more per person, on average, than the standard welfare-to-work employment and education services that were received by the control groups. (Individual sites' net operating costs ranged from \$1,000 to \$1,800.) The ERA programs' net employment and training costs in the four sites presented in this report are lower than the net costs of many welfare-to-work programs from the 1990s that emphasized increasing participants' income while balancing reductions in welfare costs.<sup>5</sup> Unlike in many of the earlier studies of welfare-to-work programs, however, the ERA control groups received services, often from the TANF agency; the net cost presented in this report is thus the cost of the "added value" of the ERA services.

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<sup>5</sup>David Greenberg, Victoria Deitch, and Gayle Hamilton, *Welfare-to-Work Program Benefits and Costs: A Synthesis of Research* (New York: MDRC, 2009).

- **From the program group perspective, the program group members in all four sites were better off financially as a result of the ERA programs.**

The ERA programs that operated in the four sites discussed in this report led to substantial financial gains for program group members relative to control group members. The Corpus Christi and Riverside PASS ERA programs produced net financial gains of \$3,673 and \$4,394, respectively. These gains came primarily from higher earnings for program group members, compared with the control groups' earnings. In Chicago and Fort Worth, the ERA programs produced net financial gains of \$3,520 and \$3,279, respectively, and here the gains were due to a combination of higher earnings *and higher public assistance* (specifically, increases in food stamps and Medicaid).

- **With one exception, the ERA programs in this report did not produce net savings from the government budget perspective.**

In three of the four sites, the additional amount spent on ERA services, compared with expenditures for the control groups, was not recouped by savings in welfare and other benefit expenditures and increased tax revenues. The additional costs per person that were incurred by the government exceeded the savings by \$1,041 in Corpus Christi, by \$2,376 in Fort Worth, and by \$2,527 in Chicago. The Riverside PASS program essentially broke even (with a slight gain of \$70). The additional costs of operating the ERA program in Riverside were offset by increases in tax payments and savings from reduced public assistance for program group members. In Chicago and Fort Worth, besides the increased costs of operating the ERA programs, the government incurred additional costs from higher public assistance (food stamps and Medicaid) and from financial incentive payments.

- **The ERA programs in the four sites produced financial gains from the social perspective.**

As discussed above, the social perspective encompasses both net gains from the ERA programs for the program group and net losses for the government budget. The four sites implemented ERA programs that led to financial increases for society as a whole. Net financial benefits to society ranged from \$738 in Fort Worth to \$4,125 in Riverside. Gains to society occurred because the earnings gains among program group members exceeded the cost to the government of operating the ERA programs.

- **For each dollar that the government invested in these ERA programs, the program group members gained from \$1.38 to \$3.53 (depending on the site).**

The net values shown in Table ES.2 suggest that the ERA programs in these four sites were cost-effective. The cost-effectiveness ratio is calculated by dividing the net financial gain

to the program group members by the net cost of ERA to the government. Using this method, for each additional dollar spent by the government (including all net costs to the government budget), ERA program group members gained \$3.53 in Corpus Christi (\$3,673 divided by \$1,041), \$1.38 in Fort Worth, and \$1.39 in Chicago. In Riverside, the program group experienced a net financial gain while the government broke even. In other words, providing services and benefits to the ERA program group in Riverside was no more costly than providing services to the control group, *and* the ERA program group members were better off financially.

## **Conclusion**

These various ERA programs led to increases in program group members' employment and earnings, which was a primary goal of the ERA project. From the program group perspective, these programs also led to net financial gains. However, with the exception of Riverside PASS, these ERA programs did not result in a net return or breakeven situation from the government budget perspective — a secondary goal of ERA that is not often achieved by welfare-to-work programs. This result reflects that the ERA programs increased expenditures on food stamps and Medicaid in two sites. Additionally, the Texas ERA program provided financial incentives that were not provided to the control group, which increased the government's costs. Overall, the ERA programs were financially beneficial to society in all four sites because the earnings gains for program group members exceeded the costs to the government of operating the programs.

The ERA project rigorously tested a diverse set of innovative models designed to promote steady work and career advancement among current or former welfare recipients or other low-income groups. As part of the project, over a dozen different ERA programs have been evaluated, and most did not produce consistent increases in employment retention or advancement, suggesting that it is difficult for these types of programs to attain positive effects. While the ERA programs in three of the four sites that achieved this primary goal did so at a cost to the government, all of them were able to increase program group members' income, and they did so by more than the government spent to provide the services, suggesting that some types of employment retention and advancement programs can be cost-effective.





## Chapter 1

# Introduction

The federal welfare overhaul of 1996 ushered in myriad policy changes aimed at getting low-income parents off welfare and into employment. These changes — especially cash welfare’s transformation from an entitlement into a time-limited benefit that is contingent on work participation — have intensified the need to help low-income families become economically self-sufficient and remain so in the long term. Although a fair amount is known about how to help welfare recipients prepare for and find jobs in the first place, the Employment Retention and Advancement (ERA) project is the most comprehensive effort thus far to ascertain which approaches help welfare recipients and other low-income groups stay steadily employed and advance in their jobs.

Launched in 1999, the ERA project evaluates more than a dozen programs and uses a rigorous research design to analyze the programs’ implementation and impacts on research sample members, who were randomly assigned to the study groups.<sup>1</sup> The study was conceived and funded by the Administration for Children and Families (ACF) in the U.S. Department of Health and Human Services; supplemental support has been provided by the U.S. Department of Labor. The project is being conducted by MDRC. The ERA evaluation focuses primarily on single mothers.<sup>2</sup> The programs’ target populations are varied and include:<sup>3</sup>

- **Programs serving unemployed TANF recipients.**<sup>4</sup> Three programs first provided services when individuals were not employed and were receiving TANF: Texas (which operated in three sites — Corpus Christi, Fort Worth,

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<sup>1</sup>A total of 16 ERA models have been implemented in eight states: California, Illinois, Minnesota, New York, Ohio, Oregon, South Carolina, and Texas. But — given significant differences in implementation in the three sites operating the Texas program — the project ultimately will yield 18 independent estimates of site effectiveness.

<sup>2</sup>One exception is the Cleveland employer-based program.

<sup>3</sup>The ERA programs in Minnesota and New York served a more disadvantaged group than other ERA programs. Final results for the Minnesota and New York ERA programs will be presented as part of the Enhanced Services for the Hard-to-Employ Demonstration and Evaluation Project, which is also funded by ACF and is being conducted by MDRC. For more information on the Hard-to-Employ project, go to the Web site: [http://www.mdrc.org/project\\_20\\_8.html](http://www.mdrc.org/project_20_8.html). Further program information and early impact results for the Minnesota and New York ERA programs are available in LeBlanc, Miller, Martinson, and Azurdia (2007); Bloom, Miller, and Azurdia (2007); and Martinez, Azurdia, Bloom, and Miller (2009).

<sup>4</sup>Starting in 1996, welfare was delivered under the Temporary Assistance for Needy Families (TANF) program, which replaced Aid to Families with Dependent Children (AFDC).

and Houston); Salem, Oregon; and Los Angeles County Enhanced Job Club (EJC).

- **Programs serving employed TANF recipients.** Four programs first provided services when individuals were employed and receiving TANF: Chicago; Los Angeles County Reach for Success (RFS); and Riverside County Phase 2 (including the Training Focused and the Work Plus approaches).
- **Programs serving employed non-TANF recipients.** Five programs first provided services when individuals were employed and not receiving TANF: Riverside Post-Assistance Self-Sufficiency (PASS); Eugene and Medford, Oregon; Cleveland’s employer-based program; and South Carolina.

## The ERA Research Design

Each of the ERA programs was studied using a random assignment evaluation design — a methodology that allows practitioners and policymakers to have a high degree of confidence in the results. In each site, individuals who met the ERA eligibility criteria were assigned, at random, either to a program group (usually called the “ERA program group”) or to a control group.<sup>5</sup> Members of the ERA program group were recruited for (and in some sites, required to participate in) the services offered by the ERA program, while those in the control group were not eligible for ERA services but were eligible for other services and supports. The control group services and supports were always those generally available in the sites’ communities but also could include the site’s standard welfare-to-work program or, in some cases, minimal efforts that the sites already had in place to provide assistance to individuals who found jobs. Each site’s control group thus represents the benchmark against which that site’s ERA approach is assessed.<sup>6</sup>

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<sup>5</sup>ERA eligibility criteria varied by program. In Texas, individuals were assigned either to the ERA program group or to the control group immediately following an eligibility or recertification interview for TANF. (In the case of applicants, random assignment occurred before they were approved for cash assistance.) Only those applicants and recipients who were subsequently approved for TANF could receive ERA services in Texas. The Chicago ERA program targeted working TANF recipients who reported at least 30 hours per week of work for at least six consecutive months and who were served by select welfare offices in Cook County; when individuals met these criteria, they were randomly assigned to either the program or the control group. The Riverside PASS ERA program targeted employed individuals who had left TANF. Individuals were eligible for random assignment into the ERA study at the point when they were employed and were ineligible for TANF in the current month but had been eligible in the preceding month.

<sup>6</sup>Across the sites, this benchmark differed in terms of the types of services for which control group members were eligible, the extent of services, and how well known and readily accessible they were. None of the control groups, however, can be strictly considered to be “no service” groups.

The evaluation draws on administrative and fiscal records, surveys of sample members, and field visits to the sites. MDRC tracked all research groups for several years, using surveys and administrative data. The random assignment process ensures that, within each site, individuals in the research groups were comparable at baseline, or at the start of the study, when they were randomly assigned to a group. Thus, any differences that emerge between the research groups over time (for example, in employment rates or average earnings) are attributable to the ERA program. These differences are called “effects,” or “impacts.”<sup>7</sup>

## About This Report

This report provides a comprehensive benefit-cost analysis of three of the ERA programs, which were run in four sites: the Texas program (operated in Corpus Christi and Fort Worth); the Riverside PASS program (operated in Riverside County, California); and the Chicago program (operated in Cook County, Illinois).<sup>8</sup>

These programs were chosen for the report because evaluation results indicate that they increased the employment and earnings of ERA participants during the follow-up period. Benefit-cost analysis is most useful when there are positive effects generated by a program.<sup>9</sup> Because the other ERA programs did not result in earnings gains, it was not worthwhile to do a benefit-cost analysis: without increases in earnings, it is unlikely that there would be net financial gains for program group members or the government.

The benefit-cost analysis addresses several questions. Was the cost of operating the three ERA programs more or less than the cost of providing services to the control groups? What are the financial gains and losses from the three different perspectives that are discussed in the report’s Executive Summary (the ERA program group, the government budget, and society as a whole)? Are program group members financially better off or worse off as a result of the ERA programs? Is the government’s net investment in services for the program group offset by budget savings? Does society as a whole come out ahead or behind as a result of the programs in these sites? Was the government’s investment in these programs cost-effective?

This benefit-cost analysis expands on the analysis of the three ERA programs’ impacts presented in a larger report that covers all the ERA programs, and it provides an accounting of

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<sup>7</sup>All impact estimates are regression-adjusted to control for baseline characteristics.

<sup>8</sup>A third site, Houston, also operated the Texas program but is not included in the benefit-cost analysis because it did not have any effect on employment and earnings during the follow-up period.

<sup>9</sup>There are no net financial benefits when a program does *not* generate impacts on these outcomes in a random assignment evaluation.

the financial gains and losses produced by the three ERA programs.<sup>10</sup> The analysis presents an estimate of the government's investment to provide employment-related services, including costs both for the ERA programs and for education and training services provided to sample members by other organizations in the community. Costs of the ERA programs are compared with costs for services provided to the control groups, to estimate a *net cost* of the programs — that is, the cost per ERA program group member above the average cost per control group member for all employment and training services used during the follow-up period. The analysis of the programs' financial benefits expands on the ERA impact analysis and considers the value of additional outcomes, including the value of earnings, public assistance (TANF, food stamps, Medicaid), stipend payments (in Texas), support service payments, fringe benefits from employment, sales taxes, payroll taxes, income tax payments and credits, and the cost of administering public assistance.<sup>11</sup> This report serves as a companion document to the larger ERA impact report. For more detailed results on implementation and impact findings, please see that report.<sup>12</sup>

This chapter begins with a brief description of the three ERA programs presented in this report, followed by a discussion of the benefit-cost methodology and expected financial effects. Chapters 2 through 4 then present the benefit-cost analysis for each of the programs. The three chapters each contain a description of the program; a description of sample members' characteristics; a summary of participation results; a summary of the program's impacts on employment, earnings, and public assistance payments; a cost analysis; five-year impacts on financial outcomes; and the estimated net value of financial effects from three perspectives: the ERA program group, the government budget, and society as a whole. Finally, Chapter 5 summarizes the benefit-cost results for all three ERA programs and discusses their cost-effectiveness.

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<sup>10</sup>Hendra et. al. (2010).

<sup>11</sup>Unlike the impacts presented in Hendra et al. (2010), the benefit-cost analysis incorporates positive and negative financial estimates even when they do not reach the level of statistical significance, because they nonetheless represent the best estimates available. Thus, the financial estimates presented in this report should be considered approximations.

<sup>12</sup>More detailed program information and final impact results are in Hendra et al. (2010). Early program implementation information and impact results for these three programs are presented in Martinson and Hendra (2006); Bloom, Hendra, and Page (2006); and Navarro, van Dok, and Hendra (2007).

## The Programs Discussed in This Report

### The Texas ERA Program (Chapter 2)

Table 1.1 summarizes the differences in services that were provided to program and control group members in the Texas ERA sites.<sup>13</sup> Corpus Christi and Fort Worth operated the same program but implemented it in different cities using different service providers. The Texas program targeted unemployed TANF applicants and recipients and consisted of mandatory preemployment services and voluntary postemployment services.<sup>14</sup> Job placement was the first goal of the program; preemployment services included assessment, job search workshops, and job search.

The Texas ERA program also included a monthly postemployment stipend of \$200 for up to 12 payments for TANF leavers who maintained employment of 30 hours per week (or those who combined 15 hours per week of work and 15 hours per week of an education or training activity). To be eligible for the postemployment stipend, individuals had to participate in a monthly employment activity; both sites were flexible in what they allowed to count toward this requirement. The Texas program also had a strong commitment to reemployment; the program had a goal to reemploy individuals within two weeks of learning about job loss.

The postemployment phase following the four-month TANF earning disregard period<sup>15</sup> was the major difference between the program and control group services — particularly, the postemployment stipend and postemployment services. The control group was offered mandatory preemployment services through the standard welfare-to-work program, Choices. Choices included assessment, workshops on seeking employment, and job search assistance. Postemployment services were available but consisted mainly of employment verification and generally lasted only through the four-month TANF earnings disregard period.

The Texas ERA test examines whether job search assistance, postemployment assistance from program staff (which could include employer site visits and reemployment assis-

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<sup>13</sup>In light of the significant differences in implementation in the sites that operated the Texas ERA program, benefit-cost results are presented by site. The benefit-cost results for Riverside PASS are shown together for the five providers within the county because the sample sizes in that test were not intended to be sufficient to allow for results to be analyzed by provider. This approach is consistent with how results have been presented throughout the ERA project.

<sup>14</sup>In order to continue receiving TANF, individuals were required to participate in postemployment services during the four-month earnings disregard period. After that period, they were required to participate in a monthly employment-related activity in order to be eligible for the postemployment stipend.

<sup>15</sup>In Texas, 90 percent of earnings in the first four months of employment are not included — are “disregarded” — in calculating the TANF cash assistance payment.

**The Employment Retention and Advancement Project**

**Table 1.1**

**Program-Control Group Differences:**

**Texas**

	ERA Group	Control Group
<b>Goals</b>	<ul style="list-style-type: none"> <li>To promote job placements, job retention, and career advancement for unemployed TANF applicants and recipients</li> </ul>	<ul style="list-style-type: none"> <li>To promote job placement for unemployed TANF applicants and recipients</li> </ul>
<b>Program resources and structures</b>	<ul style="list-style-type: none"> <li>Except for financial incentive, funded by state TANF program</li> </ul>	<ul style="list-style-type: none"> <li>Funded by state TANF program</li> </ul>
<b>Staff-client engagement</b>	<ul style="list-style-type: none"> <li>Individualized ongoing assistance from staff after leaving TANF for work</li> </ul>	<ul style="list-style-type: none"> <li>Individualized assistance from staff only while on TANF and during earned income disregard period</li> </ul>
<b>Retention services</b>	<ul style="list-style-type: none"> <li>Offer of \$200 per month stipend for former TANF recipients working at least 30 hours per week, after 4-month earned income disregard</li> <li>Regular contact with working clients who left TANF and received stipend</li> <li>Reemployment services in Corpus Christi and Fort Worth</li> </ul>	<ul style="list-style-type: none"> <li>No stipend</li> <li>Limited contact with working clients and only during earned income disregard period</li> <li>No reemployment services</li> </ul>
<b>Advancement services</b>	<ul style="list-style-type: none"> <li>Discussions with workers and their employers about advancement options in Corpus Christi and Fort Worth</li> </ul>	<ul style="list-style-type: none"> <li>No advancement services</li> </ul>
<b>Employer linkages</b>	<ul style="list-style-type: none"> <li>Site visits to employer</li> </ul>	<ul style="list-style-type: none"> <li>Limited contact with employers</li> </ul>

SOURCE: Martinson and Hendra (2006).

tance), and a monthly stipend of \$200 for TANF leavers working at least 30 hours a week can improve employment rates, job stability, and job advancement for TANF recipients, compared with a preemployment program that focused on quick job entry followed by limited postemployment services.

**The Chicago ERA Program (Chapter 3)**

Table 1.2 summarizes the differences in services that were provided to program and control group members in the Chicago ERA site. The Chicago ERA program targeted welfare

**The Employment Retention and Advancement Project**

**Table 1.2**

**Program-Control Group Differences:**

**Chicago**

	ERA Group	Control Group
<b>Goals</b>	<ul style="list-style-type: none"> <li>• Advance employed TANF recipients into higher-paying jobs</li> </ul>	<ul style="list-style-type: none"> <li>• Primarily retention; compliance with TANF work requirements</li> </ul>
<b>Program resources and structures</b>	<ul style="list-style-type: none"> <li>• Operated by for-profit company</li> </ul>	<ul style="list-style-type: none"> <li>• Operated by public welfare agency</li> </ul>
<b>Staff-client engagement</b>	<ul style="list-style-type: none"> <li>• ERA-service participation requirements, beyond TANF participation requirements</li> <li>• Aggressive and multifaceted marketing and outreach, including financial participation incentives</li> <li>• Services tailored to participants</li> <li>• Development and maintenance of client employment plan</li> <li>• Follow-up after leaving TANF</li> </ul>	<ul style="list-style-type: none"> <li>• Only TANF participation requirements</li> <li>• Primarily compliance-related outreach</li> <li>• Generic service package</li> <li>• No employment plan</li> <li>• No follow-up after leaving TANF</li> </ul>
<b>Retention services</b>	<ul style="list-style-type: none"> <li>• Client employment incentives (financial)</li> </ul>	<ul style="list-style-type: none"> <li>• No client employment incentives</li> </ul>
<b>Advancement services</b>	<ul style="list-style-type: none"> <li>• Services for advancement through job change</li> <li>• Limited education and training referrals/incentives</li> </ul>	<ul style="list-style-type: none"> <li>• No advancement services</li> <li>• No education and training referrals/incentives, but achieved similar take-up rates as ERA</li> </ul>
<b>Employer linkages</b>	<ul style="list-style-type: none"> <li>• Strong relationships with local employers</li> <li>• Staff identification of jobs with local employers</li> </ul>	<ul style="list-style-type: none"> <li>• No links to employers</li> </ul>

SOURCE: Bloom, Hendra, and Page (2006).

recipients who had been working for at least 30 hours per week for at least six consecutive months; those who were randomly assigned to the ERA program group were required to participate. The Chicago ERA program was operated by a for-profit company that had extensive experience running job placement programs for welfare recipients in the Chicago area. The program focused on increasing individuals' earnings at their current employer or encouraging people to switch jobs. Reemployment services were also offered for individuals who lost their

job. The service provider aggressively marketed the program and offered small financial incentives for participating and reaching retention and advancement benchmarks. Control group members, like the ERA program group members, were required to work 30 hours per week or to participate in other welfare employment activities as part of their TANF participation requirements.

The Chicago ERA test examined whether a work-focused, mandatory advancement program — provided by staff of a for-profit employer-intermediary — can move employed TANF recipients into better or higher-paying jobs, compared with a less intensive and more retention-oriented program provided by staff of the local welfare office.

#### **The Riverside PASS ERA Program (Chapter 4)**

Table 1.3 summarizes the differences in services that were provided to program and control group members in the Riverside ERA site. The Riverside Post-Assistance Self-Sufficiency (PASS) program was voluntary, and it targeted recent TANF leavers who were working. PASS operated in five sites in Riverside County, with a different service provider at each site: three community-based organizations (CBOs), a community college, and a welfare agency office. All five providers offered job preparation and placement services, support service assistance, referrals to education and training programs, and social service referrals. All the service providers aggressively marketed the program through a number of methods.

In creating the control group’s treatment stream, the Riverside County Department of Public Social Services (DPSS) designated a number of welfare-to-work staff in each of its offices to provide a minimal set of postemployment services, such as providing job leads and arranging support services. Control group members were not subject to any TANF participation requirements unless they applied for TANF again.

The Riverside PASS ERA test examines whether a voluntary program of postemployment services and support service payments — provided through ongoing staff-client relationships in different private sector agencies (including CBOs and a community college) — can result in better employment retention and advancement outcomes for former TANF recipients, compared with less intensive postemployment services provided by local welfare agency staff.

#### **The Benefit-Cost Methodology and Analytic Approach**

For each of the three ERA programs, the benefit-cost analysis measures the differences in financial effects between the ERA program group and the control group; it compares the costs and benefits of the ERA program services with the costs and benefits of the usual services (in most cases) that were available to the control group. The sum of a program’s net benefits and net costs (its “net present value”) is used to assess whether the program was beneficial in



**The Employment Retention and Advancement Project**

**Table 1.3**

**Program-Control Group Differences:**

**Riverside PASS**

	ERA Group	Control Group
<b>Goals</b>	<ul style="list-style-type: none"> <li>• Job retention and advancement among employed individuals who recently left TANF</li> </ul>	
<b>Program resources and structures</b>	<ul style="list-style-type: none"> <li>• Operated primarily by community-based organizations and a community college, as well as one welfare agency office</li> </ul>	<ul style="list-style-type: none"> <li>• No single retention- and advancement-oriented program for employed individuals in community; however, could access various employment-related community services should they choose to pursue them<sup>a</sup></li> </ul>
<b>Staff-client engagement</b>	<ul style="list-style-type: none"> <li>• Aggressive marketing and outreach</li> <li>• Services tailored to participants</li> </ul>	<ul style="list-style-type: none"> <li>• Required to pursue services; however, similar reported contact rates as ERA group</li> </ul>
<b>Retention services</b>	<ul style="list-style-type: none"> <li>• Job search assistance (one-on-one job search assistance, résumé assistance, and providing job leads) following job loss</li> <li>• Assistance with supportive services and transitional benefits; social service referrals as needed</li> </ul>	<ul style="list-style-type: none"> <li>• Required to pursue services; however, similar reported rates of participation in job search activities as ERA group</li> </ul>
<b>Advancement services</b>	<ul style="list-style-type: none"> <li>• Education and training referrals</li> </ul>	<ul style="list-style-type: none"> <li>• Required to pursue education and training opportunities; however similar reported take-up of education and training as ERA group</li> </ul>

SOURCE: Navarro, van Dok, and Hendra (2007).

NOTE: <sup>a</sup>Employment-related and supportive services were available through Workforce Investment Act providers, One-Stop Centers, community colleges, adult schools and other education providers, and employment and training organizations.

terms of the benefit-cost analysis. Whenever possible, the general approach is to place dollar values on the program's effects and on its use of resources, either by directly measuring them or by inferring them.

This analysis measures financial effects over the five years following random assignment.<sup>16</sup> All dollar amounts were inflation-adjusted to Quarter 1 2008 dollars and were discounted using a rate of 5 percent.<sup>17</sup> All the estimates presented are regression-adjusted.<sup>18</sup>

The five-year time frame includes an observation period and a projection period. The *observation period* for each sample member encompasses the portion of follow-up when benefits were estimated directly from recorded data. For sample members who do not have five years of data, costs and benefits are "projected" to the end of five years by inferring future effects. Projecting program effects entails calculating base-period estimates and then making assumptions about how they will change in the future. Making assumptions about the future effects of ERA-type programs can be difficult, but the large amount of observed follow-up data available in ERA allows one to be reasonably confident in the benefit-cost results. For the ERA sites in this report, the data for each sample member range from a minimum of three years to more than five years (with the exception of Texas Medicaid, which ranges from a minimum of two years to four years for each sample member).<sup>19</sup>

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<sup>16</sup>In "calendar" time, the period covered in the analysis varies by program. Given the five-year time horizon and the dates of random assignment for the ERA programs, the benefit-cost analysis for the two Texas sites roughly spans October 2000 through December 2007. The analysis for Chicago roughly spans February 2002 through June 2008. For the Riverside PASS program, the analysis roughly spans July 2002 through June 2008.

<sup>17</sup>The inflation adjustment accounts for the fact that the value of the dollar changes over time; inflation adjusting provides a common dollar metric for programs that operated in different time periods. The dollar values are discounted to account for changes in the value of a dollar over the five-year follow-up period; discounting converts dollars to their present values. A dollar today is worth more than a dollar tomorrow. This is due to the opportunity cost of money; in other words, a dollar today can be invested and be worth more than a dollar. Sensitivity analysis was performed changing the discount rate to 3 percent and to 7 percent; these changes did not affect whether or not the ERA programs had a net benefit or net loss from any of the three perspectives. Appendix D presents the results of the sensitivity analysis.

<sup>18</sup>It is unlikely that extending the time frame beyond five years would change whether the programs produce net benefits or net costs because, for the most part, the differences in financial outcomes between the ERA program and control groups were either fading or were the same (no difference) at the end of the observed follow-up period, based on analysis of impact trends.

<sup>19</sup>Data on ERA program operating costs and welfare-to-work activities cover costs from random assignment through approximately one year and capture all the Texas postemployment services (with the exception of the Texas stipends, which extend for a minimum of two years after random assignment). This time frame captures most ERA program costs, since only a handful of program group members participated in these ERA programs beyond one year after enrollment (except in the Texas postemployment period). This limitation may underestimate *gross* costs for activities or services received outside ERA, beyond the point of the 12-month

(continued)

The benefit-cost analysis in the body of the report shows the projection assumptions that represent the “best-guess” assumptions. Different assumptions were made for each site and data type based on the pattern of observed impacts.<sup>20</sup> Changing the projection assumptions does not change whether or not the ERA programs are a net savings or net cost from any of the three examined perspectives. More details on projection methods and sensitivity analysis of projections are presented in Appendixes B and C.

### **Financial Goals and Hypothesized Effects of ERA, by Perspective**

Understanding the goals of policymakers and program operators when they designed ERA programs is crucial to interpreting the programs’ financial costs and benefits. Most of the previous welfare-to-work programs focused on helping people prepare for and find jobs, but ERA programs focused on increasing employment retention and career advancement among low-wage workers (in many cases, people who were employed at program entry). In recent years, the number of working poor has grown, and the availability of high-paying jobs for those without a college education has shrunk. At the same time, policymakers and society increasingly have come to value supporting low-income families while they are working or looking for work. The primary goal of the ERA programs was to increase employment retention and advancement. Through program services as well as transitional benefits and other financial supports aimed at supplementing program group member’s income while they were working, it was hoped that ERA programs would lead to higher earnings and higher income for program group members. A secondary goal of policymakers was to reduce welfare recidivism among individuals who left the TANF program, which, in turn, would reduce government expenditures on TANF and, perhaps, result in a net return for government on its investment in ERA programs. In the short run, it was expected that ERA programs could lead to increases in some forms of public benefits, such as transportation assistance, child care, and food stamps, which were available to employed TANF leavers. In addition, the Texas ERA program provided a financial stipend to TANF leavers for maintaining employment. Eventually, if program group

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survey, for both program and control group members. However, there were few impacts on participation in activities or services reported in the second follow-up survey (42 months after random assignment), which was administered only in Riverside and Chicago, so that would not affect the *net* costs.

<sup>20</sup>The quarterly adjusted means for the ERA program and control groups were graphed as separate lines, and the best-fit trend line was used to show what would happen for each group after the complete follow-up period for the full sample ended (the last quarter with data for all sample members). Then the formulas for the trend lines were used to calculate the impact at the end of the five-years following random assignment, and this was compared with the last quarter of full-sample follow-up to calculate the percentage change in impacts during the projection period. In cases where the full-sample impact looked small in the last quarter of complete follow-up, the projection assumption was assumed to be 100 percent decay without graphing the trend line. Also, it was assumed that impacts would not increase beyond what they were during the observation period or would not decay more than 100 percent. (In other words, a positive impact was not assumed to turn negative.)

members experienced large and sustained earnings increases — perhaps through career advancement — it was hoped that they would earn enough to reduce their need for public assistance. Further, it is possible that the government ultimately could attain a net return on its investment or break even, through increased income tax payments resulting from higher earnings among program group members.

Most of the 16 experiments in the ERA evaluation did not increase employment, earnings, or income. This report focuses only on the three ERA programs that did increase employment and earnings. Even in these sites, it was expected that it would be difficult for the ERA programs to produce savings in public benefits because TANF grants tended to be small for employed recipients and TANF leavers (ERA’s target population), and thus the savings from reducing TANF receipt would also be small. Further, the ERA programs would have had to produce large effects on employment advancement to enable higher proportions of program group members to earn enough to discontinue food stamps and Medicaid. However, it was expected that net costs would be relatively low because ERA services consisted primarily of staff-client interactions (not the more expensive approach of providing education and training) and because control group members could receive services from other organizations or from the standard welfare-to-work program.

This analysis presents the ERA programs’ net benefits and net costs from three different perspectives: (1) the ERA program group members, (2) the government budget, and (3) society as a whole. The same program effect might elicit gains from one perspective and losses from another. In assessing each main program effect, benefit-cost analysis considers the perspective of each directly affected group.

Box 1.1 shows the ERA programs’ expected financial effects on benefit-cost outcomes from each of the three perspectives. Variation across the three programs in terms of the population served, state income tax rules, and state public assistance rules means that expected effects can vary by program. For outcomes where the ERA programs’ expected effect was unclear or varied, a “plus or minus” symbol (+/-) is shown to express that the outcome could be a gain or a loss from that perspective.

The *program group perspective* measures whether, on average, ERA produced net gains or net losses for program group members, compared with the control groups. As illustrated in Box 1.1, it was expected that ERA program group members would experience net increases in earnings and fringe benefits (employer-paid health and life insurance, pension contributions, and workers’ compensation associated with these earnings). Program group

**Box 1.1**

**The Expected Financial Effects of ERA Programs**

Financial Outcome	Expected Financial Effects, by Accounting Perspective		
	Program Group	Government Budget	Society
Earnings and fringe benefits	+	0	+
Tax payments and credits (including EITC)	+/-	+/-	0
Welfare payments	-	+	0
Food stamps	+/-	+/-	0
Medicaid	+/-	+/-	0
Public assistance administration	0	+/-	+/-
Stipends and incentive payments*	+	-	0
Employment and training operating costs	0	-	-
<b>NET VALUE</b>	<b>+/-</b>	<b>+/-</b>	<b>+/-</b>

NOTES: A “+” indicates an expected benefit, and a “-” indicates an expected cost.

A zero indicates that the expected effect is neither a cost nor a benefit.

A “+/-” indicates that the expected outcome could be a gain or a loss.

\*Stipend payments were available only in the Texas program. Incentive payments were available only in the Chicago program.

members could also experience gains from stipends and incentive payments. Losses for program group members were expected to come in the form of reduced TANF payments. ERA programs could either produce gains or losses from changes in food stamps, Medicaid, and tax payments and credits.<sup>21</sup> Medicaid payments are considered a benefit to program group members, who, however, do not receive this amount in cash; rather, this is the estimated value of medical claims payments (which would be received by the medical provider).

The *government budget perspective* measures whether the government realizes a net revenue increase as a result of operating the ERA program. This could occur through a combination of increased tax revenues and savings in public assistance payments and their associated administrative costs that exceed the net costs of providing services to program group members.

<sup>21</sup>Tax payments and credits can either increase or decrease income because of income tax credits. The Earned Income Tax Credit and Additional Child Tax Credit are both credits that can be greater than the amount of taxes owed, and thus they can result in individuals’ receiving a tax refund that is greater than the taxes paid.

The *social perspective* measures the monetary effects to society as a whole. This perspective encompasses the average value of both the program group members and the government budget and is simply the sum of the net present value from both of those perspectives.<sup>22</sup> From this perspective, society benefits when the combination of increases in earnings and fringe benefits for program group members exceeds the net costs to the government of providing services and administering transfer payments. Like the other perspectives, the social perspective measures only the effects that are easily expressed in monetary amounts.

### **Main Components of the ERA Cost Analysis**

As shown in Figure 1.1, the gross costs of the ERA programs for each program group member (Box D) are the sum of three main components: expenditures on ERA program operating costs (such as staff outreach, client assessment, and work activities) (Box A); expenditures on education and training provided by service providers in the community (Box B); and financial incentives and support services provided to sample members to encourage their participation in the program and to encourage employment retention by supplementing their earnings (Box C). Gross costs include zeroes for sample members who did not receive that service.<sup>23</sup>

The costs of services provided to the control group represent what the government would have spent on ERA sample members in the absence of the ERA program. The gross costs for each control group member (Box H) are the sum of the costs of the welfare-to-work activities provided to TANF recipients (Box E), expenditures on education and training services (Box F), and support service payments (Box G).

The net cost of ERA — that is, the net cost per ERA program group member — is shown in Box N of Figure 1.1 and is the difference between the average cost per ERA program group member and the average cost per control group member.

In programs like ERA, most operating costs are incurred early on — particularly in the first year or two, when service use is heaviest — while many benefits continue to be realized in later years. To determine the costs, expenditure data were collected from the ERA provider organizations for a one- or two-year period (referred to as the “steady state period”) when

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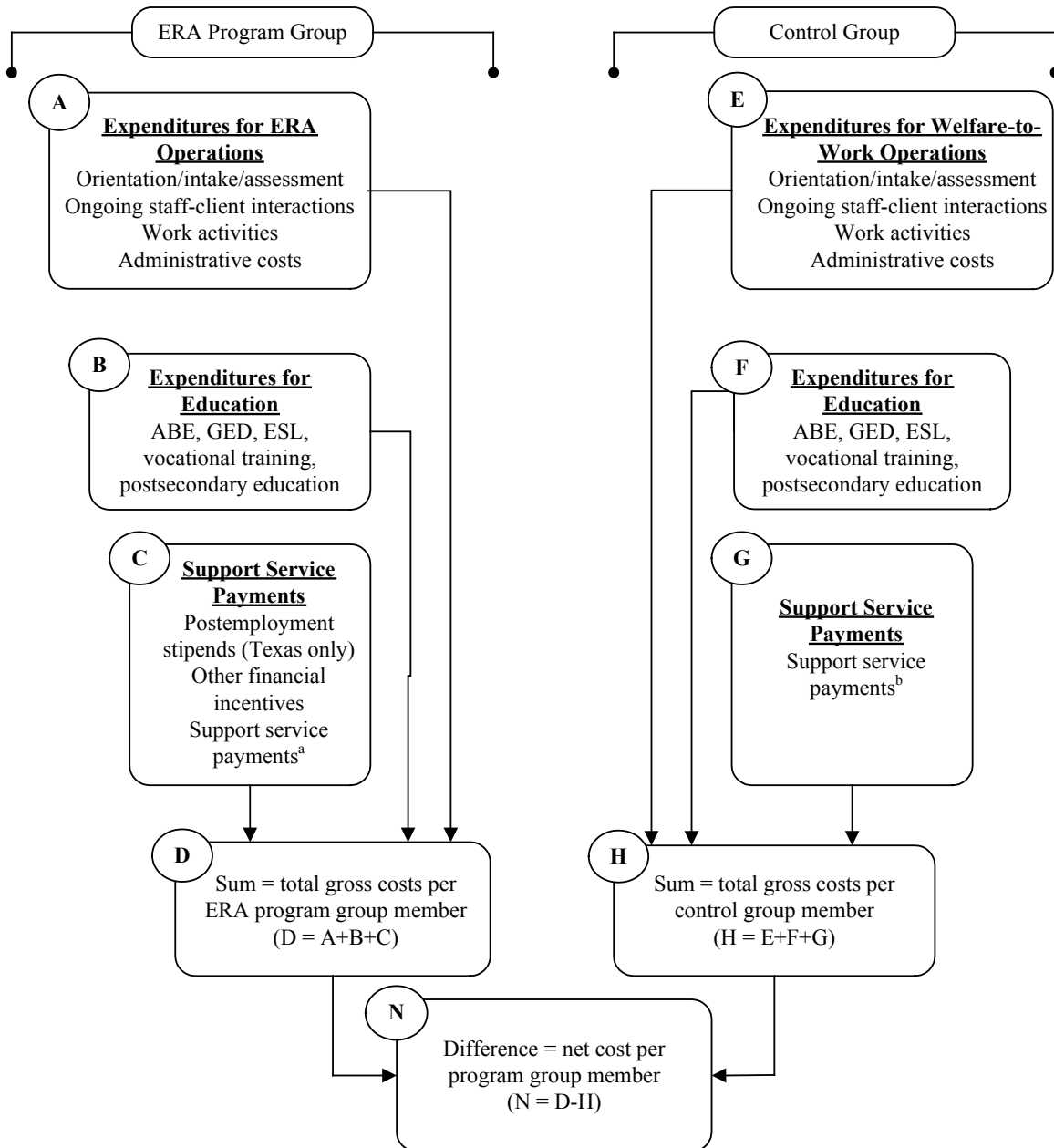
<sup>22</sup>Employer-paid payroll taxes are an exception to this. They are a benefit to the government budget but are neither a benefit nor a cost from the perspectives of the ERA program group and society as a whole. Employers are part of society, so employer-paid payroll taxes do not show as a gain to society.

<sup>23</sup>Gross costs = unit cost times average number of units of service. The unit cost is the estimated cost of serving one person for one month.

The Employment Retention and Advancement Project

Figure 1.1

Simplified Diagram of Gross and Net ERA Costs



NOTES: <sup>a</sup>For the ERA program group, data on financial incentives and support service payments were available only in Chicago and Riverside.

<sup>b</sup>For the control group, data on support service payments were available only in Riverside.

participants received services.<sup>24</sup> In Texas, postemployment services and stipend payments were estimated using all observed data (47 months), which provides a comprehensive estimate of costs for those services. MIS (management information system) data on participation in ERA and welfare-to-work activities were collected in all sites for the same time period.<sup>25</sup> Appendix Table A.1 shows estimates of the proportion of each research group that participated in ERA and welfare-to-work activities as calculated using data from each state's MIS, or other source, which was used in estimating costs for services in this analysis.<sup>26</sup> The costs incurred for the day-to-day operations of the ERA programs are estimated as an average cost per ERA program group member. They include expenditures for overhead, orientation and assessments, and other activities offered as part of the program, such as job search assistance.

For control group members, the expenditures obtained cover the welfare-to-work program that they were referred to when they were receiving TANF. While the ERA programs in all the sites offered post-TANF services, the welfare-to-work program that was offered to the control group did not, for the most part, provide these types of services.<sup>27</sup> The control group welfare-to-work costs thus include only the costs of services provided when control group members were receiving TANF. In contrast, the ERA program costs include costs for participants while they were both receiving and not receiving TANF.

To estimate the costs of education and training services, information was collected from providers in the community, focusing on those that offered adult basic education (ABE), General Educational Development (GED) classes, English as a Second Language (ESL) instruction, postsecondary education, and vocational training.

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<sup>24</sup>The costs of staff-client interactions and education services were estimated for 12 months following assignment to ERA, with two exceptions. The costs of services associated with providing stipends in the two Texas sites were estimated using stipend payment data that cover 21 months to 47 months following random assignment, depending on when program group members were randomly assigned; most ERA clients who received a stipend received some or all of their stipend payments in their second year in the program. Similarly, the costs of services associated with providing postemployment services in Riverside were estimated based on the 15 months following random assignment.

<sup>25</sup>The participant information used for the calculation of the ERA unit costs and the average length of time spent in ERA programs comes from each site's management information system (MIS) in all sites except Chicago, where information on participation was obtained from a review of case files.

<sup>26</sup>The 12-month client survey also provides estimates of the proportion of respondents who reported that they had contact with a staff person or employment program since random assignment. There are differences on this measure between the survey reports and the MIS data because the survey captured all participation, not just participation while someone was receiving TANF or was involved in ERA, whereas MIS data capture only ERA participation or participation while someone was receiving TANF. To the extent that the MIS data under- or overestimate participation, the cost estimates may also under- or overestimate the costs of ERA and welfare-to-work activities.

<sup>27</sup>The exception is the Riverside PASS program, in which a small number of control group members received post-TANF services.



The level of support services that were provided to clients was estimated from financial records or from individual payment records, depending on the site. Chapters 2 to 4 discuss the types of support services that each program offered.

### **Financial Benefits**

As discussed above, it was expected that ERA programs would have effects on three main financial outcomes: (1) earnings and fringe benefits, (2) taxes and credits, and (3) public assistance payments and associated administrative costs.

The programs' effects on earnings and public assistance were measured directly, using administrative data. Their effects on fringe benefits, state and federal taxes and credits, Medicaid, and the costs of administering the public assistance payments were estimated. Medicaid costs were estimated based on administrative eligibility data, and average Medicaid payments were estimated based on family size at the time of entry into the study. Income taxes and credits were based on state and federal tax rules in 2003. Public assistance administration costs were based on estimates provided by welfare agencies and were applied in each month that an individual received the benefit. Support services in Riverside PASS and the postemployment stipend in Texas were measured directly from data. Appendix A presents the details of the ERA benefit-cost methodology.

### **Limitations of the Analysis**

This benefit-cost analysis measures only the program effects that are easily monetized. Not included in the analysis are other possible effects, such as the displacement of other workers by program group members, effects on children's achievement and behavior, effects on the value of leisure time, and any effects that are not easily monetized.<sup>28</sup> Appendix I describes how the potential effects on outcomes not included in the analysis could affect the net value and cost-effectiveness of these three ERA programs.

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<sup>28</sup>Because the three ERA programs discussed in this report increased employment, program group members correspondingly had less time for nonmarket activities, or "leisure time." Leisure time is difficult to value because many factors can affect the value that an individual places on it. Some of these factors include the number of work hours that an individual desires, the value of the "reservation wage" (the wage that an individual requires before being willing to work at all), and the wage available to an individual in the labor market — with and without ERA program services. Losses of leisure time have no effect on government budgets, and yet they are a cost to program group members. Thus, if the value of leisure time were taken into account, it is certain that any net social benefit of these three ERA programs would be reduced, because lost leisure time would reduce the benefit to program group members and would have no effect on the government budget. See Greenberg and Robins (2008) for further discussion of estimating the value of leisure time.

The analysis is also limited by the lack of data to measure some effects that can be easily monetized. For example, child care subsidy programs help low-income working parents pay for part of their child care costs. While child care subsidies and sample members' out-of-pocket expenditures for work and child care are easily monetized, these data were not available for or were not used in this analysis.<sup>29</sup>

Assumptions were made in order to estimate effects on some financial outcomes. For example, the benefit-cost analysis assumes a tax credit take-up rate of 100 percent for individuals who were employed, and it estimates their fringe benefits by applying an estimate of average employer spending on fringe benefits to all earnings amounts; the average includes zeroes for those who were employed but not receiving fringe benefits. In addition, as noted above (see "The Benefit-Cost Methodology and Analytic Approach"), assumptions were made about future effects for sample members who did not have five years of follow-up data.

In order to determine whether these assumptions affect the outcome of the benefit-cost analysis, sensitivity analyses assuming alternate future effects and other take-up rates are presented in Appendixes C, E, and F. Alternative assumptions about future effects, the tax credit take-up rate, and fringe benefits do not change whether or not the ERA programs are a net savings or a net cost from any of the three perspectives.

As another consideration, the government budget perspective is defined here as a combination of federal, state, and local government budgets. This is not representative of how government views its budget; each level of government usually examines its own budget separately.

Finally, the benefit-cost analysis values a dollar equally from all three perspectives. Yet it may be appropriate to value a dollar more from the program group perspective, because low-income individuals may value a dollar more than the typical person who pays taxes to the government. Furthermore, effects from the program group perspective are experienced directly by the individual, whereas effects from the government and social perspectives are diffused throughout the population.

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<sup>29</sup>The Chicago ERA program is the only one for which child care subsidy data were available. The inclusion or exclusion of these data does not change the overall results from the perspective of the program group. However, the inclusion of child care subsidy data, relative to exclusion, results in a larger net loss from the government budget perspective and a small net loss from the social perspective (versus a social net gain when child care subsidy data are excluded). To facilitate comparisons of benefit-cost results across the three ERA programs, the analysis in the text excludes the Chicago program's child care subsidy data. See Appendix H for Chicago benefit-cost results that include the child care subsidy.

## Chapter 2

# Costs and Benefits of the Texas ERA Program (Corpus Christi and Fort Worth)

### Description of the Program

The Texas Employment Retention and Advancement (ERA) program was designed to promote job placement, retention, and advancement for applicants and recipients of Temporary Assistance for Needy Families (TANF), most of whom were not working when they entered the program.<sup>1</sup> The program provided both pre- and postemployment services — most unusually, a monthly stipend of \$200 for working TANF leavers, to encourage employment retention and advancement. The Texas ERA program provided a comprehensive set of postemployment services, which, in addition to the stipend, could include support services and assistance with job-related problems, monitoring job performance and issues through regular site visits to employers, reemployment assistance for participants who lost jobs, and support in meeting the requirements for the stipend. ERA postemployment services could continue for as long as an individual was eligible for the stipend.<sup>2</sup>

Corpus Christi also developed a comprehensive system to measure staff performance. The measures focused on key metrics, including participation levels, job placements, retention rates, wage increases, employer site visits, and payment of stipends. Although the staff performance measures evolved somewhat over time, both management and line staff in Corpus Christi took them seriously.

The Texas ERA program was developed by the Texas Department of Human Services (DHS), in coordination with the Texas Workforce Commission (TWC). The program design grew out of a concern with the level of “recidivism” in the TANF caseload in Texas. When the ERA program began, TANF grant levels in Texas were relatively low — the maximum monthly grant for a family of three was \$203. While Texas has a generous earnings disregard (90 percent of earnings are disregarded for four months), most individuals in Texas who take a job will earn enough to leave welfare after the earned income disregard period, but they will

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<sup>1</sup>A third site, Houston, also operated the Texas program. It is not included in the benefit-cost analysis because it did not have any effect on employment and earnings during the follow-up period. For more information about the Texas ERA program, see the Texas interim report (Martinson and Hendra, 2006) or the larger, more recent, ERA final impact report (Hendra et al., 2010).

<sup>2</sup>Individuals who were working 30 hours per week (or those who combined 15 hours per week of work with 15 hours per week of an education or training activity) and who attended some type of employment-related activity each month were eligible for 12 payments after the four-month earned income disregard period ended. The payments did not have to occur in consecutive months.

return to welfare if they lose their job. At the time, DHS was primarily responsible for determining eligibility and overseeing the TANF cash assistance program, while TWC managed TANF employment services. At the local level, all employment services for TANF recipients were coordinated by local workforce development boards, under the guidance of TWC. For ERA, the local workforce development boards in each of the sites contracted with nonprofit organizations to operate the ERA program. Nonprofit organizations were also the providers of the preemployment services for control group members.

Individuals in the Corpus Christi and Fort Worth control groups were assigned to participate in the state's standard welfare-to-work program, called "Choices," which also provided preemployment and limited postemployment services to TANF recipients. In terms of preemployment services, individuals who were assigned to Choices — like their counterparts in the ERA program — also completed an assessment, participated in job search, and were provided a community service job or a volunteer position if they could not find employment. Choices also provided personal service from program staff and support services, but its staff did not typically engage in longer-term career planning. The Choices postemployment services generally lasted only for the duration of the earnings disregard period and consisted primarily of monthly contacts with participants to verify employment status. As was the case for ERA program group members, participation in Choices was mandatory for most control group TANF recipients.<sup>3</sup> The postemployment phase following the four-month earnings disregard period was the major difference between the program and control group services — particularly, the postemployment stipend and postemployment services.

The Texas ERA test examines whether job search assistance, postemployment assistance from program staff (which could include employer site visits and reemployment assistance), and a monthly stipend of \$200 for TANF leavers working at least 30 hours a week can improve employment rates, job stability, and job advancement for TANF recipients, compared with a preemployment program that focused on quick job entry and offered limited postemployment services.

Though the ERA program model designs in Corpus Christi and Fort Worth were identical, Corpus Christi implemented the program more smoothly; as a result, improvements that were made in Corpus Christi often were implemented later in Fort Worth. For example, Corpus Christi was the first site to develop a marketing strategy for the postemployment stipend and the first to implement employer site visits for individuals receiving the stipend; both of these innovations were later implemented in Fort Worth.

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<sup>3</sup>A small number of sample members (16 percent to 17 percent in both sites, in both the ERA program and the control groups) were not approved to receive TANF, and so they were never eligible for preemployment or postemployment services.

## Characteristics of the Sample Members at Baseline

Table 2.1 shows selected characteristics of the sample members (both the ERA program group and the control group members combined) at baseline, the point when they entered the study and were randomly assigned to the research groups in these two Texas sites. As expected, given that the program targeted TANF applicants and recipients, employment in the quarter of random assignment was somewhat low, ranging from 43 percent in Fort Worth to 49 percent in Corpus Christi, according to unemployment insurance (UI) records, and only 4 percent to 9 percent of sample members reported being employed at the time of random assignment (not shown).<sup>4</sup> The low levels of employment at this point were also due to the relatively low TANF grant levels in Texas, which meant that few sample members could combine work and welfare. In addition, nearly 15 percent of sample members reported no employment in the past three years, and roughly 40 percent reported employment of a year or less in this same time period.

The sample members in these two sites varied the most in terms of race/ethnicity. In Corpus Christi, the sample members are primarily Hispanic; in Fort Worth, the majority of the sample are black. Over half the sample members in Corpus Christi did not have a high school diploma or a General Educational Development (GED) certificate when they entered the study, while slightly less than half the sample members in Fort Worth were in this group. In both Texas sites, sample members were generally not long-term TANF recipients: about one-third had no history with Aid to Families with Dependent Children (AFDC) or TANF, and an additional 40 percent or more had received assistance for less than two years.

## Participation in Services

### Corpus Christi

The postemployment stipend and accompanying services were the major differences between the ERA program and Choices, the program available to the control group. As shown in Table 2.2, in Corpus Christi, 31 percent of ERA group members received a stipend payment through the end of Texas ERA operations. Among those who received a stipend, the first payment was received, on average, 16 months after random assignment (although this varied widely by sample member), and individuals received an average of eight payments.

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<sup>4</sup>Martinson and Hendra (2006). The research sample in the Texas interim report includes a subsample of people who were randomly assigned through June 2002, whereas the present report covers the full sample in the Texas sites (randomly assigned through December 2002). Thus, the percentage of sample members who were employed at random assignment may vary slightly from what is shown in the interim report.

**The Employment Retention and Advancement Project**

**Table 2.1**

**Selected Characteristics of ERA Sample Members as of Random Assignment:  
Texas**

Characteristic <sup>a</sup>	Corpus Christi	Fort Worth
Gender (%)		
Female	94.3	96.1
Average age (years)	28.7	28.1
Race/ethnicity (%)		
Hispanic	73.9	10.6
Black, non-Hispanic	8.1	67.1
White, non-Hispanic	15.8	21.5
Other	2.2	0.8
Average number of minor children	1.9	2.0
Age of youngest child (%)		
2 or under	49.6	52.1
3 to 5	21.0	18.6
6 or over	29.4	29.4
High school diploma/GED certificate or higher (%)	48.2	55.2
Total prior AFDC/TANF receipt (%)		
None	38.8	35.5
Less than 2 years	40.6	49.8
2 years or more	20.6	14.7
Living in public or subsidized housing (%)	16.5	22.8
Employed in quarter prior to random assignment <sup>b</sup> (%)	48.6	48.2
Employed in quarter of random assignment <sup>b</sup> (%)	49.3	43.2
Employment in the past 3 years (%)		
Did not work	14.5	13.2
Less than 6 months	18.2	22.2
7 to 12 months	18.1	17.5
13 to 24 months	21.3	21.1
More than 24 months	28.0	26.1
As of random assignment, the number of hours worked per week among employed (%)		
1-19 hours	28.5	24.2
20-31 hours	40.9	33.9
32 or more hours	30.7	41.9

(continued)

**Table 2.1 (continued)**

Characteristic <sup>a</sup>	Corpus Christi	Fort Worth
As of random assignment, the hourly wage among employed (%)		
Less than \$5.15	16.5	6.5
\$5.15 to \$6.99	63.2	53.2
\$7.00 to \$9.99	17.3	27.4
\$10.00 or more	3.0	12.9
Sample size	1,727	1,572

SOURCES: MDRC calculations from ERA baseline forms, automated records, and administrative data.

NOTES: <sup>a</sup>Statistics include both program and control group members.

<sup>b</sup>This information is based on unemployment insurance (UI) records.

Table 2.3 presents the program’s impacts on participation and service receipt during the year following random assignment, as reported by respondents to the 12-month survey. The survey demonstrates the differences in experiences between those in the ERA program group and the control group.<sup>5</sup> The first column presents outcomes for the ERA program group; the second column presents outcomes for the control group; and the third column presents the differences between the two groups, or the impacts. As shown in Table 2.3, and focusing only on differences that are statistically significant, program group members, compared with control group members, were more likely to have had contact with a staff person or employment program, to have received help with support services, and to have received help with retention and advancement. In all cases, however, the differences between the ERA program group and the control group are less than 15 percentage points. (Box 2.1 explains how to read the impact tables in the ERA evaluation.)

### **Fort Worth**

Table 2.2 shows that 22 percent of ERA program group members in Fort Worth received a stipend payment. Among those who received a postemployment stipend, the first payment was received, on average, 14 months after random assignment (again, with wide

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<sup>5</sup>The survey results are not the primary source of participation data for the cost estimates, because the survey did not measure the length of time spent in ERA and welfare-to-work activities. However, the survey results do capture the complete measure of participation in services available from ERA and the welfare office, as well as other services available in the community.

**The Employment Retention and Advancement Project**

**Table 2.2**

**Receipt Rates, Timing, and Duration of Stipends in the ERA Program:**

**Texas**

<b>Outcome</b>	
<b><u>Corpus Christi</u></b>	
Ever received a stipend (%)	31.4
Among those receiving a stipend:	
Average number of months to first stipend	15.5
Average amount received (\$)	1,649
Average number of months stipend received	8.2
Number of months to first stipend (%)	
Less than 6	10.6
6 to 12	36.6
13 to 24	34.4
Over 24	18.3
Number of months to last stipend (%)	
Less than 13	6.2
13 to 24	49.8
25 to 36	32.6
Over 36	11.4
<b>Sample size</b>	<b>870</b>
<b><u>Fort Worth</u></b>	
Ever received a stipend (%)	21.9
Among those receiving a stipend:	
Average number of months to first stipend	13.7
Average amount received (\$)	1,694
Average number of months stipend received	8.5
Number of months to first stipend (%)	
Less than 6	12.8
6 to 12	41.9
13 to 24	33.1
Over 24	12.2
Number of months to last stipend (%)	
Less than 13	8.1
13 to 24	50.0
25 to 36	32.6
Over 36	9.3
<b>Sample size</b>	<b>784</b>

SOURCE: MDRC calculations from ERA program tracking data.



**The Employment Retention and Advancement Project**

**Table 2.3**

**Impacts on Participation and Service Receipt:**

**Texas**

Outcome (%)	ERA Group	Control Group	Difference (Impact)
<b><u>Corpus Christi</u></b>			
Ever participated in any activity <sup>a</sup>	74.0	67.6	6.4
Any contacts with staff person/employment program	60.2	47.7	12.5 **
Participated in a job search activity	62.0	58.2	3.8
Participated in an education/training activity	30.6	22.7	7.9
Received help with support services	43.63	33.21	10.42 *
Received help with retention/advancement	28.5	14.0	14.6 ***
Sample size (total = 290)	141	149	
<b><u>Fort Worth</u></b>			
Ever participated in any activity <sup>a</sup>	88.7	77.5	11.2 *
Any contacts with staff person/employment program	63.0	44.9	18.1 **
Participated in a job search activity	77.4	72.7	4.6
Participated in an education/training activity	38.7	29.5	9.2
Received help with support services	54.6	43.5	11.2
Received help with retention/advancement	31.0	10.9	20.1 ***
Sample size (total = 188)	92	96	

SOURCE: MDRC calculations from participation data in responses to the ERA 12-Month Survey.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the program and control groups. Statistical significance levels are indicated as follows: \*\*\* = 1 percent; \*\* = 5 percent; and \* = 10 percent.

<sup>a</sup>"Any activity" includes job search activities, education/training activities, life skills, and other types of activities.

### Box 2.1

#### How to Read the Impact Tables in the ERA Evaluation

The impact tables in this report use the format illustrated below. The data show a series of participation outcomes for the ERA group and the control group. For example, the table shows that 74 percent of the ERA group and about 68 (67.6) percent of the control group participated in any employment-related activity.

Because individuals were assigned randomly either to the ERA group or to the control group, the effects of the program can be estimated by the difference in outcomes between the two groups. The “Difference (Impact)” column in the table shows the differences between the two research groups’ participation rates — that is, the program’s *impacts* on participation. For example, the impact on participation in any employment-related activity can be calculated by subtracting 67.6 percent from 74.0 percent, yielding 6.4 percentage points.

Differences marked with asterisks are “statistically significant,” meaning that it is quite unlikely that the differences arose by chance. The number of asterisks indicates the level of statistical significance of the impact (the lower the level, the less likely that the impact is due to chance). One asterisk corresponds to the 10 percent level; two asterisks, the 5 percent level; and three asterisks, the 1 percent level. For example, as shown below, the ERA group had a statistically significant impact of 14.6 percentage points at the 5 percent level on the receipt of retention/advancement services.

#### Impacts on Participation and Service Receipt

Outcome (%)	ERA Group	Control Group	Difference (Impact)	
Ever participated in any activity	74.0	67.6	6.4	
Any contacts with staff person/employment program	63.0	44.9	18.1	***
Participated in a job search activity	62.0	58.2	3.8	
Participated in an education/training activity	30.6	22.7	7.9	
Received help with support services	43.6	33.2	10.4	*
Received help with retention/advancement	28.5	14.0	14.6	**

variation in timing among sample members), and individuals received an average of nine payments.<sup>6</sup>

As shown in Table 2.3, and again focusing only on statistically significant differences, program group members, compared with control group members, were more likely to have participated in any activity, to have had contact with a staff person or employment program, and to have received help with retention and advancement.

## Summary of Impact Results

### Corpus Christi

Table 2.4 shows that, over the four-year follow-up period, the Texas ERA program in Corpus Christi increased average quarterly employment and average annual earnings. The program produced statistically significant earnings gains in each year of follow-up, and earnings impacts were larger in the last two years of follow-up than in the first two years (not shown).

Table 2.4 also shows that the ERA program reduced the amount of food stamps received over the follow-up period in Corpus Christi, with decreases in the first two years following random assignment (not shown). There were no statistically significant impacts on TANF amounts over the follow-up period; however, the ERA program group received slightly less in TANF payments than the control group in Years 2 and 3 (not shown).<sup>7</sup> There were no statistically significant impacts on the number of months receiving Medicaid over a two-year follow-up period.

### Fort Worth

As shown in Table 2.4, over the four-year follow-up period, there were no statistically significant differences between the Fort Worth ERA program and control groups in average quarterly employment or annual earnings. The ERA program in Fort Worth increased employ-

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<sup>6</sup>Stipend receipt was lower than anticipated in both Texas sites. There are several possible reasons for this. First, participants were required to obtain employment and work for four months before being eligible for the stipend. Obtaining employment and retaining it for four months may have been difficult for some individuals to do, or they may have forgotten about the stipend by the time they met these eligibility requirements. Second, to be eligible for the stipend, participants were required to attend some sort of employment-related activity during each month of employment. Although both Texas sites started distributing the stipend checks at a monthly workshop later in program operations, which allowed participants to get their checks and meet the requirement at the same time, the participation requirement may have been an obstacle to some in receiving the postemployment stipend.

<sup>7</sup>For full impact results, see Hendra et al. (2010).

**The Employment Retention and Advancement Project**

**Table 2.4**

**Impacts on Economic Outcomes:**

**Texas**

Outcome	ERA Group	Control Group	Difference (Impact)
<b><u>Corpus Christi</u></b>			
<b><u>Years 1-4</u></b>			
Average quarterly employment (%)	51.7	48.0	3.7 **
Earnings (\$)	20,043	17,483	2,559 ***
Number of months receiving TANF	9.6	10.4	-0.8 *
Amount of TANF received (\$)	1,710	1,819	-109
Number of months receiving food stamps	25.1	26.0	-0.9 *
Amount of food stamps received (\$)	7,757	8,207	-450 **
<b><u>Years 1-2</u></b>			
Number of months receiving Medicaid	13.5	13.5	0.0
Sample size (total = 1,727)	870	857	
<b><u>Fort Worth</u></b>			
<b><u>Years 1-4</u></b>			
Average quarterly employment (%)	48.5	46.9	1.6
Earnings (\$)	22,822	21,026	1,796
Number of months receiving TANF	11.7	12.0	-0.3
Amount of TANF received (\$)	2,177	2,211	-33
Number of months receiving food stamps	23.6	23.0	0.6
Amount of food stamps received <sup>a</sup> (\$)	8,031	7,544	487 **
<b><u>Years 1-2</u></b>			
Number of months receiving Medicaid	13.6	13.1	0.5
Sample size (total = 1,572)	784	788	

(continued)

### Table 2.4 (continued)

SOURCE: Economic impacts are based on MDRC calculations from administrative records from the State of Texas.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the program and control groups. Statistical significance levels are indicated as follows: \*\*\* = 1 percent; \*\* = 5 percent; and \* = 10 percent.

Dollar averages include zero values for sample members who were not employed or were not receiving TANF or food stamps.

This table includes only employment and earnings in jobs covered by the Texas unemployment insurance (UI) program. It does not include employment outside Texas or in jobs not covered by UI (for example, "off-the-books" jobs, some agricultural jobs, and federal government jobs).

<sup>a</sup>The statistical significance may be sensitive to outliers.

ment and earnings in Years 2 and 3, but the impact eventually faded, and there were no statistically significant differences between the ERA and control groups in Year 4 (not shown).

Table 2.4 shows that, over the cumulative follow-up period, the ERA program in Fort Worth increased the amount of food stamps received. For reasons that are unclear, the ERA program increased the amount of food stamps received in each of the first three years following random assignment. In Year 4, the average ERA program group member received more food stamps than the average control group member, but the increase was not statistically significant (not shown). There were no statistically significant impacts on TANF amounts over the four-year follow-up period.<sup>8</sup> There were no statistically significant impacts on the number of months receiving Medicaid over a two-year follow-up period.

## Costs of Operating the Program

This section presents estimates of the cost of operating the Texas ERA program and the cost of providing services to control group members in Corpus Christi and Fort Worth. As discussed in Chapter 1, the cost over and above what is spent on the control group for the ERA program is referred to as the "net cost."<sup>9</sup>

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<sup>8</sup>For full impact results, see Hendra et al. (2010).

<sup>9</sup>As is standard practice, the benefit-cost analysis does not test for the statistical significance of any of the results or estimates used in the analysis.

## Corpus Christi

### *ERA and Choices Expenditures*

As discussed above, sample members were randomly assigned either to the program group, whose members participated in the ERA program, or to a control group, whose members participated in Texas's standard welfare-to-work program, Choices. The assignment took place during the TANF application or recertification interview, and those who were not approved for TANF did not receive services; these individuals were assigned a cost of zero in the analysis. The ERA program provided services to individuals from the point when they began receiving TANF, and services continued after they found employment and were receiving the post-TANF stipend. In contrast, the Choices program generally provided services only while individuals were receiving TANF.

The costs of ERA program services are divided into two types: (1) the costs of services provided to ERA program group members while they were receiving TANF and (2) the costs of providing postemployment services after the program group members had found employment and were receiving the stipend. As shown in the upper panel of Table 2.5, the cost of providing pre- and post-TANF services to ERA program group members averaged \$442 per person per month. ERA program group members received about 2.0 months of services during their first year while they were on TANF and about 2.6 months of post-TANF services during the first two years.<sup>10</sup> Many participants started or continued to receive the stipend in their second year following random assignment.

The monthly cost of providing Choices services to the control group averaged \$329 per month, more than \$100 less than the ERA monthly cost.<sup>11</sup> Also, control group members spent fewer months, on average, participating in the TANF welfare-to-work program — just 1.1 months (or 55 percent of the time that the ERA program group participated in the program while receiving TANF).<sup>12</sup>

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<sup>10</sup>Detailed data on individuals' participation in post-TANF services were not available. An assumption was made that individuals received post-TANF services during each month in which they received a stipend from the program.

<sup>11</sup>Because cost information was not available for the Corpus Christi Choices program, the monthly cost of providing Choices in Fort Worth was used as an estimate. The programs both followed policies and procedures established by the State of Texas and provided the same types of services, suggesting that monthly cost estimates are similar across the two sites. However, the two sites used different providers, which could have resulted in differences in unit costs.

<sup>12</sup>The cost estimates used participation data from The Workforce Information System of Texas (TWIST), which tracks participation in the TANF employment and training program. For the ERA group, analysis of TWIST data along with analysis of stipend payment data (used to estimate post-TANF participation) provided an estimate of participation in ERA. For the control group members, who were not eligible for the stipends, the

(continued)

As the upper panel of Table 2.6 shows, the Corpus Christi ERA program spent about \$2,033 per person on ERA services, which is composed of \$884 for the period when clients received TANF and \$1,149 for the period after they had exited TANF and were receiving post-TANF services. This is substantially higher than the cost spent per control group member on welfare-to-work services, which was just \$362, or \$1,671 less than the cost per ERA program group member.

### *Education and Training Expenditures*

The costs associated with time spent by ERA and Choices staff in referring clients to education and training and in monitoring their participation are covered in the ERA and Choices costs presented in the previous section. However, the costs of providing the education services are generally incurred by state education agencies. Unit cost estimates for basic education (adult basic education [ABE], General Educational Development [GED] classes, English as a Second Language [ESL] instruction) and vocational training were based on statewide adult education and vocational education costs, respectively; postsecondary education unit cost estimates were based on community college costs in Corpus Christi. Since program and control group members attended schools in the same community, the same unit cost estimates were applied to both groups, and the difference in average costs is driven by differences in weeks of participation between the two groups.

The Texas ERA program had a strong focus on immediate employment.<sup>13</sup> However, it did provide some flexibility in allowing individuals to meet their participation requirement by undertaking some education and training, such as obtaining a GED certificate. It also allowed individuals to work fewer than 30 hours per week and still get the ERA program's monthly stipend if they were enrolled in school, which could have led to increases in education. Nonetheless, the earlier report from the ERA evaluation noted that staff encouraged participants to focus on employment.

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TWIST data alone were used to estimate participation in Choices. The participation section reports participation from the ERA 12-month client survey, which includes participation in ERA and Choices as well as services that individuals may have sought out on their own. Both sources found that the ERA program group participated in program services to a greater degree than the control group. The survey estimated a net (ERA group-control group) difference in having had any contact with a staff person or employment program of 12.5 percentage points, and it estimated a difference in participating in any activity (including job search, education and training, life skills, and other types of activities) of 6.4 percentage points. The TWIST and stipend payment data (used for the Corpus Christi cost analysis) showed a participation difference of 14.8 percentage points. To the extent that the TWIST data underestimate the difference in participation between the ERA program group and the control group, the net cost estimates may be underestimated; similarly if the TWIST data overestimate the differences in participation, then the net cost estimates may be overstated in this analysis. See Appendix A for more information about the methodology of ERA benefit-cost estimation.

<sup>13</sup>Martinson and Hendra (2006).

**The Employment Retention and Advancement Project**

**Table 2.5**

**Estimated Unit Costs and Participation  
(in 2008 Dollars):**

**Texas**

Component	Average Cost per Unit of Participation (\$)		Average Length of Participation <sup>a</sup>	
	ERA Group	Control Group	ERA Group	Control Group
<b><u>Corpus Christi</u></b>				
<u>ERA and welfare-to-work operations</u>				
While on TANF	442	329	2.0	1.1
After TANF	442	NA	2.6	NA
<u>Education and training</u>				
ABE, GED, ESL	134	134	1.7	1.9
Postsecondary education	364	364	3.4	2.9
Vocational training	330	330	0.6	0.4
<b><u>Fort Worth</u></b>				
<u>ERA and welfare-to-work operations</u>				
While on TANF	542	329	2.0	1.4
After TANF	542	NA	1.9	NA
<u>Education and training</u>				
ABE, GED, ESL	134	134	3.5	1.8
Postsecondary education	205	205	2.1	3.7
Vocational training	330	330	1.7	1.5

SOURCES: MDRC calculations based on fiscal and participation data from Workforce Solutions for Tarrant County, WorkSource of the Coastal Bend, ERA program tracking data, The Workforce Information System of Texas (TWIST), Texas Education Agency, Texas Higher Education Coordinating Board, U.S. Department of Education, and ERA 12-Month Survey.

NOTES: NA = not applicable. In this case, the control group did not receive post-TANF services from the welfare agency.

Estimates reflect discounting and adjustment for inflation.

Tests of statistical significance were not performed.

<sup>a</sup>Average length of participation is measured in months for ERA and welfare-to-work services and in weeks for education and training activities.



**The Employment Retention and Advancement Project**

**Table 2.6**

**Estimated Gross and Net Costs per Sample Member  
(in 2008 Dollars):**

**Texas**

Component	ERA Group	Control Group	Net Cost
<b><u>Corpus Christi</u></b>			
<u>ERA and welfare-to-work operations</u>			
While on TANF	884	362	522
After TANF	1,149	0	1,149
Subtotal	2,033	362	1,671
<u>Education and training</u>			
ABE, GED, ESL	224	260	-36
Postsecondary education	1,224	1,065	159
Vocational training	193	143	50
Subtotal	1,641	1,468	173
<u>Support services</u>			
Stipends	562	0	562
Subtotal	562	0	562
Total gross and net costs	4,236	1,830	2,406
<b><u>Fort Worth</u></b>			
<u>ERA and welfare-to-work operations</u>			
While on TANF	1,084	461	623
After TANF	1,030	0	1,030
Subtotal	2,114	461	1,653
<u>Education and training</u>			
ABE, GED, ESL	465	240	224
Postsecondary education	422	768	-346
Vocational training	555	492	63
Subtotal	1,442	1,500	-58
<u>Support services</u>			
Stipends	405	0	405
Subtotal	405	0	405
Total gross and net costs	3,961	1,961	2,000

(continued)

### **Table 2.6 (continued)**

SOURCES: MDRC calculations based on fiscal and participation data from Workforce Solutions for Tarrant County, WorkSource of the Coastal Bend, ERA program tracking data, The Workforce Information System of Texas (TWIST), TANF administrative records from the State of Texas, Texas Education Agency, Texas Higher Education Coordinating Board, U.S. Department of Education, and ERA 12-Month Survey.

NOTES: Rounding may cause slight discrepancies in calculating sums and differences.

Estimated ERA and welfare-to-work costs while on TANF and services received in the community include services received within one year after random assignment; post-TANF services include services received within two years. Stipends cover the period when the program was operating.

Estimates reflect discounting and adjustment for inflation.

Tests of statistical significance were not performed.

Data from the 12-month survey indicate that while the ERA program group's participation in education and training activities did not differ significantly from that of the control group, the program group spent slightly more time in postsecondary education and vocational training activities and spent slightly less time in basic education. Because postsecondary education is more expensive than basic education, the cost of providing education and training services to the ERA program group exceeded the control group costs by \$173 per program group member (Table 2.6).

#### ***Stipends***

As discussed above, the Texas ERA program provided a stipend payment of \$200 per month for up to 12 months to ERA participants who had left TANF and worked 30 hours per week or who combined 15 hours per week of employment with an education and training activity that also lasted 15 hours per week. Individuals were eligible for the stipend after a four-month period of employment, during which they received an earned income disregard.

The receipt of the stipend was contingent on participants' finding employment, receiving the entire four-month earned income disregard, and working 30 hours per week, unless they were in education or training. They also had to attend some type of employment-related activity each month while receiving the stipend. All of this may have discouraged or precluded some program group members from receiving the benefit. Overall, 31 percent of Corpus Christi program group members received at least one stipend. Including those who did not receive a stipend as zeros in the calculation, ERA program group members received, on average, \$562 in stipends. Control group members were not eligible for stipends.

#### ***Net Cost***

As Table 2.6 shows, the overall net cost of the ERA program was \$2,406 per ERA program group member. The majority of the program costs were from the provision of ERA pre- and post-TANF services (\$1,671, or 69 percent of the total), followed by the cost of stipends

(\$562, or 23 percent). The net cost for education and training was \$173 (7 percent of the total net cost).

## **Fort Worth**

### *ERA and Choices Expenditures*

Similar to the analysis for Corpus Christi, the costs of providing ERA services in Fort Worth are divided into two types: (1) the costs of services provided to ERA participants while they were receiving TANF and (2) the costs of providing the postemployment services after they had found employment, left TANF, and were receiving the stipend.

As Table 2.5 shows, the cost of providing pre- and post-TANF services to Fort Worth ERA program group members amounted to about \$542 per person per month — higher than the cost of providing such services in the Corpus Christi site as well as in the other ERA programs discussed in this report. Fort Worth used the Choices contractor for job search services but contracted with a second organization to provide counseling and management services to the ERA program group. A third organization provided services for treating drug and alcohol abuse.

Overall, Fort Worth ERA program group members received about 2.0 months of services during their first year of follow-up while they were on TANF, which is the same level of participation as in the Corpus Christi ERA group. They received about 1.9 months of post-TANF services during the first two years after random assignment. Most who received stipends received some or all of their stipends during the second year following random assignment.

The cost of providing Choices services to the Fort Worth control group averaged \$329 per month — less than the ERA monthly cost. The control group spent 1.4 months participating in the TANF welfare-to-work program.<sup>14</sup>

Table 2.6 shows the average gross costs in Fort Worth for both research groups and the net cost of the ERA program. In total, the ERA program spent about \$2,114 per person on ERA services; \$1,084 was spent per person in the period when individuals were receiving TANF, and

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<sup>14</sup>Similar to the Corpus Christi analysis, the Fort Worth cost analysis relied on participation as reported in TWIST and stipend payment data (see footnote 12). This analysis estimated a participation difference of 13.1 percentage points. The survey, which captures participation in ERA and Choices as well as services that individuals may have sought out on their own, estimated a net (ERA group-control group) difference in having had any contact with a staff person or employment program of 18.1 percentage points and a difference in participation in any activity of 11.2 percentage points. To the extent that the TWIST data underestimate the difference in participation between the ERA program group and the control group, the net cost estimates may be underestimated; similarly if the TWIST data overestimate the differences in participation, then the net cost estimates may be overstated in this analysis. See Appendix A for more information about the methodology of ERA benefit-cost estimation.

\$1,030 was spent after individuals had exited TANF and were receiving post-TANF services. As a result of a lower monthly cost and lower levels of participation compared with those of program group members, the cost per control group member of welfare-to-work services was just \$461, which is \$1,653 less than the gross cost per ERA program group member.

### *Education and Training Expenditures*

Based on data from the 12-month survey, there was little difference between the Fort Worth program group and the control group in their overall average number of weeks in education and training activities. But program group members spent more time in basic education and less time in postsecondary education activities than did control group members. Because postsecondary education is more costly than basic education, the ERA program spent \$58 less per person on education and training than did the control program (Table 2.6).

### *Stipends*

Only 22 percent of the Fort Worth ERA program group received a stipend at some point while enrolled in the ERA program (Table 2.2). As discussed above, the Fort Worth site had a difficult time marketing the stipend to its clients. Also, some individuals did not qualify for stipends because they did not find jobs, did not work enough hours, or did not work longer than the four-month earned income disregard period. As shown in the lower panel of Table 2.6, members of the ERA program group received, on average, \$405 in stipends (including zeros for those who never received a stipend).

### *Net Cost*

The bottom row of Table 2.6 shows the overall net cost of the Fort Worth ERA program: \$2,000 per person. Most of the net cost for ERA was for the provision of work-related services (\$1,653, or 83 percent of the total), followed by stipends, which averaged \$405 (20 percent of the total). In Fort Worth, ERA education and training services that were received outside the ERA program cost about the same as those for the control group (\$58 less).

## **Impacts on Financial Costs and Benefits of the Program**

Table 2.7 shows the estimated impacts of the Texas ERA program on financial costs and benefits per ERA program group member during the five-year time period in both Corpus Christi and Fort Worth. As discussed in Chapter 1, the five-year time frame includes an observation period and a projection period (for the few sample members who do not have five years of data). The first column of the table presents observed financial outcomes for the ERA program group; the second column presents observed financial outcomes for the control group; and the third column presents the differences between the two groups, or the impacts on

**The Employment Retention and Advancement Project**

**Table 2.7**

**Estimated Impacts on Financial Outcomes During the Observation Period,  
Projection Period, and Within Five Years After Random Assignment  
(in 2008 Dollars):**

**Texas**

Type of Payment or Cost (\$)	Observed		Difference (Impact)	Projected	Observed and Projected
	ERA Group	Control Group		Projected Impact	Five-Year Impact
<b><u>Corpus Christi</u></b>					
<b><u>Earnings and benefits</u></b>					
Earnings	25,705	22,320	3,385	149	3,535
Fringe benefits <sup>a</sup>	3,730	3,239	491	22	513
Total earnings and fringe benefits	29,435	25,558	3,877	171	4,048
<b><u>Taxes and credits</u></b>					
Tax payments <sup>b</sup>	-3,500	-3,019	-481	-33	-514
Earned income credits	5,778	5,342	436	7	443
Child tax credits <sup>c</sup>	649	536	113	8	121
Total tax payment or refund <sup>d</sup>	2,927	2,859	68	-18	50
<b><u>Public assistance</u></b>					
Welfare payments	2,189	2,323	-134	0	-134
Food stamps	12,353	12,893	-541	0	-541
Medicaid	8,371	8,683	-312	0	-312
Total public assistance	22,913	23,899	-987	0	-987
<b><u>Public assistance administration</u></b>					
Welfare payments	567	602	-35	0	-35
Food stamps	2,483	2,592	-109	0	-109
Medicaid	410	425	-15	0	-15
Total public assistance administration	3,460	3,619	-159	0	-159

(continued)

financial outcomes, over the observation period. The fourth column shows the projected impacts and covers the time period beyond the observation period to five years following random assignment. The projections, however, do not affect the estimates much because the projection period is usually one year or less and many costs and benefits were assumed to have no impact beyond the observation period.<sup>15</sup> The fifth column of the table shows the five-year

<sup>15</sup> Assumptions about what happens to impacts after the observation period are based on examining trends for the full sample's observed data. For more information about projection assumptions and projected impact calculations, see Appendixes B and C.

**Table 2.7 (continued)**

Type of Payment or Cost (\$)	Observed		Difference (Impact)	Projected	Observed and Projected
	ERA Group	Control Group		Projected Impact	Five-Year Impact
<b><u>Fort Worth</u></b>					
<u>Earnings and benefits</u>					
Earnings	28,813	26,666	2,147	0	2,147
Fringe benefits <sup>a</sup>	4,181	3,869	311	0	311
Total earnings and fringe benefits	32,993	30,535	2,458	0	2,458
<u>Taxes and credits</u>					
Tax payments <sup>b</sup>	-4,056	-3,710	-347	0	-347
Earned income credits	5,472	5,466	6	0	6
Child tax credits <sup>c</sup>	923	844	78	0	78
Total tax payment or refund <sup>d</sup>	2,338	2,600	-262	0	-262
<u>Public assistance</u>					
Welfare payments	2,769	2,837	-68	0	-68
Food stamps	12,789	12,094	694	0	694
Medicaid	8,949	8,897	52	0	52
Total public assistance	24,507	23,828	678	0	678
<u>Public assistance administration</u>					
Welfare payments	717	735	-18	0	-18
Food stamps	2,571	2,431	140	0	140
Medicaid	438	436	3	0	3
Total public assistance administration	3,726	3,602	125	0	125

(continued)

estimated financial impacts, which include observed and projected data and are used to estimate the net present value, the figure in the benefit-cost analysis that shows whether the program resulted in a net increase or net decrease from three different perspectives.

## **Corpus Christi**

### *Earnings and Fringe Benefits*

Over the five years following random assignment in Corpus Christi, ERA program group members had, on average, higher earnings and fringe benefits than control group members (Table 2.7). The five-year estimated increase in earnings and fringe benefits is \$4,048 per program group member.

**Table 2.7 (continued)**

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of Texas unemployment insurance (UI) earnings, and published data on tax rates, employee fringe benefits, and Medicaid benefits.

NOTES: Five-year estimates include observed follow-up as well as projected follow-up. Observed follow-up varies depending on when a person entered the study (from 9 to 17 quarters for Medicaid, from 17 to 21 quarters for welfare and food stamps, from 19 to 21 quarters for earnings).

Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

<sup>a</sup>These include employer-paid health and life insurance, pension contributions, and worker's compensation.

Paid leave is captured directly by the earnings estimate. Employee-paid Social Security and Medicare taxes are included as tax payments.

<sup>b</sup>Tax payments include federal, sales tax, and employee-paid Social Security and Medicare taxes. The government budget perspective includes employer-paid Social Security and Medicare taxes. Texas does not have a state income tax.

<sup>c</sup>Child tax credits include the federal Child Tax Credit and the federal Additional Child Tax Credit.

<sup>d</sup>Negative values indicate that net taxes are a payment, and positive values indicate that net taxes are a refund. Net taxes can be a refund because the Earned Income Tax Credit and Additional Child Tax Credit are refundable credits, or, in other words, because the credits can be greater than tax payments.

### *Taxes and Credits*

Tax liability includes payments for federal income taxes, employee-paid payroll taxes, and sales taxes. Tax credits include the Earned Income Tax Credit, Child Tax Credit, and Additional Child Tax Credit.<sup>16</sup> Over the five years following random assignment in Corpus Christi, ERA group members had a greater average estimated tax refund than control group members. The ERA program group had increased tax liability, but tax credits increased slightly more than tax liability, resulting in the program group's receiving a small tax refund. The five-year estimated tax refund is \$50.

### *Public Assistance*

Over the five years following random assignment in Corpus Christi, program group members received less in public assistance than control group members (Table 2.7). TANF, food stamps, and estimated Medicaid payments were all lower for ERA program group members than for control group members. ERA program group members are estimated to have received \$987 less in public assistance than control group members over five years. Because public assistance payments to the program group were lower, public assistance administration costs were also lower (by \$159 over five years).

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<sup>16</sup>Texas does not have a state income tax. Employer-paid payroll taxes are included from the government perspective in the discussion of net present value in the next section of this chapter.

## **Fort Worth**

### *Earnings and Fringe Benefits*

Over the five years following random assignment in Fort Worth, ERA program group members experienced higher average earnings and fringe benefits than control group members (Table 2.7). The five-year estimated earnings and fringe benefits increase is \$2,458 per ERA program group member.

### *Taxes and Credits*

Over the five years following random assignment in Fort Worth, program group members are estimated to have paid \$262 more in taxes than control group members (Table 2.7). Because earnings increased for ERA program group members, tax liability also increased; however, tax credits increased only by a small amount and, thus, left ERA program group members paying more in taxes than control group members. Tax payments were higher in Fort Worth than in Corpus Christi because average earnings were higher in Fort Worth.

### *Public Assistance*

Over the five years following random assignment in Fort Worth, program group members received \$678 more in public assistance than the control group (Table 2.7). ERA program group members received slightly less in TANF payments than the control group. From all other types of public assistance, the program group received more than the control group; however, most of this increase is due to increases in food stamps.

Because public assistance payments increased for ERA program group members, public assistance administration costs also increased for the ERA group, compared with costs for the control group. Over five years, public assistance administration costs for the ERA group increased \$125.

## **Net Present Value, by Analytical Perspective**

Table 2.8 summarizes the Texas program's monetary effects from the perspectives of the ERA program group, the government budget, and society as a whole. The analysis shows the difference between the ERA program group and control group over five years, as is discussed in the preceding section. Positive numbers in the table indicate a gain from the given perspective, and negative numbers indicate a loss from the given perspective.



**The Employment Retention and Advancement Project**

**Table 2.8**

**Five-Year Estimated Net Value,  
by Accounting Perspective (in 2008 Dollars):**

**Texas**

Component	Program Group	Government Budget	Social
<b><u>Corpus Christi</u></b>			
<b><u>Financial effects</u></b>			
Earnings	3,535	0	3,535
Fringe benefits <sup>a</sup>	513	0	513
Tax payments <sup>b</sup>	-514	784	0
Earned income credits	443	-443	0
Child tax credits <sup>c</sup>	121	-121	0
Welfare payments	-134	134	0
Food stamps	-541	541	0
Medicaid	-312	312	0
Postemployment stipend	562	-562	0
Public assistance administration <sup>d</sup>	0	159	159
Employment and training costs	0	-1,844	-1,844
<b>Net gain or net loss (net value)</b>	<b>3,673</b>	<b>-1,041</b>	<b>2,362</b>
<b><u>Fort Worth</u></b>			
<b><u>Financial effects</u></b>			
Earnings	2,147	0	2,147
Fringe benefits <sup>a</sup>	311	0	311
Tax payments <sup>b</sup>	-347	511	0
Earned income credits	6	-6	0
Child tax credits <sup>c</sup>	78	-78	0
Welfare payments	-68	68	0
Food stamps	694	-694	0
Medicaid	52	-52	0
Postemployment stipend	405	-405	0
Public assistance administration <sup>d</sup>	0	-125	-125
Employment and training costs	0	-1,595	-1,595
<b>Net gain or net loss (net value)</b>	<b>3,279</b>	<b>-2,376</b>	<b>738</b>

(continued)

**Corpus Christi**

As shown in the upper panel of Table 2.8, program group members and society experienced net financial increases from the ERA program in Corpus Christi (the first and third columns), and the government experienced a net financial decrease (the second column).

**Table 2.8 (continued)**

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of Texas unemployment insurance (UI) earnings, postemployment stipend payment records, and published data on tax rates, employee fringe benefits, and Medicaid benefits. Employment and training costs are based on fiscal and participation data from Workforce Solutions for Tarrant County, WorkSource of the Coastal Bend, ERA program tracking data, The Workforce Information System of Texas (TWIST), Texas Education Agency, Texas Higher Education Coordinating Board, U.S. Department of Education, and ERA 12-Month Survey.

NOTES: Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

<sup>a</sup>These include employer-paid health and life insurance, pension contributions, and worker's compensation.

Paid leave is captured directly by the earnings estimate. Employee-paid Social Security and Medicare taxes are included as tax payments.

<sup>b</sup>Tax payments include federal income taxes, sales tax, and employee-paid Social Security and Medicare taxes.

The government budget perspective includes employer-paid Social Security and Medicare taxes. Texas does not collect state income taxes.

<sup>c</sup>Child tax credits include the federal Child Tax Credit and the federal Additional Child Tax Credit.

<sup>d</sup>Public assistance administration includes welfare payments, food stamps, and Medicaid.

Over five years, the average program group member in Corpus Christi gained \$3,673 from the ERA program. The net benefits were driven by the gains in earnings, which also led to increases in fringe benefits and tax credits. Program group members also experienced a gain from the postemployment stipend. (Though the postemployment stipend is a program cost to the government, it is an increase to program group members.) The gains were greater than the losses from reduced public assistance, resulting in a net gain from the program group perspective in Corpus Christi.

From the government budget perspective, net costs of \$1,041 were mitigated somewhat because there were savings to the government from reductions in public assistance payments and public assistance administration. The government would have been close to breaking even were it not for the cost of the postemployment stipends. Generally, programs that include financial incentives do not intend or expect to save money from the government budget perspective. However, the take-up rate for stipends in the Corpus Christi program was relatively low, resulting in a lower cost for these incentives.

From the social perspective, the ERA program in Corpus Christi had net benefits of \$2,362. The increases in program group members' earnings and fringe benefits were greater than the cost of program operations.

## **Fort Worth**

As shown in the lower panel of Table 2.8, program group members and society had a net financial gain from the ERA program in Fort Worth (the first and third columns), and government had a net financial loss (the second column).

Over five years, program group members in Fort Worth experienced a net financial benefit of \$3,279. The net benefits were driven by higher earnings for program group members than for the control group. There were also gains in fringe benefits, tax credits, food stamps, Medicaid, and the postemployment stipend. (Although increases in Medicaid are treated as a benefit to program group members, the estimated Medicaid claims amount is actually paid to the medical provider.) The net benefits result because the gains for ERA program group members were greater than the small reduction in TANF payments and the higher tax payments.

From the government budget perspective, the ERA program in Fort Worth had net costs of \$2,376. In addition to employment and training operating costs, there were sizable costs from food stamps and the postemployment stipend. For reasons that are unclear, the ERA program led to increases in food stamp payments in Fort Worth but not in Corpus Christi. The only savings to the government were from increased tax payments and a small decrease in TANF payments.

From the social perspective, the Fort Worth ERA program had net benefits of \$738. The gains to program group members from earnings and fringe benefits were greater than the costs of program operations and public assistance administration.



## Chapter 3

# Costs and Benefits of the Chicago ERA Program

### Description of the Program

The Chicago Employment Retention and Advancement (ERA) program was a mandatory, work-focused, retention and advancement program operated by a for-profit company.<sup>1</sup> The program operator played an employment intermediary role and provided, through ongoing staff-client relationships, a combination of services to employed participants; the services included targeted job search assistance and help identifying and accessing employers and jobs that had career ladders. Chicago ERA staff had strong existing relationships with local employers. This enabled them to direct clients to particular firms that had open positions. The target population (and Chicago ERA research sample) consisted of recipients of Temporary Assistance for Needy Families (TANF) in select Cook County welfare offices who reported at least 30 hours per week of work for at least six consecutive months.

The Chicago ERA program also provided incentives for participants and for program staff. Participants received incentives for participation and achieving specific milestones, such as starting a better job, keeping the job for 90 days, and enrolling in an education and training program. In addition, employed recipients who remained in contact with the program could come to the office to pick up monthly transit passes. ERA program staff were given specific quarterly performance goals and could earn financial bonuses for meeting or exceeding these targets. Initially the targets were defined somewhat narrowly: staff needed to help participants raise their hourly wages or increase their work hours to generate at least a 6 percent increase in gross earnings. Later in the program, the program managers revamped and broadened the system to reward other outcomes. For example, the revised system gave credit for helping participants enroll in education or training, open a bank account, or obtain the Earned Income Tax Credit (EITC).

Control group members in the Chicago ERA test could receive employment-related services normally provided to recipients of cash assistance. In the event of job loss or reduced work hours, control group members were required to participate in job search services (or to increase their work hours) in order to maintain their TANF eligibility. Welfare agency staff serving fully employed control group members provided some advancement encouragement or assistance, but the extent of this appears to have varied across the welfare offices, and, on the

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<sup>1</sup>For more information on the Chicago ERA program, see the Chicago interim report (Bloom, Hendra, and Page, 2006) or the larger, more recent, ERA final impact report (Hendra et al., 2010).

**The Employment Retention and Advancement Project**

**Table 3.1**

**Selected Characteristics of ERA Sample Members as of Random Assignment:  
Chicago**

Characteristic <sup>a</sup>	Total
Gender (%)	
Female	99.3
Average age (years)	33.3
Race/ethnicity (%)	
Hispanic	8.0
Black, non-Hispanic	87.5
White, non-Hispanic	3.9
Other	0.6
Average number of minor children	3.4
Age of youngest child (%)	
2 or under	26.0
3 to 5	23.3
6 or over	50.7
High school diploma/GED certificate or higher (%)	44.2
Employed in quarter prior to random assignment <sup>b</sup> (%)	58.7
Employed in quarter of random assignment <sup>b</sup> (%)	59.5
As of random assignment, the number of hours worked per week among employed (%)	
1-19 hours	0.6
20-31 hours	50.6
32 or more hours	48.8
Sample size	1,728

SOURCES: MDRC calculations from ERA baseline forms, automated records, and administrative data.

NOTES: <sup>a</sup>Statistics include both program and control group members.

<sup>b</sup>This information is based on unemployment insurance (UI) records.

whole, welfare staff communicated with control group members primarily about compliance issues.

The Chicago ERA test examined whether a work-focused, mandatory advancement program — provided by program staff in a for-profit employer intermediary — can move employed TANF recipients into better or higher-paying jobs, compared with a less intensive and more retention-oriented program provided by staff at the local welfare agency.

## Characteristics of the Sample Members at Baseline

Table 3.1 shows selected characteristics of the Chicago ERA sample members at baseline, or the point at which they entered the study and were randomly assigned to a research group. These data were drawn from the Illinois Department of Human Services (DHS) statewide welfare database and from the State of Illinois unemployment insurance (UI) wage records. A large proportion of sample members had large families when they entered the study: two-thirds of the ERA sample members had 3 or more children (not shown), and the average number of children was 3.4, compared with a statewide average of 2.7 children per TANF family.<sup>2</sup> This pattern is not surprising, because recipients with larger families qualify for larger grant amounts and, therefore, are able to earn more while maintaining their eligibility for TANF benefits.

Table 3.1 also illustrates other interesting demographic characteristics of the Chicago research sample. The population is predominantly black, non-Hispanic (88 percent), with low levels of education; over half (56 percent) had not completed high school. The ERA target group was also somewhat older than the statewide TANF caseload at the time: ERA sample members were, on average, 33 years old, compared with a statewide average of 29 years old.<sup>3</sup>

Finally, it appears that a large proportion of the ERA population were working outside the formal labor market. Although all sample members had been reporting employment to DHS in the months before they entered the study, only 59 percent had any earnings in UI-covered jobs in the quarter prior to entering the study.

## Participation in Services

Table 3.2 presents the Chicago ERA program's impacts on participation and service receipt during the year following random assignment. The first column shows outcomes for the ERA program group; the second column shows outcomes for the control group; and the third column presents the differences between the two groups, or the program's "impacts."

ERA program group members were more likely than control group members to have had contact with program staff, to have received help with job preparation or job retention and advancement, and to have participated in employment-related activities (Table 3.2).

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<sup>2</sup>Kirby, Fraker, Pavetti, and Kovac (2003).

<sup>3</sup>Kirby, Fraker, Pavetti, and Kovac (2003).

**The Employment Retention and Advancement Project**

**Table 3.2**

**Impacts on Participation and Service Receipt:**

**Chicago**

Outcome (%)	ERA Group	Control Group	Difference (Impact)
Ever participated in any activity <sup>a</sup>	64.0	47.6	16.4 ***
Any contacts with staff person/employment program	61.0	31.3	29.8 ***
Participated in a job search activity	56.5	35.7	20.7 ***
Participated in an education/training activity	23.3	24.9	-1.6
Received help with support services	39.6	35.9	3.7
Received help with retention/advancement	37.0	12.6	24.5 ***
Sample size (total = 598)	306	292	

SOURCE: MDRC calculations from participation data in responses to the ERA 12-Month Survey.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the program and control groups. Statistical significance levels are indicated as follows: \*\*\* = 1 percent; \*\* = 5 percent; and \* = 10 percent.

<sup>a</sup>"Any activity" includes job search activities, education/training activities, life skills, and other types of activities.

## Summary of Impact Results

As shown in Table 3.3, the Chicago ERA program led to increases in earnings and average quarterly employment over the four-year follow-up period. Specifically, the program resulted in a statistically significant increase in earnings in Year 2 but not in any of the other three follow-up years, although there were other quarters in which earnings increased (not shown). It appears that some of the impact on employment is due to moving individuals from the informal labor market (jobs not covered by the UI system) to the formal labor market (UI-covered jobs).

The Chicago ERA program also reduced TANF receipt and decreased the amount of TANF received during a three-year follow-up (Table 3.3). Compared with control group members, ERA program group members received less in TANF payments in each of the three years of follow-up (not shown). Interviews with staff suggested that some sample members in the ERA program group may have left TANF in order to avoid meeting the additional participa-



**The Employment Retention and Advancement Project**

**Table 3.3**

**Impacts on Economic Outcomes:**

**Chicago**

Outcome	ERA Group	Control Group	Difference (Impact)
<b><u>Years 1-4</u></b>			
Average quarterly employment (%)	55.0	52.4	2.6 *
Earnings (\$)	27,869	25,959	1,910 *
<b><u>Years 1-3</u></b>			
Number of months receiving TANF	10.3	13.8	-3.5 ***
Amount of TANF received (\$)	2,334	3,031	-697 ***
Number of months receiving food stamps	30.5	30.2	0.4
Amount of food stamps received (\$)	12,334	11,876	458 **
Number of months receiving Medicaid	33.5	33.0	0.5
Sample size (total = 1,728)	854	874	

SOURCE: Economic impacts are based on MDRC calculations from administrative records from the State of Illinois.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the program and control groups. Statistical significance levels are indicated as follows: \*\*\* = 1 percent; \*\* = 5 percent; and \* = 10 percent.

Dollar averages include zero values for sample members who were not employed or were not receiving TANF or food stamps.

This table includes only employment and earnings in jobs covered by the Illinois unemployment insurance (UI) program. It does not include employment outside Illinois or in jobs not covered by UI (for example, "off-the-books" jobs, some agricultural jobs, and federal government jobs).

tion requirements of the ERA program, and so the decrease in TANF payments may be partially due to a reluctance to comply with the mandatory participation requirements.

The program also produced an increase in the amount of food stamps received over a three-year follow-up period (Table 3.3). In Years 2 and 3, ERA program group members received more in food stamps than the control group (not shown).<sup>4</sup>

<sup>4</sup>For complete impact results, see Hendra et al. (2010).

**The Employment Retention and Advancement Project**

**Table 3.4**

**Estimated Unit Costs and Participation  
(in 2008 Dollars):**

**Chicago**

Component	Average Cost per Unit of Participation (\$)		Average Length of Participation <sup>a</sup>	
	ERA Group	Control Group	ERA Group	Control Group
<b><u>ERA and welfare-to-work operations</u></b>				
ERA and welfare-to-work services	376	218	7.6	5.2
<b><u>Education and training</u></b>				
ABE, GED, ESL	121	121	1.4	1.6
Postsecondary education	240	240	1.1	1.1
Vocational training	222	222	0.3	0.6

SOURCES: MDRC calculations based on fiscal and participation data from Employment and Employer Services, Inc., ERA program records and participant case files, Illinois Department of Human Services, TANF administrative records from the State of Illinois, Illinois Community College Board, U.S. Department of Education, and ERA 12-Month Survey.

NOTES: Estimates reflect discounting and adjustment for inflation.

Tests of statistical significance were not performed.

<sup>a</sup>Average length of participation is measured in months for ERA and welfare-to-work services and in weeks for education and training activities.

## Costs of Operating the Program

### ERA and Welfare-to-Work Operations

The cost estimates of the Chicago ERA program track the costs of time spent on staff-client interactions and job search assistance.<sup>5</sup> They also include the cost of recruiting participants and engaging them in the ERA program, which involved sending out recruitment letters and other outreach materials.

Table 3.4 shows that the cost of operating the ERA program was \$376 per person per month. This is higher than the monthly cost of operating the state TANF welfare-to-work

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<sup>5</sup>As is standard practice, the benefit-cost analysis does not test for the statistical significance of any of the results or estimates used in the analysis.

program that provided services to the control group members, which was estimated to be \$218 per person per month.

The ERA program group also received job search assistance and other work-related services in their first year for a longer period of time than did the control group — for 7.6 months, compared with 5.2 months for the control group (Table 3.4). The Chicago ERA program continued to serve participants who left cash assistance, whereas control group members generally did not continue to receive services from the TANF agency after leaving the program, which likely accounts for the difference in length of service receipt.<sup>6</sup>

Table 3.5 shows that, as a result of the higher monthly cost and additional months of service receipt, the ERA program's net cost was \$1,722 more than the cost of the standard TANF welfare-to-work program. The gross cost per ERA program group member was \$2,858, and the gross cost per control group member was \$1,136.

### **Education and Training Expenditures**

The cost per week of education and training services in the Chicago ERA program was \$121 for basic education, \$222 for vocational training, and \$240 for postsecondary education or training (Table 3.4). (Basic education includes adult basic education [ABE], General Educational Development [GED] classes, and English as a Second Language [ESL] instruction.) While ERA program group members spent less time in education and training activities than the control group, both groups participated only a few weeks in these activities in the first year following random assignment. As noted in the interim report on the Chicago ERA program, staff had a work-first focus and a goal of moving participants as quickly as possible into a new job that paid somewhat more than their current job.<sup>7</sup> Later on in program operations, the focus broadened to include a somewhat stronger emphasis on education and training. However, as

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<sup>6</sup>The Chicago ERA cost analysis estimated program group member participation based on a case-file review of ERA program members' activities for the first 12 months following their random assignment. These data indicate that approximately 78 percent of ERA program group members had face-to-face contact with ERA staff and that 72 percent completed a Career and Income Advancement Plan (CIAP). For the control group, since similar data were not available, participation was estimated by multiplying the number of months that they received TANF by 69.4 percent (the work participation rate among TANF work-eligible cases in the state). The participation estimates used for the cost analysis differ from the estimates presented from the 12-month survey. Survey data indicate that 61 percent of ERA program group members and 31 percent of control group members had any contact with a staff person or employment program and that 64 percent of ERA program group members and 48 percent of control group members participated in any activity. If, in fact, control group members had as little interaction with the welfare-to-work program as reported in the survey, then this cost analysis overestimates the costs of control group services and underestimates the net cost of ERA. See Appendix A for more details.

<sup>7</sup>Bloom, Hendra, and Page (2006).

**The Employment Retention and Advancement Project**

**Table 3.5**

**Estimated Gross and Net Costs per Sample Member  
(in 2008 Dollars):**

**Chicago**

Component	ERA Group	Control Group	Net Cost
<b><u>ERA and welfare-to-work operations</u></b>			
ERA and welfare-to-work services	2,858	1,136	1,722
Subtotal	2,858	1,136	1,722
<b><u>Education and training</u></b>			
ABE, GED, ESL	173	188	-15
Postsecondary education	274	274	0
Vocational training	64	139	-76
Subtotal	510	601	-91
<b><u>Support services</u></b>			
Support service and incentive payments	379	0	379
Subtotal	379	0	379
Total gross and net costs	3,747	1,737	2,010

SOURCES: MDRC calculations based on fiscal and participation data from Employment and Employer Services, Inc., ERA program records and participant case files, Illinois Department of Human Services, TANF administrative records from the State of Illinois, Illinois Community College Board, U.S. Department of Education, and ERA 12-Month Survey.

NOTES: Rounding may cause slight discrepancies in calculating sums and differences.

Estimated ERA and welfare-to-work costs while on TANF and services received in the community include services received within one year after random assignment. Stipends cover the period when the program was operating.

Estimates reflect discounting and adjustment for inflation.

Tests of statistical significance were not performed.

indicated by MDRC's review of program case files, although staff frequently discussed education and training with participants, enrollment in them remained low.

The average cost of providing basic education, vocational training, and postsecondary education to the program group was \$510 per person (Table 3.5). The cost of providing these services to the control group was \$601 per person, resulting in a net savings of \$91 per ERA program group member.

## Support Service Payments

The Chicago ERA program used support service payments to encourage participation. These payments are different from the stipends provided in the Texas sites to individuals who were employed 30 hours per week (discussed in Chapter 2). In Chicago, the payments were in the form of \$10 McDonald's gift certificates that accompanied the introductory letter to the ERA program group, \$50 gift certificates to a local grocery store for individuals who attended the orientation and assessment, \$25 to \$125 gift certificates to a local grocery store for participants who achieved specific milestones, and monthly transit passes worth \$75 for employed TANF recipients who remained in contact with the program. In addition, the ERA program paid for tuition for training programs and for uniforms and equipment needed for jobs. Examples of the training include a 20-hour course to obtain an Illinois Permanent Employee Registration Card, which is needed to work in the security industry, and a short-term certified nursing assistant program. The control group did not receive similar support service payments.

The bottom panel of Table 3.5 shows that the ERA program group received an average of \$379 in support service payments.<sup>8</sup> This includes \$11 that went toward short-term vocational and internship programs. An analysis of a case-file sample of payments for 49 program group members suggests that many of the support service payments were for transportation: a little more than one-third of the payments were for transportation; the rest were for financial incentives, education, and emergency assistance.

## Net Cost

Overall, the estimated total cost per ERA program group member was \$3,747, and the cost per control group member was \$1,737, resulting in a net cost per ERA group member of \$2,010 (the last row of Table 3.5). The largest proportion of the net cost of the Chicago ERA program was the provision of work-related services (\$1,722, or 86 percent of the total), followed by incentives and support services, which cost \$379 (19 percent of the total). The ERA program produced a net *savings* of \$91 regarding education and training.

## Impacts on Financial Costs and Benefits of the Program

Table 3.6 shows the estimated impacts on the costs and benefits of the Chicago ERA program for the average ERA sample member during the five-year time frame. As for all the sites, the five-year time frame includes both an observation period and a projection period — all

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<sup>8</sup>Comparable data on incentives and support services are not available for the control group; therefore, net costs may be overestimated. The control group could have received some types of support service payments that are not captured in the expenditure data.

The Employment Retention and Advancement Project

Table 3.6

Estimated Impacts on Financial Outcomes During the Observation Period,  
Projection Period, and Within Five Years After Random Assignment  
(in 2008 Dollars):

Chicago

Type of Payment or Cost (\$)	Observed		Difference (Impact)	Projected	Observed and Projected
	ERA Group	Control Group		Projected Impact	Five-Year Impact
<b><u>Earnings and benefits</u></b>					
Earnings	32,648	30,324	2,324	-84	2,241
Fringe benefits <sup>a</sup>	4,737	4,400	337	-12	325
Total earnings and fringe benefits	37,385	34,723	2,662	-96	2,566
<b><u>Taxes and credits</u></b>					
Tax payments <sup>b</sup>	-4,435	-4,151	-284	-3	-287
Earned income credits <sup>c</sup>	8,350	7,996	354	-28	326
Child tax credits <sup>d</sup>	1,043	912	132	-2	129
Total tax payment or refund <sup>e</sup>	4,958	4,757	201	-34	168
<b><u>Public assistance</u></b>					
Welfare payments	2,713	3,521	-808	-109	-918
Food stamps	15,290	14,797	493	0	493
Medicaid	26,872	26,040	832	0	832
Total public assistance	44,874	44,358	516	-109	407
<b><u>Public assistance administration</u></b>					
Welfare payments	144	187	-43	-6	-49
Food stamps	3,073	2,974	99	0	99
Medicaid	2,015	1,953	62	0	62
Total public assistance administration	5,232	5,114	119	-6	113

(continued)

**Table 3.6 (continued)**

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of Illinois unemployment insurance (UI) earnings, and published data on tax rates, employee fringe benefits, and Medicaid benefits.

NOTES: Five-year estimates include observed follow-up as well as projected follow-up. Observed follow-up varies depending on when a person entered the study (from 13 to 18 quarters for welfare payments, from 16 to 21 quarters for Medicaid, and from 17 to 21 quarters for earnings).

Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

<sup>a</sup>These include employer-paid health and life insurance, pension contributions, and worker's compensation. Paid leave is captured directly by the earnings estimate. Employee-paid Social Security and Medicare taxes are included as tax payments.

<sup>b</sup>Tax payments include federal and state income taxes, sales tax, and employee-paid Social Security and Medicare taxes. The government budget perspective includes employer-paid Social Security and Medicare taxes.

<sup>c</sup>Earned income credits include federal and state credits.

<sup>d</sup>Child tax credits include the federal Child Tax Credit and the federal Additional Child Tax Credit.

<sup>e</sup>Negative values indicate that net taxes are a payment, and positive values indicate that net taxes are a refund. Net taxes can be a refund because the Earned Income Tax Credit and Additional Child Tax Credit are refundable credits, or, in other words, because the credits can be greater than tax payments.

the observed data as well as a short period in which impacts are projected to five years for people who do not have five years of observed data.

### **Earnings and Fringe Benefits**

Over the five years following random assignment, ERA program group members in Chicago experienced an average increase of \$2,566 in earnings and fringe benefits, compared with the average outcomes for control group members (Table 3.6).<sup>9</sup>

### **Taxes and Credits**

Over the five years following random assignment, Chicago ERA program group members earned more than the average control group member and, therefore, paid more in taxes (Table 3.6). However, because their tax credits were larger than their tax payments, program group members received \$168 more in tax refunds than control group members did.

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<sup>9</sup>The projected impacts on earnings and fringe benefits shown in Table 3.6 are negative because even though full-sample impacts were positive at the end of Year 4, some of the cohorts had negative impacts at the end of the observation period and these negative impacts were projected through Year 5. Each sample member's last four quarters of follow-up were used as the base period for projections of future effects. (Tests for statistical significance were not run on the base period analyzed by cohort.)

## **Public Assistance**

Over the five years following random assignment, ERA program group members in Chicago received \$407 more in public assistance than the control group members (Table 3.6). The largest proportion of payments was from Medicaid (\$832),<sup>10</sup> followed by food stamps (\$493). However, the Medicaid benefits were not received as cash to program group members; rather, these payments were made to medical providers for the care given to program group members. Compared with the control group, program group members received less in TANF payments but received higher payments for all other types of public assistance. (The public assistance estimates in Table 3.6 are based primarily on observed data.)

Because total public assistance payments increased for the ERA program group, public assistance administration costs also increased for the program group and are estimated to be \$113 more than for the control group.

## **Net Present Value, by Analytical Perspective**

As shown in Table 3.7, the Chicago ERA program produced net financial gains from the perspectives of ERA program group members and society as a whole (the first and third columns) and a net loss from the government budget perspective (the second column). Positive numbers in the table indicate a gain from the given perspective, and negative numbers indicate a loss from the given perspective.

The average ERA program participant experienced a net financial benefit of \$3,520 over the five years following random assignment. The net benefit is due to the gains from earnings, fringe benefits, tax credits, food stamps, and Medicaid benefits being greater than losses from higher tax payments and reduced welfare payments.

From the government budget perspective, the Chicago ERA program had net costs of \$2,527 over the five years following random assignment. Although the ERA program reduced TANF payments, it increased other benefits, such as food stamps and Medicaid. It also increased earned income and child tax credits, which more than offset the gains to the government budget that were realized from increased tax payments.

From the social perspective, the Chicago ERA program experienced a net financial gain of \$822 over the five years following random assignment. The gains from earnings and fringe

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<sup>10</sup>The Medicaid benefits received by both the ERA program group and the control group are estimated to be fairly large because both groups had large families and because Medicaid benefits are estimated on the assumption that all family members (based on family size at the time of random assignment) received benefits.



**The Employment Retention and Advancement Project**

**Table 3.7**

**Five-Year Estimated Net Value,  
by Accounting Perspective (in 2008 Dollars):**

**Chicago**

Component	Program Group	Government Budget	Social
<b><u>Financial effects</u></b>			
Earnings	2,241	0	2,241
Fringe benefits <sup>a</sup>	325	0	325
Tax payments <sup>b</sup>	-287	458	0
Earned income credits <sup>c</sup>	326	-326	0
Child tax credits <sup>d</sup>	129	-129	0
Welfare payments	-918	918	0
Food stamps	493	-493	0
Medicaid	832	-832	0
Supportive service payments and incentives <sup>e</sup>	379	-379	0
Public assistance administration <sup>f</sup>	0	-113	-113
Employment and training costs	0	-1,631	-1,631
<b>Net gain or net loss (net value)</b>	<b>3,520</b>	<b>-2,527</b>	<b>822</b>

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of Illinois unemployment insurance (UI) earnings, and published data on tax rates, employee fringe benefits, and Medicaid benefits. Employment and training costs are based on fiscal and participation data from Employment and Employer Services, Inc., ERA program records and participant case files, Illinois Department of Human Services, TANF administrative records from the State of Illinois, Illinois Community College Board, U.S. Department of Education, and ERA 12-Month Survey.

NOTES: Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

<sup>a</sup>These include employer-paid health and life insurance, pension contributions, and worker's compensation. Paid leave is captured directly by the earnings estimate. Employee-paid Social Security and Medicare taxes are included as tax payments.

<sup>b</sup>Tax payments include federal and state income taxes, sales tax, and employee-paid Social Security and Medicare taxes. The government budget perspective includes employer-paid Social Security and Medicare taxes.

<sup>c</sup>Earned income credits include federal and state credits.

<sup>d</sup>Child tax credits include the federal Child Tax Credit and the federal Additional Child Tax Credit.

<sup>e</sup>It is not possible to separate transportation from incentives for participation. Transportation should not be considered a benefit to participants. In principle, the impact on out-of-pocket transportation expenditures should appear in the program group column.

<sup>f</sup>Public assistance administration includes welfare payments, food stamps, and Medicaid.

benefits were greater than the increased cost of administering the public assistance payments and the cost of program operations.<sup>11</sup>

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<sup>11</sup>The Chicago ERA program is the only one in this report for which child care subsidy data were available, but these data are not included in the above calculations. Including these data does not change the results from the program group perspective, but these data do produce a larger net loss from the government budget perspective (-\$3,429) and a small net loss from the social perspective (-\$81). Appendix H presents benefit-cost results for the Chicago ERA program that include child care subsidy data.

## Chapter 4

# Costs and Benefits of the Riverside PASS ERA Program

## Description of the Program

The Riverside County, California, Department of Public Social Services (DPSS) developed the Post-Assistance Self-Sufficiency (PASS) program to promote employment retention and career advancement for working individuals who had left the Temporary Assistance for Needy Families program — TANF “leavers.”<sup>1</sup> The PASS program was part of the Employment Retention and Advancement (ERA) project, and DPSS saw it as a complement to its Phase 2 program, which serves employed TANF recipients, and to its Phase 1 program, which serves out-of-work TANF recipients. PASS provided postemployment services and support service payments to help clients keep their jobs, stay off TANF, and find “better” jobs — that is, jobs that had better pay, hours, benefits, and career advancement opportunities. The program included the following services: assessment of client needs and referral to appropriate program services; counseling and mentoring; reemployment activities, such as supervised job search, résumé preparation assistance, and provision of job leads; life skills workshops; referrals to education and training slots; arranging support service payments, such as for child care, transportation, books, tools, and uniforms; and, as requested by clients, referrals to social service programs to address such matters as domestic violence, substance abuse, and mental health issues.

With one exception, DPSS administrators contracted out PASS program operations to non-DPSS organizations in all areas of the county. Administrators believed that these organizations were more familiar with the jobs and services available in their communities and that TANF leavers would be more likely to work with agencies other than DPSS. The five providers that were selected to deliver PASS program services in their communities included three community-based organizations (CBOs), one community college, and one DPSS office:

1. Center for Employment Training (CET) — serving Indio, Coachella, and Temecula
2. Volunteer Center — serving Corona, Norco, and Lake Elsinore
3. Valley Restart — serving Hemet, San Jacinto, and Perris

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<sup>1</sup>For more information on the Riverside PASS ERA program, see the Riverside PASS interim report (Navarro, van Dok, and Hendra, 2007) or the larger, more recent, ERA final impact report (Hendra et al., 2010).

4. Riverside Community College (RCC) — serving Riverside and Moreno Valley
5. DPSS Rancho Mirage — serving Palm Springs and Rancho Mirage

In creating the control group’s treatment stream, DPSS designated a number of Phase 1 welfare-to-work staff in each of its offices (except Rancho Mirage) to provide a minimal set of postemployment services, such as providing job leads and arranging support services. Individuals who were assigned to the control group had to contact these workers themselves in order to receive services. In addition, control group members were not eligible for the enhanced services offered by the PASS service providers.

Sample members in both research groups were eligible to receive services for up to 12 months after their date of random assignment. In addition, sample members in both research groups retained full eligibility for food stamps, transitional child care and Medi-Cal (California’s Medicaid program), and TANF (if they returned to the rolls), in accordance with the rules of those programs.

The Riverside PASS ERA test examines whether a voluntary program of postemployment services and support service payments — provided through ongoing staff-client relationships in different private sector agencies (including community-based organizations and a community college) — can result in better employment retention and advancement outcomes for former TANF recipients, compared with less intensive postemployment services provided by staff of the local welfare agency.

## **Characteristics of the Sample Members at Baseline**

Table 4.1 shows selected demographic characteristics of PASS sample members at baseline, the point when they entered the study and were randomly assigned to the two research groups. Nearly 80 percent of the sample members were employed in jobs covered by the unemployment insurance (UI) system and had earnings in the quarter prior to random assignment. Among employed individuals, about two-thirds were working full time (32 hours per week or more), and about one-half were earning between \$7 and \$10 per hour. The sample is overwhelmingly female (90 percent), and almost half are Hispanic. Sample members in Riverside had an average of two children in their households at random assignment, and 60 percent had at least one child age 5 or younger, suggesting a need for child care while employed.

**The Employment Retention and Advancement Project**

**Table 4.1**

**Selected Characteristics of ERA Sample Members as of Random Assignment:**

**Riverside PASS**

Characteristic <sup>d</sup>	Total
Gender (%)	
Female	90.0
Average age (years)	31.5
Race/ethnicity (%)	
Hispanic	49.4
Black, non-Hispanic	16.4
White, non-Hispanic	31.6
Other	2.6
Average number of minor children	2.1
Age of youngest child (%)	
2 or under	36.1
3 to 5	23.9
6 or over	40.1
High school diploma/GED certificate or higher (%)	57.3
Total prior AFDC/TANF receipt (%)	
None	4.8
Less than 2 years	51.6
2 years or more	43.6
Living in public or subsidized housing (%)	12.0
Employed in quarter prior to random assignment <sup>b</sup> (%)	76.9
Employed in quarter of random assignment <sup>b</sup> (%)	74.5
Employment in the past 3 years (%)	
Did not work	4.4
Less than 6 months	23.9
7 to 12 months	20.1
13 to 24 months	22.3
More than 24 months	29.3
As of random assignment, the number of hours worked per week among employed (%)	
1-19 hours	4.1
20-31 hours	32.2
32 or more hours	63.6
As of random assignment, the hourly wage among employed (%)	
Less than \$5.15	0.1
\$5.15 to \$6.99	38.9
\$7.00 to \$9.99	50.2
\$10.00 or more	10.8
Sample size	2,770

(continued)

### Table 4.1 (continued)

SOURCES: MDRC calculations from ERA baseline forms, automated records, and administrative data.

NOTES: <sup>a</sup>Statistics include both program and control group members.

<sup>b</sup>This information is based on unemployment insurance (UI) records.

## Participation in Services

Table 4.2 presents the Riverside PASS program's impacts on participation and service receipt during the year following random assignment. As shown in the table, the ERA program group and the control group both participated at very high and nearly equal rates, overall and across most types of services and activities.

These Riverside PASS survey results, however, should be viewed with caution because survey response analysis uncovered some indication of bias and the survey sample is small and covers only part of the random assignment period.<sup>2</sup> Similar to the other sites discussed in this report, the cost analysis for Riverside PASS ERA does not use the 12-month survey to estimate ERA and welfare-to-work participation but, instead, uses data from the program's management information system (MIS).

## Summary of Impact Results

Table 4.3 shows that, over the four-year follow-up period, PASS led to increases in earnings and average quarterly employment. Earnings gains ranging from \$780 to \$970 were seen in each of the four years of the follow-up period for the ERA program group (not shown). The program had no statistically significant impacts on TANF or food stamp payments.<sup>3</sup>

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<sup>2</sup>The survey covers only 224 respondents (or 8 percent of the sample). MDRC removed the survey from the field at an early stage of the fielding effort because the initial implementation research suggested that PASS program group members, on average, were unlikely to be receiving substantially more services than control group members. In addition, a response analysis uncovered some evidence of survey response bias: on several characteristics before random assignment, survey respondents appear to have differed from survey nonrespondents. In addition, while the original sample was slated to cover more cohorts, the sample that was actually fielded was selected from among report sample members who were randomly assigned from October through December 2002, a period that covers only one quarter of the four-quarter full-sample intake period. This raises concerns about how generalizable the survey results are to the full sample. Impacts on key economic outcomes that are measured through administrative records, such as earnings impacts, are weaker for members of the October-December 2002 cohort than for the other random assignment cohorts. For more information on this, see Appendix H in the site's interim report (Navarro, van Dok, and Hendra, 2007).

<sup>3</sup>For complete impact results, see Hendra et al. (2010).

**The Employment Retention and Advancement Project**

**Table 4.2**

**Impacts on Participation and Service Receipt:  
Riverside PASS**

Outcome (%)	ERA Group	Control Group	Difference (Impact)
Ever participated in any activity <sup>a</sup>	76.9	70.0	6.9
Any contacts with staff person/employment program	52.2	55.2	-3.0
Participated in a job search activity	62.2	53.3	8.9
Participated in an education/training activity	42.1	39.9	2.2
Received help with support services	49.0	50.2	-1.2
Received help with retention/advancement	24.4	20.0	4.4
Sample size (total = 224)	120	104	

SOURCE: MDRC calculations from participation data in responses to the ERA 12-Month Survey.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the program and control groups.

Statistical significance levels are indicated as follows: \*\*\* = 1 percent; \*\* = 5 percent; and \* = 10 percent.

<sup>a</sup>"Any activity" includes job search activities, education/training activities, life skills, and other types of activities.

## **Costs of Operating the Program**

### **PASS and Welfare-to-Work Operations**

As discussed above, ERA group members were eligible for the PASS program after they had left TANF and were working.<sup>4</sup> The PASS program consisted of an assessment of the client's needs; counseling and mentoring; reemployment activities, such as job search assistance; life skills workshops; referrals to education and training; and support service payments. As shown in Table 4.4, the costs of these services — which were provided by the five service providers — was estimated to be \$335 per month per person. ERA program group members received about four months of PASS services.

The control group members were also eligible for limited postemployment services, provided by DPSS welfare-to-work staff, although they were not actively recruited, as were

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<sup>4</sup>As is standard practice, the benefit-cost analysis does not test for the statistical significance of any of the results or estimates used in the analysis.

**The Employment Retention and Advancement Project**

**Table 4.3**

**Impacts on Economic Outcomes:  
Riverside PASS**

Outcome	ERA Group	Control Group	Difference (Impact)
<b>Years 1-4</b>			
Average quarterly employment (%)	59.7	56.3	3.4 ***
Earnings (\$)	38,843	35,373	3,470 ***
Number of months receiving TANF	10.1	10.5	-0.5
Amount of TANF received (\$)	5,027	5,157	-131
Number of months receiving food stamps	12.9	13.8	-0.9
Amount of food stamps received (\$)	3,733	3,911	-178
Number of months receiving Medicaid	22.1	22.2	-0.1
Sample size (total = 2,770)	1,627	1,143	

SOURCE: Economic impacts are based on MDRC calculations from administrative records from the State of California.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the program and control groups. Statistical significance levels are indicated as follows: \*\*\* = 1 percent; \*\* = 5 percent; and \* = 10 percent.

Dollar averages include zero values for sample members who were not employed or were not receiving TANF or food stamps.

This table includes only employment and earnings in jobs covered by the California unemployment insurance (UI) program. It does not include employment outside California or in jobs not covered by UI (for example, "off-the-books" jobs, some agricultural jobs, and federal government jobs).

program group members. As a result, their receipt of postemployment services was substantially lower than the ERA program group. Control group members received just 0.8 month of these types of services.<sup>5</sup>

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<sup>5</sup>The Riverside PASS cost estimates presented in this report are based on data from the program's management information system (MIS). Analysis of the MIS data suggested that the program increased the use of retention and advancement services by 38.7 percentage points (Appendix Table A.1). The survey estimated a net (ERA group-control group) difference in having had any contact with a staff person or employment program of -3.0 percentage points and a difference in participating in any activity (including job search, education and training, life skills, and other types of activities) of 6.9 percentage points. As discussed above in the section "Participation in Services," the survey results for Riverside PASS should be viewed with caution (continued)



**The Employment Retention and Advancement Project**

**Table 4.4**

**Estimated Unit Costs and Participation  
(in 2008 Dollars):**

**Riverside PASS**

Component	Average Cost per Unit of Participation (\$)		Average Length of Participation <sup>a</sup>	
	ERA Group	Control Group	ERA Group	Control Group
<b><u>ERA and welfare-to-work operations</u></b>				
While on TANF	356	356	2.5	2.6
After TANF	335	335	4.0	0.8
<b><u>Education and training</u></b>				
ABE, GED, ESL	90	90	2.6	2.1
Postsecondary education	247	247	4.8	4.5
Vocational training	117	117	2.0	3.2

SOURCES: MDRC calculations based on fiscal and participation data from Riverside County Department of Social Services, Riverside DPSS P3 automated program tracking system, TANF administrative records from the State of California, California Department of Education, U.S. Department of Education, and ERA 12-Month Survey.

NOTES: Estimates reflect discounting and adjustment for inflation.

Tests of statistical significance were not performed.

<sup>a</sup>Average length of participation is measured in months for ERA and welfare-to-work services and in weeks for education and training activities.

If ERA program and control group members returned to TANF, they were eligible for the regular welfare-to-work program in Riverside, known as “GAIN,” which stands for “Greater Avenues for Independence.” The cost of providing GAIN services was estimated to be \$356 per month.<sup>6</sup> To the extent that the PASS program had an impact on helping individuals stay off TANF, that could affect the usage of GAIN services. In fact, there was little difference in TANF receipt between the two groups, with the ERA program group receiving 3.3 months and the control group receiving 3.4 months of TANF in the first year of follow-up (not shown). This translates into an estimated use of GAIN services of 2.5 months and 2.6 months, respectively.<sup>7</sup>

because there is some indication of response bias. If the survey is more accurate, then this cost analysis overestimates the net cost of ERA.

<sup>6</sup>The monthly unit cost was based on aggregated cost information across four of the five providers; Rancho Mirage costs were unavailable. The monthly unit cost estimates were \$326 for CET, \$353 for Riverside Community College, \$150 for Valley Restart, and \$419 for the Volunteer Center.

<sup>7</sup>An assumption was made, based on state reports, that 75 percent of the caseload were participating in GAIN while on TANF.

**The Employment Retention and Advancement Project**  
**Table 4.5**  
**Estimated Gross and Net Costs per Sample Member**  
**(in 2008 Dollars):**  
**Riverside PASS**

Component	ERA Group	Control Group	Net Cost
<b><u>ERA and welfare-to-work operations</u></b>			
While on TANF	882	908	-26
After TANF	1,353	275	1,079
Subtotal	2,235	1,183	1,053
<b><u>Education and training</u></b>			
ABE, GED, ESL	231	185	46
Postsecondary education	1,175	1,107	68
Vocational training	232	377	-145
Subtotal	1,638	1,669	-30
<b><u>Support services</u></b>			
Supportive services	16	7	8
Subtotal	16	7	8
Total gross and net costs	3,890	2,858	1,031

SOURCES: MDRC calculations based on fiscal and participation data from Riverside County Department of Social Services, Riverside DPSS P3 automated program tracking system, TANF administrative records from the State of California, California Department of Education, U.S. Department of Education, and ERA 12-Month Survey.

NOTES: Rounding may cause slight discrepancies in calculating sums and differences.

Estimated ERA and welfare-to-work costs while on TANF and services received in the community include services received within one year after random assignment; post-TANF services include services received within 15 months. Support service payments cover the period when the program was operating.

Estimates reflect discounting and adjustment for inflation.

Tests of statistical significance were not performed.

Table 4.5 shows the overall costs per sample member. The estimated gross cost of GAIN services while on TANF was \$882 per ERA program group member and \$908 per control group member. The cost of postemployment services was \$1,353 per ERA group member and just \$275 per control group member. Combined, the TANF agency spent approximately \$2,235 per program group member and \$1,183 per control group member, yielding a net cost of \$1,053 for staff-client interactions and employment services.

## **Education and Training Expenditures**

The weekly cost of basic education in Riverside PASS was estimated to be \$90; the cost of vocational training was estimated to be \$117; and the cost of postsecondary education was estimated to be \$247 (Table 4.4). (Basic education includes adult basic education [ABE], General Educational Development [GED] classes, and English as a Second Language [ESL] instruction.) Even though the PASS providers referred clients to education and training services, the survey in the first follow-up year showed virtually no difference in weeks of participation in education and training activities between the ERA program and control groups. Both groups had participation that was higher than the ERA groups in the other programs discussed in this report, averaging over 2 months in the 12-month follow-up period. (the other programs ranged from less than 1 month to 1.7 months.)<sup>8</sup>

The costs of providing education and training to both groups were high, averaging \$1,638 for the program group and \$1,669 for the control group, although the net difference in cost is negligible (–\$30) (Table 4.5).

## **Support Service Payments**

All five Riverside PASS service providers could provide support service payments to clients for transportation (such as gasoline vouchers and car repair), for the purchase of clothing for job interviews, for books and other school supplies, for rent and utilities, and for other types of support services. However, the cost of these payments was quite low. The bottom panel of Table 4.5 shows that the average cost of support services was \$16 per ERA program group member and \$7 per control group member, resulting in a net cost of \$8 per person.

## **Net Cost**

Overall, the estimated total cost per ERA program group member was \$3,890, and the cost of equivalent services per control group member was \$2,858, resulting in a net cost per ERA program group member of \$1,031 (the last row of Table 4.5). The gross cost per program group member is about what was spent for ERA program group members in the other programs included in this report. However, because the control group in the PASS ERA test received more services than in the other tests, the net cost in Riverside is the lowest of the four sites.

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<sup>8</sup>This analysis is based on the 12-month survey.

The Employment Retention and Advancement Project

Table 4.6

Estimated Impacts on Financial Outcomes During the Observation Period,  
Projection Period, and Within Five Years After Random Assignment  
(in 2008 Dollars):

Riverside PASS

Type of Payment or Cost (\$)	Observed			Projected	Observed and Projected
	ERA Group	Control Group	Difference (Impact)	Projected Impact	Five-Year Impact
<b><u>Earnings and benefits</u></b>					
Earnings	44,367	40,380	3,987	451	4,438
Fringe benefits <sup>a</sup>	6,438	5,859	579	65	644
Total earnings and fringe benefits	50,804	46,238	4,566	516	5,082
<b><u>Taxes</u></b>					
Tax payments <sup>b</sup>	-6,625	-6,008	-617	-62	-679
Earned income credits	6,408	6,290	117	20	137
Child tax credits <sup>c</sup>	1,883	1,675	208	20	228
Total tax payment or refund <sup>d</sup>	1,666	1,958	-292	-23	-314
<b><u>Public assistance</u></b>					
Welfare payments	5,739	5,968	-229	0	-229
Food stamps	4,411	4,627	-217	0	-217
Medicaid	7,179	7,107	72	0	72
Total public assistance	17,329	17,702	-373	0	-373
<b><u>Public assistance administration</u></b>					
Welfare payments	867	901	-35	0	-35
Food stamps	887	930	-44	0	-44
Medicaid	488	483	5	0	5
Total public assistance administration	2,241	2,315	-73	0	-73

(continued)

### **Table 4.6 (continued)**

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of California unemployment insurance (UI) earnings, and published data on tax rates, employee fringe benefits, and Medicaid benefits.

NOTES: Five-year estimates include observed follow-up as well as projected follow-up. Observed follow-up varies depending on when a person entered the study (from 18 to 21 quarters for earnings, from 20 to 21 quarters for welfare, food stamps and Medicaid).

Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

<sup>a</sup>These include employer-paid health and life insurance, pension contributions, and worker's compensation.

Paid leave is captured directly by the earnings estimate. Employee-paid Social Security and Medicare taxes are included as tax payments.

<sup>b</sup>Tax payments include federal and state income taxes, sales tax, and employee-paid Social Security and Medicare taxes. The government budget perspective includes employer-paid Social Security and Medicare taxes.

<sup>c</sup>Child tax credits include the federal Child Tax Credit and the federal Additional Child Tax Credit.

<sup>d</sup>Negative values indicate that net taxes are a payment, and positive values indicate that net taxes are a refund. Net taxes can be a refund because the Earned Income Tax Credit and Additional Child Tax Credit are refundable credits, or, in other words, because the credits can be greater than tax payments.

## **Impacts on Financial Costs and Benefits of the Program**

Table 4.6 shows the estimated impacts of the Riverside PASS ERA program on the financial costs and benefits for the average ERA sample member during the observation period, a short projection period, and the entire five-year time frame.

### **Earnings and Fringe Benefits**

Over the five years following random assignment, ERA program group members in Riverside earned \$5,082 more than the average control group member (Table 4.6).

### **Taxes and Credits**

As a result of increased earnings, ERA program group members in Riverside paid \$314 more in taxes than the control group, over the five years following random assignment (Table 4.6). Though tax credits also increased, they did not increase as much as tax liability.

### **Public Assistance**

ERA program group members in Riverside received \$373 less in public assistance than the control group, over the five years following random assignment (Table 4.6). This reduction in public assistance is attributable to reductions in TANF payments and food stamps. The

program group received slightly more in Medicaid benefits than the control group. However, the Medicaid benefits were not received as cash to program group members; rather, these payments were made to medical providers for the care received by program group members.<sup>9</sup>

Because ERA program group members received less in public assistance payments, the cost of public assistance administration also decreased by \$73 for the ERA group, compared with the control group, over five years.

## **Net Present Value, by Analytical Perspective**

As shown in Table 4.7, the Riverside PASS ERA program produced net benefits from the perspectives of ERA program group members and society as a whole (the first and third columns), and it broke even from the government budget perspective (the second column). Positive numbers in the table indicate a gain from the given perspective, and negative numbers indicate a loss from the given perspective.

Riverside PASS program group members experienced net benefits of \$4,394 over the five years following random assignment. Gains from earnings, fringe benefits, tax credits, and Medicaid exceeded the small losses from reduced TANF and food stamp payments and from increased tax payments.

From the government budget perspective, the Riverside PASS program broke even, with a net benefit of \$70 per ERA sample member. The savings from small reductions in TANF and food stamps and increases in tax revenue offset the cost of operating the program.

From the social perspective, the Riverside PASS program produced a net gain of \$4,125. The gains from earnings, fringe benefits, and savings from public assistance administration were greater than the cost of operating the program.

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<sup>9</sup>Medicaid costs were estimated based on administrative eligibility data, and average Medicaid payments were estimated based on family size at the time of entry into the study. See Appendix A for more information on estimating Medicaid benefits.

**The Employment Retention and Advancement Project**

**Table 4.7**

**Five-Year Estimated Net Value,  
by Accounting Perspective (in 2008 Dollars):**

**Riverside PASS**

Component	Program Group	Government Budget	Social
<b><u>Financial effects</u></b>			
Earnings	4,438	0	4,438
Fringe benefits <sup>a</sup>	644	0	644
Tax payments <sup>b</sup>	-679	1,019	0
Earned income credits	137	-137	0
Child tax credits <sup>c</sup>	228	-228	0
Welfare payments	-229	229	0
Food stamps	-217	217	0
Medicaid	72	-72	0
Supportive service payments <sup>d</sup>	0	-8	-8
Public assistance administration <sup>e</sup>	0	73	73
Employment and training costs	0	-1,022	-1,022
Net gain or net loss (net value)	4,394	70	4,125

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of California unemployment insurance (UI) earnings, supportive service payment records from the DPSS P3 automated programs tracking system, and published data on tax rates, employee fringe benefits, and Medicaid benefits. Employment and training costs are based on fiscal and participation data from Riverside County Department of Social Services, Riverside DPSS P3 automated program tracking system, TANF administrative records from the State of California, California Department of Education, U.S. Department of Education, and ERA 12-Month Survey.

NOTES: Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

<sup>a</sup>These include employer-paid health and life insurance, pension contributions, and worker's compensation. Paid leave is captured directly by the earnings estimate. Employee-paid Social Security and Medicare taxes are included as tax payments.

<sup>b</sup>Tax payments include federal and state income taxes, sales tax, and employee-paid Social Security and Medicare taxes. The government budget perspective includes employer-paid Social Security and Medicare taxes.

<sup>c</sup>Child tax credits include the federal Child Tax Credit and the federal Additional Child Tax Credit.

<sup>d</sup>These payments include transportation and ancillary assistance (to pay for books, uniforms, tools, and other work-related expenses).

<sup>e</sup>Public assistance administration includes welfare payments, food stamps, and Medicaid.





## Chapter 5

# Summary of Findings Across the Three ERA Programs

This report focuses on the three Employment Retention and Advancement (ERA) programs that increased employment and earnings for program group members, and it examines the extent to which the programs produced financial gains or losses from the perspectives of program group members, government budgets, and society as a whole. The report seeks to answer the following questions: Was the cost of operating the ERA programs more or less than the cost of providing services to the control group? Are the program group members financially better off or worse off as a result of ERA? Is the government's net investment in services for the program groups offset by budget savings? Does society come out ahead or behind as a result of these programs, which operated in four sites? Were the ERA programs cost-effective, overall?

## Program Implementation

The three ERA programs discussed in Chapters 2 through 4 differed in terms of when services were first provided and to whom the services were offered. The Texas ERA program in Corpus Christi and Fort Worth targeted TANF applicants and TANF recipients immediately following an eligibility or recertification interview (but, in the case of applicants, before they were approved for cash assistance); the vast majority were unemployed when randomly assigned to the research groups. The ERA programs in Chicago and Riverside County, California, on the other hand, targeted employed individuals. The Chicago research sample consisted of individuals who had worked at least 30 hours per week for at least six consecutive months but who had earned so little that they remained eligible for TANF benefits. The Riverside sample consisted of individuals who had left TANF with employment — TANF “leavers.”

The three ERA programs included in this report were similar in some of their features. First, TANF agencies had lead roles in implementing the ERA programs, although they also relied on organizations other than government social service agencies to provide services. Second, the programs used one-on-one staff-client interactions as the platform from which to provide services. Third, these programs also offered job search assistance, to get participants into jobs or to get them a new job if they lost their job. Finally, some referrals to education or training were made by the programs, although this was not the primary focus of any of the three programs.

The three ERA programs also had distinctive features. The Texas program offered financial incentives (monthly stipends) to encourage people to stay employed at full-time jobs. The Chicago program used a for-profit employer intermediary to place people into better jobs

and also offered financial incentives to participants who reached program benchmarks. The Riverside PASS program provided services via community-based organizations (CBOs) in a majority of locations. In all these programs, greater shares of program group members than of control group members participated in retention and advancement services.<sup>1</sup>

One way in which this evaluation differs from earlier welfare-to-work evaluations is that the control groups in this study were not “no service” control groups. The control group members were required to participate in the sites’ standard welfare-to-work programs while they were receiving TANF (unless individuals received an exemption). The control group programs generally focused on helping individuals find employment and provided them with basic support services, such as child care and transportation assistance. In all the sites examined here, the primary difference in service receipt between the two research groups came after the sample members had left the TANF program, when the ERA groups received postemployment services. In addition, in the Texas and Chicago ERA programs, the control group members were not eligible for the same level of financial incentives as the program group members were.

## **ERA Costs, Financial Effects, and Net Value, by Accounting Perspective**

Table 5.1 summarizes, for each site, the main financial effects of the three ERA programs from the perspectives of program group members, the government budget, and society as a whole. Gains are indicated by positive values, and losses are indicated by negative values. These results were then summed to obtain an estimate of the overall net financial increase or decrease in each site, by accounting perspective.

### **The Program Group Perspective**

The last row of data in each panel of Table 5.1 shows that all three ERA programs produced net financial gains from the perspective of program group members (the first column), compared with control group members. Gains ranged from \$3,279 in Fort Worth to \$4,394 in Riverside. The net gains in Corpus Christi and Riverside PASS were primarily from higher earnings. In Fort Worth and Chicago, the net gains for the ERA group resulted from a combination of higher earnings, public assistance (food stamps and Medicaid), and financial stipends

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<sup>1</sup>While the 12-month survey data presented in Chapter 4 do not show statistically significant impacts on participation in Riverside, the survey results should be viewed with caution because of survey response issues noted in that chapter. The Riverside cost estimates presented in this report are based on data from the site’s management information system (MIS). Analysis of the MIS data suggest that the program did increase the use of retention and advancement services.

The Employment Retention and Advancement Project

Table 5.1

Five-Year Estimated ERA Costs, Financial Effects,  
and Net Value per Program Group Member  
(in 2008 Dollars)

Program	Accounting Perspective		
	Program Group	Government Budget	Social
<b><u>Corpus Christi</u></b>			
Net earnings and fringe benefits	4,048	0	4,048
Net taxes and credits	50	221	0
Net public assistance <sup>a</sup>	-424	583	159
Net employment and training costs	0	-1,844	-1,844
Net gain or net loss (net value)	3,673	-1,041	2,362
<b><u>Fort Worth</u></b>			
Net earnings and fringe benefits	2,458	0	2,458
Net taxes and credits	-262	427	0
Net public assistance <sup>a</sup>	1,083	-1,208	-125
Net employment and training costs	0	-1,595	-1,595
Net gain or net loss (net value)	3,279	-2,376	738
<b><u>Chicago</u></b>			
Net earnings and fringe benefits	2,566	0	2,566
Net taxes and credits	168	4	0
Net public assistance <sup>a</sup>	786	-899	-113
Net employment and training costs	0	-1,631	-1,631
Net gain or net loss (net value)	3,520	-2,527	822
<b><u>Riverside PASS</u></b>			
Net earnings and fringe benefits	5,082	0	5,082
Net taxes and credits	-314	654	0
Net public assistance <sup>a</sup>	-373	438	65
Net employment and training costs	0	-1,022	-1,022
Net gain or net loss (net value)	4,394	70	4,125

(continued)

**Table 5.1 (continued)**

SOURCES: MDRC calculations from TANF and food stamp records; Medicaid eligibility records; unemployment insurance (UI) earnings from the States of Texas, Illinois, and California; and published data on tax rates, employee fringe benefits, and Medicaid benefits. Corpus Christi and Fort Worth calculations also include postemployment stipend or incentive payment records. Riverside PASS calculations include supportive service payment records from the DPSS P3 automated program tracking system.

Employment and training costs for Corpus Christi and Fort Worth are based on fiscal and participation data from Workforce Solutions for Tarrant County, WorkSource of the Coastal Bend, ERA program tracking data, The Workforce Information System of Texas (TWIST), Texas Education Agency, Texas Higher Education Coordinating Board, U.S. Department of Education, and ERA 12-Month Survey.

Employment and training costs for Chicago are based on fiscal and participation data from Employment and Employer Services, Inc., ERA program records and participant case files, Illinois Department of Human Services, TANF administrative records from the State of Illinois, Illinois Community College Board, U.S. Department of Education, and ERA 12-Month Survey.

Employment and training costs for Riverside PASS are based on fiscal and participation data from Riverside County Department of Social Services, Riverside DPSS P3 automated program tracking system, TANF administrative records from the State of California, California Department of Education, U.S. Department of Education, and ERA 12-Month Survey.

NOTES: Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

<sup>a</sup>Public assistance includes welfare payments, food stamps, and Medicaid. It also includes stipends in Texas and incentives in Chicago. From the government budget perspective, it also includes public assistance administration.

than the control groups received. Finally, ERA group members gained more in tax credits than they paid in taxes in Corpus Christi and Chicago, which is not true of Fort Worth and Riverside.

### **The Government Budget Perspective**

As the middle column of Table 5.1 shows, the net employment and training costs (which include ERA, welfare-to-work, and education and training services) ranged from about \$1,000 in Riverside to about \$1,800 in Corpus Christi. In all four sites, the increase in costs, relative to the control group, reflects increases in participation in the services that the program group received relative to the control group.

With one exception, the ERA programs did not “pay for themselves”; that is, the additional amount spent on ERA services was not recouped by welfare savings and increased tax revenue. This finding is not unexpected, however, since programs that emphasize increasing participants’ income tend to result in losses for the government.<sup>2</sup> The exception to this pattern is seen in Riverside, where the government essentially broke even. The additional costs per person that were incurred by the government exceeded the savings by \$1,041 in Corpus Christi, \$2,376

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<sup>2</sup>Greenberg, Deitch, and Hamilton (2009).

in Fort Worth, and \$2,527 in Chicago. The relatively large losses to the government budgets in Fort Worth and Chicago are attributable to a combination of increases in public assistance (food stamps and Medicaid) and the financial incentives provided to the program groups but not to the control groups.

While the ERA programs were more expensive to the government in three of the four sites, the increases in benefits and services led to net financial gains and, presumably, improved families' well-being. Riverside PASS was the only site to increase family income through employment and earnings and to reduce government expenditures. Riverside's small net savings to the government budget can be attributed to its success in producing large earnings gains, which translated into increased tax revenue. In addition, the government budget experienced savings from lower average welfare and food stamp payments to the program group, relative to the control group.

### **The Social Perspective**

The third column of Table 5.1 presents the results from the perspective of society as a whole. This is simply the sum of the program group perspective and the government budget perspective.<sup>3</sup> This perspective is most influenced by increases in earnings and fringe benefits and in operating costs. The ERA programs in all four sites were beneficial to society because the financial gains for program group members exceeded the losses to the government budgets.

## **The Cost-Effectiveness of the ERA Programs**

The results presented above show that the ERA programs in these four sites produced financial gains for program group members. Results from the perspective of society as a whole suggest that these ERA programs were cost-effective, since gains for program group members exceeded government expenditures on ERA. Another method to assess the programs' cost-effectiveness is to estimate the net gain to program group members for every additional dollar invested by the government. This is calculated by dividing the net financial benefit to the ERA program group members by the net cost to the government. Overall, the three ERA programs analyzed in this report were cost-effective. For each dollar invested by the government, ERA program group members gained \$3.53 (\$3,673 divided by \$1,041) in Corpus Christi, \$1.38 in Fort Worth, and \$1.39 in Chicago. Gains for the program group came at no cost to the government in Riverside; in other words, providing PASS services and benefits was no more costly

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<sup>3</sup>An exception to this is employer-paid payroll taxes, which are a benefit to the government budget but zero from the perspectives of the program group and society. Employers are part of society, so employer-paid payroll taxes do not show as a gain to society.

than providing services to the control group, and the ERA program group members were better off financially.

It is helpful to compare these findings with other benefit-cost studies that targeted similar populations. One recent study reviewed and synthesized findings from benefit-cost studies of 28 welfare-to-work programs and found that earnings supplement programs — which emphasize increasing participants' income — averaged gains to participants that were greater than one dollar for every dollar in additional cost to the government and also did not result in savings for the government.<sup>4</sup> Other programs that focused on reducing costs — such as mandatory job search programs — were generally successful in saving the government money but generally produced no gains to participants.<sup>5</sup>

## Limitations of the Analysis

This benefit-cost analysis measures only the program effects that are easily monetized. Not included in the analysis are other possible effects, such as the displacement of other workers by program group members, changes in children's achievement and behavior, losses of leisure time, changes in health status, changes in quality of life, increased satisfaction on the part of the general public due to more employment among welfare recipients, and any other effects that are not easily monetized. In addition, the analysis does not include all work-related expenditures for program and control group members — such as child care, transportation, and other work supports — because data were not readily available to measure the full expenditures for both groups.<sup>6</sup> These factors not included in the analysis could increase or decrease the net gains from the three ERA programs. For these reasons, the results in this report should be considered only an approximation of the programs' full effects. Appendix I provides further discussion of the potential effects of ERA on some of the outcomes that are not included in this analysis.

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<sup>4</sup>Greenberg, Deitch, and Hamilton (2009).

<sup>5</sup>The earlier evaluations tested a mandatory welfare-to-work program, such as a mandatory job search or education program, against no mandate to participate in the welfare-to-work program. This differs from the interventions that were tested as part of the ERA evaluation, in which the control group was often mandated to participate in the welfare-to-work program and the ERA group was also mandated to participate while receiving TANF, but, in addition, received postemployment services.

<sup>6</sup>Appendix H presents estimates of the financial effects that include child care subsidies provided to the ERA group members in Chicago. This report does not include the child care estimates in the Chicago benefit-cost analysis because similar child care estimates were not available for the other three sites.

## **Conclusion**

The ERA programs in the four sites analyzed in this report produced financial gains for program group members, as measured by changes in earnings, fringe benefits, taxes and credits, and public assistance. Over a five-year period, the net value of these changes ranged from about \$3,300 to about \$4,400 across the sites. The majority of the financial benefits to participants came in the form of increased earnings and fringe benefits, although, in Chicago and Fort Worth, increases in public assistance also contributed to program group members' financial gains.

The financial benefits to program group members came at a cost to the government in three of the four sites. This cost varied from \$1,041 to \$2,527, and the difference can be attributed to whether the program reduced or increased participants' reliance on public assistance. Overall, these three ERA programs were cost-effective in achieving their goals, as the gains to program group members exceeded the investments made by the government.





**Appendix A**

**The Methodology for Estimating Benefits and Costs**



## **ERA and Welfare-to-Work Costs**

Estimating the costs of the three Employment Retention and Advancement (ERA) programs that are analyzed in Chapters 2 through 4 entailed the following steps. First, to estimate the cost of serving one person in the ERA program for one month, unit costs were calculated by dividing the costs over the steady-state period by a measure of participation in the same period, calling that “participant-months.” Participant-months were obtained by summing across all months in the steady-state period the monthly total number of participants in the program (based on data in the program’s management information system, or MIS). The unit cost was multiplied by the average number of months spent in the program by ERA sample members, resulting in the *average cost per ERA program group member*.

The participant information that was used for the calculation of the ERA unit costs and the average length of time spent in ERA came from the site’s MIS in all cases except Chicago, where information on participation was obtained from a review of case files. The participation used for this analysis was limited to participation in the ERA program. Appendix Table A.1 shows participation rates from the MIS data used for the cost analysis. These rates differ from participation rates recorded in the 12-month survey because the latter includes job services that were received outside the ERA program from other programs offered in the community.

A similar calculation was used to estimate the welfare-to-work cost per control group member. The expenditures obtained cover the welfare-to-work program that control group members were referred to when they were receiving Temporary Assistance for Needy Families (TANF). These expenditures were divided by the participant-months of those who received services from this program over the time period. This unit cost was multiplied by the average number of months that control group members spent in the program.

Site-specific data were not available for two of the sites. Separate welfare-to-work and participant-month estimates were not available for the Chicago control group; instead, the analysis used an estimate for the Illinois TANF welfare-to-work program. The Corpus Christi unit cost estimate also was not available; instead, the analysis used the unit cost estimate that was calculated for the Fort Worth Choices program to estimate the costs of the Corpus Christi Choices program. Both programs followed policies and procedures established by the State of Texas, and both provided the same types of services, suggesting similar monthly cost estimates across the two sites. However, the two programs used different providers, which could have resulted in differences in unit costs.

## **Education and Training Costs**

To estimate costs for education and training services, cost information was collected for education and training providers in the community, focusing on those that provided basic

**The Employment Retention and Advancement Project**

**Appendix Table A.1**

**Participation Rates from Programs' Management Information Systems (MIS)**

Outcome (%)	ERA Group	Control Group	Difference (Impact)
<b><u>Ever participated in ERA or welfare-to-work activity</u></b>			
Corpus Christi	47.5	32.7	14.8
Fort Worth	55.1	42.0	13.1
Chicago <sup>a</sup>	72.9	69.4	NA
Riverside PASS <sup>b</sup>	47.0	8.3	38.7

SOURCES: For Corpus Christi and Fort Worth, data come from The Workforce Information System of Texas (TWIST). For Riverside, data come from DPSS P3 program tracking computer system. For Chicago, data for the ERA group are from Employment and Employer Services, Inc., program participation data; data for the control group are from "The Characteristics and Financial Circumstances of TANF Recipients, FY2003" (Illinois work participation rate).

NOTES: NA = not available.

<sup>a</sup>This is the estimate of the percentage of TANF months in which control group members participated in the welfare-to-work program, rather than the percentage of individuals who participated.

<sup>b</sup>In addition, the analysis separately estimated participation in Riverside's welfare-to-work program when ERA and control group members were receiving TANF. The analysis assumed that both ERA and control group members participated in the welfare-to-work program during 75 percent of their months on TANF (from statewide data).

education, postsecondary education, and vocational training. (Basic education includes adult basic education [ABE], General Educational Development [GED] classes, and English as a Second Language [ESL] instruction.) Because the 12-month survey collected information on the number of weeks that sample members participated in the three types of education and training activities, the unit costs were calculated as the cost per week of participation. This unit cost was multiplied by the average number of weeks reported by sample members in the 12-month survey.

### **Medicaid Benefits**

Medicaid benefits were estimated by applying a per month Medicaid benefit amount to Medicaid eligibility data. The benefit-cost analysis assumes that the sample member and all children were receiving Medicaid benefits. Furthermore, the estimates assume that all children were under age 18 for the five years following random assignment and, thus, were receiving Medicaid.

Appendix Table A.2 shows the monthly benefit amount for each of the three states in this ERA benefit-cost analysis. A single mother with two children who received Medicaid for

**The Employment Retention and Advancement Project**  
**Appendix Table A.2**  
**Monthly Medicaid Payments per Enrollee, in Dollars**  
**Inflation-Adjusted to 2008 Quarter 1**

Site	Adults	Children
Texas	232.41	144.61
Illinois	195.68	122.69
California	74.27	104.33

SOURCE: Henry J. Kaiser Family Foundation (2008).

one month would have an estimated Medicaid benefit of \$521.63 in Texas, \$441.06 in Illinois, and \$282.93 in California. Each month of Medicaid eligibility is multiplied by the monthly benefit amount for their respective state.

## **Fringe Benefits**

Fringe benefits were estimated by applying an estimate of average employer spending on fringe benefits to earnings; the average includes zeroes for those who were employed but were not receiving benefits. Fringe benefits were estimated at 14.5 percent of earnings.<sup>1</sup> Required benefits were estimated at 1.75 percent of earnings and include unemployment insurance (UI) and workers' compensation. Optional benefits were estimated at 12.76 percent of earnings and include retirement benefits, health benefits, and group life insurance. (Social Security and Medicare are excluded from fringe benefits because they are included as taxes.) For example, a sample member who earned \$30,000 would have estimated fringe benefits of \$4,350 ( $\$30,000 \times 14.5$  percent).

The benefit-cost analysis assumes that all jobs have fringe benefits at the average employer spending rate. It is likely that not all sample members received fringe benefits, and the average employer spending on fringe benefits is likely lower for low-income workers. Appendix F presents a sensitivity analysis of fringe benefits and shows that benefit-cost results are not sensitive to the percentage of employed individuals who received the average fringe benefits.

## **Taxes**

Taxes were generally estimated by applying 2003 tax rules to earnings. Tax estimates encompass federal income tax (including the Earned Income Tax Credit [EITC], Child Tax

<sup>1</sup>Fringe benefits as a percentage of spending is based on Employee Benefit Research Institute (2004).

**The Employment Retention and Advancement Project**

**Appendix Table A.3**

**2003 Federal Income Tax Rate Schedule**

If taxable income is over...	But not over...	Tax is...	Of the amount over...
0	10,000	10%	0
10,000	38,050	1,000.00 + 15%	10,000
38,050	98,250	5,207.50 + 25%	38,050
98,250	159,100	20,257.50 + 28%	98,250
159,100	311,950	37,295.50 + 33%	159,100
311,950	-----	87,736.00 + 35%	311,950

SOURCE: U.S. Department of the Treasury (2003).

NOTE: Tax rates are for the Head of Household tax filing status. This analysis assumes that all sample members filed income taxes with a Head of Household filing status because the sample includes primarily single parents.

Credit, and Additional Child Tax Credit), state income tax, payroll taxes, and sales taxes. The State of Texas did not have a state income tax, and the State of Illinois had an Earned Income Credit. Federal and state income taxes were calculated assuming a Head of Household filing status and assuming that all children at the time of random assignment were claimed as dependents. In addition, all children at the time of random assignment were assumed to have been eligible children for the federal EITC, Child Tax Credit, and Additional Child Tax Credit.

**Federal Income Tax**

For the 2003 tax year, the federal standard deduction for Head of Household filing status was \$7,000, and an exemption of \$3,050 was available for the head of household and each dependent. For example, a sample member with two children who earned \$30,000 would have an estimated federal taxable income of \$13,850 (earnings minus the standard deduction minus [household size times exemption] = \$30,000 – \$7,000 – [3 x \$3,050]). The federal income tax can be estimated using Appendix Table A.3. In this example, the tax is \$1,577.50 (\$1,000 + [15 percent x \$3,850]).

Both the federal EITC and the Additional Child Tax Credit are refundable credits; in other words, these credits can be greater than the tax liability, resulting in an individual's receiving more money from the government than was paid in taxes. The EITC is a credit for low-income individuals who are working. As shown in Appendix Table A.4, the parameters of the credit vary, based on the number of qualifying children. For example, a sample member with two children who was earning \$30,000 would have received an EITC of \$777.54. This sample member was in the phase-out range, whereby the tax credit was reduced by 21 percent

**The Employment Retention and Advancement Project**

**Appendix Table A.4**

**2003 Parameters for Earned Income Tax Credit**

Outcome	Number of Children		
	None	One	Two
Credit rate (%)	7.65	34	40
Minimum income for maximum credit (\$)	4,990	7,490	10,510
Maximum credit (\$)	382	2,547	4,204
Phase-out rate (%)	7.65	15.98	21.06
Phase-out range: beginning income (\$)	6,240	13,730	13,730
Phase-out range: ending income (\$)	11,230	29,666	34,692

SOURCE: U.S. House of Representatives (2004).

NOTE: Earned Income Tax Credit parameters are for the Head of Household tax filing status. This analysis assumes that all sample members filed income taxes with a Head of Household filing status because the sample includes primarily single parents. These parameters are the same for the Single and Qualifying Widow(er) tax filing statuses.

for every dollar over \$13,730 earned ( $\$4,204 - [(\$30,000 - \$13,730) \times 21.06 \text{ percent}]$ ). For sample members who were not in the phase-out range, the EITC was estimated simply as earnings multiplied by the credit rate. A sample member with two children who was earning \$7,000 would have received an EITC of \$2,800 ( $\$7,000 \times 40 \text{ percent}$ ).

The Child Tax Credit is a nonrefundable credit of \$1,000 for each qualifying child. Because the credit is nonrefundable, tax filers can only receive a credit that is equal to or less than the tax liability. For example, a sample member with two children who was earning \$30,000 would have had an estimated Child Tax Credit of \$1,577.50. Even though two children would equal \$2,000 of tax credit, the sample member's tax liability was only \$1,577.50, so the credit cannot exceed this amount.

The Additional Child Tax Credit is refundable and provides a way that taxpayers may be eligible to receive a credit for the full amount of Child Tax Credits (or, in this example, the difference between \$2,000 and \$1,577.50). For taxpayers with one or two children, the tax credit is the lesser of the difference between the full Child Tax Credit and the tax liability or 10 percent of earnings over \$10,500. For example, a sample member with two children who was earning \$30,000 would have had an Additional Child Tax Credit of \$422.50. The sample member would have been eligible to receive the lesser of the difference between the full Child Tax Credit and the tax liability ( $\$2,000 - \$1,577.50 = \$422.50$ ) or 10 percent of earnings over \$10,500 ( $[\$30,000 - \$10,500] \times 10 \text{ percent} = \$1,950$ ). Taxpayers with three or more children

are allowed to take a credit by the amount that payroll taxes exceed the EITC if that amount is greater than the refund calculation based on 10 percent of income over \$10,500.<sup>2</sup>

The benefit-cost analysis assumes a tax credit take-up rate of 100 percent or, in other words, assumes that all participants received tax credits if they were eligible based on income. The sensitivity analysis in Appendix E shows that the benefit-cost results are not sensitive to the tax credit take-up rate.

### **Illinois State Income Tax**

For the 2003 tax year, the State of Illinois income tax allowed an exemption of \$2,000 for the head of household and each dependent. The tax was 3 percent of earnings less exemptions. For example, a sample member with two children who was earning \$30,000 would have had an estimated state taxable income of \$24,000 (earnings minus [household size times exemption] =  $\$30,000 - [3 \times \$2,000]$ ). The Illinois state income tax is estimated at \$720 ( $\$24,000 \times 3$  percent).

Illinois also has a state Earned Income Credit that is equal to 5 percent of the federal EITC for tax filers who have a qualifying child. For tax filers without a qualifying child, the state Earned Income Credit is equal to the lesser of the filer's tax liability or 5 percent of the federal EITC. For example, a sample member with two children who was earning \$30,000 would have received a state Earned Income Credit of \$38.88 ( $\$777.54 \times 5$  percent).

### **California State Income Tax**

For the 2003 tax year, California's standard state deduction for Head of Household filing status was \$6,140, and exemptions were available: \$82 for the Head of Household and \$257 for each dependent. For example, a sample member with two children who was earning \$30,000 would have had an estimated state taxable income of \$23,264 (earnings minus standard deduction minus Head of Household exemptions minus [number of children times exemption] =  $\$30,000 - \$6,140 - \$82 - [2 \times \$257]$ ). The California state income tax can be estimated using Appendix Table A.5. In this example, the tax is \$345.98 ( $\$119.90 + [2 \text{ percent} \times (\$23,264 - \$11,930)]$ ).

### **Texas State Income Tax**

The State of Texas does not have a state income tax.

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<sup>2</sup>The Additional Child Tax Credit was calculated using information from Tax Year 2003, Form 8812 (OMB No. 1545-1620), U.S. Department of the Treasury, Internal Revenue Service.



**The Employment Retention and Advancement Project**

**Appendix Table A.5**

**2003 California State Income Tax Rate Schedule**

If taxable income is over...	But not over...	Tax is...	Of the amount over...
0	11,930	1%	0
11,930	28,267	119.30 + 2.0%	11,930
28,267	36,437	446.04 + 4.0%	28,267
36,437	45,096	772.84 + 6.0%	36,437
45,096	53,267	1,292.38 + 8.0%	45,096
53,267	-----	1,946.06 + 9.3%	53,267

SOURCE: State of California Franchise Tax Board (2003).

NOTE: Tax rates are for the Head of Household tax filing status. This analysis assumes that all sample members filed income taxes with a Head of Household filing status because the sample includes primarily single parents.

**Payroll Taxes**

Payroll taxes use the 2003 rules for Social Security and Medicare taxes. Both employee-paid and employer-paid payroll taxes are calculated. The rate for Social Security’s Old-Age, Survivors, and Disability Insurance (OASDI) was 6.2 percent, and the rate for Medicare’s Hospital Insurance (HI) was 1.45 percent — for employees and employers each. For Social Security taxes, earnings are taxable only up to \$87,000; all earnings are taxable for Medicare. For example, a sample member with two children who was earning \$30,000 would have contributed \$2,295 in payroll taxes for the employee portion, and the employer would have contributed \$2,295 in payroll taxes for the employer portion ( $[\$30,000 \times 6.2 \text{ percent}] + [\$30,000 \times 1.45 \text{ percent}]$ ).

**Sales Taxes**

Sales taxes are calculated as the sales tax rate multiplied by expenditures. Appendix Table A.6 shows the sales tax rate for each state in this report. Based on the 2003 Consumer Expenditure Survey focusing on those who made less than \$70,000 annually, it was assumed that 39.6 percent of income (the sum of earnings, food stamps, and TANF) was spent on general merchandise and thus would have been subject to sales tax. However, food stamps are not subject to sales tax, so an adjustment was made so that food stamps were not taxed. Food stamps were included as part of the income base because the Consumer Expenditure Survey includes them as part of income. For example, a Riverside PASS sample member with earnings of \$30,000, TANF payments of \$1,000, and food stamps worth \$2,000 would have had an estimated sales tax of \$1,012.77 ( $[\$30,000 + \$1,000 + \$2,000] \times 39.6 \text{ percent} \times 7.75 \text{ percent}$ ).

## The Employment Retention and Advancement Project

### Appendix Table A.6

#### Sales Tax Rates

Site	General Merchandise (%)
Texas	8.25
Illinois	8.75
California	7.75

SOURCES: Sales tax information for the State of Texas comes from Window on State Government (2008).

Sales tax information for the State of Illinois comes from Illinois eServices Tax Rate Finder (2009).

Sales tax information for the State of California comes from California State Board of Equalization (2008).

Illinois is the only state in the ERA benefit-cost analysis that had a sales tax on food and drugs. Based on the 2003 Consumer Expenditure Survey, it was assumed that expenditures on food and drugs were 11.2 percent of income. The sales tax rate on food and drugs was 2 percent. Because food stamps are not subject to sales tax, if a family's estimated spending on food and drugs was the same as or less than their food stamps, they would not have been estimated to have paid sales tax for food and drugs. For example, a Chicago sample member with earnings of \$30,000, TANF payments of \$1,000, and food stamps worth \$2,000 would have had an estimated sales tax of \$33.92 for food and drugs ( $[(\$30,000 + \$1,000 + \$2,000) \times 11.2 \text{ percent}] - \$2,000 \times 2 \text{ percent}$ ). In this example, estimated expenditures on food and drugs are \$3,696; however, the \$2,000 spent on food via food stamps is not taxable.

### Administrative Costs of Public Assistance

The combined federal, state, and local administrative costs for TANF, food stamps, and Medicaid were estimated as a percentage of the value of the payments (by dividing total administrative costs by total payments) in Fiscal Year (FY) 2003. Data on the TANF costs and payments were obtained from the financial data that states submit to the Administration for Children and Families (ACF; data reporting form ACF-196). Food Stamp Program outlays and obligations data were obtained from the Food and Nutrition Service (FNS) in the U.S. Department of Agriculture (USDA). Financial data on the Medicaid program were obtained from the Center for Medicare and Medicaid (CMS) Quarterly Expense Report (CMS-64).

The rates in Appendix Table A.7 were then multiplied by the respective payments to estimate the cost of transfer administration. For example, a Riverside PASS sample member with TANF payments of \$1,000 would have had estimated transfer administration costs of \$151 ( $\$1,000 \times \$0.151$ ).

**The Employment Retention and Advancement Project**

**Appendix Table A.7**

**Administrative Cost for Every Dollar of Benefit, Fiscal Year 2003**

Site	TANF <sup>a</sup>	Food Stamp Program	Medicaid
Texas	\$0.259	NA	\$0.049
Illinois	\$0.053	NA	\$0.075
California	\$0.151	NA	\$0.068
National	\$0.167	\$0.201	\$0.052

SOURCES: MDRC calculations from: Fiscal Year 2003 TANF financial data, Fiscal Year 2003 Food Stamp Program outlays and obligations data (obtained from U.S. Department of Agriculture, Food and Nutrition Service), and reported Medicaid expenditures.

NOTES: NA = not applicable.

<sup>a</sup>A broad definition of "benefit" was used that includes several other items beyond basic assistance, including child care, refundable tax credits, and diversion assistance.



**Appendix B**

**The Methodology for Projecting Future Program Effects**



**The Employment Retention and Advancement Project**

**Appendix Table B.1**

**Projection Assumptions: Decay Rates**

Outcome	Corpus Christi	Fort Worth	Chicago	Riverside PASS
Earnings and taxes	0%	100%	45%	0%
Welfare payments and administration costs	100%	100%	40%	100%
Food stamps and administration costs	100%	100%	100%	100%
Medicaid and administration costs	100%	100%	100%	100%
Child care and administration costs	NA	NA	100%	NA

SOURCE: MDRC calculations by the authors.

NOTE: NA = not available.

Projecting future program effects entails calculating estimates during a base period and then making assumptions about how those estimates will change in the future. Making assumptions about the future effects of welfare reform programs is often difficult. Earlier studies with five years of follow-up have shown that the various impacts of a program can decay at varying rates; in some cases, program effects can actually increase over time. However, because the projection period is often short (as it is in this case) and because the magnitude of impacts in the base period is often low, reasonable different assumptions about decay rates typically make little difference in the projected estimates.

In this benefit-cost analysis of the three programs in the Employment Retention and Advancement (ERA) project, each sample member’s last four quarters of follow-up were used as the base period. For each type of impact, an assumption was made about how much ERA’s effects would decay from the end of the base period through the end of the five-year period, based on the trends in impacts observed during the observation period. Appendix Table B.1 shows the projection assumptions that are the “best guesses,” or most likely to occur, based on the data trends for each of the four sites.

The five-year estimates of net present values include an observation period and a projection period. The *observation period* covers the time period that has observed data and is at least three years for all sample members (with the exception of Medicaid in Texas). The *projection period* is the period after the observed data end, through five years. The projection period varies depending on when a sample member was randomly assigned; those who were assigned to a research group in the first quarter of random assignment have the most data, and those who were assigned in the last quarter of random assignment have the least data. Appendix

**The Employment Retention and Advancement Project**

**Appendix Table B.2**

**Number of Quarters Projected, by Data Source**

Outcome	Texas	Chicago	Riverside PASS
Earnings	0-2	0-4	0-3
Welfare payments	0-4	3-8	0-1
Food stamps	0-4	3-8	0-1
Medicaid	4-12	0-5	0-1
Child care	NA	0-2	NA

SOURCE: MDRC calculations by the authors.

NOTE: NA = not available.

Table B.2 shows the range of the number of quarters projected for each program model. In general, the projection period was short, and most of the five-year outcomes were estimated using actual data.

This analysis estimated benefit-cost results for five years following random assignment; however, actual dollar amounts were not always available for five years following random assignment. When dollar amounts were not available, impacts were projected through five years based on the observed data for the full sample.

Projection assumptions were formed by examining full-sample data for the observed period for earnings, Temporary Assistance for Needy Families (TANF) payments, food stamps, and Medicaid eligibility. The quarters that had follow-up for all sample members were used to create projection assumptions. The quarterly adjusted means for the ERA program group and for the control group were graphed as separate lines, and the best-fit trend line was used to show what would happen for each group after the complete full-sample follow-up period ended.<sup>1</sup> Then the formulas for the trend lines were used to calculate the impacts at the end of the five years following random assignment, and these were compared with the last quarter of complete follow-up to calculate the percentage change in impacts during the projection period. (Trend line formulas are in Appendix Table B.3.) In cases where the full-sample impacts looked small in the last quarter of complete follow-up, the projection was assumed to be 100 percent without

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<sup>1</sup>The best-fit trend line was selected based on the R-squared value. The trend line with the highest R-squared was used to make the projection assumptions. A higher R-squared indicates that the trend line better approximates the data.



**The Employment Retention and Advancement Project**

**Appendix Table B.3**

**Trend-Line Equations Used to Calculate Projection Decay Rates**

	ERA Group	Control Group
<b><u>Corpus Christi</u></b>		
Earnings	$y = -0.358x^2 + 49.18x + 872.32$	$y = -0.7737x^2 + 45.051x + 786.81$
<b><u>Fort Worth</u></b>		
Earnings	$y = 343.5\ln(x) + 770.47$	$y = 0.2317x^3 - 7.255x^2 + 103.72x + 840.26$
Medicaid	$y = 83.833e^{-0.071x}$	$y = 0.4251x^2 - 8.8963x + 89.263$
<b><u>Chicago</u></b>		
Earnings	$y = 2.7781x^2 - 9.0571x + 1559.5$	$y = 4.022x^2 - 36.464x + 1555.9$
Welfare payments	$y = -150.9\ln(x) + 445.41$	$y = -153.2\ln(x) + 508.02$
<b><u>Riverside PASS</u></b>		
Earnings	$y = 2.0149x^2 - 2.5392x + 2259.2$	$y = 1.3164x^2 + 5.3998x + 2038.4$

SOURCE: MDRC calculations by the authors.

NOTE: x is the quarter. To estimate the value at the end of five years, x should be set equal to 20.

graphing the trend line. (Full-sample quarterly means and impacts are reported in Appendix G.) Also, it was assumed that impacts would not increase beyond what they were during the observation period or decay more than 100 percent; in other words, a positive impact was not assumed to turn negative.

Impacts on administration costs were assumed to decay at the same rate as the public assistance payment (for example, welfare payment administration costs were assumed to decay at the same rate as welfare payments), and tax payments and credits were assumed to decay at the same rate as earnings impacts.



**Appendix C**

**Sensitivity Analysis of Decay Rates of Impacts**



When data were not available through five years, the benefit-cost analysis of the three Employment Retention and Advancement (ERA) programs discussed in this report used the pattern of impacts to predict what would happen through five years. This appendix presents a sensitivity analysis of the results, using a best- and worst-case scenario of projected impacts. In every case, five-year estimates were created assuming a zero decay rate (or, in other words, assuming that the effects would continue through Year 5 at the same rate) and a 100 percent decay rate (or assuming that there would be no effects after the data ended through Year 5). These extreme projection assumptions were used to create best-case and worst-case scenarios from each of the three benefit-cost perspectives: the ERA program group, the government budget, and society as a whole. For each perspective, the most beneficial estimate was used to create the best-case scenario, and the least beneficial estimate was used to create the worst-case scenario. Both scenarios vary by outcome and perspective (explained below). The estimates are independent of each other by perspective. These estimates are extreme cases and are not necessarily realistic. From the program group perspective, for example, the best case may show the maximum earnings increase, maximum tax credit increase, and minimum tax liability; but it is not likely that all these things would occur at the same time.

For example, in Corpus Christi, the best-case estimate from the program group perspective assumes no decay of earnings, fringe benefits, Earned Income Tax Credits (EITCs), Child Tax Credits, and welfare payments but 100 percent decay of tax payments, food stamps, and Medicaid. The worst-case estimate from the program group perspective assumes the opposite: 100 percent decay of earnings, fringe benefits, EITCs, Child Tax Credits, and welfare payments but no decay of tax payments, food stamps, and Medicaid.

From the government perspective in Corpus Christi, the best-case estimate assumes no decay of tax payments, food stamps, and Medicaid but 100 percent decay of EITCs, Child Tax Credits, and welfare payments. The government perspective's worst-case estimate assumes the opposite: 100 percent decay of tax payments, food stamps, and Medicaid but no decay of EITCs, Child Tax Credits, and welfare payments.

The best-case estimate from the social perspective in Corpus Christi assumes no decay of earnings, fringe benefits, food stamp administration, and Medicaid administration but 100 percent decay of welfare payment administration. The worst-case estimate from the social perspective assumes the opposite: 100 percent decay of earnings, fringe benefits, food stamp administration, and Medicaid administration but no decay of welfare payment administration.

The postemployment stipend, support service payments, and employment and training costs were not projected through five years and thus have the same amounts as in the report. Public assistance administration decay rates are the same as for the public assistance payments.

Changing the projection assumptions does not change whether or not the ERA programs resulted in a net savings or a net cost from any of the three examined perspectives.

**The Employment Retention and Advancement Project**  
**Appendix Table C.1**  
**Sensitivity Analysis - Decay Rates of Impacts:**  
**Five-Year Estimated Net Value per Program Group Member,**  
**by Accounting Perspective (in 2008 Dollars):**

**Corpus Christi**

Component	Program Group		Government Budget		Social	
	Best Case	Worst Case	Best Case	Worst Case	Best Case	Worst Case
<b><u>Financial effects</u></b>						
Earnings	3,535	3,385	0	0	3,535	3,385
Fringe benefits <sup>a</sup>	513	491	0	0	513	491
Tax payments <sup>b</sup>	-481	-514	784	740	0	0
Earned income credits	443	436	-436	-443	0	0
Child tax credits <sup>c</sup>	121	113	-113	-121	0	0
Welfare payments	-131	-134	134	131	0	0
Food stamps	-541	-550	550	541	0	0
Medicaid	-312	-762	762	312	0	0
Postemployment stipend	562	562	-562	-562	0	0
Public assistance administration <sup>d</sup>	0	0	182	158	182	158
Employment and training costs	0	0	-1,844	-1,844	-1,844	-1,844
Net gain or net loss (net value)	3,708	3,029	-543	-1,087	2,386	2,191
Reported net value <sup>e</sup>	3,673		-1,041		2,362	

(continued)

### Appendix Table C.1 (continued)

SOURCES: MDRC calculations are from TANF and food stamp records, Medicaid eligibility records, the State of Texas unemployment insurance (UI) earnings, postemployment stipend payment records, and published data on tax rates, employee fringe benefits, and Medicaid benefits.

NOTES: Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

<sup>a</sup>These include employer-paid health and life insurance, pension contributions, and worker's compensation. Paid leave is captured directly by the earnings estimate. Employee-paid Social Security and Medicare taxes are included as tax payments.

<sup>b</sup>Tax payments include federal income taxes, sales tax, and employee-paid Social Security and Medicare taxes. The government budget perspective includes employer-paid Social Security and Medicare taxes. Texas does not collect state income taxes.

<sup>c</sup>Child Tax Credits include the federal Child Tax Credit and the federal Additional Child Tax Credit.

<sup>d</sup>Public assistance administration includes welfare payments, food stamps, and Medicaid.

<sup>e</sup>This is the net value from the body of the report. This estimate uses the assumptions specified in the report.



**The Employment Retention and Advancement Project**  
**Appendix Table C.2**  
**Sensitivity Analysis - Decay Rates of Impacts:**  
**Five-Year Estimated Net Value per Program Group Member,**  
**by Accounting Perspective (in 2008 Dollars):**  
**Fort Worth**

Component	Program Group		Government Budget		Social	
	Best Case	Worst Case	Best Case	Worst Case	Best Case	Worst Case
<b>Financial effects</b>						
Earnings	2,147	2,137	0	0	2,147	2,137
Fringe benefits <sup>a</sup>	311	310	0	0	311	310
Tax payments <sup>b</sup>	-346	-347	511	509	0	0
Earned income credits	6	0	0	-6	0	0
Child tax credits <sup>c</sup>	78	77	-77	-78	0	0
Welfare payments	-68	-81	81	68	0	0
Food stamps	801	694	-694	-801	0	0
Medicaid	97	52	-52	-97	0	0
Postemployment stipend	405	405	-405	-405	0	0
Public assistance administration <sup>d</sup>	0	0	-121	-148	-121	-148
Employment and training costs	0	0	-1,595	-1,595	-1,595	-1,595
Net gain or net loss (net value)	3,432	3,249	-2,353	-2,553	742	704
Reported net value <sup>e</sup>	3,279		-2,376		738	

(continued)

### Appendix Table C.2 (continued)

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of Texas unemployment insurance (UI) earnings, postemployment stipend payment records, and published data on tax rates, employee fringe benefits, and Medicaid benefits.

NOTES: Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

<sup>a</sup>These include employer-paid health and life insurance, pension contributions, and worker's compensation. Paid leave is captured directly by the earnings estimate. Employee-paid Social Security and Medicare taxes are included as tax payments.

<sup>b</sup>Tax payments include federal income taxes, sales tax, and employee-paid Social Security and Medicare taxes. The government budget perspective includes employer-paid Social Security and Medicare taxes. Texas does not collect state income taxes.

<sup>c</sup>Child Tax Credits include the federal Child Tax Credit and the federal Additional Child Tax Credit.

<sup>d</sup>Public assistance administration includes welfare payments, food stamps, and Medicaid.

<sup>e</sup>This is the net value from the body of the report. This estimate uses the assumptions specified in the report.

**The Employment Retention and Advancement Project**  
**Appendix Table C.3**  
**Sensitivity Analysis - Decay Rates of Impacts:**  
**Five-Year Estimated Net Value per Program Group Member,**  
**by Accounting Perspective (in 2008 Dollars):**  
**Chicago**

Component	Program Group		Government Budget		Social	
	Best Case	Worst Case	Best Case	Worst Case	Best Case	Worst Case
<b>Financial effects</b>						
Earnings	2,324	2,228	0	0	2,324	2,228
Fringe benefits <sup>a</sup>	337	323	0	0	337	323
Tax payments <sup>b</sup>	-284	-287	462	457	0	0
Earned income credits <sup>c</sup>	354	322	-322	-354	0	0
Child tax credits <sup>d</sup>	132	129	-129	-132	0	0
Welfare payments	-808	-964	964	808	0	0
Food stamps	767	493	-493	-767	0	0
Medicaid	994	832	-832	-994	0	0
Supportive service payments and incentives <sup>e</sup>	379	379	-379	-379	0	0
Public assistance administration <sup>f</sup>	0	0	-110	-186	-110	-186
Employment and training costs	0	0	-1,631	-1,631	-1,631	-1,631
<b>Net gain or net loss (net value)</b>	<b>4,195</b>	<b>3,456</b>	<b>-2,471</b>	<b>-3,177</b>	<b>920</b>	<b>734</b>
Reported net value <sup>g</sup>		3,520		-2,527		822

(continued)

### Appendix Table C.3 (continued)

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of Illinois unemployment insurance (UI) earnings, and published data on tax rates, employee fringe benefits, and Medicaid benefits.

NOTES: Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

<sup>a</sup>These include employer-paid health and life insurance, pension contributions, and worker's compensation. Paid leave is captured directly by the earnings estimate. Employee-paid Social Security and Medicare taxes are included as tax payments.

<sup>b</sup>Tax payments include federal and state income taxes, sales tax, and employee-paid Social Security and Medicare taxes. The government budget perspective includes employer-paid Social Security and Medicare taxes.

<sup>c</sup>Earned Income Credits include federal and state credits.

<sup>d</sup>Child Tax Credits include the federal Child Tax Credit and the federal Additional Child Tax Credit.

<sup>e</sup>It is not possible to separate transportation from incentives for participation. Transportation should not be considered a benefit to participants. In principle, the impact on out-of-pocket transportation expenditures should appear in the program group column.

<sup>f</sup>Public assistance administration includes welfare payments, food stamps, and Medicaid.

<sup>g</sup>This is the net value from the body of the report. This estimate uses the assumptions specified in the report.

The Employment Retention and Advancement Project

Appendix Table C.4

Sensitivity Analysis - Decay Rates of Impacts:  
Five-Year Estimated Net Value per Program Group Member,  
by Accounting Perspective (in 2008 Dollars):

Riverside PASS

Component	Program Group		Government Budget		Social	
	Best Case	Worst Case	Best Case	Worst Case	Best Case	Worst Case
<b>Financial effects</b>						
Earnings	4,438	3,987	0	0	4,438	3,987
Fringe benefits <sup>a</sup>	644	579	0	0	644	579
Tax payments <sup>b</sup>	-617	-679	1,019	922	0	0
Earned income credits	137	117	-117	-137	0	0
Child tax credits <sup>c</sup>	228	208	-208	-228	0	0
Welfare payments	-229	-248	248	229	0	0
Food stamps	-217	-234	234	217	0	0
Medicaid	72	69	-69	-72	0	0
Supportive service payments <sup>d</sup>	0	0	-8	-8	-8	-8
Public assistance administration <sup>e</sup>	0	0	80	73	80	73
Employment and training costs	0	0	-1,022	-1,022	-1,022	-1,022
Net gain or net loss (net value)	4,457	3,799	156	-27	4,131	3,609
Reported net value <sup>f</sup>		4,394		70		4,125

(continued)

### Appendix Table C.4 (continued)

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of California unemployment insurance (UI) earnings, supportive service payment records from the DPSS P3 automated program tracking system, and published data on tax rates, employee fringe benefits, and Medicaid benefits.

NOTES: Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

<sup>a</sup>These include employer-paid health and life insurance, pension contributions, and worker's compensation. Paid leave is captured directly by the earnings estimate. Employee-paid Social Security and Medicare taxes are included as tax payments.

<sup>b</sup>Tax payments include federal and state income taxes, sales tax, and employee-paid Social Security and Medicare taxes. The government budget perspective includes employer-paid Social Security and Medicare taxes.

<sup>c</sup>Child Tax Credits include the federal Child Tax Credit and the federal Additional Child Tax Credit.

<sup>d</sup>These payments include transportation and ancillary assistance (to pay for books, uniforms, tools, and other work-related expenses).

<sup>e</sup>Public assistance administration includes welfare payments, food stamps, and Medicaid.

<sup>f</sup>This is the net value from the body of the report. This estimate uses the assumptions specified in the report.

**Appendix D**

**Sensitivity Analysis of Discount Rates**





**The Employment Retention and Advancement Project**

**Appendix Table D.1**

**Sensitivity Analysis Using a 3 Percent and 7 Percent Discount Rate:  
Five-Year Estimated Net Value,  
by Accounting Perspective (in 2008 Dollars):**

**Corpus Christi**

Component	Program Group		Government Budget		Social	
	3 Percent	7 Percent	3 Percent	7 Percent	3 Percent	7 Percent
<b>Financial effects</b>						
Earnings	3,734	3,349	0	0	3,734	3,349
Fringe benefits <sup>a</sup>	542	486	0	0	542	486
Tax payments <sup>b</sup>	-544	-486	830	742	0	0
Earned income credits	464	423	-464	-423	0	0
Child tax credits <sup>c</sup>	128	114	-128	-114	0	0
Welfare payments	-141	-127	141	127	0	0
Food stamps	-560	-523	560	523	0	0
Medicaid	-329	-296	329	296	0	0
Postemployment stipend	576	548	-576	-548	0	0
Public assistance administration <sup>d</sup>	0	0	165	152	165	152
Employment and training costs	0	0	-1,844	-1,844	-1,844	-1,844
<b>Net gain or net loss (net value)</b>	<b>3,871</b>	<b>3,489</b>	<b>-988</b>	<b>-1,089</b>	<b>2,597</b>	<b>2,143</b>
<b>Reported net value<sup>e</sup></b>	<b>3,673</b>		<b>-1,041</b>		<b>2,362</b>	

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of Texas unemployment insurance (UI) earnings, and published data on tax rates, employee fringe benefits, postemployment stipend payment records, and Medicaid benefits.

NOTES: The benefit-cost analysis in the report assumes a discount rate of 5 percent. The sensitivity analysis examines whether or not the benefit-cost results are sensitive to this assumption. The sensitivity analysis creates five-year estimates using a 3 percent discount rate and 7 percent discount rate. The employment and training costs are not discounted.

Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

<sup>a</sup>These include employer-paid health and life insurance, pension contributions, and worker's compensation. Paid leave is captured directly by the earnings estimate. Employee-paid Social Security and Medicare taxes are included as tax payments.

<sup>b</sup>Tax payments include federal income taxes, sales tax, and employee-paid Social Security and Medicare taxes. The government budget perspective includes employer-paid Social Security and Medicare taxes. Texas does not collect state income taxes.

<sup>c</sup>Child tax credits include the federal Child Tax Credit and the federal Additional Child Tax Credit.

<sup>d</sup>Public assistance administration includes welfare payments, food stamps, and Medicaid.

<sup>e</sup>This is the net value from the body of the report. This estimate uses the assumptions specified in the report.

**The Employment Retention and Advancement Project**

**Appendix Table D.2**

**Sensitivity Analysis Using a 3 Percent and 7 Percent Discount Rate:  
Five-Year Estimated Net Value,  
by Accounting Perspective (in 2008 Dollars):**

**Fort Worth**

Component	Program Group		Government Budget		Social	
	3 Percent	7 Percent	3 Percent	7 Percent	3 Percent	7 Percent
<b>Financial effects</b>						
Earnings	2,271	2,030	0	0	2,271	2,030
Fringe benefits <sup>a</sup>	329	295	0	0	329	295
Tax payments <sup>b</sup>	-367	-327	541	483	0	0
Earned income credits	6	6	-6	-6	0	0
Child tax credits <sup>c</sup>	83	74	-83	-74	0	0
Welfare payments	-73	-64	73	64	0	0
Food stamps	721	669	-721	-669	0	0
Medicaid	42	61	-42	-61	0	0
Postemployment stipend	415	395	-415	-395	0	0
Public assistance administration <sup>d</sup>	0	0	-128	-121	-128	-121
Employment and training costs	0	0	-1,595	-1,595	-1,595	-1,595
<b>Net gain or net loss (net value)</b>	<b>3,427</b>	<b>3,139</b>	<b>-2,376</b>	<b>-2,375</b>	<b>877</b>	<b>608</b>
<b>Reported net value<sup>e</sup></b>	<b>3,279</b>		<b>-2,376</b>		<b>738</b>	

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of Texas unemployment insurance (UI) earnings, and published data on tax rates, employee fringe benefits, postemployment stipend payment records, and Medicaid benefits.

NOTES: The benefit-cost analysis in the report assumes a discount rate of 5 percent. The sensitivity analysis examines whether or not the benefit-cost results are sensitive to this assumption. The sensitivity analysis creates five-year estimates using a 3 percent discount rate and 7 percent discount rate. The employment and training costs are not discounted.

Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

<sup>a</sup>These include employer-paid health and life insurance, pension contributions, and worker's compensation. Paid leave is captured directly by the earnings estimate. Employee-paid Social Security and Medicare taxes are included as tax payments.

<sup>b</sup>Tax payments include federal income taxes, sales tax, and employee-paid Social Security and Medicare taxes. The government budget perspective includes employer-paid Social Security and Medicare taxes. Texas does not collect state income taxes.

<sup>c</sup>Child tax credits include the federal Child Tax Credit and the federal Additional Child Tax Credit.

<sup>d</sup>Public assistance administration includes welfare payments, food stamps, and Medicaid.

<sup>e</sup>This is the net value from the body of the report. This estimate uses the assumptions specified in the report.

**The Employment Retention and Advancement Project**

**Appendix Table D.3**

**Sensitivity Analysis Using a 3 Percent and 7 Percent Discount Rate:  
Five-Year Estimated Net Value,  
by Accounting Perspective (in 2008 Dollars):**

**Chicago**

Component	Program Group		Government Budget		Social	
	3 Percent	7 Percent	3 Percent	7 Percent	3 Percent	7 Percent
<b><u>Financial effects</u></b>						
Earnings	2,354	2,134	0	0	2,354	2,134
Fringe benefits <sup>a</sup>	342	310	0	0	342	310
Tax payments <sup>b</sup>	-304	-271	484	435	0	0
Earned income credits <sup>c</sup>	334	317	-334	-317	0	0
Child tax credits <sup>d</sup>	137	122	-137	-122	0	0
Welfare payments	-948	-889	948	889	0	0
Food stamps	512	475	-512	-475	0	0
Medicaid	866	798	-866	-798	0	0
Supportive service payments and incentives <sup>e</sup>	379	379	-379	-379	0	0
Public assistance administration <sup>f</sup>	0	0	-118	-108	-118	-108
Employment and training costs	0	0	-1,631	-1,631	-1,631	-1,631
<b>Net gain or net loss (net value)</b>	<b>3,674</b>	<b>3,375</b>	<b>-2,547</b>	<b>-2,507</b>	<b>947</b>	<b>704</b>
Reported net value <sup>g</sup>		3,520		-2,527		822

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of Illinois unemployment insurance (UI) earnings, and published data on tax rates, employee fringe benefits, and Medicaid benefits.

NOTES: The benefit-cost analysis in the report assumes a discount rate of 5 percent. The sensitivity analysis examines whether or not the benefit-cost results are sensitive to this assumption. The sensitivity analysis creates five-year estimates using a 3 percent discount rate and 7 percent discount rate. The employment and training costs are not discounted.

Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

<sup>a</sup>These include employer-paid health and life insurance, pension contributions, and worker's compensation. Paid leave is captured directly by the earnings estimate. Employee-paid Social Security and Medicare taxes are included as tax payments.

<sup>b</sup>Tax payments include federal and state income taxes, sales tax, and employee-paid Social Security and Medicare taxes. The government budget perspective includes employer-paid Social Security and Medicare taxes.

<sup>c</sup>Earned income credits include federal and state credits.

<sup>d</sup>Child tax credits include the federal Child Tax Credit and the federal Additional Child Tax Credit.

<sup>e</sup>It is not possible to separate transportation from incentives for participation. Transportation should not be considered a benefit to participants. In principle, the impact on out-of-pocket transportation expenditures should appear in the program group column.

<sup>f</sup>Public assistance administration includes welfare payments, food stamps, and Medicaid.

<sup>g</sup>This is the net value from the body of the report. This estimate uses the assumptions specified in the report.

**The Employment Retention and Advancement Project**

**Appendix Table D.4**

**Sensitivity Analysis Using a 3 Percent and 7 Percent Discount Rate:  
Five-Year Estimated Net Value,  
by Accounting Perspective (in 2008 Dollars):**

**Riverside PASS**

Component	Program Group		Government Budget		Social	
	3 Percent	7 Percent	3 Percent	7 Percent	3 Percent	7 Percent
<b><u>Financial effects</u></b>						
Earnings	4,650	4,239	0	0	4,650	4,239
Fringe benefits <sup>a</sup>	675	615	0	0	675	615
Tax payments <sup>b</sup>	-711	-649	1,067	974	0	0
Earned income credits	143	132	-143	-132	0	0
Child tax credits <sup>c</sup>	239	218	-239	-218	0	0
Welfare payments	-242	-217	242	217	0	0
Food stamps	-230	-204	230	204	0	0
Medicaid	73	72	-73	-72	0	0
Supportive service payments <sup>d</sup>	0	0	-8	-8	-8	-8
Public assistance administration <sup>e</sup>	0	0	78	69	78	69
Employment and training costs	0	0	-1,022	-1,022	-1,022	-1,022
<b>Net gain or net loss (net value)</b>	<b>4,596</b>	<b>4,205</b>	<b>132</b>	<b>12</b>	<b>4,372</b>	<b>3,893</b>
<b>Reported net value<sup>f</sup></b>	<b>4,394</b>		<b>70</b>		<b>4,125</b>	

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of California unemployment insurance (UI) earnings, supportive service payment records from the DPSS P3 automated program tracking system, and published data on tax rates, employee fringe benefits, and Medicaid benefits.

NOTES: The benefit-cost analysis in the report assumes a discount rate of 5 percent. The sensitivity analysis examines whether or not the benefit-cost results are sensitive to this assumption. The sensitivity analysis creates five-year estimates using a 3 percent discount rate and 7 percent discount rate. The employment and training costs are not discounted.

Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

<sup>a</sup>These include employer-paid health and life insurance, pension contributions, and worker's compensation. Paid leave is captured directly by the earnings estimate. Employee-paid Social Security and Medicare taxes are included as tax payments.

<sup>b</sup>Tax payments include federal and state income taxes, sales tax, and employee-paid Social Security and Medicare taxes. The government budget perspective includes employer-paid Social Security and Medicare taxes.

<sup>c</sup>Child tax credits include the federal Child Tax Credit and the federal Additional Child Tax Credit.

<sup>d</sup>These payments include transportation and ancillary assistance (to pay for books, uniforms, tools, and other work-related expenses).

<sup>e</sup>Public assistance administration includes welfare payments, food stamps, and Medicaid.

<sup>f</sup>This is the net value from the body of the report. This estimate uses the assumptions specified in the report.

**Appendix E**

**Sensitivity Analysis of Tax Credit Take-Up Rates**



**The Employment Retention and Advancement Project**

**Appendix Table E.1**

**Sensitivity Analysis of Tax Credit Take-Up,  
Setting the Tax Credit Take-Up Rate at 64 Percent:**

**Corpus Christi**

Net Value (\$)	Program Group	Government Budget	Social <sup>a</sup>
Mean	3,520	-888	NA
Median	3,515	-883	NA
Minimum	2,837	-1,457	NA
Maximum	4,089	-205	NA
Reported net value <sup>b</sup>	3,673	-1,041	2,362

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of Texas unemployment insurance (UI) earnings, postemployment stipend payment records, and published data on tax rates, employee fringe benefits, and Medicaid benefits. Employment and training costs are based on fiscal and participation data from Workforce Solutions for Tarrant County, WorkSource of the Coastal Bend, ERA program tracking data, The Workforce Information System of Texas (TWIST), Texas Education Agency, Texas Higher Education Coordinating Board, U.S. Department of Education, and ERA 12-Month Survey.

NOTES: The benefit-cost analysis in the report assumes that all who were eligible according to their earnings took advantage of tax credits. The sensitivity analysis examines whether or not the benefit-cost results are sensitive to this assumption. The tax credit take-up rate is based on the percentage who reported filing a tax return for the prior calendar year in the ERA 12-Month Survey. The benefit-cost analysis is estimated 1,000 times, each time randomly selecting 64 percent of the sample to have filed taxes.

<sup>a</sup>NA = not applicable. From the social perspective, tax credits are always zero.

<sup>b</sup>This is the net value from the body of the report. This estimate uses the assumptions specified in the report.

**The Employment Retention and Advancement Project**

**Appendix Table E.2**

**Sensitivity Analysis of Tax Credit Take-Up,  
Setting the Tax Credit Take-Up Rate at 56 Percent:**

**Fort Worth**

Net Value (\$)	Program Group	Government Budget	Social <sup>a</sup>
Mean	3,253	-2,350	NA
Median	3,250	-2,347	NA
Minimum	2,540	-3,199	NA
Maximum	4,102	-1,637	NA
Reported net value <sup>b</sup>	3,279	-2,376	738

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of Texas unemployment insurance (UI) earnings, postemployment stipend payment records, and published data on tax rates, employee fringe benefits, and Medicaid benefits. Employment and training costs are based on fiscal and participation data from Workforce Solutions for Tarrant County, WorkSource of the Coastal Bend, ERA program tracking data, The Workforce Information System of Texas (TWIST), Texas Education Agency, Texas Higher Education Coordinating Board, U.S. Department of Education, and ERA 12-Month Survey.

NOTES: The benefit-cost analysis in the report assumes that all who were eligible according to their earnings took advantage of tax credits. The sensitivity analysis examines whether or not the benefit-cost results are sensitive to this assumption. The tax credit take-up rate is based on the percentage who reported filing a tax return for the prior calendar year in the ERA 12-Month Survey. The benefit-cost analysis is estimated 1,000 times, each time randomly selecting 56 percent of the sample to have filed taxes.

<sup>a</sup>NA = not applicable. From the social perspective, tax credits are always zero.

<sup>b</sup>This is the net value from the body of the report. This estimate uses the assumptions specified in the report.



**The Employment Retention and Advancement Project**  
**Appendix Table E.3**  
**Sensitivity Analysis of Tax Credit Take-Up,**  
**Varying the Tax Credit Take-Up Rate from 57 Percent to 73 Percent:**  
**Chicago**

Net Value (\$)	Program Group	Government Budget	Social <sup>a</sup>
Mean	3,454	-2,461	NA
Median	3,459	-2,466	NA
Minimum	2,483	-3,221	NA
Maximum	4,214	-1,490	NA
Reported net value <sup>b</sup>	3,520	-2,527	822

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of Illinois unemployment insurance (UI) earnings, and published data on tax rates, employee fringe benefits, and Medicaid benefits. Employment and training costs are based on fiscal and participation data from Employment and Employer Services, Inc., ERA program records and participant case files, Illinois Department of Human Services, TANF administrative records from the State of Illinois, Illinois Community College Board, U.S. Department of Education, and ERA 12-Month Survey.

NOTES: The benefit-cost analysis in the report assumes that all who were eligible according to their earnings took advantage of tax credits. The sensitivity analysis examines whether or not the benefit-cost results are sensitive to this assumption. The tax credit take-up rate is based on the percentage who reported filing a tax return for the prior calendar year in the ERA 12-Month Survey and the ERA 42-Month Survey. The benefit-cost analysis is estimated 1,000 times, each time randomly selecting between 57 percent and 73 percent of the sample to have filed taxes.

<sup>a</sup>NA = not applicable. From the social perspective, tax credits are always zero.

<sup>b</sup>This is the net value from the body of the report. This estimate uses the assumptions specified in the report.

**The Employment Retention and Advancement Project**  
**Appendix Table E.4**  
**Sensitivity Analysis of Tax Credit Take-Up,**  
**Varying the Tax Credit Take-Up Rate from 63 Percent to 82 Percent:**  
**Riverside PASS**

Net Value (\$)	Program Group	Government Budget	Social <sup>a</sup>
Mean	4,320	144	NA
Median	4,323	141	NA
Minimum	3,731	-383	NA
Maximum	4,847	733	NA
Reported net value <sup>b</sup>	4,394	70	4,125

SOURCES: MDRC calculations from TANF and food stamps records, Medicaid eligibility records, the State of California unemployment insurance (UI) earnings, supportive service payment records from the DPSS P3 automated programs tracking system, and published data on tax rates, employee fringe benefits, and Medicaid benefits. Employment and training costs are based on fiscal and participation data from Riverside County Department of Social Services, Riverside DPSS P3 automated program tracking system, TANF administrative records from the State of California, California Department of Education, U.S. Department of Education, and ERA 12-Month Survey.

NOTES: The benefit-cost analysis in the report assumes that all who were eligible according to their earnings took advantage of tax credits. The sensitivity analysis examines whether or not the benefit-cost results are sensitive to this assumption. The tax credit take-up rate is based on the percentage who reported filing a tax return for the prior calendar year in the ERA 12-Month Survey and the ERA 42-Month Survey. The benefit-cost analysis is estimated 1,000 times, each time randomly selecting between 63 percent and 82 percent of the sample to have filed taxes.

<sup>a</sup>NA = not applicable. From the social perspective, tax credits are always zero.

<sup>b</sup>This is the net value from the body of the report. This estimate uses the assumptions specified in the report.

**Appendix F**

**Sensitivity Analysis of Fringe Benefit Rates**



**The Employment Retention and Advancement Project**  
**Appendix Table F.1**  
**Sensitivity Analysis of Optional Fringe Benefits,**  
**Varying the Percentage of the Sample with Optional Fringe Benefits**  
**from 11 Percent to 24 Percent:**  
**Corpus Christi**

Net Value (\$)	Program Group	Government <sup>a</sup> Budget	Social
Mean	3,302	NA	1,991
Median	3,301	NA	1,990
Minimum	2,979	NA	1,668
Maximum	3,683	NA	2,372
Reported net value <sup>b</sup>	3,673	-1,041	2,362

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of Texas unemployment insurance (UI) earnings, postemployment stipend payment records, and published data on tax rates, employee fringe benefits, and Medicaid benefits. Employment and training costs are based on fiscal and participation data from Workforce Solutions for Tarrant County, WorkSource of the Coastal Bend, ERA program tracking data, The Workforce Information System of Texas (TWIST), Texas Education Agency, Texas Higher Education Coordinating Board, U.S. Department of Education, and ERA 12-Month Survey.

NOTES: The benefit-cost analysis in the report assumes that all jobs had the average level of optional fringe benefits. The sensitivity analysis examines whether or not the benefit-cost results are sensitive to this assumption. The percentage of the sample who received optional fringe benefits is based on the percentage who reported enrolling in a medical plan offered at their current job and being offered dental benefits and a retirement plan at their current job in the ERA 12-Month Survey. The benefit-cost analysis is estimated 1,000 times, each time randomly selecting between 11 percent and 24 percent of the sample to have received optional fringe benefits.

<sup>a</sup>NA = not applicable. From the government perspective, fringe benefits are always zero.

<sup>b</sup>This is the net value from the body of the report. This estimate uses the assumptions specified in the report.

**The Employment Retention and Advancement Project**  
**Appendix Table F.2**  
**Sensitivity Analysis of Optional Fringe Benefits,**  
**Varying the Percentage of the Sample with Optional Fringe Benefits**  
**from 12 Percent to 25 Percent:**  
**Fort Worth**

Net Value (\$)	Program Group	Government <sup>a</sup> Budget	Social
Mean	3,060	NA	518
Median	3,063	NA	521
Minimum	2,696	NA	154
Maximum	3,442	NA	900
Reported net value <sup>b</sup>	3,279	-2,376	738

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of Texas unemployment insurance (UI) earnings, postemployment stipend payment records, and published data on tax rates, employee fringe benefits, and Medicaid benefits. Employment and training costs are based on fiscal and participation data from Workforce Solutions for Tarrant County, WorkSource of the Coastal Bend, ERA program tracking data, The Workforce Information System of Texas (TWIST), Texas Education Agency, Texas Higher Education Coordinating Board, U.S. Department of Education, and ERA 12-Month Survey.

NOTES: The benefit-cost analysis in the report assumes that all jobs had the average level of optional fringe benefits. The sensitivity analysis examines whether or not the benefit-cost results are sensitive to this assumption. The percentage of the sample who received optional fringe benefits is based on the percentage who reported enrolling in a medical plan offered at their current job and being offered dental benefits and a retirement plan at their current job in the ERA 12-Month Survey. The benefit-cost analysis is estimated 1,000 times, each time randomly selecting between 12 percent and 25 percent of the sample to have received optional fringe benefits.

<sup>a</sup>NA = not applicable. From the government perspective, fringe benefits are always zero.

<sup>b</sup>This is the net value from the body of the report. This estimate uses the assumptions specified in the report.

**The Employment Retention and Advancement Project**  
**Appendix Table F.3**  
**Sensitivity Analysis of Optional Fringe Benefits,**  
**Varying the Percentage of the Sample with Optional Fringe Benefits**  
**from 10 Percent to 30 Percent:**  
**Chicago**

Net Value (\$)	Program Group	Government <sup>a</sup> Budget	Social
Mean	3,286	NA	588
Median	3,287	NA	589
Minimum	2,971	NA	273
Maximum	3,708	NA	1,010
Reported net value <sup>b</sup>	3,520	-2,527	822

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of Illinois unemployment insurance (UI) earnings, and published data on tax rates, employee fringe benefits, and Medicaid benefits. Employment and training costs are based on fiscal and participation data from Employment and Employer Services, Inc., ERA program records and participant case files, Illinois Department of Human Services, TANF administrative records from the State of Illinois, Illinois Community College Board, U.S. Department of Education, and ERA 12-Month Survey.

NOTES: The benefit-cost analysis in the report assumes that all jobs had the average level of optional fringe benefits. The sensitivity analysis examines whether or not the benefit-cost results are sensitive to this assumption. The percentage of the sample who received optional fringe benefits is based on the percentage who reported enrolling in a medical plan offered at their current job and being offered dental benefits and a retirement plan at their current job in the ERA 12-Month Survey and the ERA 42-Month Survey. The benefit-cost analysis is estimated 1,000 times, each time randomly selecting between 10 percent and 30 percent of the sample to have received optional fringe benefits.

<sup>a</sup>NA = not applicable. From the government perspective, fringe benefits are always zero.

<sup>b</sup>This is the net value from the body of the report. This estimate uses the assumptions specified in the report.

**The Employment Retention and Advancement Project**  
**Appendix Table F.4**  
**Sensitivity Analysis of Optional Fringe Benefits,**  
**Varying the Percentage of the Sample with Optional Fringe Benefits**  
**from 21 Percent to 57 Percent:**  
**Riverside PASS**

Net Value (\$)	Program Group	Government <sup>a</sup> Budget	Social
Mean	4,054	NA	3,785
Median	4,046	NA	3,777
Minimum	3,553	NA	3,284
Maximum	4,626	NA	4,357
Reported net value <sup>b</sup>	4,394	70	4,125

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of California unemployment insurance (UI) earnings, supportive service payment records from the DPSS P3 automated programs tracking system, and published data on tax rates, employee fringe benefits, and Medicaid benefits. Employment and training costs are based on fiscal and participation data from Riverside County Department of Social Services, Riverside DPSS P3 automated program tracking system, TANF administrative records from the State of California, California Department of Education, U.S. Department of Education, and ERA 12-Month Survey.

NOTES: The benefit-cost analysis in the report assumes that all jobs had the average level of optional fringe benefits. The sensitivity analysis examines whether or not the benefit-cost results are sensitive to this assumption. The percentage of the sample who received optional fringe benefits is based on the percentage who reported enrolling in a medical plan offered at their current job and being offered dental benefits and a retirement plan at their current job in the ERA 12-Month Survey and the ERA 42-Month Survey. The benefit-cost analysis is estimated 1,000 times, each time randomly selecting between 21 percent and 57 percent of the sample to have received optional fringe benefits.

<sup>a</sup>NA = not applicable. From the government perspective, fringe benefits are always zero.

<sup>b</sup>This is the net value from the body of the report. This estimate uses the assumptions specified in the report.



**Appendix G**

**Quarterly Impacts on Key Outcomes**



**The Employment Retention and Advancement Project**  
**Appendix Table G.1**  
**Impacts on Quarterly Earnings, TANF, Food Stamps, and Medicaid:**  
**Corpus Christi**

Outcome	ERA Group	Control Group	Difference (Impact)	P-Value
<b><u>Earnings (\$)</u></b>				
Quarter of random assignment	548	551	-3	0.948
Q2	794	739	55	0.333
Q3	1,038	882	156 **	0.019
Q4	1,064	935	129 *	0.053
Q5	1,095	1,006	89	0.197
Q6	1,146	1,027	120	0.103
Q7	1,143	1,054	89	0.225
Q8	1,209	1,096	114	0.151
Q9	1,239	1,102	137 *	0.086
Q10	1,249	1,146	103	0.211
Q11	1,330	1,146	183 **	0.034
Q12	1,391	1,149	242 ***	0.007
Q13	1,430	1,182	247 ***	0.007
Q14	1,400	1,227	173 *	0.063
Q15	1,473	1,242	231 **	0.019
Q16	1,492	1,255	237 **	0.017
Q17	1,550	1,294	256 **	0.013
Q18	1,632	1,343	289 ***	0.006
Q19	1,682	1,408	274 **	0.011
<b><u>TANF (\$)</u></b>				
Quarter of random assignment	224	225	-1	0.916
Q2	391	371	20	0.102
Q3	272	263	10	0.438
Q4	200	198	2	0.867
Q5	155	163	-8	0.486
Q6	135	151	-15	0.165
Q7	116	136	-20 *	0.061
Q8	98	115	-16	0.110
Q9	87	99	-11	0.225
Q10	79	91	-12	0.204
Q11	68	84	-16 *	0.067
Q12	61	84	-24 ***	0.009
Q13	47	64	-17 **	0.024
Q14	43	54	-10	0.156
Q15	50	54	-4	0.613
Q16	45	50	-5	0.505
Q17	47	45	2	0.756

(continued)

**Appendix Table G.1 (continued)**

Outcome	ERA Group	Control Group	Difference (Impact)	P-Value
<b>Food stamps (\$)</b>				
Quarter of random assignment	709	712	-4	0.801
Q2	798	794	4	0.827
Q3	673	698	-25	0.187
Q4	651	677	-26	0.208
Q5	627	687	-60 ***	0.004
Q6	614	674	-60 ***	0.006
Q7	626	664	-38 *	0.088
Q8	612	662	-51 **	0.025
Q9	628	675	-47 **	0.042
Q10	626	660	-34	0.157
Q11	630	660	-30	0.228
Q12	642	680	-38	0.137
Q13	630	675	-45 *	0.083
Q14	634	670	-36	0.163
Q15	643	666	-23	0.386
Q16	660	677	-17	0.535
Q17	661	669	-8	0.775
<b>Medicaid (%)</b>				
Quarter of random assignment	83.4	84.0	-0.6	0.858
Q2	85.4	81.5	3.9 **	0.027
Q3	78.6	74.6	4.0 **	0.047
Q4	68.1	64.8	3.3	0.135
Q5	62.2	62.0	0.2	0.930
Q6	57.7	59.6	-1.9	0.408
Q7	52.8	53.5	-0.7	0.757
Q8	46.4	49.1	-2.7	0.241
Q9	41.9	46.3	-4.4 *	0.054
Sample size (total = 1,727)	870	857		

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of Texas unemployment insurance (UI) earnings, postemployment stipend payment records, and published data on tax rates, employee fringe benefits, and Medicaid benefits.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the program and control groups. Statistical significance levels are indicated as follows: \*\*\* = 1 percent; \*\* = 5 percent; and \* = 10 percent.

Dollar averages include zero values for sample members who were not employed or were not receiving TANF or food stamps.

This table includes only employment and earnings in jobs covered by the Texas unemployment insurance (UI) program. It does not include employment outside Texas or in jobs not covered by UI (for example, "off-the-books" jobs, some agricultural jobs, and federal government jobs).

**The Employment Retention and Advancement Project**  
**Appendix Table G.2**  
**Impacts on Quarterly Earnings, TANF, Food Stamps, and Medicaid:**  
**Fort Worth**

Outcome	ERA Group	Control Group	Difference (Impact)	P-Value
<b><u>Earnings (\$)</u></b>				
Quarter of random assignment	569	539	30	0.511
Q2	784	869	-85	0.248
Q3	1,049	1,036	13	0.877
Q4	1,193	1,120	72	0.409
Q5	1,209	1,264	-55	0.558
Q6	1,261	1,196	65	0.502
Q7	1,318	1,278	40	0.689
Q8	1,394	1,253	141	0.159
Q9	1,504	1,283	221 **	0.033
Q10	1,507	1,293	214 **	0.041
Q11	1,586	1,373	213 **	0.048
Q12	1,650	1,336	315 ***	0.005
Q13	1,652	1,480	172	0.134
Q14	1,626	1,525	101	0.378
Q15	1,666	1,576	89	0.443
Q16	1,693	1,545	148	0.216
Q17	1,731	1,598	132	0.274
Q18	1,743	1,611	131	0.273
Q19	1,805	1,697	108	0.393
<b><u>TANF (\$)</u></b>				
Quarter of random assignment	245	243	2	0.803
Q2	397	396	1	0.963
Q3	292	293	-2	0.901
Q4	241	241	0	0.992
Q5	216	208	8	0.546
Q6	191	182	9	0.497
Q7	163	176	-13	0.308
Q8	158	152	7	0.584
Q9	130	132	-2	0.886
Q10	116	123	-8	0.511
Q11	100	114	-14	0.208
Q12	91	106	-15	0.166
Q13	82	87	-5	0.626
Q14	81	77	4	0.692
Q15	62	67	-5	0.547
Q16	54	67	-13	0.148
Q17	49	60	-12	0.167

(continued)

**Appendix Table G.2 (continued)**

Outcome	ERA Group	Control Group	Difference (Impact)	P-Value
<b>Food stamps (\$)</b>				
Quarter of random assignment	692	670	23	0.139
Q2	801	769	32 *	0.093
Q3	681	636	45 **	0.030
Q4	660	619	40 *	0.081
Q5	651	617	34	0.142
Q6	647	610	37	0.123
Q7	652	618	34	0.165
Q8	656	598	58 **	0.023
Q9	652	611	41	0.111
Q10	653	601	53 **	0.046
Q11	642	602	40	0.125
Q12	669	626	43	0.111
Q13	666	638	28	0.306
Q14	683	638	45	0.107
Q15	685	640	46	0.109
Q16	686	643	44	0.136
Q17	675	649	26	0.390
<b>Medicaid (%)</b>				
Quarter of random assignment	79.3	84.5	-5.2	0.110
Q2	79.3	81.0	-1.8	0.360
Q3	75.3	74.7	0.6	0.783
Q4	63.4	62.5	0.9	0.708
Q5	62.3	61.8	0.5	0.846
Q6	59.9	55.9	3.9	0.100
Q7	56.5	52.0	4.5 *	0.061
Q8	50.7	47.7	3.0	0.214
Q9	47.6	44.9	2.8	0.249
Sample size (total = 1,572)	784	788		

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of Texas unemployment insurance (UI) earnings, postemployment stipend payment records, and published data on tax rates, employee fringe benefits, and Medicaid benefits.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the program and control groups.

Statistical significance levels are indicated as follows: \*\*\* = 1 percent; \*\* = 5 percent; and \* = 10 percent.

Dollar averages include zero values for sample members who were not employed or were not receiving TANF or food stamps.

This table includes only employment and earnings in jobs covered by the Texas unemployment insurance (UI) program. It does not include employment outside Texas or in jobs not covered by UI (for example, "off-the-books" jobs, some agricultural jobs, and federal government jobs).

The Employment Retention and Advancement Project

Appendix Table G.3

Impacts on Quarterly Earnings, TANF, Food Stamps, and Medicaid:

Chicago

Outcome	ERA Group	Control Group	Difference (Impact)	P-Value
<b><u>Earnings (\$)</u></b>				
Quarter of random assignment	1,504	1,513	-9	0.840
Q2	1,504	1,461	43	0.401
Q3	1,571	1,538	32	0.617
Q4	1,555	1,478	78	0.274
Q5	1,591	1,531	60	0.438
Q6	1,599	1,484	115	0.152
Q7	1,645	1,503	142 *	0.085
Q8	1,664	1,483	181 **	0.031
Q9	1,670	1,490	180 **	0.035
Q10	1,682	1,507	175 **	0.047
Q11	1,686	1,634	53	0.568
Q12	1,758	1,674	84	0.373
Q13	1,830	1,645	185 *	0.052
Q14	1,922	1,720	202 **	0.044
Q15	1,989	1,873	116	0.268
Q16	2,111	1,931	180 *	0.097
Q17	2,099	2,001	98	0.368
<b><u>TANF (\$)</u></b>				
Quarter of random assignment	340	343	-3	0.782
Q2	454	478	-24	0.130
Q3	359	426	-67 ***	0.000
Q4	272	363	-91 ***	0.000
Q5	227	311	-84 ***	0.000
Q6	184	261	-77 ***	0.000
Q7	155	219	-64 ***	0.000
Q8	140	196	-56 ***	0.000
Q9	131	183	-52 ***	0.001
Q10	115	170	-54 ***	0.000
Q11	101	162	-61 ***	0.000
Q12	100	139	-40 ***	0.007
Q13	90	125	-35 **	0.013

(continued)

**Appendix Table G.3 (continued)**

Outcome	ERA Group	Control Group	Difference (Impact)	P-Value
<b><u>Food stamps (\$)</u></b>				
Quarter of random assignment	681	680	2	0.918
Q2	1,022	1,023	-2	0.919
Q3	1,026	1,017	9	0.640
Q4	1,015	1,001	14	0.504
Q5	1,026	1,023	3	0.883
Q6	1,014	996	18	0.437
Q7	1,040	994	46 *	0.057
Q8	1,038	980	58 **	0.023
Q9	1,063	989	74 ***	0.007
Q10	1,047	967	81 ***	0.005
Q11	1,034	983	51 *	0.090
Q12	1,012	955	56 *	0.064
Q13	1,002	941	62 **	0.049
<b><u>Medicaid (%)</u></b>				
Quarter of random assignment	99.9	99.9	0.0 ***	0.000
Q2	99.8	100.0	-0.1	0.234
Q3	99.3	99.6	-0.3	0.345
Q4	98.2	97.9	0.3	0.684
Q5	97.6	96.8	0.8	0.326
Q6	96.2	94.2	2.1 **	0.044
Q7	95.0	92.2	2.8 **	0.015
Q8	93.6	90.8	2.8 **	0.030
Q9	91.8	89.3	2.5 *	0.070
Q10	89.5	87.9	1.6	0.297
Q11	88.8	87.2	1.6	0.309
Q12	87.5	85.9	1.7	0.300
Q13	86.4	84.6	1.8	0.281
Q14	85.3	83.2	2.1	0.219
Q15	83.8	81.4	2.4	0.185
Q16	81.8	80.3	1.5	0.424
Sample size (total = 1,728)	854	874		

(continued)



### **Appendix Table G.3 (continued)**

SOURCES: MDRC calculations from TANF and food stamps record, Medicaid eligibility records, the State of Illinois unemployment insurance (UI) earnings, and published data on tax rates, employee fringe benefits, and Medicaid benefits.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the program and control groups. Statistical significance levels are indicated as follows: \*\*\* = 1 percent; \*\* = 5 percent; and \* = 10 percent.

Dollar averages include zero values for sample members who were not employed or were not receiving TANF or food stamps.

This table includes only employment and earnings in jobs covered by the Illinois unemployment insurance (UI) program. It does not include employment outside Illinois or in jobs not covered by UI (for example, "off-the-books" jobs, some agricultural jobs, and federal government jobs).

Numbers may differ from those presented in Hendra et al. (2010) because a different model was used to regression-adjust estimates.

**The Employment Retention and Advancement Project**  
**Appendix Table G.4**  
**Impacts on Quarterly Earnings, TANF, Food Stamps, and Medicaid:**  
**Riverside PASS**

Outcome	ERA Group	Control Group	Difference (Impact)	P-Value
<b><u>Earnings (\$)</u></b>				
Quarter of random assignment	2,319	2,173	146 **	0.020
Q2	2,236	2,145	90	0.225
Q3	2,252	2,041	211 ***	0.010
Q4	2,301	2,038	263 ***	0.002
Q5	2,333	2,045	288 ***	0.002
Q6	2,316	2,080	236 **	0.012
Q7	2,303	2,066	238 **	0.014
Q8	2,285	2,110	175 *	0.080
Q9	2,350	2,129	221 **	0.035
Q10	2,365	2,166	199 *	0.059
Q11	2,415	2,244	171	0.116
Q12	2,500	2,309	191 *	0.093
Q13	2,578	2,357	220 *	0.060
Q14	2,585	2,418	168	0.163
Q15	2,586	2,388	198 *	0.099
Q16	2,692	2,417	275 **	0.024
Q17	2,746	2,420	326 ***	0.009
Q18	2,772	2,456	316 **	0.014
<b><u>TANF (\$)</u></b>				
Quarter of random assignment	562	549	12	0.513
Q2	391	390	1	0.976
Q3	402	400	2	0.949
Q4	397	402	-4	0.870
Q5	384	380	4	0.885
Q6	357	361	-5	0.861
Q7	353	361	-7	0.786
Q8	337	366	-29	0.284
Q9	312	352	-40	0.129
Q10	307	331	-24	0.352
Q11	288	326	-38	0.138
Q12	276	302	-26	0.294
Q13	263	275	-13	0.608
Q14	256	249	7	0.770
Q15	250	235	15	0.518
Q16	236	222	14	0.545
Q17	219	205	14	0.518
Q18	194	235	-40 *	0.071
Q19	198	220	-23	0.300
Q20	195	225	-30	0.173

(continued)

**Appendix Table G.4 (continued)**

Outcome	ERA Group	Control Group	Difference (Impact)	P-Value
<b><u>Food stamps (\$)</u></b>				
Quarter of random assignment	301	305	-4	0.692
Q2	246	244	2	0.885
Q3	247	243	4	0.793
Q4	244	246	-1	0.920
Q5	239	235	4	0.771
Q6	239	238	1	0.935
Q7	242	250	-8	0.600
Q8	236	257	-21	0.183
Q9	232	251	-19	0.223
Q10	235	252	-16	0.316
Q11	239	252	-14	0.417
Q12	230	257	-27	0.113
Q13	227	247	-20	0.240
Q14	222	240	-18	0.286
Q15	229	239	-10	0.567
Q16	221	234	-12	0.477
Q17	205	227	-22	0.201
Q18	203	221	-18	0.296
Q19	205	227	-22	0.212
Q20	214	232	-18	0.317
<b><u>Medicaid (%)</u></b>				
Quarter of random assignment	75.3	75.6	-0.3	0.856
Q2	60.5	62.4	-1.9	0.318
Q3	62.8	62.8	0.0	0.995
Q4	60.0	58.9	1.1	0.575
Q5	57.1	56.2	0.8	0.665
Q6	54.4	53.4	1.1	0.590
Q7	52.9	51.7	1.3	0.515
Q8	50.8	51.2	-0.3	0.864
Q9	49.9	49.6	0.3	0.887
Q10	49.8	48.8	1.0	0.615
Q11	48.0	48.6	-0.6	0.745
Q12	46.6	47.3	-0.7	0.727
Q13	45.4	45.5	-0.1	0.958
Q14	43.2	43.2	0.0	0.986
Q15	41.4	41.7	-0.3	0.870
Q16	39.7	40.1	-0.5	0.803
Q17	37.7	38.5	-0.8	0.660
Q18	36.7	38.0	-1.3	0.503
Q19	36.2	37.6	-1.4	0.448
Q20	36.0	36.6	-0.6	0.742
Sample size (total = 2,770)	1,627	1,143		

(continued)

### **Appendix Table G.4 (continued)**

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of California unemployment insurance (UI) earnings, supportive service payment records from the DPSS P3 automated program tracking system, and published data on tax rates, employee fringe benefits, and Medicaid benefits.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the program and control groups. Statistical significance levels are indicated as follows: \*\*\* = 1 percent; \*\* = 5 percent; and \* = 10 percent.

Dollar averages include zero values for sample members who were not employed or were not receiving TANF or food stamps.

This table includes only employment and earnings in jobs covered by the California unemployment insurance (UI) program. It does not include employment outside California or in jobs not covered by UI (for example, "off-the-books" jobs, some agricultural jobs, and federal government jobs).

**Appendix H**

**Supplementary Tables for the Chicago ERA Site**



**The Employment Retention and Advancement Project**  
**Appendix Table H.1**  
**Five-Year Estimated Net Value Including Child Care Subsidy,**  
**by Accounting Perspective (in 2008 Dollars):**  
**Chicago**

Component	Program Group	Government Budget	Social
<b><u>Financial effects</u></b>			
Earnings	2,241	0	2,241
Fringe benefits <sup>a</sup>	325	0	325
Tax payments <sup>b</sup>	-287	458	0
Earned income credits <sup>c</sup>	326	-326	0
Child tax credits <sup>d</sup>	129	-129	0
Welfare payments	-918	918	0
Food stamps	493	-493	0
Medicaid	832	-832	0
Child care subsidy <sup>e</sup>	0	-857	-857
Supportive service payments and incentives <sup>f</sup>	379	-379	0
Public assistance administration <sup>g</sup>	0	-158	-158
Employment and training costs	0	-1,631	-1,631
<b>Net gain or net loss (net value)</b>	<b>3,520</b>	<b>-3,429</b>	<b>-81</b>

SOURCES: MDRC calculations from TANF and food stamp records, Medicaid eligibility records, the State of Illinois unemployment insurance (UI) earnings, and published data on tax rates, employee fringe benefits, child care subsidy payment records, and Medicaid benefits. Employment and training costs are based on fiscal and participation data from Employment and Employer Services, Inc., ERA program records and participant case files, Illinois Department of Human Services, TANF administrative records from the State of Illinois, Illinois Community College Board, U.S. Department of Education, and ERA 12-Month Survey.

NOTES: Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

<sup>a</sup>These include employer-paid health and life insurance, pension contributions, and worker's compensation. Paid leave is captured directly by the earnings estimate. Employee-paid Social Security and Medicare taxes are included as tax payments.

<sup>b</sup>Tax payments include federal and state income taxes, sales tax, and employee-paid Social Security and Medicare taxes. The government budget perspective includes employer-paid Social Security and Medicare taxes.

<sup>c</sup>Earned income credits include federal and state credits.

<sup>d</sup>Child tax credits include the federal Child Tax Credit and the federal Additional Child Tax Credit.

<sup>e</sup>Based on trends in the child care data, it is assumed that, after the observed period, the child care subsidy impacts decay 100 percent or, in other words, that there are no impacts following the observed period. This assumption was used for zero to two quarters, depending on when random assignment occurred. Other projection methods and assumptions are discussed in Appendix B.

<sup>f</sup>It is not possible to separate transportation from incentives for participation. Transportation should not be considered a benefit to participants. In principle, the impact on out-of-pocket transportation expenditures should appear in the program group column.

<sup>g</sup>Public assistance administration includes welfare payments, food stamps, Medicaid, and child care. Child care subsidy administrative costs are estimated at the same rate as TANF administrative costs.

**The Employment Retention and Advancement Project**

**Appendix Table H.2**

**Impacts on Quarterly Child Care Subsidy:**

**Chicago**

Outcome	ERA Group	Control Group	Difference (Impact)	P-Value
<b><u>Child care subsidy (\$)</u></b>				
Quarter of random assignment	992	951	42	0.354
Q2	970	916	54	0.237
Q3	942	860	83 *	0.070
Q4	900	843	57	0.210
Q5	886	830	56	0.217
Q6	858	783	76 *	0.097
Q7	791	730	61	0.179
Q8	777	691	86 *	0.054
Q9	736	669	67	0.127
Q10	700	653	47	0.286
Q11	655	617	38	0.381
Q12	643	589	54	0.201
Q13	603	572	32	0.454
Q14	569	534	35	0.393
Q15	509	495	14	0.731
Q16	462	460	2	0.954
Q17	436	428	8	0.846
Q18	410	382	28	0.456
Q19	376	374	2	0.964
Sample size (total = 1,728)	854	874		

SOURCE: MDRC calculations from child care subsidy payment records.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the program and control groups.

Statistical significance levels are indicated as follows: \*\*\* = 1 percent; \*\* = 5 percent; and \* = 10 percent.

Dollar averages include zero values for sample members who were not receiving child care subsidy payments.



**Appendix I**

**Limitations of the Analysis**



## Potential Effects on Outcomes Not Included in the Analysis

The benefit-cost analysis of the three Employment Retention and Advancement (ERA) programs discussed in Chapters 2 through 4 considers only the benefits and costs that can be directly estimated from available data sources. The analysis is limited by not including nonmonetary benefits and costs and other effects that could not be measured from the available data sources. Some of these possible effects from the three ERA programs that could not be estimated include the following:

- **Displacement of other workers.** It is possible that the employment gains occurred because ERA program group members took jobs that would have gone to other members of society, leaving those individuals unemployed and possibly causing some of them to access public assistance programs. To the extent to which the ERA programs displaced other individuals from their jobs, this analysis overestimates the tax gains to the government and the savings from public assistance. This is more of a short-term effect, inasmuch as the number of jobs available is not fixed in the long run.
- **Changes in children's achievement and behavior.** An MDRC summary report that examined the effect of welfare and employment policies on young children found that programs that increased both employment and income had beneficial effects on school achievement for preschool and early-school-age children, although there have been more negative impacts for older children.<sup>1</sup>
- **Changes in health status.** It is possible that the three ERA programs affected participants' health, although the direction of the effect is unknown. To the extent to which employment increases participants' access to health care providers, helps them become more active, and, through increased earnings, helps them maintain a healthier diet, this could improve their health condition. On the other hand, if work increases participants' stress levels, this could worsen their health condition.
- **Changes in quality of life.** Work can affect quality of life in positive ways, including improving one's self-esteem, giving one hope for the future, and providing more opportunities for social interaction. It might also affect participants in more negative ways, such as increasing stress from working and having less time available for leisure and family.

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<sup>1</sup>Morris, Gennetian, and Duncan (2005).

- **The value society places on employment.** Society most likely places a higher value on work over welfare, although this increased value is not easily monetized. Therefore, the analysis may underestimate the benefits to society from the increase in employment that was achieved by the three ERA programs.
- **Work-related expenditures.** The increase in employment likely led to increases in work-related expenses for child care, transportation, work clothes, books, tools and equipment required by the job, and other costs. These costs are, for the most part, missing from the analysis. (The analysis does include the costs of support services paid for by the Riverside Department of Social Services and the support service payments provided by the Chicago ERA program.) In particular, child care costs are likely to have been significant costs for both the government and participants. The 42-month survey found increases in child care usage for Chicago and Riverside PASS.

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NOTE: A complete publications list is available from MDRC and on its Web site  
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## About MDRC

MDRC is a nonprofit, nonpartisan social and education policy research organization dedicated to learning what works to improve the well-being of low-income people. Through its research and the active communication of its findings, MDRC seeks to enhance the effectiveness of social and education policies and programs.

Founded in 1974 and located in New York City and Oakland, California, MDRC is best known for mounting rigorous, large-scale, real-world tests of new and existing policies and programs. Its projects are a mix of demonstrations (field tests of promising new program approaches) and evaluations of ongoing government and community initiatives. MDRC's staff bring an unusual combination of research and organizational experience to their work, providing expertise on the latest in qualitative and quantitative methods and on program design, development, implementation, and management. MDRC seeks to learn not just whether a program is effective but also how and why the program's effects occur. In addition, it tries to place each project's findings in the broader context of related research — in order to build knowledge about what works across the social and education policy fields. MDRC's findings, lessons, and best practices are proactively shared with a broad audience in the policy and practitioner community as well as with the general public and the media.

Over the years, MDRC has brought its unique approach to an ever-growing range of policy areas and target populations. Once known primarily for evaluations of state welfare-to-work programs, today MDRC is also studying public school reforms, employment programs for ex-offenders and people with disabilities, and programs to help low-income students succeed in college. MDRC's projects are organized into five areas:

- Promoting Family Well-Being and Children's Development
- Improving Public Education
- Raising Academic Achievement and Persistence in College
- Supporting Low-Wage Workers and Communities
- Overcoming Barriers to Employment

Working in almost every state, all of the nation's largest cities, and Canada and the United Kingdom, MDRC conducts its projects in partnership with national, state, and local governments, public school systems, community organizations, and numerous private philanthropies.

