

AN ANALYSIS OF FINDINGS FROM THE SAN DIEGO  
JOB SEARCH AND WORK EXPERIENCE DEMONSTRATION PROGRAM

MAY 1985

85-14

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## INTRODUCTION

The San Diego Job Search and Work Experience Demonstration program was established in 1982 for the purpose of determining the impact that specific employment services have on applicants for Aid to Families with Dependent Children (AFDC). The demonstration program was conducted by the San Diego County welfare department in cooperation with the state departments of Employment Development (EDD) and Social Services (DSS), and was evaluated by the Manpower Demonstration Research Corporation (MDRC).

The MDRC--a nonprofit research and evaluation firm--recently published its interim findings on the San Diego demonstration program. The MDRC report examines the program's impact on AFDC recipients, and weighs its potential costs and benefits.

This report analyzes the MDRC findings. It focuses on five issues which will be of concern to the Legislature as it decides whether to expand the job search and work experience program statewide. These five issues are as follows:

- How does the program work? (Chapter I)
- How do services provided under the program affect the employability of AFDC recipients? (Chapter II)
- What are the costs and benefits associated with the program? (Chapter III)

- What are the strengths and weaknesses of the MDRC evaluation?  
(Chapter IV)
- How do the findings from the MDRC report compare with the findings of previous evaluations of employment and training services? (Chapter V)

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## EXECUTIVE SUMMARY

The San Diego Job Search and Work Experience Demonstration program was established in 1982 for the purpose of determining the impact that mandatory job search training and work experience services have on applicants for Aid to Families with Dependent Children (AFDC). The Manpower Demonstration Research Corporation (MDRC) recently published its interim findings on the San Diego demonstration program. The report examines the program's impact on AFDC recipients and weighs the program's potential costs and benefits. This report analyzes the MDRC findings.

### Structure of the Demonstration Program

Approximately 7,000 AFDC applicants participated in the San Diego experiment. Each applicant was randomly assigned to one of three groups as part of the AFDC application process. Each group of recipients received a different set of employment and training services; one group received regular Work Incentive (WIN) program services; a second group received job search training, which is designed to teach participants how to look for a job; and a third group received job search training and, in the case of those individuals who did not find a job, mandatory work experience assignments. By dividing the applicant pool into these three groups, MDRC was able to compare the experiences of the participants in order to determine the relative effectiveness of the different services.

### Program Participation

Approximately 50 percent of the job search only and the job search/work experience clients participated in the job search workshops--a very high participation rate for programs of this type. Approximately 27 percent of the AFDC applicants assigned to the job search/work experience component completed the workshop without finding a job and therefore were assigned to work experience jobs. Of the AFDC applicants in this component, approximately 17 percent participated in mandatory work experience jobs, while 10 percent did not participate primarily due to a lack of child care or transportation. In only a few cases were individuals excused from participating because there were not enough work sites available.

### The Impact of Services on AFDC Recipients

The experimental services affected the two groups of AFDC recipients--AFDC-Family Group (AFDC-FG) and AFDC-Unemployed Parent (AFDC-U)--very differently.

AFDC-U Recipients. Generally, AFDC-U recipients experienced short-run increases in employment and earnings as a result of participation in both the job search and job search/work experience processes. These increases, however, were not statistically significant and declined over time as individuals in the WIN group began finding jobs at a faster rate.

Grants to AFDC-U participants in both components of the demonstration program declined. In the case of job search/work experience



participants, the grant reductions were statistically significant and persisted over time. In the case of job search-only participants, the grant reductions were smaller and not statistically significant. For the most part, the grant reductions experienced by the AFDC-U participants did not result from higher earnings. Instead, the reductions were due largely to families being terminated from aid--either because they did not comply with program rules or because the head of the household worked more than 100 hours per month (the maximum permitted by federal law).

AFDC-FG Recipients. The impact of the experimental services on recipients of AFDC-FG was almost completely opposite to the impact of those services on the AFDC-U group. Both the job search and job search/work experience groups showed statistically significant increases in employment and earnings that persisted over time. The increase in earnings, however, did not result in large or statistically significant reductions in AFDC payments, for two reasons. First, various deductions that AFDC-FG participants are permitted to take in calculating their income (for example, child care expenses) offset part of the recipient's increased income, thereby limiting the size of the grant reduction. Second, AFDC-FG recipients are not subject to the 100-hour per month limit that applies to AFDC-U recipients. As a result, an AFDC-FG recipient may work at a full-time job and still maintain eligibility for aid.

### What Effect Did Work Experience Have?

According to MDRC, the work experience component of the demonstration program did not produce "substantial additional impacts over those resulting from job search workshops." Indeed, we could not identify a consistent pattern of higher employment rates, higher earnings, or larger grant reductions for work experience participants than for job search-only participants. Because of the way MDRC displays its data, however, we could not determine whether the differences that do exist between the programs are statistically significant.

While most mandatory work assignments were in low-skill jobs, participants felt that their experiences would help them get a better job in the future. In addition, supervisors at the work sites felt that the work experience participants were productive workers (in some cases, more productive than the supervisor's regular workers) and made important contributions to the day-to-day operations of their agencies.

### The Costs and Benefits of the Experimental Processes

The MDRC study identifies costs and benefits resulting from the experimental processes for three different groups: taxpayers, program participants, and society as a whole.

According to the MDRC's report, the job search and work experience programs result in benefits to taxpayers in the form of reduced AFDC and other transfer payments, increased tax revenues, and the work accomplished by work experience participants. Participants benefit financially from the

programs to the extent they realize increased after-tax earnings that more than offset what they lose in government aid payments. The benefits and costs to society attributable to the program are merely the sum of the benefits and costs to the participants and taxpayers.

Are the Results Conclusive? The MDRC study does not conclusively prove or disprove that mandatory work experience results in net benefits either to taxpayers or to society as a whole. This is because one's conclusions regarding the net effect of mandatory work experience hinge on the value of the work accomplished by work experience participants.

There is no objective way to resolve the issue of whether the work accomplished by work experience participants is a direct program benefit or an indirect benefit that is secondary to the demonstration's primary goals of increased employment and earnings. Consequently, one's beliefs concerning the goals of work experience will largely determine whether the MDRC report shows the program to be beneficial to taxpayers and society as a whole. If a person believes that one of the goals of work experience programs is to supplement existing governmental services, then the MDRC report provides evidence that the program's result in net benefits to society and taxpayers. If one does not accept this as a goal of work experience programs, then the MDRC report provides evidence that the program does not result in net benefits to society or the taxpayers.

AFDC-U. Those participants who were AFDC-U applicants experienced no significant increases in employment and earnings. This group, however,

did experience significant reductions in their AFDC grants. As a result, the average AFDC-U applicant experienced a net financial loss as a result of his or her participation in the program. The job search/work experience group suffered especially large losses.

On the other hand, taxpayers benefitted from the mandatory processes to which AFDC-U applicants were assigned, as a result of (1) the significant reduction in the amount of AFDC and other aid paid to applicants and (2) the work accomplished by work experience participants.

The value to society of providing mandatory services to the AFDC-U participants was mixed. In the case of the job search group, the net effect on society was negative. For this group, the losses experienced by the applicants far outweighed the benefits to the taxpayers. In the case of the job search/work experience group, the net effect of the program on society depends on whether the value of the work accomplished by participants is included in the cost-benefit analysis. If the value is not included, the net effect of the demonstration program was strongly negative. If the value of the work is included, the net effect is strongly positive.

AFDC-FG. The net effect of services provided to the AFDC-FG group under the demonstration program was quite different. The average AFDC-FG applicant benefitted significantly from job search as well as work experience services, because both processes helped increase the family's earned income significantly. The taxpayers experienced net losses,

however, because reductions in AFDC and other aid payments did not offset the costs of administering the programs.

On the other hand, the benefits to society attributable to both the job search and job search/work experience processes were positive, regardless of whether the value of the work experience labor is included or excluded. This is because the increases in income to the applicants were so large that they outweighed the losses experienced by the taxpayers--even when the value of the work accomplished by participants is excluded.

Comparison of Findings From the San Diego Demonstration with Those From Other Demonstration Projects

In general, the findings from the San Diego demonstration program confirm the findings and conclusions which we presented in our January report on the WIN program.

Which AFDC recipients should be targeted for WIN services? The findings from previous evaluations of WIN services indicate that participants who have not worked for a period of two or more years benefit from employment services to a much greater extent than individuals with recent job experience. The preliminary evidence from San Diego indicates that job search services have a larger short-term (first three months) impact on individuals who do not have recent job experience.

What types of services should the state's WIN program provide? Previous evaluations of WIN services indicate that job search training is cost-effective in increasing participant income. In contrast, these

evaluations indicate that job placement programs have not been proven to be cost-effective in increasing participant income or reducing AFDC grant payments. The San Diego experiment showed that job placement activities--referring participants to job openings for which they are qualified--did not significantly affect employment, earnings, or AFDC grant levels in San Diego.

## CHAPTER I

### HOW DOES THE SAN DIEGO JOB SEARCH AND WORK EXPERIENCE DEMONSTRATION PROGRAM WORK?

The San Diego Job Search and Work Experience Demonstration program was established in order to determine the effectiveness of a policy that requires applicants for AFDC to participate in a process which provides them with specific types of employment services. In this chapter, we describe how the program was set-up and administered, who participated in it, why some AFDC applicants did not participate in the program, and what some participants thought of their work experience jobs. First, we discuss how the Manpower Demonstration Research Corporation (MDRC) evaluated the program.

#### How the Evaluation was Structured

It is important to emphasize that the MDRC's evaluation of the job search and work experience program does not assess the effectiveness of either job search training or work experience in helping specific participants find jobs. Instead, the report evaluates the effectiveness of two mandatory processes, which include job search training or work experience, in helping applicants for AFDC find jobs. The evaluation compares the effectiveness of the regular Work Incentive (WIN) program with (1) a process which provides job search training only and (2) a process which provides job search training and work experience. Each of these processes is described below:

- The WIN Process. The WIN program provides a range of employment and training services, including individual job search, classroom, and on-the-job training. One group of AFDC applicants in San Diego were assigned to the regular WIN process. Due to funding limitations, however, only 5 percent of the eligible AFDC applicants who were assigned to the regular WIN process received employment and training services. Because a similar proportion of individuals in the two experimental groups received WIN-type services in addition to job search training or work experience services, the individuals receiving regular WIN services can be thought of as belonging to the control group which essentially received no services.
- The Job Search Process. A second group of AFDC applicants were required to participate in job search workshops. After applying for AFDC, these applicants were interviewed by job placement specialists who referred qualified individuals to available job openings. Those applicants who were determined to be eligible for aid were then required to register for the job search workshops. The workshops were designed to teach participants how to look for a job. In San Diego, the workshops lasted for five days. At the end of this period, participants were required to spend two weeks searching for a job using telephones and information assembled at the workshop site.



- The Job Search/Work Experience Process. A third group of AFDC applicants were required to participate in a mandatory work experience program if they did not find a job as a result of the job search process. Work experience involves working in a public or private nonprofit agency for up to 4 days a week, for a maximum of 13 weeks. The number of hours worked by each participant is determined by dividing the family's monthly AFDC grant by the minimum wage.

Between October 1982 and August 1983, 7,000 applicants for AFDC in San Diego County were randomly assigned to one of these three groups. Approximately 1,900 applicants were assigned to the WIN process, 1,900 applicants participated in the job search process, and 3,200 applicants were assigned to the job search/work experience process.

#### Who Participated in the Demonstration?

Of the 7,000 participants in the demonstration program, 51 percent applied for aid under the AFDC-Family Group (AFDC-FG) program and 49 percent applied under the AFDC-Unemployed Parent (AFDC-U) program. Generally, AFDC-FG families have one parent, usually a woman, who is the head of the household, whereas AFDC-U families usually have two parents.

The characteristics of the AFDC-FG and AFDC-U recipients in San Diego County are quite different. Some of these differences may explain why services provided to different participants are more or less effective in increasing the participants' employment and earnings.

Generally, AFDC-FG recipients are more disadvantaged than AFDC-U recipients when it comes to finding a job. This is because:

- The AFDC-FG Family Has Only One Parent Present. Of the families receiving aid under AFDC-FG, only 13 percent had both parents in the household. In comparison, 90 percent of the AFDC-U families had two parents in the household. Single-parent households have a harder time finding a job, due to the competing demands of raising a family. They also may lack affordable child care, which constitutes a significant barrier to employment.
- The AFDC-FG Family is More Dependent on Aid. Of the AFDC-FG recipients in the program, 27 percent had received aid for more than two years. In contrast, only 5.7 percent of the AFDC-U group had received aid for more than two years. Greater dependence on aid may signal barriers to employment, such as health or education deficiencies that reduce a person's chance of finding a job.
- The AFDC-FG Family Has Fewer Skills. The wages of the average AFDC-FG family was \$5.13 an hour, compared to \$7.01 an hour for the average AFDC-U family. The lower wages of the AFDC-FG applicants group imply that these applicants have fewer skills and therefore may have more difficulty finding a job.

Because of the differences between these two groups of demonstration program participants, the MDRC report assesses the impact of services on AFDC-FG and AFDC-U applicants separately.

#### How Many Participants Actually Received Services?

Chart 1 illustrates the experience of AFDC-U applicants who were required to participate in both job search and work experience. (The

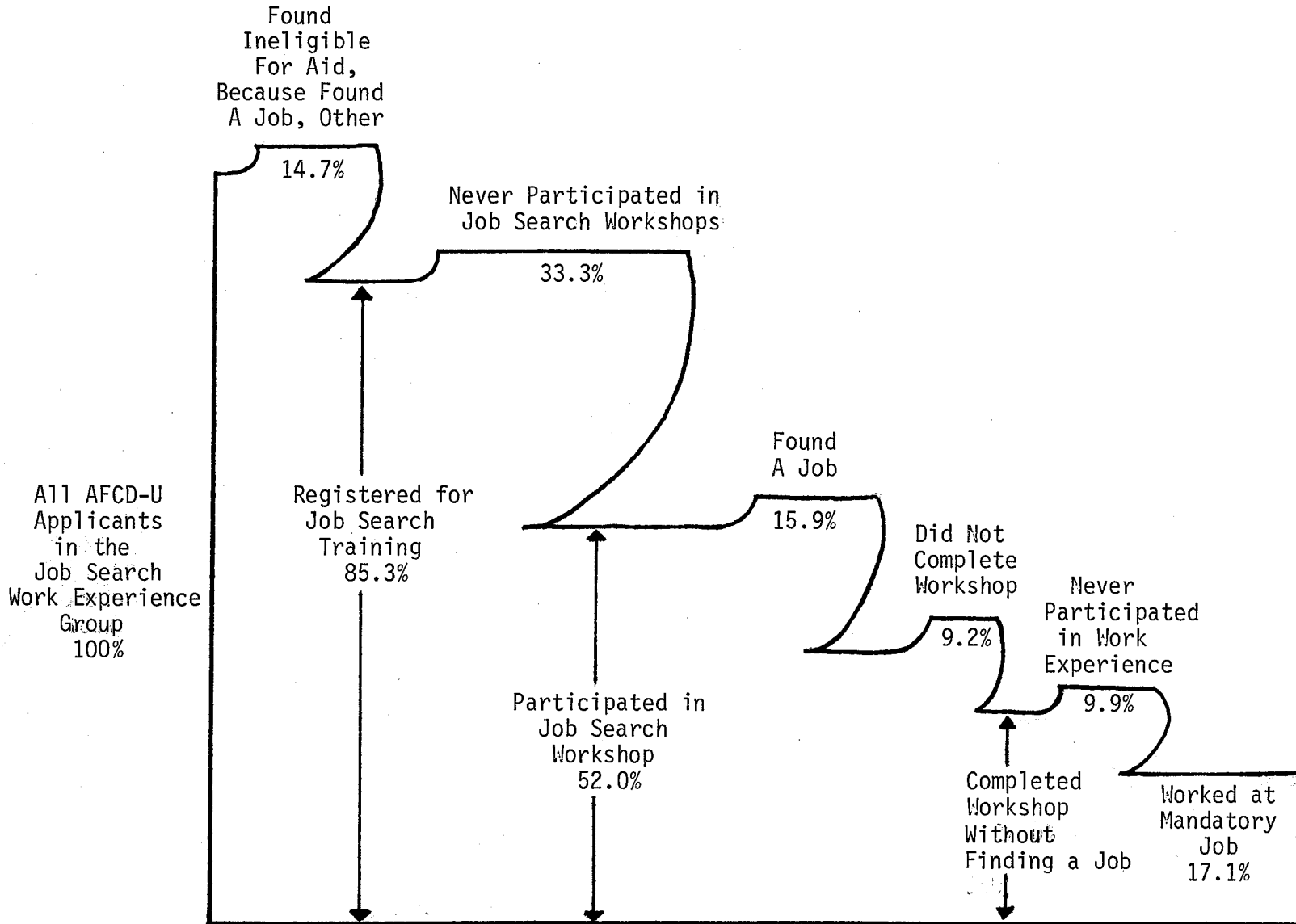
experience of AFDC-FG applicants is almost identical.) As the chart shows, approximately 85 percent of the AFDC-U applicants registered for job search training, while 15 percent did not. Of those individuals who did not register, most did not participate because they were not receiving AFDC--either because they were not eligible for AFDC or because they found a job before their application was approved.

Approximately 50 percent of the AFDC-FG and AFDC-U applicants actually participated in a job search workshop. This is a very high participation rate. For mandatory programs such as this, a 10 percent to 20 percent participation rate is more usual. Chart 1 shows that, as regards the AFDC-U applicants, 52 percent participated in job search services, while 33 percent of the applicants did not participate. Of the individuals who did not participate, one-third failed to participate because they were employed or enrolled in other training programs. Personal barriers also played a significant role in explaining nonparticipation. For example, illness and other personal problems caused 31 percent of AFDC-FGs and 11 percent of AFDC-Us in this group not to participate in a workshop.

Chart 1 shows that 27 percent of all AFDC-U applicants completed the job search workshop. Of those who did not complete the workshop, 16 percent had found a job and 9 percent failed to finish the workshop for various reasons. The primary reasons that participants failed to complete a workshop were personal--40 percent of AFDC-FG and 22 percent of AFDC-U applicants cited personal barriers, such as illness, lack of child care, or inadequate transportation, as the reason they did not complete the job search workshop.

Chart 1

San Diego Job Search and Work Experience Demonstration Program  
What Happened to AFDC-U Job Search/Work Experience Participants?



As Chart 1 indicates, only 17 percent of all AFDC-U applicants who were required to participate in work experience actually worked at least one hour in an assigned job. This participation rate is typical of most mandatory work experience programs. Of those who completed job search without finding a job, approximately 10 percent did not participate in a work assignment, primarily due to a lack of child care or transportation. In only a few cases were individuals excused from participating because there were not enough work sites available. (The county DSS was successful in developing work experience jobs, probably due, in part, to its previous experience in developing such jobs for the Food Stamp Workfare program.)

#### What Happened to People that Refused to Participate?

Individuals who refused to participate in the job search workshop or work assignment programs were subject to sanctions that either reduced or eliminated his/her family's AFDC grant for three months.

The MDRC report points out that 73 percent of all participants were out of compliance with the requirements of the job search programs at one time or another. That is, nearly three-fourths of the participants either missed an interview, dropped out of a component program, or failed to present necessary documentation. Most individuals who were out of compliance, however, eventually satisfied the program requirements, and therefore did not have their grants reduced or eliminated.

The percentage of applicants in the job search or job search/work experience groups who were penalized for noncompliance was quite high compared to the percentage for the WIN group. Approximately 0.5 percent of the applicants assigned to the WIN group were sanctioned for noncompliance. In contrast, approximately 2.7 percent of the applicants in the other two

groups (4.0 percent of the AFDC-FGs and 1.4 percent of the AFDC-Us) were sanctioned for not complying with job search workshop rules. Moreover, 17 percent of those individuals required to participate in work experience were sanctioned for noncompliance (20 percent of the AFDC-FGs and 14 percent of the AFDC-Us). The MDRC report does not indicate why these individuals did not comply with applicable rules, or the consequences to those families who were terminated from aid or received a reduced grant.

According to MDRC, the difference in sanctioning rates between the job search and work experience programs reflects, in part, a major difference in the rules governing sanctions in the two components of the program. State law requires that job search participants establish a pattern of noncompliance before sanctions can be applied. In addition, state law mandates a specific conciliation process designed to encourage program participation before sanctions are permitted. These rules apply to job search workshops targeted for AFDC recipients in all counties within the state. The work experience program rules--which applied only to the San Diego program--did not require either a pattern of noncompliance or conciliation before sanctions could be applied. As a result, the incidence of sanctions was much higher in the work experience component than in the job search component.

#### What Did Work Experience Participants Think of Their Jobs?

The MDRC report concludes that most mandatory work assignments were in low-skill jobs--primarily in the clerical and maintenance fields. Nevertheless, participants valued their work experiences. Specifically, 60 percent of the work experience participants felt that their experiences would help them get a better job in the future. Almost all participants--90 percent--liked their job.

Supervisors at the work sites felt that the work accomplished by work experience participants was important to the day-to-day operations of their agencies. The supervisors also felt that the participants were productive workers. In fact, AFDC-U participants were judged to be more productive than the supervisors' regular workers. In comparison, AFDC-FG participants were estimated to be 80 percent as efficient as regular workers.

## CHAPTER II

### WHAT WAS THE IMPACT OF JOB SERVICE/WORK EXPERIENCE SERVICES ON RECIPIENTS?

The Manpower Demonstration Research Corporation (MDRC) study assessed the impact of the job search and job search/work experience processes by comparing changes in selected characteristics of these in the two experimental groups with the changes in the characteristics of WIN participants (control group). Specifically, for each group, the MDRC measured changes in (1) the percent employed, (2) average earned income, and (3) average AFDC grant. The impact of services provided under the demonstration program was measured separately for the AFDC-FG and AFDC-U groups, due to the significant differences in the attributes of the individuals that constitute the two groups.

In this chapter, we review the MDRC's findings.

#### How Do Mandatory Services Affect AFDC-U Recipients?

Generally, services provided under the demonstration program helped those in the experimental groups find a job more quickly than those in the control group (who did not receive these services). Over time, however, the employment rate for those in the control group caught up with the rate for experimental program participants.

The MDRC also found that participants in the experimental processes experienced AFDC payments. This occurred despite the fact that differences between the experimental groups' employment and earnings levels and the control group's were not statistically significant.



Table 1 compares the employment and earnings experience of job search and AFDC-U job search/work experience participants with the experience of the WIN participants. The patterns that emerge from the table are as follows:

- Change in Percent Employed. Among both job search and job search/work experience participants, the percent employed increased during the second quarter following participation in the program. These increases, however, were short-term and evaporated as individuals in the WIN group found jobs at a faster rate during the second and third quarters.
- Change in Earnings. Both job search and job search/work experience participants showed greater short-run increases in earnings than WIN participants. The differential, however, declined over time, and disappeared completely for the job search/work experience group.
- Change in AFDC Payments. Participants in the job search/work experience process experienced statistically significant reductions in AFDC grants that persisted over time. Participants in the job search process also experienced reduced grants, although these reductions were smaller than those observed for the job search/work experience group, and were not statistically significant.

Table 1

Changes in Employment, Earnings, and AFDC Payments  
AFDC-U Recipients Participating in the San Diego Demonstration Program  
Average Impact per Applicant

<u>Change Relative to WIN Group</u>	<u>Job Search/Work Experience</u>	<u>Job Search Only</u>
Change in percent employed		
Second quarter	5.3%	4.2%
Third quarter	1.3	-2.2
Fourth quarter	0.7	-2.6
Change in earnings		
Second quarter	\$58.83	\$162.18
Third quarter	-11.51	92.32
Fourth quarter	-79.11	32.68
Change in AFDC payments		
Second quarter	-\$98.48 <sup>a</sup>	-\$65.83
Third quarter	-140.54 <sup>a</sup>	-111.11 <sup>a</sup>
Fourth quarter	-82.65 <sup>a</sup>	-49.10

a. Statistically significant change.

Why Were There Significant Reductions in AFDC-U Grants, Even Though There  
Were Not Significant Changes in Employment or Earnings?

Ordinarily, reductions in AFDC grants are expected to result from increases in employment and earnings. The experience of AFDC-U recipients, however, does not follow this pattern. Instead, grants going to AFDC-U

recipients declined, even though these recipients did not experience significant increases in employment or earnings relative to WIN participants.

According to MDRC, the reduction in welfare grants going to participants in the experimental groups was due to two factors. Some of the reduction was due to the sanctions imposed for noncompliance, which, of course, were not linked to increased employment or earnings. Second, although recipients in the experiment groups did not work more often than WIN participants, they were more likely to exceed the 100-hour per month limit on employment imposed by federal law. Because a family exceeding the limit is terminated from aid, grant savings can arise even without a measurable change in employment or earnings.

#### What Effect Did Work Experience Have?

According to MDRC, the work experience program did not produce "substantial additional impacts over those resulting from job search workshops." Table 1 provides some evidence for this claim.

If work experience went beyond job search workshops in helping families become more successful in the labor market, we would expect those individuals who participated in the job search/work experience program to consistently show higher employment rates, higher earnings, and larger grant reductions than those individuals who participated only in the job search program. No such pattern emerges from Table 1. While work experience participants showed a higher percent employed and larger grant reductions, they showed little or no increase in earnings. Because of the way MDRC displays its data, we cannot determine whether the differences that do exist between the programs are statistically significant. Given

MDRC's conclusion, however, we presume that the differences between the two programs are not statistically significant.

How do Mandatory Services Affect AFDC-FG Recipients?

Table 2 illustrates the changes in employment, earnings, and AFDC grants for the AFDC-FG recipients in the experimental groups, relative to the changes experienced by those in the WIN group. These changes can be summarized, as follows:

- Change in Percent Employed. Both the job search and job search/work experience groups showed statistically significant increases in the percent employed through the fourth quarter.
- Change in Earnings. Both the job search and job search/work experience participants showed statistically significant increases in earnings through three quarters.
- Change in AFDC Payments. Both job search and job search/work experience groups showed small, consistent reductions in AFDC payments in all three quarters. These reductions, however, generally are not statistically significant.

Table 2

Changes in Employment, Earnings, and AFDC Payments  
AFDC-FG Recipients Participating in the San Diego Demonstration Program  
Average Impact per Applicant

<u>Change From WIN Group</u>	<u>Job Search/Work Experience</u>	<u>Job Search Only</u>
Change in percent employed		
Second quarter	6.8% <sup>a</sup>	10.0% <sup>a</sup>
Third quarter	9.0 <sup>a</sup>	7.6 <sup>a</sup>
Fourth quarter	7.3 <sup>a</sup>	5.4 <sup>a</sup>
Change in earnings		
Second quarter	\$130.27 <sup>a</sup>	\$197.32 <sup>a</sup>
Third quarter	137.38 <sup>a</sup>	213.25 <sup>a</sup>
Fourth quarter	123.43 <sup>a</sup>	95.83
Change in AFDC payments		
Second quarter	-\$74.55 <sup>a</sup>	-\$57.55
Third quarter	-59.89	-64.08
Fourth quarter	-56.42	-50.40

a. Statistically significant change.

As a comparison of Tables 1 and 2 clearly shows, the effects of mandatory services provided under the San Diego demonstration differ significantly between AFDC-FG and AFDC-U recipients. In general, the mandatory services provided to AFDC-FG recipients resulted in increases statistically significant in employment and earnings, while the services provided to AFDC-U recipients did not.

Why Don't the Significant Increases in Employment and Earnings Experienced by AFDC-FG Recipients Translate Into Significant Grant Savings?

Ordinarily, we would expect that significant increases in employment and earnings would result in significant AFDC grant savings. This, however, was not the case with the AFDC-FG recipients participating in the demonstration program. The reductions in the AFDC-FG recipients' aid payments were much smaller than the increases in their earned income. This is due to a number of factors. First, various deductions--such as the \$30 and one-third, child care, and transportation deductions--can offset part of the increase in an AFDC recipient's income, thereby limiting the grant reduction made possible by the increase. Second, AFDC-FG recipients are not subject to the 100-hour per-month work limit that applies to AFDC-U recipients. As a result, an AFDC-FG recipient may work at a full-time job and still maintain eligibility for aid.

Did the Services Provided Under the Demonstration Program Alter the Types of Jobs, Wages, or Work Hours of Participants?

According to MDRC, neither job search nor work experience services altered the types of jobs found by either AFDC-FG or AFDC-U applicants. In addition, MDRC found no statistically significant difference between the experimental groups and the WIN group in terms of hourly wages or the number of hours worked per week.

CHAPTER III  
COST-BENEFIT ANALYSIS OF THE DEMONSTRATION PROGRAM

This chapter reviews the Manpower Demonstration Research Corporation (MDRC) conclusions regarding the short-run costs and benefits attributable to the two mandatory processes included in the San Diego demonstration program. At the time the MDRC report was prepared, employment and earnings statistics were available on all applicants for only three months. As a result, the cost-benefit analysis prepared by MDRC assesses only the short-run effectiveness of the experimental processes. Over time, however, the benefits resulting from the program could change--perhaps significantly. Whether these benefits will increase or decrease as the time period is extended cannot be determined.

The MDRC report considers costs and benefits at three different levels, as follows:

- Applicants. Costs and benefits to AFDC applicants participating in the experimental program were calculated relative to the costs and benefits that individuals receiving regular WIN services experience. The benefits to applicants mainly consist of increased earnings. The costs to these individuals take the form of lower AFDC grants and other governmental transfer payments, as well as higher tax payments.
- Taxpayers. Taxpayers have a stake in the effectiveness of employment services because these services can affect the costs of various government programs. If employment programs are

effective, the benefits accruing to taxpayers will include lower AFDC and other transfer payments. In addition, the taxes paid by AFDC applicants may ease the tax burden on all other taxpayers. The MDRC report also assumes that taxpayers benefit from the work accomplished by those recipients who are given mandatory work assignments. The costs to taxpayers include the costs of providing the increased job search training and work experience services, as well as administrative costs associated with these mandatory programs.

- Society. The MDRC report combines the costs and benefits accruing to the applicants and taxpayers in order to arrive at the net benefit (or cost) of the demonstration program to society as a whole. This methodology assumes that society values \$1 worth of costs and \$1 worth of benefits equally in all circumstances. Consequently, the MDRC implicitly assumes that society as a whole can benefit from a program, even if one of the two primary groups affected by the program--taxpayers and applicants--are adversely affected.

Before discussing the MDRC's cost-benefit analysis, three points about the analysis should be stressed:

- The Analysis Only Examines the Short-Run Costs and Benefits of the Demonstration Program. As discussed above, even though costs under the demonstration program are not likely to change as time passes, the benefits from the program could either increase or decrease.



- The MDRC's Estimates of Costs and Benefits are, to Some Extent, Speculative. In fact, we believe the benefits attributed to the program may be overstated, due to both technical and measurement errors in the MDRC cost-benefit analysis. The technical errors result in overestimates of the additional tax revenues that can be contributed to the experimental services. For example, the analysis shows sales tax revenues attributable to AFDC-U families increasing, even though the net income of the families decreases. Since sales tax revenues depend on net income, the MDRC analysis overstates the probable increase in sales taxes paid by these families, and therefore overstates the benefit associated with the experimental services (see Appendix A for details).

Therefore, it is more important to pay attention to the sign--positive or negative--and relative size of the cost-benefit estimates, then to the absolute magnitude of the estimates themselves.

- The Study Assumes That no Displacement Results From Increasing the Employment and Earnings of Program Participants. Just because it increases the employability of certain AFDC recipients, the experimental programs does not necessarily increase employment for low-income persons as a group. It is possible that, instead the program merely changes the distribution of jobs and unemployment among low-income persons. If program services allow one AFDC recipient to obtain employment at the expense of another AFDC recipient who did not

receive services, the demonstration program may not result in any net benefits; the benefits accruing to the job-finder would be offset by the losses incurred by the AFDC recipient who effectively was displaced. Unfortunately, there is no way to measure the extent to which displacement occurs or how it affects the cost-benefit calculation.

#### What are the Benefits of Work Experience Services?

The first step in assessing a program's cost-benefit is to identify the various types of costs and benefits associated with the program. This is not always easy, because reasonable people may disagree over the goals--and therefore the benefits--that a program is designed to achieve.

Most people would agree that the major goals of work experience programs include increasing the employment and income of AFDC recipients and reducing government expenditures. There is, however, considerable disagreement over whether the value of the work accomplished by participants in mandatory work assignments should be included as a direct program benefit. Some consider the value of this work to be a positive effect of the program. Others do not. There is no analytical basis on which to resolve this disagreement. Different people can reach different, but equally valid conclusions, depending on what they believe the goals of the program should be. Included as a direct benefit, the value of the work accomplished by work experience participants assumes that one of the program's goals is to require AFDC recipients to repay society for the benefits received from the state. Including the value of the work experience labor as an indirect benefit, assumes that the labor itself is secondary to the primary program goals of increasing employment and earnings and reducing government expenditures.

Other governmental programs exhibit both direct and indirect benefits. For example, during the 1970's, the federal government mandated a 55 mile-per-hour speed limit as a means of reducing the country's consumption of gasoline. The lower maximum speed limit also resulted in fewer deaths from high-speed car accidents. Are the benefits that result from fewer deaths a direct or indirect benefit of those 55-mile-per-hour speed limits? In this example, and in the case of work performed by work experience participants, reasonable people may disagree over what constitutes direct benefits from the government program.

We think that the distinction between direct and indirect benefits provides a useful tool in evaluating programs that have multiple and uncertain goals. For this reason, we will display on the following pages the benefits of the job search/work experience process with and without the benefits associated with the work experience labor. In this way, the reader can determine for himself/herself whether or not the value of the work accomplished should be included as a direct or indirect benefit.

As we discuss below, the distinction between direct and indirect benefits is of major importance in the cost-benefit analysis of the job search/work experience process. This is because the value of the work experience labor is one of the largest benefits accruing to taxpayers and society as a whole from the process. In fact, the value of the AFDC-FG labor (\$229) is the largest of the taxpayer benefits identified by the MDRC study. Similarly, the value of the AFDC-U labor (\$360) is the second largest benefit to taxpayers, and only marginally smaller than the reduction in AFDC payments to this group (\$378).

Therefore, because the value of the work experience labor is so large relative to the other program benefits, including or excluding the value of the labor determines--to a large extent--whether the job search/work experience process is found to result in positive net benefits to taxpayers and society. In other words, the MDRC study does not conclusively prove or disprove that mandatory work experience results in positive net benefits to taxpayers and society. The results of the study are such that one's subjective beliefs about the benefits of work accomplished by participants will determine whether the net effect of work experience on society is positive or negative.

If one agrees that the work accomplished by work experience participants should be viewed as a benefit of the program, one must decide how should the work be valued. The MDRC study sets the value of the work equal to the cost of assigning one of the affected agency's "regular employees" to accomplish the same tasks. We believe, however, that this method overstates the value to society of the work accomplished. This is because the work experience participant accomplishes tasks that otherwise would not get done. Since society was not willing to pay a regular employee the going wage to accomplish the tasks, the value of the work would seem to be lower than what the MDRC assigns to it. Unfortunately, it may be impossible to objectively place a value on the work accomplished by those participating in the work experience component.

#### What is the Net Benefit of Providing Services to Recipients of AFDC-U?

Table 3 summarizes the net benefits to taxpayers, applicants, and society of providing job search and job search/work experience services to AFDC-U recipients through a mandatory process. (The full cost-benefit

table is included in Appendix B.) From this table, we draw the following conclusions:

- Taxpayers Benefit From the Services Provided Through a Mandatory Job Search or Job Search/Work Experience Process.

Both processes resulted in benefits to the taxpayers that exceeded the associated costs. In other words, the benefits to the taxpayer from increased tax allocations, reduced AFDC payments, and the value of the work accomplished by participants more than offset the increased administrative costs of the job search and job search/work experience programs. The net benefits resulting from the job search/work experience services, however, are much larger than those resulting from job search-only services, for two reasons. First, the value assigned by MDRC to the work accomplished by the work experience participants far outweighs the value other benefits associated with the demonstration program. In fact, the value of this work accounts for two-thirds (\$360) of the net benefits to the taxpayer (\$557). Second, job search/work experience participants received substantially smaller UI benefits than the job search only group (a difference of \$145 per applicant).

- AFDC-U Applicants Participating in Both the Job Search and Job Search/Work Experience Programs Experience Net Losses.

In other words, the benefits to the participant from increased earned income are more than offset by the combination of (1) decreases in AFDC grants and other transfer payments and (2)

increases in tax payments. While the average applicant in both experimental groups loses, the reduction in income is substantially larger for those in the job search/work experience group.

Table 3

Net Benefit of Experimental Services Relative  
to the Benefits From WIN Services  
Average Benefits per AFDC-U Applicant

<u>Source</u>	<u>Job Search/ Work Experience</u>	<u>Job Search Only</u>
<u>Net Benefit to Taxpayer</u>		
Including value of labor	\$557	\$24
Not including value of labor	201	23
<u>Net Benefit to Applicant</u>		
Including value of labor	-\$400	-\$91
Not including value of labor	-400	-91
<u>Net Benefit to Society</u>		
Including value of labor	\$157	-\$70
Not including value of labor	-203	-69

- Whether or not the Work Experience Program Yields Benefits to Society as a Whole Depends on How Work Accomplished by Participants is Valued. If the value of this work, as determined by the MDRC, is recognized as a benefit of the program, the job search/work experience process is found to yield large, short-run benefits to society (\$157 per

applicant). (As noted above, we believe MDRC has assigned a value to the work that is too high.) If the value of the work is not included, the program shows even larger short-run losses to society (-\$203 per applicant).

What is the Net Benefit of Providing Services to AFDC-FG Recipients?

Table 4 summarizes the net benefits from providing job search and job search/work experience services to AFDC-FG recipients through a mandatory process.

Table 4  
 Net Benefit of Experimental  
 Services as Compared with  
 WIN Services: Average Benefit per AFDC-FG Applicant

<u>Source</u>	<u>Job Search/Work Experience</u>	<u>Job Search Only</u>
<u>Net Benefit to Taxpayer</u>		
Including value of labor	-\$87	-\$215
Not including value of labor	-316	-215
<u>Net Benefit to Applicant</u>		
Including value of labor	\$367	\$313
Not including value of labor	367	313
<u>Net Benefit to Society</u>		
Including value of labor	\$280	\$98
Not including value of labor	51	98

From this table, we draw the following conclusions:

- Taxpayers Experience Net Costs as a Result of the Mandatory Process. Both the job search and job search/work experience programs result in significant net costs to the taxpayers. This is because savings resulting from reduced AFDC grants and other transfer payments are not large enough to fully offset the cost of administration and services associated with the process. The additional costs of the job search/work experience process, however, are reduced by nearly three-fourths if the work accomplished by participants is valued by the rate used by MDRC.
- Applicants Realize Significant Benefits from Both the Job Search/Work Experience and the Job Service Processes. Table 4 shows that participants realize large increases in earned income without corresponding losses in AFDC grants and other transfer payments.
- Both the Job Search and the Job Search/Work Experience Processes Provide Benefits to Society. Under both, the benefits to AFDC-FG applicants outweigh the costs to the taxpayer. In the case of the work experience program, the degree to which society as a whole derives benefits is heavily dependent on the value placed on the work accomplished by AFDC-FG participants. While the benefits to society of the job search/work experience process are positive even when the value of the work accomplished is not included, the benefits are five times higher when the value of the work is included.



### Why are the Costs and Benefits so Different for AFDC-U and AFDC-FG Recipients?

As a comparison of Tables 3 and 4 illustrates, the net benefits from the mandatory job search and job search/work experience processes differ significantly between the AFDC-FG and AFDC-U participants. This is due to two reasons. First, the characteristics of the individuals in each group are very different. In general, services provided to AFDC-U recipients do not translate into increased income and employment because these recipients possess the skills needed to find a job before they enter the programs. As a result, the employment services provided by the job search and job search/work experience programs do not significantly increase their chances of finding and keeping a job. On the other hand, AFDC-FG recipients benefit greatly from these services because the services help them increase their chance of finding and keeping a job.

Second, the rules under which the two programs operate are very different. Most importantly, (1) AFDC-U recipients who work more than 100 hours per month are terminated from aid and (2) the entire AFDC-U family is terminated from aid if the head of the household is sanctioned for noncompliance with program requirements. In contrast, AFDC-FG recipients are not subject to the work-hour limit and only the head of the household is terminated from aid in the event of noncompliance.

### What are the Costs and Benefits of These Programs to the State Taxpayer?

Table 5 shows the net cost-benefit resulting from the job search and job search/work experience programs to the federal, state, and county governments. This table does not reflect the value of work accomplished by work experience participants because it is not possible to apportion these

benefits among the various levels of government. Moreover, because many of the work assignments were in nonprofit agencies, a large portion of these benefits, we suspect, went to those agencies, rather than to a unit of government.

As Table 5 suggests, the programs resulted in significant net costs to the state as a whole (state General Fund and UI funds). In other words, the benefits to the state from the combination of reduced AFDC grants and other transfer payments and increased tax revenues did not offset the increased administrative costs to the state, except in the case of the job search/work experience group of AFDC-U recipients.

Table 5  
Short-Run Costs and Benefits of the San Diego Program:  
by Level of Government  
Average Taxpayer Benefit per Applicant

<u>Group/Service</u>	<u>Total</u>	<u>Federal</u>	<u>Net Benefits</u>			
			<u>State</u>		<u>UI Fund</u>	<u>County</u>
			<u>Total State</u>	<u>General Fund</u>		
<u>AFDC-U</u>						
Job search/work experience	\$200.9	\$117.6	\$68.6	\$12.4	\$56.2	\$14.7
Job search only	22.8	140.3	-127.3	-30.7	-96.6	9.8
<u>AFDC-FG</u>						
Job search/work experience	-\$315.6	-\$36.9	-\$266.0	-\$69.5	-\$196.5	-\$12.7
Job search only	-215.0	-29.9	-199.3	-70.7	-128.6	14.2

Another interesting finding that emerges from Table 5 has to do with the impact of experimental services on the UI Fund. The table shows that the job search and work experience/job search programs have a much more negative impact on the UI fund than on the state General Fund. The impact on the UI fund ranges from a -\$197 per AFDC-FG recipient who participates in job search/work experience to a +\$56 per AFDC-U recipient who was assigned to the job search/work experience program. According to MDRC, the increased employment of persons in the two experimental groups increased the number of individuals who could receive unemployment benefits.

CHAPTER IV  
STRENGTHS AND WEAKNESSES OF THE MDRC EVALUATION

Our review indicates that the MDRC evaluation, in general, provides valuable, reliable information on the effects of a mandatory employment process on AFDC applicants. The evaluation, however, has weaknesses as well as strengths. The Legislature needs to be aware of the report's strengths and weaknesses in order to evaluate the report's usefulness in guiding the development of employment policy.

Strengths of the Evaluation

In our judgment, the design and implementation of the San Diego demonstration program allowed the experiment to yield several reliable findings. Specifically, we find that:

- The evaluation design established an unbiased method for determining the impact of two experimental processes that provide job search or work experience services to program participants. By randomly assigning applicants to one of three groups (WIN, job search, or job search/work experience), the research design eliminated any potential bias in the selection of participants.
- The evaluation provides good insights into how the program works, who participates in various phases of the program, and how participants feel about their involvement in the program.
- The evaluation provides reliable information on how the mandatory processes affect the employment, earnings, and grant

levels of AFDC recipients, relative to the effects produced by the WIN program.

#### Weaknesses of the Evaluation

We believe the report issued by MDRC also exhibits some important weaknesses that the Legislature needs to keep in mind. These weaknesses do not reflect deficiencies in the design of the experiment. Instead, they stem from the way MDRC analyzed and presented the available data.

Specifically, we find that:

- The Significance of the Effects Attributed to Mandatory Work Experience Cannot be Determined. Although the MDRC report states that the work experience component did not have a substantial impact on participants, the report does not examine these impacts in detail. As a result, we cannot independently assess the significance of work experience as part of a mandatory process.
- The Conclusions Drawn by MDRC From Its Cost-Benefit Analysis, Although Not Unreasonable, Tend to Overstate the Probable Benefits From the Experimental Processes. This stems from our belief that the MDRC overvalued the work accomplished by work experience participants. In addition, we believe that technical errors and measurement problems resulted in an overestimate of the probable benefits (see Appendix A for details).
- The Report Does Not Adequately Explain Some of the Results. For example, the large reduction in grants to AFDC-U recipients

is counter intuitive given that the recipients' earned income and employment did not increase. This would seem to require further explanation. Without an in-depth analysis and explanation of these findings, our ability to understand the experimental outcomes is limited. In particular, the Legislature needs to know the extent to which sanctions are primarily responsible for the reduction in aid payments to AFDC-U recipients.

## CHAPTER V

### CONSISTENCY OF THE FINDINGS FROM THE SAN DIEGO DEMONSTRATION WITH THOSE YIELDED BY OTHER DEMONSTRATION PROJECTS

In January 1985, we submitted to the Legislature, a report on the WIN program which addressed three questions:

1. Which AFDC recipients should be targeted for WIN services?
2. Which services should the state's WIN program provide?
3. What role should local labor market conditions play in the state's strategy for providing employment services?

This report was based on the results obtained from eight demonstration projects funded by the federal government.

In this chapter, we briefly compare the findings set forth in our earlier report with those contained in the MDRC report.

#### Which AFDC Recipients Should be Targeted for WIN Services?

The findings from previous evaluations of WIN services indicated that participants who have not worked for a period of two or more years benefit from employment services to a much greater extent than individuals with recent job experience. In light of this finding, we recommended that the Legislature put a high priority on providing WIN services to AFDC recipients lacking recent job experience.

The MDRC study corroborates these findings. The preliminary evidence from San Diego indicates that job search services have a larger short-term (first three months) impact on individuals who do not have recent job experience. (According to MDRC, sufficient data were not

available to permit an examination of the differentials between those with and without job experience over the longer term.)

#### What Types of Services Should the State's WIN Program Provide?

Previous evaluations of WIN services indicate that job search training is cost-effective in increasing participant income. In contrast, these evaluations indicate that job placement programs have not been proven to be cost-effective in increasing participant income or reducing AFDC grant payments.

Based on our review of these studies, we concluded that mandatory employment programs have produced mixed results. Some programs serving AFDC-FG recipients tend to generate increased income, but not grant savings. These programs, however, generally have not increased income for AFDC-U participants, but have resulted in significant grant savings.

The MDRC report generally confirms the findings from previous studies. Although the long-term impact of the San Diego experiment cannot be assessed at this time, the short-term effects are similar to those found by other studies. Job placement activities--referring participants to job openings for which they are qualified--did not significantly affect employment, earnings, or AFDC grant levels in San Diego. In fact, less than 1 percent of the individuals referred to a job opening prior to receiving job search services found a job as a result of that referral.

San Diego also confirmed that job search services help AFDC-FG recipients increase their employability and income. Like the previous studies, the MDRC report demonstrates that significant gains in income for these recipients do not translate into significant AFDC grant savings (see



Table 2). As discussed earlier, the MDRC study gives mixed signals concerning the cost-effectiveness of work experience.

What Role Should Local Labor Market Conditions Play in the State's WIN Strategy?

Past research on the WIN program indicates that local economic conditions directly affect the success of program activities in helping recipients find jobs. The results from the San Diego project confirm this finding. The experiment, which took place during rapidly improving economic conditions, showed that as job opportunities increased, so did the percent of AFDC recipients who were employed.

The San Diego results, however, do not answer the question of whether WIN strategies should change with local economic conditions. Unfortunately, two events occurred simultaneously in San Diego which made it difficult to answer this question. First, as the economy improved, the number of job opportunities increased. Second, as the economy improved, the job-ready recipients left the AFDC program, thereby leaving the more disadvantaged recipients on aid. Thus, because the pre-program abilities of the participants changed as the economy changed, comparing the percent employed would not accurately measure the extent to which services improved recipients' employability during different economic conditions.

We hope that the final report on the San Diego program will yield more information on this question.

## APPENDIX A

### ANALYSIS OF THE BENEFIT CALCULATIONS MADE BY MDRC AS PART OF ITS COST-BENEFIT ASSESSMENT OF JOB SEARCH AND WORK EXPERIENCE SERVICES

Our analysis indicates that the MDRC report presents a reasonable, but somewhat high, estimate of the probable benefits of a mandatory process which provides job search and job search/work experience services.

Specifically, our review indicates that the MDRC report tends to overestimate the benefits from these services in the following ways:

- Increased State Sales Tax. The MDRC report estimates that the San Diego program resulted in increased state sales tax payments, due to increases in earned income of AFDC-U recipients. Sales taxes, however, are determined by total income, including AFDC grants, not just earned income as assumed by MDRC. Therefore, because the average AFDC-U participant experienced a net loss in total income (AFDC grants declined more than earned income increased), we would expect that sales taxes attributable to purchases made by AFDC-U recipients would fall. Therefore, we believe that the MDRC report overestimates the increases in state sales tax revenues.
- Higher State and Federal Income Taxes. The report estimates that state and federal income tax payments increased as a result of increases in participant earnings. In making this estimate, the MDRC report assumes that, on average, the marginal tax rate for AFDC-FG families is higher than that of

AFDC-U families. Specifically, the report assumes that the marginal tax rate for AFDC-FG families averages 11.0 percent, while the marginal rate for AFDC-U families averages 9.8 percent.

The assumption that AFDC-FG families would face higher marginal tax rates than AFDC-U families conflicts with MDRC data showing that AFDC-U families earn 55 percent more income than AFDC-FG families. Generally, state and federal tax rates increase as income increases. Because AFDC-U families earn, on average, much higher incomes, we would expect that these families would experience higher marginal tax rates. Therefore, we believe that the MDRC report overestimates the increases in income taxes paid by AFDC-FG applicants.

- Savings in the Medi-Cal Program. The MDRC report estimates that the San Diego program resulted in savings to the Medi-Cal program, due to increased employment. This estimate was calculated by assigning each family that possessed a Medi-Cal card the average Medi-Cal payment made on behalf of eligible recipients in San Diego.

We believe that this estimating procedure overestimates the actual Medi-Cal savings. This is because those individuals who are sick--and who use Medi-Cal more heavily than other eligible recipients--are less likely to find a job. Stated another way, those individuals who are well are more likely to find a job than those who are sick. Therefore, attributing the average Medi-Cal cost to all eligible individuals overstates the program savings.

- Government Program Administrative Savings. The MDRC report estimates that the San Diego program resulted in administrative savings to various governmental programs. These savings are based on the average costs of providing those services. Using average costs, however, overestimates the actual savings to government programs because average costs include many costs that do not change with small changes in program caseloads. For example, reducing AFDC caseloads by 1,000 cases a year would not result in appreciable savings in AFDC administration because the reduction in cases would not be large enough to permit the county to reduce its direct program costs. Moreover, the decreased caseload would not permit reductions in county or state indirect costs of operating the AFDC program. Since MDRC's average cost estimate assumes that declining caseload would result in direct and indirect cost reductions, we believe that the study's estimate of administrative cost savings is too high.

APPENDIX B

SUMMARY OF PROGRAM IMPACTS  
FOR AFDC AND AFDC-U APPLICANTS

Outcome and Follow-Up Quarter	Job Search - EWEP			Job Search		
	Experimentals	Controls	Difference	Experimentals	Controls	Difference
<b>AFDC SAMPLE</b>						
Percent Employed During						
Second Quarter <sup>a</sup>	32.4	25.6	+ 6.8***	35.6	25.6	+ 10.0***
Third Quarter	37.6	28.7	+ 8.9***	36.3	28.7	+ 7.6***
Fourth Quarter	40.7	33.4	+ 7.3***	38.8	33.4	+ 5.4*
Average Total Earnings (\$)						
During						
Second Quarter <sup>a</sup>	434.84	304.67	+ 130.27***	501.89	304.67	+ 197.32***
Third Quarter	618.26	480.88	+ 137.38**	694.13	480.88	+ 213.25***
Fourth Quarter	730.17	606.74	+ 123.43*	702.57	606.74	+ 95.83
Percent Who Ever Received						
Any AFDC Payment During						
Quarter of Application <sup>b</sup>						
Second Quarter	77.0	81.3	- 4.3*	79.3	81.3	- 2.0
Third Quarter	64.7	69.0	- 4.3*	66.1	69.0	- 2.9
Fourth Quarter	54.2	58.7	- 4.5*	51.9	58.7	- 6.8**
Fourth Quarter	47.8	48.6	- 0.8	45.8	48.6	- 2.8
Average AFDC Payments (\$)						
Received During						
Quarter of Application <sup>b</sup>						
Second Quarter	721.66	736.38	- 14.72	723.91	736.38	- 12.47
Third Quarter	688.43	763.99	- 74.55**	708.43	763.99	- 57.55
Fourth Quarter	608.36	668.25	- 59.89*	604.17	668.25	- 64.08
Fourth Quarter	536.53	592.95	- 56.42	542.55	592.95	- 50.40
<b>AFDC-U SAMPLE</b>						
Percent Employed During						
Second Quarter <sup>a</sup>	44.5	39.3	+ 5.3*	43.5	39.3	+ 4.2
Third Quarter	50.2	48.9	+ 1.3	46.6	48.9	- 2.2
Fourth Quarter	53.1	52.5	+ 0.7	49.8	52.5	- 2.6
Average Total Earnings (\$)						
During						
Second Quarter <sup>a</sup>	799.71	740.88	+ 58.83	903.06	740.88	+ 162.18*
Third Quarter	1233.21	1244.73	- 11.51	1337.05	1244.73	+ 92.32
Fourth Quarter	1537.20	1618.31	- 79.11	1648.98	1616.31	+ 32.68
Percent Who Ever Received						
Any AFDC Payment During						
Quarter of Application <sup>b</sup>						
Second Quarter	73.8	76.8	- 2.8	77.2	76.6	+ 0.6
Third Quarter	58.2	61.4	- 5.2*	57.9	61.4	- 3.6
Fourth Quarter	44.4	49.9	- 5.6**	46.1	49.9	- 3.9
Fourth Quarter	37.8	41.1	- 3.4	41.0	41.1	- 0.1
Average AFDC Payments (\$)						
Received During						
Quarter of Application <sup>b</sup>						
Second Quarter	665.76	693.72	- 27.96	694.46	693.72	+ 0.74
Third Quarter	601.11	699.59	- 98.48**	633.75	699.59	- 65.83
Fourth Quarter	490.82	631.36	- 140.54***	520.25	631.36	- 111.11**
Fourth Quarter	474.79	557.44	- 82.65**	508.34	557.44	- 49.10

SOURCE: Tables 5.5 and 5.6.

NOTES: These data include zero values for sample members not employed and for sample members not receiving welfare payments. There may be some discrepancies in calculating Experimental-Control differences due to rounding.

<sup>a</sup>These data are for the first calendar quarter after the quarter in which a person applied for welfare.

<sup>b</sup>The first month of the first quarter is the month in which an individual applied for welfare.

\*Statistically significant at the 10 percent level.

\*\*Statistically significant at the 5 percent level.

\*\*\*Statistically significant at the 1 percent level.

APPENDIX B--contd

TABLE 2

ESTIMATED SHORT-TERM BENEFITS AND COSTS OF JOB SEARCH AND JOB SEARCH-EWEP THROUGH DECEMBER 1983,<sup>a</sup> BY ASSISTANCE CATEGORY, RESEARCH GROUP, AND ACCOUNTING PERSPECTIVE

Component of Analysis	Job Search - EWEP			Job Search		
	Accounting Perspective			Accounting Perspective		
	Social	Applicant	Taxpayer	Social	Applicant	Taxpayer
<b>AFDC SAMPLE</b>						
<b>Benefits</b>						
Value of In-Program Output	\$229	\$ 0	\$229	-\$1	\$ 0	-\$1
Increased Output From Employment	461	461	0	436	436	0
Increased Tax Payments	0	-85	85	0	-82	82
Reduced AFDC Payments	0	-187	187	0	-173	173
Other Reduced Transfer Payments	0	177	-177	0	127	-127
Reduced Transfer Administrative Costs	-2	0	-2	1	0	1
Reduced Use of Training Programs	50	-6	56	45	-7	52
<b>Costs</b>						
EPP Operating Costs	-366	0	-366	-383	0	-383
EWEP Operating Costs	-73	0	-73	a	0	a
Allowances and Support Services	0	22	-22	0	12	-12
Client Out-of-Pocket Expenses	-15	-15	0	0	0	0
<b>Net Value</b>	<b>\$280</b>	<b>\$367</b>	<b>-\$87</b>	<b>\$98</b>	<b>\$313</b>	<b>-\$215</b>
<b>AFDC-U SAMPLE</b>						
<b>Benefits</b>						
Value of In-Program Output	\$360	\$ 0	\$360	\$ 1	\$ 0	\$ 1
Increased Output From Employment	270	270	0	324	324	0
Increased Tax Payments	0	-45	45	0	-54	54
Reduced AFDC Payments	0	-378	378	0	-307	307
Other Reduced Transfer Payments	0	-256	256	0	-63	63
Reduced Transfer Administrative Costs	48	0	48	27	0	27
Reduced Use of Training Programs	55	b	55	59	b	59
<b>Costs</b>						
EPP Operating Costs	-475	0	-475	-480	0	-480
EWEP Operating Costs	-85	0	-85	a	0	a
Allowances and Support Services	0	21	-21	0	8	-8
Client Out-of-Pocket Expenses	-16	-16	0	0	0	0
<b>Net Value</b>	<b>\$157</b>	<b>-\$400</b>	<b>\$557</b>	<b>-\$70</b>	<b>-\$91</b>	<b>\$24</b>

SOURCE: Tables 6.7 and 6.8.

NOTES: Benefits and costs reflect estimated experimental-control differences in enrollment and effects; see Chapter 6 for data sources and estimation procedures. Because of rounding, detail may not sum to totals.

<sup>a</sup>Because of the limited time period covered by this preliminary analysis, most of the program costs, but only part of the program benefits, have been estimated.

<sup>b</sup>Estimated value of component less than \$0.50.