

Graber, Robert

From: allison@buffalojwj.org
Sent: Wednesday, November 09, 2011 11:00 AM
To: allison@buffalojwj.org
Cc: Hadlock; eric walker
Subject: Invitation - Transitional Jobs Bus Tour - November 15th
Attachments: TRANSITION JOBS RETURN ON INVESTMENT STUDY.pdf
Importance: High

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Dear community and labor leaders:

Community Voices Heard (CVH), a membership organization of low income families with chapters in New York City, Yonkers, Newburgh and Poughkeepsie will be doing a tour across the state next week to talk about jobs for low income, long term unemployed people receiving public assistance.

On Tuesday, November 15th at 12pm CVH is joining with CEJ and PUSH Buffalo to host a brown-bag lunch to discuss the success of the **Transitional Jobs** program in New York City and to hear about how workfare and transitional jobs programs are structured in Erie County.

Community Voices heard is especially interested to speak with unions, community based organizations and government officials who would support expanding Transitional Jobs programs in Erie County and across the state.

A report from the Fiscal Policy Institute on Transitional Jobs is attached. FPI defines a Transitional Jobs program this way -

Transitional Jobs programs (TJ) are a practical workforce strategy, using time-limited, wagepaying jobs which combine real work, skill development, and supportive services to transition participants rapidly and successfully into the labor market. The essential underpinning of these programs is that every participant can be successful in the workplace. TJ programs reflect a flexible, evolving design comprised of core fundamental principles combined with elements tailored to the target population. TJ programs can vary as to length, the type of transitional employer (for profit, nonprofit, or government), the role of formal skills training, funding streams, and the population served. TJ programs can be delivered in an urban or rural context of a micro-enterprise, a publicly or privately funded job, or work crews bidding on jobs.

Please join CVH, CEJ and PUSH Buffalo for a brown-bag lunch to learn more about how we can support Transitional Jobs and how Transitional Jobs can be quality jobs.

**CEJ office / Cornell ILR
 237 Main Street, 12th Floor
 Buffalo, NY 14203**

If you have any questions, please contact Jennifer at 347-454-4842.

Best, Allison

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TRANSITIONAL JOBS **RETURN ON INVESTMENT STUDY**

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Transitional Jobs programs (TJ) are a practical workforce strategy, using time-limited, wage-paying jobs which combine real work, skill development, and supportive services to transition participants rapidly and successfully into the labor market. The essential underpinning of these programs is that every participant can be successful in the workplace. TJ programs reflect a flexible, evolving design comprised of core fundamental principles combined with elements tailored to the target population. TJ programs can vary as to length, the type of transitional employer (for profit, nonprofit, or government), the role of formal skills training, funding streams, and the population served. TJ programs can be delivered in an urban or rural context of a micro-enterprise, a publicly or privately funded job, or work crews bidding on jobs.

In any of these settings, the following are key common elements:

- Transitional Jobs programs offer a model of employment by which participants learn by doing – they experience the customs and routines of work, acquire work-task skills, establish an employment record, and generate employer references to enhance their competitiveness in private sector employment.
- Transitional Jobs programs assume that everyone can work. With confidence gained from success in the workplace and appropriate case management to assisting with any problems along the way, TJ programs provide the participant with learning opportunities, pay, and the support necessary to transition to full-time, permanent employment.

This return on investment study is an attempt to quantify the public cost savings which can be expected to result from a TJ initiative in New York State aimed at two specific target audiences: public assistance recipients (those who are receiving public assistance and have been unemployed for more than 12 consecutive months) and formerly incarcerated individuals (those who have returned from jail or prison within the previous 90 days). The analysis will compare the cost of providing transitional jobs (including the cost of wage payments, training, supervision and other program administration) with the public savings that result when participants increase their likelihood of employment and therefore are more likely to stay out of jail or prison and get off public cash assistance rolls.

Transitional Jobs Initiative Parameters

- This analysis considers the costs and cost savings related to a statewide TJ initiative consisting of 4,000 publicly-financed transitional job "slots" over one year. The pay for these transitional jobs is set at \$8.00 per hour for a 35-hour workweek.
- On average, participants are expected to stay in a TJ program for six months. Therefore the statewide initiative will enroll, over the course of 12 months, approximately 8,000 different individuals.

- This statewide initiative will have two primary target populations: public assistance recipients (those who are receiving public assistance and have been unemployed for more than 12 consecutive months) and formerly incarcerated individuals (those who have returned from jail or prison with previous 90 days). The return on investment analysis assumes that approximately half of the 8,000 participants each year will come from each group.

Transitional Jobs Program Investment Requirements - Direct, Net and Overall

Table 1 summarizes the "direct" costs of the initiative, including wages, supervision, training and administrative costs. Costs for the supervision, training and the administration of the initiative are estimated at \$3,000 per participant over six months or \$6,000 per slot per year. The \$3,000 per participant estimate is based on an analysis of the administrative costs of the New York City Parks and Recreation Intra-city Park Opportunity Program (POP). The TJ initiative would spend the same \$3,000 per participant but over a shorter six-month period, providing twice as much support to each participant each month as the POP program.

| Wages @\$8.00 per hour - 35 hours per week | \$1,213 |
|--|--------------|
| Administration, Training and Supervision | \$500 |
| Total Monthly Cost per Participant | \$1,713 |
| Total Annual Cost for 8,000 participants - six month participation per participant | \$82,224,000 |

Table 2 summarizes the "net" costs of the initiative. Since three quarters of the participants will be recruited from existing public assistance recipients (all the public assistance recipients and half the formerly incarcerated), earnings from the TJ program will replace cash assistance and these participants will no longer be participating in other work-related activities financed by the local social services district. This reduces the monthly cost per participant for public assistance recipients from the \$1,713 per month to \$705 or \$982 per month (depending on family size) and the total annual program cost from \$82 million to \$49 million. If less than half the formerly incarcerated participants are receiving cash assistance at the time of enrollment, the net state/local cost of the program will be slightly higher.

| | Public Assistance Recipients | Formerly Incarcerated | |
|---|------------------------------|---|---|
| | | Receiving Cash Assistance at Time of Enrollment | Not Receiving Cash Assistance at Time of Enrollment |
| Number of Participants | 4,000 | 2,000 | 2,000 |
| Total Monthly Cost per Participant | \$1,713 | \$1,713 | \$1,713 |
| Public Assistance Cost Savings (Cash Grant and Workfare Administration) | \$1,008 | \$731 | \$0 |
| Net Monthly Cost per Participant | \$705 | \$982 | \$1,713 |
| Annual Net Cost | \$16,920,000 | \$11,784,000 | \$20,556,000 |
| Total Annual Net Cost | | \$49,260,000 | |

Table 3 provides a broader picture of the public costs associated with the TJ initiative, examining not just public assistance outlays and savings but taking into account costs of tax credits, food stamps, child care, public health insurance programs and differentiating between federal and state/local financing responsibility for each item. For public assistance recipients, the outlays for child care, transportation and Medicaid would be identical to the expenditures for these purposes made on behalf of public assistance recipients participating in mandated work-related programs. For participants who had not been receiving public assistance at the time of enrollment in the program, enrollment in the program will increase expenditures in these areas.

Table 3: Total Public Cost for Transitional Jobs Program Participant

| | Parent with two children (one pre-school and one school-age) | | | Single individual with no dependents | | |
|---|---|----------------|-----------------|--------------------------------------|----------------|-----------------|
| | Total | Federal | State/Local | Total | Federal | State/Local |
| Wages @\$8.00 per hour - 35 hours per week | \$1,213 | \$0 | \$1,213 | \$1,213 | \$0 | \$1,213 |
| Food Stamps | \$304 | \$304 | \$0 | \$0 | \$0 | \$0 |
| Federal EITC | \$402 | \$402 | \$0 | \$0 | \$0 | \$0 |
| State EITC | \$121 | \$0 | \$121 | \$0 | \$0 | \$0 |
| City EITC | \$20 | \$0 | \$20 | \$0 | \$0 | \$0 |
| Child Care | \$1,174 | \$0 | \$1,174 | \$0 | \$0 | \$0 |
| Transportation | \$81 | \$0 | \$81 | \$81 | \$0 | \$81 |
| Medicaid | \$1,062 | \$531 | \$531 | \$556 | \$278 | \$278 |
| Transitional Jobs Admin | \$500 | \$0 | \$500 | \$500 | \$0 | \$500 |
| TOTAL MONTHLY COST | \$4,877 | \$1,237 | \$3,640 | \$2,350 | \$278 | \$2,072 |
| TOTAL SIX MONTH COST | \$29,262 | \$7,422 | \$21,840 | \$14,100 | \$1,668 | \$12,432 |

Public Cost of Alternative Outcomes

In order to estimate the return on investment, this analysis estimates the state/local public costs associated with four different outcomes: (1) the continued receipt of public assistance; (2) incarceration; (3) unsubsidized employment at the minimum wage of \$7.25 per hour for 1,500 hours per year; and (4) unsubsidized full-time, full-year employment at \$10.00 per hour.¹

¹ Appendix A includes a list of 29 job titles in which TJ participants are likely to be placed. The median starting wage for these positions is \$10.27 an hour. To the extent that participants' wages will increase over time in these jobs, the average wage for participants who complete the training and are placed in unsubsidized employment may be even greater than \$10 an hour. Higher average wages would result in even greater reductions in public costs.

Public Assistance

Public assistance costs, summarized in Table 4, are based on the public assistance standard of need for a three-person family (unmarried parent with two children) and the public assistance standard of need for a single person in New York City (NYC).² The cash assistance estimate assumes no earned income for the family and that the family lives in an apartment with heat included in the rent with a rent equal to the NYC shelter allowance. The estimate assumes that the adult in the family participates in a work program³ and therefore is eligible for and receives transportation assistance⁴ and free childcare.⁵ In addition, the estimate assumes that the family is covered by Medicaid⁶ and receives food stamps. For a single individual, the cash assistance estimate is based on a single person case and does not include any provision for childcare.

| | Parent with two children (one pre-school and one school-age) | | | Single individual with no dependents | | |
|-------------------------|--|--------------|----------------|--------------------------------------|--------------|----------------|
| | Total | Federal | State/Local | Total | Federal | State/Local |
| Cash Assistance | \$691 | \$0 | \$691 | \$414 | \$0 | \$414 |
| Food Stamps | \$388 | \$388 | \$0 | \$162 | \$162 | \$0 |
| Child Care | \$1,174 | \$0 | \$1,174 | \$0 | \$0 | \$0 |
| Transportation | \$81 | \$0 | \$81 | \$81 | \$0 | \$81 |
| Medicaid | \$1,062 | \$531 | \$531 | \$556 | \$278 | \$278 |
| Workfare Administration | \$317 | \$0 | \$317 | \$317 | \$0 | \$317 |
| MONTHLY TOTAL | \$3,713 | \$919 | \$2,794 | \$1,530 | \$440 | \$1,090 |

² This analysis estimates public assistance costs using the New York City standard of need. The standard of need consists of the basic allowance, the home energy allowance and the supplemental home energy allowance that are the same across the state and the shelter allowance that varies by social services district. The shelter allowance for a three-person family with children ranges from \$259 in Franklin County to \$447 in Suffolk County. New York City's Shelter Allowance for a three-person family with children is \$400. Since the majority of the public assistance recipients are in New York City, it is appropriate to use the New York City standard of need in these calculations. Public Assistance savings per participant will be somewhat higher in social service districts with shelter allowances greater than New York City (Westchester, Nassau, Suffolk, Nassau, Putnam, Rockland, Dutchess and Orange) and slightly lower in other upstate counties.

³ Workfare administration at \$3,802 annually is set equal to average base rates for Back to Work Contracts.

⁴ The \$81 cost of transportation assumes a 30-day unlimited MTA pass.

⁵ Child care costs are based on the Registered Family Day Care Market Rates published by the Office of Children and Family Services: \$160 per week for preschool for twelve months, \$105 per week for school age for 10 months and \$141 per week for school age for the two months of summer.

⁶ Medicaid is based on average expenditure per participant for 2007 for NYC: \$3,026 per kid; \$6,682 per adult.

Incarceration

According to the New York State Department of Correctional Services, New York spends \$32,426 per inmate per year.⁷ This estimate includes only the operating costs of incarceration.⁸ For the purposes of this analysis, all incarceration costs are considered state/local costs. If individuals are incarcerated in federal prisons, the costs would be federal rather than state or local.

| | Annual Cost | Monthly Cost |
|------------------|--------------------|-------------------|
| Administration | \$375.00 | \$31.25 |
| Support Services | \$6,439.00 | \$536.58 |
| Security | \$17,859.00 | \$1,488.25 |
| Health Services | \$4,661.00 | \$388.42 |
| Program Services | \$3,092.00 | \$257.67 |
| TOTAL | \$32,426.00 | \$2,702.17 |

Source: Office of Public Information, New York State Department of Correctional Services

Employment

Given the structure of New York's system of work supports, the public cost of employment depends primarily on three factors: (1) income (which is itself a function of the hourly wage and the hours worked); (2) whether or not the employer provides health insurance; and (3) whether or not the family utilizes public child care subsidies. If income is low, either because wages are very low and/or the adult works less than full time, full year, the household may still be eligible for cash assistance as well as food stamps, the earned income tax credit, subsidized child care and public health insurance (either through Medicaid, Family Health Plus or Child Health Plus). Even many households with higher earnings (\$10 per hour working full time, full year) are eligible for food stamps, subsidized child care and public health insurance but not all eligible families apply for and receive these benefits. Child care "take up" rates are particularly low; a recent report estimated that only 30 percent of New York families eligible for subsidized child care actually receive these subsidies.⁹

In order to get a reasonable estimate of the public costs associated with employment at different wages and hours of work for a three-person family, the following two tables estimate the public cost of two scenarios: full time, full year work at \$10 per hour and 1,500 hours of work per year at \$7.25 per hour (the minimum wage effective July 24, 2009). In order to account for the fact that not all these workers will receive public health insurance and child care subsidies, the assumption is made that the households are uniformly distributed among four possibilities: (1) public health insurance and child care subsidy; (2) public health insurance but no child care subsidy; (3) employer-provided health insurance and a child care

⁷ Erik Kriss, New York State Department of Correctional Services, Office of Public Information.

⁸ This is very conservative estimate of the cost of incarceration in New York. According to the U.S. Department of Justice Bureau of Justice Statistics, in 2001 New York spent \$36,835 per year per inmate to operate its state prisons. Using the same price index for state and local government services used by the Department of Justice in its analysis to update that 2001 estimate, the 2008 per inmate cost would be \$50,383.

⁹ Randy Albeda and Heather Boushey, *Bridging the Gaps: A Picture of How Work Supports Work in Ten States*, Center for Economic and Policy Research, October 2007.

subsidy; and (4) employer-provided health insurance and no child care subsidy. This is the equivalent to an assumption that half the families use public health insurance programs and that half have subsidized child care. This assumption is consistent with the fact that about half of the private sector workers in New York have access to employer-provided health care and that about 30 percent of those eligible for child care subsidies actually receive them.

For single individuals, the estimates are simpler. Working full-time, full year at \$10 per hour, a single worker without dependents is not eligible for any work supports. Even working 1,500 hours per year at \$7.25 per hour, a single individual is eligible for only \$114 per month in food stamps that are federally funded. Neither single worker would be eligible for Family Health Plus or the Federal EITC. If the single worker is a noncustodial parent, current on his/her child support payments, he/she might be eligible for New York State's EITC for noncustodial parents under either earnings scenario.

**Table 6: Monthly Public Cost
for \$7.25 per Hour, 1,500 Hour Per Year Worker**

| | Parent with two children (one pre-school and one school-age) | | | | | | |
|--|--|---|--|---|------------------|--------------|----------------|
| | Public Health Insurance & Child Care Subsidy | Public Health Insurance but no Child Care Subsidy | Employer Provided Health Ins. & Child Care Subsidy | Employer Provided Health Ins. No Child Care Subsidy | Weighted Average | Federal | State/Local |
| Cash Assistance | \$236 | \$236 | \$236 | \$236 | \$236 | \$0 | \$236 |
| Food Stamps | \$307 | \$307 | \$307 | \$307 | \$307 | \$307 | \$0 |
| Federal EITC | \$363 | \$363 | \$363 | \$363 | \$363 | \$363 | \$0 |
| State EITC | \$109 | \$109 | \$109 | \$109 | \$109 | \$0 | \$109 |
| City EITC | \$18 | \$18 | \$18 | \$18 | \$18 | \$0 | \$18 |
| Child Care | \$1,174 | \$0 | \$1,174 | \$0 | \$587 | \$0 | \$587 |
| Family Health Plus/ Child Health Plus | \$756 | \$756 | \$0 | \$0 | \$378 | \$189 | \$189 |
| TOTAL PUBLIC COST | \$2,963 | \$1,789 | \$2,207 | \$1,033 | \$1,998 | \$859 | \$1,139 |

**Table 7: Monthly Public Cost
for \$10 per Hour, Full Time, Full Year Worker**

| | Parent with two children (one pre-school and one school-age) | | | | | | |
|--------------------------------------|--|---|--|---|------------------|--------------|--------------|
| | Public Health Insurance & Child Care Subsidy | Public Health Insurance but no Child Care Subsidy | Employer Provided Health Ins. & Child Care Subsidy | Employer Provided Health Ins. No Child Care Subsidy | Weighted Average | Federal | State/Local |
| Food Stamps | \$232 | \$232 | \$232 | \$232 | \$232 | \$232 | \$0 |
| Federal EITC | \$359 | \$359 | \$359 | \$359 | \$359 | \$359 | \$0 |
| State EITC | \$108 | \$108 | \$108 | \$108 | \$108 | \$0 | \$108 |
| City EITC | \$18 | \$18 | \$18 | \$18 | \$18 | \$0 | \$18 |
| Child Care | \$1,024 | \$0 | \$1,024 | \$0 | \$512 | \$0 | \$512 |
| Family Health Plus/Child Health Plus | \$756 | \$756 | \$0 | \$0 | \$378 | \$189 | \$189 |
| TOTAL MONTHLY PUBLIC COST | \$2,497 | \$1,473 | \$1,741 | \$717 | \$1,607 | \$780 | \$827 |

Assessment of the Likelihood of Each Outcome

The next step in this analysis involves assigning a likelihood to each of the outcomes for which cost estimates have been made for the group participating in the TJ initiative and for a theoretical "control group" which does not benefit from the TJ initiative. While these assessments are certainly subjective, they are based on the data available assessing the outcomes of existing TJ programs for each population group. The analysis concludes with an analysis of the impact of changing each of these assumptions on the return on investment for each part of the initiative.

Our basic assumption is that participation in a TJ program doubles the employment rate for participants and reduces the incarceration rate by one half. In addition, we assume that for those employed, individuals who have participated in a TJ program are more likely to have a \$10 per hour job than individuals who have not participated in the program.

Our analysis does not assume that all TJ program participants will be "successful" – e.g. obtaining and retaining full time, full year jobs paying \$10 an hour and providing family health insurance benefits. Nor does our analysis assume that individuals not participating in the program will never be "successful." We do assume that participation in the program increases the likelihood of "successful" outcomes and decreases the likelihood of continued receipt of public assistance and/or re-incarceration.

Assumptions for Public Assistance Recipients

For public assistance recipients, the assumption is that 60 percent of the participants in the six-month program (including those who complete the program and those who enroll but do not complete the program) will be employed in unsubsidized employment, half of these full time in \$10 per hour jobs and

half in \$7.25 per hour jobs for 1,500 hours per year.¹⁰ The average wage for the participants would be \$8.65 per hour, approximately 20 percent higher than the current state minimum wage. The average number of hours worked for the participants would be 1,750 (average of 1,500 and 2,000). Therefore, the average income gain for participants would be approximately 42 percent.¹¹ In both these cases, the analysis assumes that half the participants with post-program employment have access to employer-provided health insurance and half receive a child care subsidy. We assume that the remaining 40 percent of the participants will continue to receive public assistance.

Obviously, any particular participant may have some months in each of these categories and few would be expected to remain in a single category for the entire 30 months covered by the analysis. Another way to look at these assumptions is to consider them as a distribution not of the participants as much as a distribution of the aggregate post-transitional jobs program months (30 times 4,000 participants = 120,000 months). In the aggregate, we expect that 36,000 months of employment at \$10 per hour; 36,000 months of employment at \$7.25 an hour; 48,000 months receiving public assistance.¹²

In the primary analysis of this estimate, we assume that for the "control group" – an equal number of public assistance recipients not participating in the transitional jobs program – only half as many are employed (30 percent) and that only one third of those employed (10 percent) would have \$10 per hour jobs and two thirds would have the \$7.25 per hour jobs.¹³ We assume 70 percent of the control group would continue to receive public assistance. Again, it might be more useful to think of this in terms of the distribution of the aggregate 120,000 months rather than assuming that participants would remain in a single category for the entire three years.

These assumptions are summarized in Table 8 below:

| Table 8: Assumptions Regarding Transitional Jobs Outcomes for Public Assistance Recipients | | | | |
|---|---------------------------|-----------------------------|-------------------|-------|
| | Employed at \$10 per Hour | Employed at \$7.25 per Hour | Public Assistance | Total |
| Percent of Participants | 30.0% | 30.0% | 40.0% | 100% |
| Percent of Control Group | 10.0% | 20.0% | 70.0% | 100% |

¹⁰ This is consistent with the outcomes found in studies of other TJ initiatives working with public assistance recipients. Washington State's Community Jobs Program places 50 to 75 percent of participants into unsubsidized jobs within 6 to 9 months of enrollment. (Burchfield and Yatsko, 2002). A similar study of the Georgia GoodWorks! Program found job placement rates as high as 70 percent in the most successful program sites. (Derr, 2002).

¹¹ This is consistent with the results of Washington State's Community Jobs Program. In that program, participant wages increased by an average of 60 percent during their first two years in the workforce and 148 percent relative to their pre-participation income. (Burchfield and Yatsko, 2002). This study defined as "participant" any individual who spent at least one day working in the Community Jobs program.

¹² For example, the 36,000 months of employment at \$10 an hour could be 1,200 participants working full time at \$10 an hour for the entire 30 months or (more likely) 2,000 participants employed for an average of 18 months each.

¹³ These assumptions are consistent with the summary statistics reported by Coppock (2007, p. 35) regarding the low employment rates of current and former TANF recipients. "One study finds that unemployment rates among former Illinois TANF recipients range from 48 to 62 percent." Since our control group is made up of TANF recipients, an assumption of 30 percent employment is reasonable.

Assumptions for Formerly Incarcerated Individuals

Based on the outcomes documented for a TJ program working exclusively with formerly incarcerated individuals, a similar set of assumptions was established for the second group of participants. We assumed that unsubsidized employment rates would double,¹⁴ and re-incarceration rates would be cut in half.¹⁵ The estimate of the 20 percent re-incarceration rate for the control group is based on a study done by the New York State Department of Correctional Services which found that, of the cohort of individuals released from New York State prisons in 2002, about 40 percent returned to prison after a median period of 18 months.¹⁶ (We therefore assume that after 36 months, 40% of the control group would have spent half of the 36 months back in prison.) These assumptions are summarized in Table 9.

Table 9: Assumptions Regarding Transitional Jobs Outcomes for Formerly Incarcerated Individuals

| | Employed at \$10 per Hour | Employed at \$7.25 per Hour | Public Assistance | Re-incarcerated | Total |
|--------------------------|---------------------------|-----------------------------|-------------------|-----------------|-------|
| Percent of Participants | 50% | 30% | 10% | 10% | 100% |
| Percent of Control Group | 15% | 25% | 40% | 20% | 100% |

Return on Investment

The cost estimates for each of the scenarios and the assumptions regarding the likelihood of each outcome are combined in a final step to estimate a return on investment for the statewide TJ initiative. Table 10 and Table 11 provide a summary of the return on investment for the TJ initiative expenditures for each group of participants. For public assistance recipients, an initial \$17 million investment in the TJ initiative results in state/local cost savings of \$60 million dollars. For the formerly incarcerated, an initial \$32 million investment results in state/local cost savings of \$96 million.

¹⁴ A 2007 MDRC report on the Center for Employment Opportunities transitional jobs program in New York City found that program participants were twice as likely compared to the control group to be employed in all four quarters of the first year of the study (22 percent vs. 11 percent). The MDRC study was not able to distinguish between subsidized and unsubsidized employment. (<http://www.mdrc.org/publications/468/full.pdf>)

¹⁵ The MDRC study found that among participants recruited for the program (or the control group) within three months of release from prison, incarceration rates were cut in half at the end of the first year. (<http://www.mdrc.org/publications/468/full.pdf>)

¹⁶ "2002 Releases: Three Year Post Release Follow-up", New York State Department of Correctional Services, 2007.

Table 10: Public Assistance Recipients

| Year 1: Initial Investment | | | | |
|---|---------------------------|-----------------------------|-------------------|-----------------------|
| | | | | |
| Number of Participants | | | | 4,000 |
| Annual Cost Net of State/Local Public Assistance Savings | | | | \$16,920,000 |
| | Employed at \$10 per Hour | Employed at \$7.25 per Hour | Public Assistance | Total |
| First Cohort of Participants Participating in Program During Months 1 - 6 | 600 | 600 | 800 | 2,000 |
| Control Group During Months 1 - 6 | 200 | 400 | 1,400 | 2,000 |
| State/local Costs - Months 7 - 12 for First Cohort of Participants | 2,977,200 | 4,100,400 | 13,411,200 | \$20,488,800 |
| State/local Costs - Months 7 - 12 for Control Group | 992,400 | 2,733,600 | 23,469,600 | \$27,195,600 |
| TOTAL STATE/LOCAL COST SAVINGS generated YEAR 1 | | | | (\$6,706,800) |
| Year 2 | | | | |
| Participants from First and Second Cohorts Participating in Program in Year 1 | 1,200 | 1,200 | 1,600 | 4,000 |
| Control Group in Year 1 | 400 | 800 | 2,800 | 4,000 |
| State/local Costs - Year 2 for First and Second Cohort of Participants | 11,908,800 | 16,401,600 | 53,644,800 | \$81,955,200 |
| State/local Costs - Year 2 for Control Group | 3,969,600 | 10,934,400 | 93,878,400 | \$108,782,400 |
| TOTAL STATE/LOCAL COST SAVINGS generated YEAR 2 | | | | (\$26,827,200) |
| Year 3 | | | | |
| Participants from First and Second Cohorts Participating in Program in Year 1 | 1,200 | 1,200 | 1,600 | 4,000 |
| Control Group in Year 1 | 400 | 800 | 2,800 | 4,000 |
| State/local Costs - Year 3 for First and Second Cohort of Participants | 11,908,800 | 16,401,600 | 53,644,800 | \$81,955,200 |
| State/local Costs - Year 3 for Control Group | 3,969,600 | 10,934,400 | 93,878,400 | \$108,782,400 |
| TOTAL STATE/LOCAL COST SAVINGS generated YEAR 3 | | | | (\$26,827,200) |
| | | | | |
| THREE YEAR CUMULATIVE COST SAVINGS | | | | (\$60,361,200) |
| THREE YEAR NET COST ESTIMATE - INITIAL INVESTMENT MINUS COST SAVINGS | | | | (\$43,441,200) |

Table 11: Formerly Incarcerated Individuals

| Year 1: Initial Investment | | | | | |
|---|------------------------------|--------------------------------|----------------------|--------------|-----------------------|
| | | | | | |
| Number of Participants | | | | | 4,000 |
| Annual Cost Net of State/Local Public Assistance Savings | | | | | \$32,340,000 |
| | Employed at \$10 per Hour | Employed at \$7.25 per Hour | Public Assistance | Incarcerated | Total |
| First Cohort of Participants Participating in Program During Months 1 - 6 | 1,000 | 600 | 200 | 200 | 2,000 |
| Control Group During Months 1 - 6 | 300 | 500 | 800 | 400 | 2,000 |
| State/local Costs - Months 7 - 12 for First Cohort of Participants | \$0 | \$0 | \$2,486,400 | \$3,242,596 | \$5,728,996 |
| State/local Costs - Months 7 - 12 for Control Group | - | - | 9,945,600 | 6,485,192 | \$16,430,792 |
| TOTAL STATE/LOCAL COST SAVINGS generated YEAR 1 | | | | | (\$10,701,796) |
| YEAR 2: | | | | | |
| Participants from First and Second Cohorts Participating in Program in Year 1 | 2,000 | 1,200 | 400 | 400 | 4,000 |
| Control Group in Year 1 | 600 | 1,000 | 1,600 | 800 | 4,000 |
| State/local Costs - Months 13 to 24 for First and Second Cohort of Participants | - | - | \$9,945,600 | \$12,970,384 | \$22,915,984 |
| State/local Costs - Months 13 to 24 for Control Group | - | - | 39,782,400 | 25,940,768 | \$65,723,168 |
| TOTAL STATE/LOCAL COST SAVINGS generated YEAR 2 | | | | | (\$42,807,184) |
| YEAR 3: | | | | | |
| Participants from First and Second Cohorts Participating in Program in Year 1 | 2,000 | 1,200 | 400 | 400 | 4,000 |
| Control Group in Year 1 | 600 | 1,000 | 1,600 | 800 | 4,000 |
| State/local Costs - Months 25 to 36 for First and Second Cohort of Participants | - | - | \$9,945,600 | \$12,970,384 | \$22,915,984 |
| State/local Costs - Months 25 to 36 for Control Group | - | - | 39,782,400 | 25,940,768 | \$65,723,168 |
| TOTAL STATE/LOCAL COST SAVINGS generated YEAR 3 | | | | | (\$42,807,184) |
| THREE YEAR CUMULATIVE COST SAVINGS | | | | | (\$96,316,164) |
| THREE YEAR NET COST ESTIMATE - INITIAL INVESTMENT MINUS COST SAVINGS | | | | | (\$63,976,164) |

Impact of Changing Assumptions

The preceding analysis was based on a basic assumption that employment rates doubled for both groups of participants (relative to the control group) and that recidivism rates were cut in half for formerly incarcerated participants. Table 12 provides estimates of the cost savings with alternative assumptions regarding employment and recidivism for each group including the changes in employment and recidivism required to "break even", e.g. generate three-year cost savings equal to the initial net program outlay.

| Table 12: Three Year Net Cost Estimate - Initial Investment Minus Cost Savings | | | |
|---|-----------------------------|--------------------------|--------------------------|
| Public Assistance Recipients | | | |
| Change in Employment | | | |
| 100% (from 30% to 60%) | (\$43,441,200) | | |
| 50% (from 30% to 45%) | (\$14,103,000) | | |
| 26% (from 30% to 38%) | \$0 | | |
| 25% (from 30% to 37.5%) | \$566,100 | | |
| 10% (from 30% to 33%) | \$9,367,560 | | |
| Formerly Incarcerated Individuals | | | |
| Change in Employment | Change in Recidivism | | |
| | 50% (from 40% to 20%) | 25% (from 40% to 30%) | 10% (from 40% to 36%) |
| 100% (from 40% to 80%) | (\$63,976,164) | (\$60,573,282) | (\$58,531,553) |
| 50% (from 40% to 60%) | (\$19,220,964) | (\$15,818,082) | (\$13,776,353) |
| 35% (from 40% to 54%) | (\$5,444,611) | (\$2,041,729) | \$0 |
| 32% (from 40% to 53%) | (\$3,402,882) | \$0 | \$2,041,729 |
| 29% (from 40% to 52%) | \$0 | \$3,402,882 | \$5,444,611 |
| 25% (from 40% to 50%) | \$3,156,636 | \$6,559,518 | \$8,601,247 |
| 10% (from 40% to 44%) | \$16,583,196 | \$19,986,078 | \$22,027,807 |

Conclusion

This analysis has shown that a statewide TJ initiative in New York could clearly pay for itself in just three years in primary public cost savings if it is able to increase employment rates by more than 26% for public assistance recipients and by more than 35% for formerly incarcerated participants. (If recidivism is reduced by more than 10%, then the minimum required percentage increase in employment for formerly incarcerated participants is even smaller). And the actual public cost savings as a result of this initiative would likely be even greater because many

additional public cost savings have not been incorporated into this analysis. Take, for instance, the child support system. The formerly incarcerated participants would be expected to increase their child support payments to their families, which would result in lower public assistance payments to these families. Another example is in the area of justice system costs. This analysis includes only the cost of incarceration, but there would also be significant public cost savings for the entire judicial system with a reduction in recidivism. Furthermore, this is a conservative estimate of the return on investment because we have not included in this analysis any of the multiplier effects on the economy of the increased consumption capacity of the program participants.

In an era of significant fiscal constraints at all levels of government, new initiatives should be carefully evaluated for their long-term impact on the economy. This analysis has shown that an investment of several million dollars in a statewide Transitional Jobs initiative would be an excellent use of these scarce fiscal resources.

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Appendix A

| Unsubsidized Positions Suggested in TJ Proposal | NYS DOL Entry-Level Annual Wage | Entry-Level Hourly Wage (=Annual/2,080 hours) |
|--|------------------------------------|--|
| Childcare Worker | \$16,670 | \$8.01/hour |
| Teacher Assistant | \$16,910 | \$8.13/hour |
| Social and Human Service Assistant | \$19,880 | \$9.56/hour |
| Recreation Worker | \$16,670 | \$8.01/hour |
| Customer Service Representative | \$21,360 | \$10.27/hour |
| Home Health Aide | \$16,970 | \$8.16/hour |
| Medical Assistant | \$23,190 | \$11.15/hour |
| Dental Assistant | \$25,650 | \$12.33/hour |
| Nursing Aide/Orderly/Attendant | \$21,770 | \$10.47/hour |
| Office Clerk | \$18,120 | \$8.71/hour |
| Secretary | \$22,510 | \$10.82/hour |
| Receptionist | \$20,010 | \$9.62/hour |
| Bookkeeping, Auditing, Accounting Clerk | \$23,910 | \$11.50/hour |
| Word Processor/Typist | \$24,440 | \$11.75/hour |
| Bus Driver, School | \$23,140 | \$11.13/hour |
| Bus Driver, Transit and Intercity | \$31,130 | \$14.97/hour |
| Truck Driver, Light or Delivery | \$18,030 | \$8.67/hour |
| Truck Driver, Heavy or Tractor Trailer | \$27,160 | \$13.06/hour |
| Construction Trade Worker | \$24,230 - \$37,260 | \$11.65/hour - \$17.91/hour |
| Construction Trades Helper | \$17,510 - \$22,770 | \$8.42/hour - \$10.95/hour |
| Landscaping and Groundskeeping Worker | \$17,790 | \$8.55/hour |
| Highway Maintenance Worker | \$26,200 | \$12.60/hour |
| Tree Trimmer and Pruner | \$31,550 | \$15.17/hour |
| Institution and Cafeteria Cooks | \$19,580 | \$9.41/hour |
| Waiters | Not available | Not available |
| Wholesale and Manufacturing Sales Representatives | \$33,560 | \$16.13/hour |
| Customer Service Representatives | \$21,360 | \$10.27/hour |
| Shipping, Receiving, Traffic Clerks | \$18,680 | \$8.98/hour |
| Laborers, Freight, Stock, Material Movers | \$17,180 | \$8.26/hour |
| Median Wage | | 10.27/hour |