

# *Journal of Benefit-Cost Analysis*

---

*Volume 1, Issue 1*

2010

*Article 3*

---

## A Synthesis of Random Assignment Benefit-Cost Studies of Welfare-to-Work Programs

**David H. Greenberg, *UMBC***

**Victoria Deitch, *MDRC***

**Gayle Hamilton, *MDRC***

### **Recommended Citation:**

Greenberg, David H.; Deitch, Victoria; and Hamilton, Gayle (2010) "A Synthesis of Random Assignment Benefit-Cost Studies of Welfare-to-Work Programs," *Journal of Benefit-Cost Analysis*: Vol. 1: Iss. 1, Article 3.

**DOI:** 10.2202/2152-2812.1005

# A Synthesis of Random Assignment Benefit-Cost Studies of Welfare-to-Work Programs

David H. Greenberg, Victoria Deitch, and Gayle Hamilton

## Abstract

Over the past two decades, federal and state policymakers have dramatically reshaped the nation's system of cash welfare assistance for low-income families. During this period, there has been considerable variation from state to state in approaches to welfare reform, which are often collectively referred to as "welfare-to-work programs." This article synthesizes an extraordinary body of evidence: results from 28 benefit-cost studies of welfare-to-work programs based on random assignment evaluation designs. Each of the 28 programs can be viewed as a test of one of six types of welfare reform approaches: mandatory work experience programs, mandatory job-search-first programs, mandatory education-first programs, mandatory mixed-initial-activity programs, earnings supplement programs, and time-limit-mix programs. After describing how benefit-cost studies of welfare-to-work programs are conducted and considering some limitations of these studies, the synthesis addresses such questions as: Which welfare reform program approaches yield a positive return on investments made, from the perspective of program participants and from the perspective of government budgets, and the perspective of society as a whole? Which approaches make program participants better off financially? In which approaches do benefits exceed costs from the government's point of view? The last two of these questions coincide with the trade-off between reducing dependency on government benefits and ensuring adequate incomes for low-income families. Because the benefit-cost studies examined program effects from the distinct perspectives of government budgets and participants' incomes separately, they address this trade-off directly. The article thus uses benefit-cost findings to aid in assessing the often complex trade-offs associated with balancing the desire to ensure the poor of adequate incomes and yet encourage self-sufficiency.

**KEYWORDS:** welfare-to-work, AFDC, TANF, synthesis, random assignment

**Author Notes:** We thank The John D. and Catherine T. MacArthur Foundation, which funded this synthesis, and The William Penn Foundation, which provided additional support. We also thank three anonymous referees for very useful suggestions. For helpful comments on earlier versions of this article, we are indebted to Mike Stegman, Gordon Berlin, Fred Doolittle, Jim Riccio, Charles Michalopoulos, Ginger Knox, John Hutchins, Johanna Walter, Cindy Redcross, and David Seith.

## I. Introduction

Over the past two decades, federal and state policymakers have dramatically reshaped the nation's system of cash welfare assistance for low-income families. Through national legislation and state-initiated reform and experimentation, policymakers have sought to transform the Aid to Families with Dependent Children (AFDC) program, now the Temporary Assistance for Needy Families (TANF) program. During this period, there has been considerable variation from state to state in approaches to welfare reform. These approaches, which are often collectively referred to as "welfare-to-work programs," include attempting to get welfare recipients into jobs quickly through intensive job search activities, providing education and training to build up welfare recipients' skills, using financial incentives to motivate people to work, putting time limits on how long welfare assistance can be received, and providing unpaid work experience as a means of imparting good work habits and skills. While varied in what they do, almost all welfare-to-work programs have shared a common long-term goal: reducing families' reliance on welfare benefits, primarily by increasing work among recipients.

Results reported elsewhere have shown that many welfare-to-work program approaches can, indeed, increase adults' employment and earnings and reduce their welfare receipt. (See, for example, Grogger and Karoly (2005), for such results as well as an overview of welfare reform efforts through the 1990s.) As indicated by Bloom and Michalopoulos (2001), in some cases individuals' income has been increased as well. In addition, as reported by Morris et al. (2001) and Morris et al. (2005), some types of program approaches have been found to have positive effects on welfare recipients' preschool-age and elementary school-age children. In these programs, children's levels of school achievement increased, most probably due to increases in their parents' income.

An obvious question to ask, however, is: Which of these welfare reform program approaches result in a positive payoff on the investments made in them? That is, which of these welfare reform program approaches make participants better off financially? And in which instances do the benefits from welfare reform program approaches exceed their costs from the government's or society's standpoint? If several different approaches have positive results, then one also can ask another question: Which approach performs best?

To answer such questions, a number of benefit-cost studies have been conducted of welfare-to-work programs that were implemented in states or localities during the 1980s and 1990s. This article synthesizes findings from benefit-cost studies of 28 of these welfare reform initiatives.<sup>1</sup> The synthesis provides a wealth of

---

<sup>1</sup> For a more detailed description of the included studies, and their methods and findings, see Greenberg et al. (2009).

information on the costs and benefits of a number of different welfare reform strategies, and it supplies a perspective for states to consider as they seek to make future TANF programmatic decisions. The benefit-cost analyses of these programs are especially suitable for synthesis because they were all conducted by a single research firm, MDRC,<sup>2</sup> using an almost identical methodological approach.

Although the 28 programs included in the synthesis were launched prior to passage of the landmark federal welfare reform law of 1996, which established the TANF block grant, they contain elements of most states' current welfare reform programs. Moreover, the programs encompass features that many states are now likely to examine more closely as they seek to meet the more stringent welfare-to-work program participation rates embodied in the Deficit Reduction Act (DRA) of 2005 that reauthorized the 1996 welfare reform law. In brief, DRA significantly strengthens the requirement that a state must have a certain percentage of its welfare caseload in work or participating in approved work-related activities for a set number of hours each week or the state faces a reduction in its welfare block grant.

The 28 welfare-to-work programs that were subjected to the benefit-cost analyses synthesized in this article are listed in Table 1.<sup>3</sup> These programs were run in 11 states and two Canadian provinces and involved more than 100,000 research sample members. Thus, they operated in "real-world" conditions at a significant scale. All the studies used random assignment research designs, resulting in probably the most extensive and most reliable database of findings about welfare-to-work programs ever assembled. Although the studies began in the mid-1980s and early 1990s—before passage of the 1996 welfare reform law—their findings remain highly relevant today because they provide detailed data about the benefits and costs of different employment strategies for welfare recipients, mostly female single parents. Little has been done to synthesize the benefits and costs of welfare-to-work initiatives and to compare how the return on the government's investment differs for various types of interventions. Thus, this article fills an important knowledge gap.

---

<sup>2</sup> MDRC is a nonprofit, nonpartisan, social research firm located in New York City.

<sup>3</sup> This synthesis focuses on benefit-cost analyses from the more recent of MDRC's random assignment evaluations of mandatory employment programs. Thus, studies that were initiated in the first part of the 1980s have been excluded from the synthesis, with the exception of three mandatory work experience programs. This exception was made because there have been only a limited number of random assignment studies that isolate the effect of work experience. In addition, as shown in Table 1, the WRP study is included in two categories: earnings supplement programs and time-limit-mix programs. This is because the WRP study had a three-way random assignment design (which generated a control group, a WRP group, and a WRP Financial Incentives Only group) that allowed the separate examination of the costs and benefits of earnings supplements and the costs and benefits of a time-limit mix.

**Table 1**

**Programs Included in the Synthesis, by Type**

**Mandatory Work Experience**

Cook County WIN (Work Incentive) Demonstration (Chicago)  
San Diego  
West Virginia Community Work Experience Program (CWEP)

**Mandatory Job-Search-First**

Atlanta LFA NEWWS (Labor Force Attachment, National Evaluation of Welfare-to-Work Strategies)  
Grand Rapids LFA NEWWS  
Los Angeles Jobs-First GAIN (Greater Avenues for Independence)  
Riverside LFA NEWWS  
SWIM (Saturation Work Initiative Model; San Diego)

**Mandatory Education-First**

Atlanta HCD (Human Capital Development) NEWWS  
Columbus Integrated NEWWS  
Columbus Traditional NEWWS  
Detroit NEWWS  
Grand Rapids HCD NEWWS  
Riverside HCD NEWWS

**Mandatory Mixed-Initial-Activity**

Alameda GAIN  
Butte GAIN  
Los Angeles GAIN  
Portland NEWWS  
Project Independence (Florida)  
Riverside GAIN  
San Diego GAIN  
Tulare GAIN

**Earnings Supplements**

MFIP (Minnesota Family Investment Program) Incentives Only  
SSP (Canada's Self-Sufficiency Project)  
WRP Financial Incentives Only

**Time-Limit Mix**

FTP (Florida's Family Transition Program)  
Jobs First (Connecticut)  
WRP (Vermont's Welfare Restructuring Project)

As indicated in Table 1, each of the 28 welfare-to-work studies included in the synthesis can be viewed as a test of a particular type of welfare reform strategy. Each of these strategies was developed to accomplish multiple goals. Based on the type of strategy that each of the studied programs embodies, they have been allocated to one of the following six mutually exclusive groups, which are listed and briefly described below in the order in which they developed historically:

**Mandatory work experience programs:** Often following a period of job search, individuals in these programs are assigned to unpaid jobs, which are usually located at government agencies or nonprofit institutions.

**Mandatory job-search-first programs:** Individuals are assigned to job search activities upon program entry. Other types of assigned activities can follow for individuals who do not find jobs. All five of the programs analyzed in this category encouraged quick entry into work and strongly enforced a continuous participation mandate.

**Mandatory education-first programs:** Individuals are assigned to education activities prior to job search. The most common of these activities were GED preparation classes or Adult Basic Education (ABE). In some programs, individuals could also participate in English as a Second Language (ESL), vocational training, or employment training classes. Typically, job search assignments follow the completion of courses of study.

**Mandatory mixed-initial-activity programs:** Individuals are assigned to participate initially in *either* an education or training activity *or* in a job search activity, depending on an assessment of their needs. Other assigned activities follow these initial activities if individuals remain unemployed.

**Earnings supplement programs:** Individuals are provided with financial incentives intended to encourage work. These incentives supplement their incomes while at work.

**Time-limit-mix programs:** These programs require individuals to participate in employment-orientated activities, provide them with financial incentives, and limit the amount of time they remain eligible for welfare benefits or can receive benefits without working.

While each of the six program types was designed with the long-term goal of increasing the work effort and self-sufficiency of welfare recipients, each type of program had a different theory for how to accomplish this long-term goal and emphasized different intermediate goals. For example, the most salient goal of mandatory work experience and mandatory job-search-first programs is to reduce government costs. In contrast, the featured goal of mandatory education-first and earnings supplement programs is to increase participant income. The two other program types—mandatory mixed-initial-activity programs and time-limit-mix

programs—seek to balance reducing government costs with increasing participant income. Thus, whether a program is judged as a success from a benefit-cost perspective depends on what goals policymakers weigh most heavily.

Taken together, the six categories listed above represent close to the full range of strategies that have been tried by the welfare system under TANF. To facilitate comparisons across categories, similar questions are asked about the programs in each category: What are their costs? What are their benefits? From the separate and distinct perspectives of government budgets, program participants, and society as a whole, do these types of programs produce benefits that exceed costs?

The following section describes the approach that was used in conducting benefit-cost analyses of the synthesized welfare-to-work programs. Section III discusses the benefit-cost findings for each of the six program categories. The final section examines some limitations of the benefit-cost analyses and what their implications are for drawing conclusions from the findings and then discusses some policy implications.

## **II. Conducting Benefit-Cost Analyses of Welfare-to-Work Programs**

This section describes the framework used in the 28 benefit-cost evaluations synthesized here, the random assignment design on which the analyses are based, and the methodology used in estimating the costs and benefits. It also highlights a number of issues in conducting benefit-cost analyses of welfare-to-work programs and discusses some limitations.

### **A. The Benefit-Cost Accounting Framework**

The general framework used in this synthesis, which is also widely used for benefit-cost analyses of government-funded training programs, was developed in the late 1960s by Hardin and Borus (1969) and refined in the early 1980s by Kemper et al. (1981). Table 2 displays the accounting framework used in the synthesized benefit-cost studies of welfare-to-work programs. Plus signs in Table 2 indicate anticipated sources of benefits, and minus signs indicate anticipated sources of costs, from three different perspectives: those of program participants, the government budget, and society as a whole. A zero implies that there is neither a cost nor a benefit from the perspective being considered. The question marks at the bottom of each column indicate that the sum of the benefits and costs listed above it—that is, the net value of a particular program—can be either positive or negative. For convenience, positive net values are called “net gains” in this article, and negative net values are called “net losses.”

**Table 2**

**The Expected Financial Effects of Welfare-to-Work Programs**

Financial Effect	Accounting Perspective		
	Participant	Government Budget	Society
Earnings and fringe benefits	+	0	+
Taxes (including EITC)	-	+	0
Welfare	-	+	0
Food stamps	-	+	0
Medicaid	-	+	0
Work experience output	0	0	+
Administrative cost of transfer programs	0	+	+
Operating costs	0	-	-
Net value (net gain or net loss)	?	?	?

NOTES: A plus sign indicates an expected benefit, and a minus sign indicates an expected cost. A zero indicates that the expected effect is neither a benefit nor a cost.

The question marks at the bottom of each column indicate that the sum of the benefits and costs listed above it — that is, the net value of a particular program — can be either positive or negative.

"Operating costs" refers to the cost of running a welfare-to-work program.

The first column in Table 2 shows benefits and costs from the perspective of participants in a welfare-to-work program, and the second column displays benefits and costs that accrue to the government as a result of operating the program. All the effects on program participants relate to changes in their incomes, and all the effects on the government concern changes in the government's budget. As discussed below, however, welfare-to-work programs can have important nonfinancial effects that are not usually captured by benefit-cost analyses. The most important of the financial effects that are listed in Table 2 and, thus, *are* captured in the synthesis relate to program operating costs and earnings. Earnings effects are important in and of themselves but also because they strongly influence program effects on taxes and eligibility for transfer payments (that is, welfare, food stamps, and Medicaid). Notice that Table 2 implies that if a welfare-to-work program causes participant tax payments to increase or causes welfare payments, food stamps, or the availability of Medicaid to decline for participants, this situation should be regarded as a savings or benefit to the government but as a cost to program participants (albeit a cost that may be offset by earnings increases). Thus, a program can result in net gains from the standpoint of program participants if benefits (typically increased earnings) exceed costs (typically reduced transfer payments and increased tax payments). A program can produce net gains from the government budget perspective if benefits

(typically increased tax revenue,<sup>4</sup> decreased transfer payments, and a decreased cost for administering transfer programs) exceed the cost of providing program services and earnings supplements. (Contrary to other welfare-to-work programs, some earnings supplement programs, by design, can cause public assistance payments to increase.)

The third column in Table 2 shows benefits and costs from the perspective of society as a whole. In principle, the social perspective should count all the benefits and costs of a program regardless of to whom they accrue. Thus, it is the most inclusive of the three perspectives being considered. As shown in Table 2, it is computed, in practice, by simply summing the benefits and costs that accrue to two components of society: program participants and the government.<sup>5</sup> Hence, increases in tax payments and reductions in welfare, food stamps, and Medicaid are treated as neither a benefit nor a cost to society as a whole but, rather, as simply income transferred from one component of society to another.

There are at least three serious shortcomings with the social perspective as it is used in practice in the studies included in this synthesis (and, for that matter, in virtually all benefit-cost analyses of social programs). First, it is not as inclusive as it should be. Benefits and costs that do not affect either participants' incomes or the government's budget are not usually counted because they are typically impractical to measure. For example, an uncounted cost may be imposed on low-wage workers who do not participate in welfare-to-work programs if those who do participate obtain jobs that the nonparticipants would otherwise have held. Little is known about the size of this so-called displacement effect because it is inherently difficult to measure. The value of the social benefits from income redistribution and reductions in poverty are also not counted in benefit-cost analyses of welfare-to-work programs, nor are the clear but difficult-to-measure benefits associated with society's preferences for work over welfare. The one social benefit that is estimated in the studies included in this synthesis, when it is pertinent, is the value of output produced on unpaid work

---

<sup>4</sup> Table 2 shows welfare-to-work programs as increasing government tax revenue because they are expected to increase earnings, and, as a result, tax payments often increase. However, because program effects on tax payments include effects on the Earned Income Tax Credit (EITC), some programs that increase earnings cause a decrease in government tax revenues. The direction of the effect on taxes depends on the earnings of program participants who find employment: If they are in lower-paid jobs, then they will likely receive EITC payments; but if they are in higher-paid jobs, then they may not be eligible for EITC and will instead pay taxes to the government.

<sup>5</sup> The participant and government perspectives may not quite sum to the social perspective due to employer-paid payroll taxes and work experience output. In the studies in this synthesis, payroll taxes (for example, the employers' portion of Social Security and Medicare taxes) were often treated as zero in the participant perspective and as a benefit to government. Because employers are part of society, payroll taxes are then treated as zero in the social perspective, under the assumption that they were paid by employers.

experience jobs, even though it accrues to neither participants nor the government budget.<sup>6</sup>

Second, the social perspective does not include nonmonetary effects on participants because the analyses included in the synthesis incorporate only benefits and costs that are readily estimated in monetary terms. Basically, it is simply not possible to measure the dollar value of all the potential benefits and costs of the evaluated programs. For example, dollar values were not placed on program-induced changes in education, health status, or families' or children's well-being that are not reflected in program effects on earnings. In addition, out-of-pocket work-related expenses by participants on child care and travel to jobs that were not reimbursed by a program were usually not measured. Moreover, the analyses did not consider the value of sample members' forgone personal and family activities that might result from increased work. Benefit-cost analysts of welfare reform initiatives typically do not place dollar values on the benefits and costs listed above because doing so, in some instances (for example, determining the monetary value of improvements in health status), would require more resources than are available for the study; in other instances, doing so would require highly tenuous assumptions (for example, assigning a dollar value to reducing poverty or increasing children's well-being).

With the possible exception of children's well-being, the benefits and costs just mentioned result from program effects on participants, not on the government's budget.<sup>7</sup> Thus, omitting these benefits and costs means that the dollar estimates of program net values for participants will be either understated or overstated to the extent that nonmonetary benefits or costs are important. In contrast, an estimate of how a program affects the government's budgetary position is likely to be less distorted by omitted benefits and costs. Thus, it is somewhat problematic to compute the net value of a program to society by summing benefits and costs that accrue to the government budget with those that accrue to program participants.

In general, in assessing the benefit-cost findings, it is important to keep in mind that, because of omitted benefits and costs, some welfare-to-work programs that appear beneficial may, in fact, not be beneficial, and vice versa. Perhaps more important in the context of this synthesis, comparisons among the programs that are examined may be somewhat distorted. The third practical limitation of the social perspective is that the persons who pay most of the taxes supporting the government

---

<sup>6</sup> Work experience output is valued as the compensation that employers would have had to pay in the regular labor market to hire employees with the same level of productivity.

<sup>7</sup> Changes in children's well-being can have both short-run implications (e.g., effects on grade repetition and special education use) and long-run implications (e.g., effects on earnings and, hence, tax payments) for government budgets. As previously mentioned, some welfare-to-work programs have been found to have positive effects on the school achievement of welfare recipients' preschool-age and elementary school-age children. In general, these effects do not appear to be large, however (Morris et al. 2001; Morris et al. 2005).

tend, on average, to have higher incomes than the welfare population. It can be readily argued that the gains and losses of lower-income persons should be valued more highly than those of higher-income persons.<sup>8</sup> One justification for this argument is that the value individuals put on each additional dollar they receive is likely to be higher for low-income persons than for higher-income persons. Thus, it is not clear that a dollar gained or lost by participants in welfare-to-work programs should be treated the same as a dollar gained or lost by the government. However, it is treated this way in the benefit-cost analyses included in the synthesis because an appropriate approach that might be used instead is not apparent. A somewhat similar issue arises if, because of stigma associated with welfare programs<sup>9</sup> and positive effects on health and self-esteem resulting from employment, participants in welfare-to-work programs value a dollar of earnings more highly than a dollar of government transfers. Again, an appropriate method for treating dollars from these two sources differently is not evident.

Because of the shortcomings of the social perspective, this synthesis focuses mainly on the participant and government budget perspectives—although findings are reported for all three perspectives. By focusing on the participant and government budget perspectives, emphasis is put on situations in which conflicts occur because a program makes its participants better off but worsens the government's budgetary position, or vice versa. In such instances, conclusions about the efficacy of the program depend on value judgments, including judgments about the relative values of dollars gained and lost by program participants and the government and about what the goals of the program are. As will be seen, however, some welfare-to-work programs produce net gains for both participants and the government. The implications of the limitations discussed above for interpreting the findings presented in the article are discussed in Section IV.

## **B. The Design of the Welfare-to-Work Evaluations Included in the Synthesis**

As previously mentioned, all the studies included in the synthesis used a random assignment research design. This rigorous methodology allows the effects of a program to be disentangled from the effects of other factors, such as the economy. Using this type of research design, individuals—usually single mothers receiving welfare—were assigned at random to a program group, which was subject to the welfare reforms, or to a control group, which was not. The groups were tracked over several years and compared on a number of outcomes, including employment, earnings, welfare receipt, and food stamp receipt. Government expenditures on behalf

---

<sup>8</sup> For example, see Boardman et al. (2006), chap. 18.

<sup>9</sup> For an examination of welfare stigma, see Moffit (1983).

of both groups were tracked over several years as well. Because people were assigned to the groups at random, it can be assumed that, within each study, the groups did not differ systematically at the outset and went on to experience the same general economic and social conditions. Thus, any differences that emerged between the groups in the studies—for example, in people’s earnings or use of government benefits—can be reliably attributed to the programs that were studied.

### **C. Cost and Benefit Estimation Techniques**

All the studies included in the synthesis used a similar benefit-cost methodology, which involved estimating costs and benefits over the five-year period following random assignment. A 5 percent discount rate was used in all of the studies to convert benefits to their present values. Because the time horizon is only five years long, however, the benefit-cost findings are fairly insensitive to the value of the discount rate.

All the benefit and cost estimates appear in this report as they were calculated in the original studies. However, they have been adjusted to 2006 dollars using the Consumer Price Index to account for inflation, thereby providing a common dollar metric when comparing programs that operated in different time periods. A shortcoming with the inflation adjustment is that there are some costs that have risen faster than inflation. Hence, programs with these types of costs will appear less costly than they would be in today’s economy. In particular, programs with large healthcare and education costs would cost more to operate today than is reflected in the benefit-cost analyses. However, while many programs in the synthesis included these types of costs, they were not a major component of most programs.

#### **1. Operating Costs**

As shown in Table 2, the major cost to the government in running welfare-to-work programs are operating outlays—that is, expenditures incurred in purchasing the services provided by programs.<sup>10</sup> These costs were usually estimated by examining them after they had reached a steady state (usually one or two years after a program was introduced). The number of program group members is divided into the total

---

<sup>10</sup> Operating costs include expenditures on instruction and materials, case management (for example, costs involved in counseling people about their barriers to work, helping people find jobs, enforcing welfare receipt time limits, and assigning individuals to education or training programs or unpaid work experience jobs), and direct program expenditures on support services, such as child care and transportation. Reimbursements to program participants for their expenditures on child care or on transportation are also included. However, operating costs do not include program effects on transfer payments. In other words, they involve the purchases of real resources that, if not purchased as a result of a program, would be available for other purposes.

steady-state period's operating costs to obtain an estimate of costs per program group member.

“Operating cost per program group member” is a comprehensive measure of all the costs to the government of providing employment services and related support services to welfare recipients while they were enrolled in a welfare-to-work program, as well as after they left the program and/or the welfare rolls. “Operating cost per control group member” is the corresponding estimate for the control group. These costs arise when members of the control group also receive services intended to encourage work. The measure of operating costs used in the studies included in the synthesis is the difference between program group and control group operating costs. In other words, the cost for the control group is the benchmark used to determine the *additional* per person operating cost engendered by the program being evaluated.

Expenses incurred in providing job search, education, training, work experience, and work supplements—whether within welfare-to-work programs or when individuals seek out and participate in these activities on their own—as well as the costs of case management and support services all contribute to operating costs. If substantial and similar proportions of program and control group members participate in high-cost activities, such as vocational training and postsecondary education, then it is likely that the costs for both groups will be high but that the difference in operating cost between the two groups—the measure used in the benefit-cost analysis—will be relatively small. In contrast, if most program group members participate in education and training activities and few control group members do so, then it is likely that the difference in operating costs between the two groups will be relatively large.

## 2. Benefits

As shown in Table 2, program benefits to participants typically include increases in earnings and fringe benefits, while benefits to the government typically include increases in tax payments that result from increases in participants' earnings and decreases in welfare and food stamp payments, Medicaid outlays, and the costs of administering transfer programs.<sup>11</sup> Typically, MDRC directly measures program effects on earnings<sup>12</sup> and welfare payments and then uses these estimates to infer

---

<sup>11</sup> Program effects on unemployment insurance (UI) benefits were estimated for some benefit-cost analyses but not for others. When estimated, this effect is usually small. When the effect was not estimated, the needed data might not have been available or the effect might have been expected to be small.

<sup>12</sup> These studies typically use UI data to measure earnings. However, the evaluation of Canada's Self-Sufficiency Project (SSP) used survey data to measure earnings. UI data include the earnings from only those jobs that are in the UI system. Thus, the data do not include federal jobs  
(Continued)

program effects on fringe benefits and tax payments.<sup>13</sup> Some MDRC studies also directly measure program effects on food stamps and Medicaid, but other studies infer them on the basis of estimates of program effects on earnings and welfare benefits. Program effects on the administrative costs of transfer programs are typically estimated using available administrative data on expenditures.

### **3. Estimating Future Effects**

Almost all of the benefit-cost analyses included in the synthesis covered a five-year period after random assignment.<sup>14</sup> However, because cost and benefit data were not available for this entire five-year time horizon for many of the programs, assumptions had to be made about what would happen to costs and benefits from the end of the period for which the data were available (the observation period) out to five years (the projection period).<sup>15</sup> The lengths of the observation and projection periods vary by sample cohort. That is, sample members who were randomly assigned earlier will have a longer observation period and a shorter projection period than sample members who were randomly assigned later. The studies used different assumptions to estimate future effects because they typically based them on trends in the data from the observation period for each study.<sup>16</sup>

---

or jobs in the informal labor market. Survey data include all jobs but may be subject to survey response bias, sampling bias, and lapses in respondents' memories.

<sup>13</sup> The studies assumed a take-up rate of between 70 percent and 100 percent for the EITC. The studies of the San Diego work experience program and the West Virginia CWEP program did not estimate EITC payments; however, EITC benefits were fairly small at the time these studies were conducted.

<sup>14</sup> The WRP and the SSP Applicant results were originally reported for a six-year time horizon. The WRP findings have been adjusted by the authors to a five-year time horizon. Appropriate information was not available to adjust the SSP Applicants study to a five-year time horizon, and thus the SSP Applicants benefit-cost analysis is shown in this synthesis as it appeared in the original study report.

<sup>15</sup> The NEWWS, SWIM, WRP, and SSP Applicant studies had data for all sample members for five years, and thus all the effects of these programs are observed effects; there is no projection period. The length of the projection periods for the remaining studies are as follows: SSP Recipients, 0-8 months; Jobs First Connecticut, 0-12 months; FTP, 0-15 months; GAIN, 0-2 years; MFIP, 1-2.5 years; Project Independence, 2-3 years; West Virginia CWEP, 2.5-3.5 years; Los Angeles Jobs-First GAIN, 3 years; Cook County WIN Demonstration, 3-3.5 years; San Diego, 3-3.5 years.

<sup>16</sup> For details on the assumptions made in conducting the benefit-cost analyses for the individual studies, see the reports for the studies that are listed in the references.

### III. Key Findings

#### A. Findings for Each Program Type

Each of the 28 welfare-to-work programs included in this synthesis can be viewed as a test of one of six particular welfare reform approaches. These different welfare reform strategies were initiated at various points in time over the past 25 years in different labor markets and localities, and they placed different degrees of emphasis on sometimes-competing goals: increasing welfare recipients' responsibilities in the welfare social contract, reducing government budgets, and increasing the incomes of low-income individuals. As previously discussed, each program has been allocated to one of the six mutually exclusive groups mentioned above.

While all six program types were designed with the long-term goal of increasing the work effort and self-sufficiency of welfare recipients, each program type had a different theory for how to accomplish this long-term goal and thus emphasized different intermediate goals. As a result, expectations for the benefit-cost findings vary by program type. In other words, a judgment of a program's "success" depends on what the policymakers were attempting to accomplish with the program, and this, in turn, influences whether the participant or the government budget benefit-cost perspective should be weighted more heavily in assessing the program.

Table 3 presents a summary of how each program type performed in the benefit-cost analyses from the perspectives of program participants and government budgets, with the results highlighted for the perspective that is most emphasized within each program type. Notable from the table is that even when a program type is successful in achieving its emphasized goal, it does not always look favorable when assessed from the other perspective.

Table 4 shows the mean, median, minimum, and maximum net value for each program type and perspective. The mean and median values in Table 4 suppress the variation in benefit-cost performance among the programs within each program type, but the minimum and maximum values convey the extent of the variation.<sup>17</sup>

Key findings for each program type, organized by emphasized goal, are highlighted below. These findings are drawn mainly from Tables 3 and 4. The findings should be interpreted with caution, however, since the six program group categories have only three to eight programs in them. If additional benefit-cost studies were available in a particular category, the findings for that category could change. Moreover, even within a category, the program designs varied somewhat. However, the program designs are far more uniform within each category than across the

---

<sup>17</sup> Appendix Table 1 shows benefit-cost estimates for each program. Detailed benefit-cost estimates for the individual studies appear in the study reports listed in the references. Considerable detail for all the studies is also available in Greenberg et al. (2009).

categories, thereby rendering comparisons across the program groups meaningful. Nevertheless, the comparisons are muddied to some extent because the characteristics of program participants and the local economic environments differed among the programs.<sup>18</sup> For example, two of the mandatory mixed-initial activity programs enrolled only long-term welfare recipients, while the remaining six enrolled short-term as well as long-term recipients.

### **1. Programs Most Focused on Reducing Welfare Costs**

Mandatory job-search-first and mandatory work experience programs are particularly focused on reducing welfare dependency and, hence, the cost of welfare. Thus, the government budget perspective is especially relevant in judging such programs.

The findings suggest that the **mandatory job-search-first programs** for which benefit-cost analyses have been conducted reduced government expenditures, thereby achieving their key objective, but did little to increase the incomes of those required to participate in them. From the government budget perspective, mandatory job-search-first programs usually resulted in substantial net gains. Indeed, two of these programs (Grand Rapids LFA NEWWS and Los Angeles Jobs-First GAIN) resulted in exceptionally large savings for the government of over \$3,000 per client over five years. Mandatory job-search-first programs usually had net gains from the social perspective, mostly as a result of the substantial net gains to the government that they produced.

In contrast, the **mandatory work experience programs** in our sample of studies were not especially successful in reducing government budgetary costs, but they produced small net gains or broke even from the participant perspective. From the government budget perspective, two out of three of these programs resulted in small net losses and one produced a modest net gain. However, mandatory work experience programs provided an important benefit to society in the value of output produced at work experience jobs. As a consequence, they all had positive net benefits from the social perspective.

---

<sup>18</sup> Meta-analyses of welfare-to-work programs have found that participant characteristics and local labor market conditions, as well as program design, influence program outcomes, such as effects on earnings and the receipt of welfare (Ashworth et al. 2004; Greenberg et al. 2005). These outcomes, in turn, influence benefit-cost findings for individual programs.

**Table 3**  
**Benefit-Cost Performance of Each Program Type**

Program Type	Most Emphasized Benefit-Cost Goal	Did Participant Income Increase? <sup>a</sup>	Did Government Budgetary Position Improve? <sup>a</sup>	Further Considerations
Mandatory work experience (3 programs)	Reduce welfare costs	Mixed	<u>MIXED</u>	Small net values from participant and government perspectives; from social perspective, consistent net gains due to work experience output
Mandatory job-search-first (5 programs)	Reduce welfare costs	No	<u>YES</u>	Small net gains or substantial net losses to participants
Mandatory education-first (6 programs)	Increase participant income	<u>NO</u>	No	Least successful program type
Mandatory mixed-initial-activity (8 programs)	Balance reducing welfare costs and increasing participant income	<u>YES</u>	<u>YES</u>	Goal not achieved by two programs targeting long-term welfare recipients
Earnings supplement (3 programs) <sup>b</sup>	Increase participant income	<u>YES</u>	No	Largest participant net gains; an efficient mechanism for transferring income, even though resulting in net losses for government budget
Time-limit-mix (3 programs)	Balance reducing welfare costs and increasing participant income	<u>YES</u>	<u>MIXED</u>	For the government budget, losses more often than gains

NOTE: The underlined, full-capitalized perspective is the benefit-cost perspective that is most useful for determining whether the program type achieved its most emphasized benefit-cost goal.

<sup>a</sup>The determination of whether participant income and the government budget improved for each program type was generally based on two things: the number of programs within a program type with a positive net value and the magnitude of the net gain. Caution should be used in interpreting the determinations made for the two program types that include studies of only three programs. Note also that the determinations for the mandatory mixed-initial-activity program type were based on programs that did not target long-term welfare recipients.

<sup>b</sup>The SSP program was counted as one program, however SSP results for applicants and recipients are reported separately because these two groups of individuals were studied in two different experiments, and the timing of eligibility for the SSP incentive differed for the two groups as well.

**Table 4**  
**Five-Year Summary Statistics of Net Value**  
**per Program Group Member,**  
**by Program Type (in 2006 dollars)**

Program Type	Mean <sup>a</sup>	Median	Minimum	Maximum
<b><u>Mandatory work experience</u></b>				
Participant perspective	\$285	\$310	-\$163	\$707
Government budget perspective	\$103	-\$328	-\$365	\$1,002
Social perspective <sup>b</sup>	\$1,162	\$1,261	\$503	\$1,720
<b><u>Mandatory job-search-first</u></b>				
Participant perspective	-\$570	\$196	-\$2,729	\$837
Government budget perspective	\$1,954	\$2,266	-\$932	\$3,521
Social perspective <sup>b</sup>	\$1,215	\$654	-\$946	\$3,552
<b><u>Mandatory education-first</u></b>				
Participant perspective	-\$1,360	-\$1,554	-\$3,571	\$569
Government budget perspective	-\$745	-\$387	-\$3,943	\$735
Social perspective <sup>b</sup>	-\$2,234	-\$2,510	-\$3,545	-\$205
<b><u>Mandatory mixed-initial-activity</u></b>				
Participant perspective	808	\$1,422	-\$2,178	\$2,651
Government budget perspective	-\$67	\$89	-\$4,803	\$6,337
Social perspective <sup>b</sup>	\$515	\$774	-\$7,042	\$6,221
<b><u>Earnings supplement<sup>c</sup></u></b>				
Participant perspective	5,396	\$5,602	\$239	\$10,141
Government budget perspective	-\$3,532	-\$1,472	-\$10,958	-\$228
Social perspective <sup>b</sup>	\$1,865	\$1,132	-\$815	\$6,009
<b><u>Time-limit-mix</u></b>				
Participant perspective	\$3,525	\$1,983	\$1,754	\$6,839
Government budget perspective	-\$4,279	-\$5,111	-\$8,128	\$402
Social perspective <sup>b</sup>	-\$961	\$1,512	-\$6,374	\$1,978

SOURCES: Published reports from the program evaluations; see references.

NOTES:<sup>a</sup>The mean is unweighted: Each program gets equal weight in the calculation of the mean.

<sup>b</sup>The participant and government perspectives may not quite sum to the social perspective due to employer-paid payroll taxes and work experience output. In the studies in this synthesis, payroll taxes (for example, the employers' portion of Social Security and Medicare taxes) were often treated as zero in the participant perspective and as a benefit to government. Because employers are part of society, payroll taxes are then treated as zero in the social perspective, under the assumption that they were paid by employers. Work experience output is only captured in the social perspective.

<sup>c</sup>Applicant results for Canada's Self-Sufficiency Project (SSP) are a six-year estimate.

## 2. Programs Most Focused on Increasing Participant Income

A major goal of earnings supplement and mandatory education-first programs is to make participants better off. Thus, the participant perspective is particularly pertinent in assessing these programs.

The analysis indicates that three of the four **earnings supplement programs** for which benefit-cost analyses were conducted (counting SSP applicants and SSP recipients as two separate programs) met their key goal of producing substantial net gains for participants; these net gains were often larger than the program costs to the government, suggesting that such programs provided an effective means of transferring income to the working poor. Because the benefit-cost studies included in this synthesis assume that program benefits continued to exist for only five years, earnings supplement programs would be even more effective than implied if—as a result of job experience gained while participants received earnings supplements—the programs' effects on earnings persisted beyond this period. Unfortunately, however, as shown in Michalopoulos (2005), these effects diminished over time, reaching zero before or just after the end of the five-year period.

Notably, two earnings supplement programs (MFIP Incentives Only and SSP) featured earnings supplements that resulted in exceptionally large net gains for participants; however, MFIP also resulted in exceptionally large net losses from the government perspective of over \$3,000 per client over five years.

Among the earnings supplement programs, only one resulted in a net loss from the social perspective, and this loss was modest. As the social perspective is the sum of the participant and government perspectives, these rather positive results are driven by the large net gains to participants. They suggest that earnings supplement programs are an efficient mechanism for transferring income to low-income families, inasmuch as they cost less than a dollar for each dollar of increase in the incomes of the poor. Most transfer programs, in contrast, cost the government *more than a dollar for each dollar increase* in the incomes of recipients.

All but two of the six studied **mandatory education-first programs** failed to meet their key objective of increasing the incomes of those required to participate in them, and, with only one exception, they also did not reduce government expenditures. In the few instances in which there were positive effects, they were very small.

## 3. Programs Focused on Balancing Participant and Government Gains

Some programs, such as mixed-initial-activity programs and time-limit-mix programs, attempt to balance reducing government costs with increasing the financial well-being of participants. One way to judge these programs is to rely on both the participant and the government perspective.

The **mandatory mixed-initial-activity programs** in our sample of studies were often cost-beneficial for both the government and the participants, thereby

meeting their key objectives. As mentioned above, six of the mandatory mixed-initial-activity programs in this category enrolled both short-term and long-term welfare recipients, and, in general, these six programs achieved their goal: With a few exceptions, they were cost-beneficial for both the government *and* the participants. The two programs that limited participation to long-term welfare recipients (Alameda GAIN and Los Angeles GAIN) were exceptionally expensive to operate and did not produce positive results. Indeed, these two programs produced exceptionally large net losses of over \$3,000 from the government perspective. Los Angeles GAIN also resulted in net losses of over \$2,000 from the participant perspective.

The results show that two mandatory mixed-initial-activity programs (Portland NEWWS and Riverside GAIN) produced exceptionally large net gains of over \$3,000 per client from the government budget perspective. In addition, Riverside GAIN produced a net gain for participants of \$2,651 per client. These two programs put considerable emphasis on job search. In addition, Riverside GAIN put considerable pressure on most participants to take jobs as quickly as possible (although programs that were not as successful followed this practice as well). However, the program that produced the largest net gains for the government budget, Portland NEWWS, encouraged participants to wait for “good” jobs.

It is not entirely clear why the Riverside GAIN and the Portland NEWWS programs were so successful. While the two programs had some similarities, they also had some differences, for example, in their environments. A meta-analysis has suggested that the emphasis on job search in both programs contributed to their strong effects on earnings and on reducing welfare receipt (Greenberg et al. 2005).

The three **time-limit-mix programs** for which benefit-cost analyses are available produced mixed results in meeting their goal of balancing reducing long-term government expenditures with making participants better off. While all three resulted in net gains for participants, two produced net losses from the government budget perspective of over \$3,000 per client over five years. One of these programs, Florida’s FTP, had very large operating costs, and the other program, Connecticut’s Jobs First, featured generous earnings supplements. Connecticut’s Jobs First also had exceptionally large gains from the participant perspective. From the social perspective, two of the three time-limit-mix programs resulted in net gains.

#### **4. Conclusions About Program Type**

The benefit-cost findings for the six program types suggest the following conclusions:

**Reducing welfare costs.** Both job-search-first programs and mandatory unpaid work experience programs emphasize reducing government costs. Job-search-first programs seek to reach this goal by getting people jobs quickly. The programs included in this synthesis were generally successful in accomplishing this. They tended to be beneficial for government budgets but resulted either in small benefits or

in losses for participants. Mandatory unpaid work experience programs that required people to work in community jobs in return for their welfare benefits, often following a period of job search, were less successful in reducing government costs. However, some mandatory unpaid work experience programs increased the incomes of participants (although the net gains were small), and they also provided goods and services for the general public.

**Increasing participant income.** Both earnings supplement and mandatory education-first programs emphasize increasing participant income. The earnings supplement programs we examined appeared to be highly successful in meeting this goal, but the education-first programs were not. The earnings supplement programs benefited participants by boosting their returns from working, but they tended to increase government costs. Participant gains, however, often exceeded government losses. The education-first programs, which emphasized GED completion and Adult Basic Education, sometimes had negative effects on both participant income and the government budget. (None of the studied education-first programs, however, made intensive investments in training or college.)

**Balancing participant and government gains.** Mandatory mixed-initial-activity and time-limit-mix programs intend both to increase participant incomes and to reduce government budgets. The studied mixed-initial-activity programs were often successful in doing this; programs that enrolled all welfare recipients, as opposed to only long-term welfare recipients, were beneficial from both the participant and the government budget perspective. Results for the time-limit-mix programs are inconclusive. These programs were beneficial for participants but tended to result in losses, sometimes substantial ones, for the government.

## **B. Exceptionally Successful and Unsuccessful Programs**

An alternative way of looking at the benefit-cost analyses is to examine those that were exceptionally successful or unsuccessful. Of the 28 programs included in this synthesis, it is obvious from Table 4 that some performed exceptionally well or poorly from the participant or the government budget perspective. It is useful to examine these programs and briefly speculate as to the reasons why they are exceptional. For this purpose, “exceptional” is somewhat arbitrarily defined as programs that resulted in either net gains or net losses of over \$3,000 from either the participant perspective or the government budget perspective or both.

The 14 programs that are shown in Table 5 qualify. Of these, only two programs qualified from both perspectives. These two programs (MFIP Incentives Only and Connecticut’s Jobs First) both featured generous earnings supplements that resulted in exceptionally large net gains for participants and exceptionally large net losses from the government perspective. Importantly, no program had exceptional net gains from both perspectives (although Riverside GAIN was close, with a net gain in

participant income of \$2,651) or exceptional net losses from both perspectives (although Los Angeles GAIN was fairly close, with net losses from the participant perspective of over \$2,000).

**Table 5**  
**Programs with Exceptional Results**  
**(net gains and/or net losses of over \$3,000 per client over five years)**

Programs	Participant Perspective		Government Perspective		Possible Reason for Exceptional Results
	Net Gains	Net Losses	Net Gains	Net Losses	
SSP Applicants	X				Earnings supplements featured
SSP Recipients	X				
MFIP Financial Incentives Only	X			X	
Jobs First	X			X	
Atlanta HCD NEWWS				X	Large operating costs
Alameda GAIN				X	
Los Angeles GAIN				X	
FTP				X	
Tulare GAIN				X	Small benefits
Portland NEWWS			X		Emphasis on job search
Grand Rapids LFA NEWWS			X		
Los Angeles Jobs-First GAIN			X		
Riverside GAIN			X		
Riverside HCD NEWWS		X			Served individuals more likely to remain on welfare and out of the job market, which might have been reinforced by emphasis on basic education

There were seven programs that resulted in exceptionally large net losses from the government budget perspective. As mentioned above, two of these programs provided generous earnings supplements. Interestingly, SSP in Canada also provided generous earnings supplements; but while SSP resulted in exceptional net gains for participants, the net losses to the government’s budget were not exceptionally large. This is probably attributable to the SSP program’s limiting the receipt of earnings supplements to individuals who worked at least 30 hours a week. Tulare GAIN had exceptionally large losses because the gains from increased tax revenues and decreased welfare payments were quite small and, therefore, not able to offset the cost of the program. The remaining four programs (Atlanta HCD NEWWS, Alameda GAIN, Los Angeles GAIN, and Florida FTP) that produced exceptional losses from the government’s perspective had larger operating costs than any of the other programs included in the synthesis. Any reductions in transfer payments and increases in tax receipts that resulted from these programs did not come close to offsetting these

large operating costs, which ranged from nearly \$7,000 to just over \$10,000 per program participant. In addition, the two GAIN programs limited participation to long-term welfare recipients.

Four programs produced exceptionally large net gains from the government budget perspective. Three of these programs (Grand Rapids LFA NEWWS, Los Angeles Jobs-First GAIN, and Riverside GAIN) put considerable emphasis on job search and considerable pressure on most participants to take jobs as quickly as possible (although programs that do not qualify as “exceptional” followed this practice as well). However, the program that produced the largest net gains for the government budget, Portland NEWWS, encouraged participants to wait for “good” jobs. It also had larger operating costs than the other three programs, probably because it was a mixed-initial-activity program and initially provided training and education to some participants. Interestingly, only one of these four programs, Grand Rapids LFA NEWWS, resulted in substantial net losses for participants.

Except for programs that provided earnings supplements, none of the 28 programs included in the synthesis produced exceptional gains in participant incomes; and only one, Riverside HCD NEWWS, resulted in exceptionally large reductions in participant incomes. It is not entirely clear why these large net losses occurred. However, the program was limited to those deemed in need of basic education. As previously seen, moreover, programs like Riverside HCD NEWWS that emphasize basic education have not been very successful in general.

## **IV. Conclusions and Policy Implications**

### **A. Policy Conclusions**

Overall, the benefit-cost findings suggest the following policy conclusions:

- Earnings supplement programs appear to be an efficient mechanism for transferring income to low-income families because participants gain more than a dollar for every dollar the government spends. Most transfer programs, in contrast, cost the government more than a dollar for each dollar increase in the income of recipients.
- There is benefit-cost evidence that mandatory mixed-initial-activity programs that enroll both short-term and long-term welfare recipients are worthy of consideration by states developing welfare-to-work programs. They can be cost-beneficial for both the government and those required to participate in them.
- Mandatory job-search-first programs appear to be worthy of consideration when governments want to reduce expenditures. They tend to be less expensive than mandatory mixed-initial-activity programs and, thus, to have a more salutary effect on government budgets. However, they also seem to be less successful in increasing the incomes of those required to participate in them.

- Mandatory work experience programs are worthy of consideration as a component of comprehensive welfare-to-work programs. Implemented for those who, after a period of time, cannot find unsubsidized jobs through job search, these programs are not costly to government and appear to do little harm to participants. Moreover, society as a whole can reap some benefit from the output produced at work experience jobs.
- The sorts of mandatory education-first programs that have been tested experimentally—those that emphasize GED and Adult Basic Education—do not appear to be cost-beneficial. The studied mandatory education-first programs did little to either increase the incomes of participants or save the government money.
- While all three time-limit mix programs resulted in substantial net gains from the participant perspective, two also resulted in substantial net losses from the government budget perspective. However, because only three time-limit-mix programs are included in this synthesis and they differ considerably from one another, it is difficult to draw firm conclusions about them.

## **B. Assessment of Findings**

The conclusions drawn above must be qualified, however, because they are based on relatively few studies of programs in each category. Moreover, they rely entirely on costs and benefits that are naturally expressed in dollars and that could be readily measured. Thus, some welfare-to-work programs that appear cost-beneficial on the basis of their measured monetary benefits may not have actually had benefits in excess of their costs had their nonmonetary effects also been measured. Similarly, some programs that did not seem cost-beneficial may have produced benefits that exceeded their costs had these other effects been measured. This underscores the fact that when benefit-cost analyses monetize only some costs and benefits, goals and values must be taken into account in overall assessments of program types.

Two of the potentially most important of the unmeasured benefits and costs are likely to be the value of time lost to program participants who increase their hours<sup>19</sup> and displacement effects that result if participants in welfare-to-work programs search harder for jobs or if they work more than they otherwise would, and, as a consequence, workers who compete with them in the labor market are made worse off. These considerations suggest that the estimated benefits of welfare-to-work programs could be overstated relative to the costs of these programs.

This overstatement of the net values would be mitigated, however, to the extent that program benefits persisted for longer than the five years over which they are estimated in the benefit-cost studies included in this synthesis. There is some evi-

---

<sup>19</sup> Greenberg (1997) demonstrates that the value of time loss can offset a sizable portion of the earnings increase that results from welfare-to-work programs.

dence, however, that benefits are unlikely to persist past five years in studied welfare-to-work programs (Greenberg et al. 2004). This is likely attributable to several factors: First, in most studied programs, welfare recipients were eligible for services, for example, earnings supplements, for only a set amount of time. Unless the earnings supplements led to a later, permanent advantage in earnings, or the supplements were continued indefinitely, their effects would be predicted to dissipate over time. Second and related, in studies with random assignment research designs, control group members often “catch up” to program group members—in terms of their levels of earnings and welfare receipt—over time, again reflecting the limited amount of time that services are provided to program group members and the frequent lack of a permanent “boost” produced by limited-term services, as well as the propensity of many welfare recipients to improve their employment situations over time without any special program intervention. Finally, in many studies where effects are observed, the control group’s embargo on receiving services is lifted after several years, so individuals not eligible for effective services at the time they were being tested can receive them. In only a few of the studies included in this article, for example, were control group members not permitted to receive the services provided to the program group for a full five years. It should be kept in mind that this does not mean that the effects of programs are not ongoing. While programs may cease to have measured effects past five years for the cohorts of individuals tracked in studies, new individuals continually come into these programs and likely reap the same benefits as those measured within five years for individuals included in the studies.

The overstatement of net values would be further diminished, and possibly reversed, if program participants valued each dollar of increased earnings more than they valued each dollar of reduced transfer benefits or to the extent society at large valued increases in employment and reductions in the welfare rolls beyond their dollar flow values. Taxpayers who are paying for government transfer benefits, in particular, may feel that recipients of the government transfer *should* be working. However, the issue in benefit-cost analysis is whether they are willing to pay for such an outcome over and above any tax savings that accrue to themselves. To the extent they are, this is a benefit of welfare-to-work programs that could, *perhaps*, more than offset time losses among participants and displacement effects.

An additional consideration in assessing the policy conclusions discussed above is the distributional issue that was mentioned in Section II: whether benefits and costs accruing to low-income welfare recipients should be valued more highly than similar amounts accruing to the rest of the population.

How do these five factors—time losses, displacement, the five-year time horizon, the value of work to both participants and society, and the distributional issue—affect the policy conclusions? Distributional considerations, to the extent they are taken seriously, strengthen the case for programs that benefit program participants at the expense of the government, such as earnings supplement programs, and

weaken the case for programs that tend to do the opposite, such as mandatory job-search-first programs.

At first blush, the five-year time horizon might seem to suggest that, in the benefit-cost analyses synthesized in this article, programs that emphasize educational activities, such as mandatory education-first programs, are undervalued relative to programs that emphasize obtaining employment as quickly as possible, such as mandatory job-search-first programs, because the payoff from education-first programs is likely to take relatively more time to materialize. However, the study by Greenberg et al. (2004) found that the earnings effects of education-first programs did not appear to persist longer than the earnings effects of programs that focused more on activities related to quickly getting individuals into jobs such as job search.

By definition, all welfare-to-work programs attempt to encourage employment and reduce the receipt of government benefits on the part of welfare recipients. Indeed, with the partial exception of earnings supplement programs and programs featuring time-limits, welfare-to-work programs cannot produce benefits for either participants or the government budget *unless* they increase employment and earnings. To the extent they succeed, however, the resulting time losses and displacement effects tend to reduce program benefits, the former from both the participant and social perspectives and the latter from the social perspective. The intrinsic value placed on work by both participants and society (that is, work's value apart from earnings and other monetary benefits) tends, of course, to operate in the opposite direction. Thus, the benefits that are estimated in the studies included in the synthesis are biased to some unknown extent, but even the direction of this bias is not evident. Unfortunately therefore, it is not possible to determine how these biases affect the relative rankings of the six program types considered in this article. Nonetheless, given that several of the mandatory mixed-initial activity programs were especially successful in increasing employment, they consequently may be especially susceptible to these biases.

## Greenberg et al.: A Synthesis of Benefit-Cost Studies of Welfare-to-Work Programs

Appendix Table 1

Five-Year Estimated Net Value per Program Group Member, by Program (in 2006 dollars)

	Participant Perspective				Government Budget Perspective				Net Social Gain (or Loss) <sup>a</sup>
	Net Value A=B+C+D A	Changes in Income Attributable to Employment B	Changes in Transfer Payments C	Other D	Net Value E=F+G+H E	Changes Tax + Transfer Amounts F	Operating Costs G	Other H	
<b>Mandatory Work Experience Programs</b>									
Cook County WIN Demonstration (n = 11,912)	707	280	405	22	-365	-308	-57	0	503
San Diego (n = 3,591)	310	1,133	-804	-20	1,002	1,142	-140	0	1,720
West Virginia CWEP (n = 3,694)	-163	-206	-151	194	-328	177	-505	0	1,261
<b>Mandatory Job-Search-First Programs</b>									
Atlanta LFA NEWWS (n = 4,433)	196	3,236	-3,040	0	-932	3,878	-4,809	0	-946
Grand Rapids LFA NEWWS (n = 4,554)	-2,729	2,572	-5,301	0	3,521	5,925	-2,405	0	654
Los Angeles Jobs-First GAIN (n = 15,683)	837	5,249	-4,354	-58	3,044	4,765	-1,721	0	3,552
Riverside LFA NEWWS (n = 8,322)	-1,386	3,825	-5,211	0	1,870	5,888	-4,018	0	264
SWIM (San Diego) (n = 3,227)	234	3,533	-3,432	132	2,266	3,958	-1,692	0	2,549
<b>Mandatory Education-First Programs</b>									
Atlanta HCD NEWWS (n = 4,433)	569	2,546	-1,977	0	-3,943	2,689	-6,632	0	-3,545
Columbus Integrated NEWWS (n = 7,242)	-1,804	2,708	-4,513	0	295	5,358	-5,062	0	-1,680
Columbus Traditional NEWWS (n = 7,242)	-1,303	1,959	-3,263	0	-781	3,784	-4,565	0	-2,204
Detroit NEWWS (n = 4,459)	317	1,795	-1,478	0	-401	2,084	-2,485	0	-205
Grand Rapids HCD NEWWS (n = 4,554)	-2,370	1,299	-3,668	0	-374	4,192	-4,566	0	-2,816
Riverside HCD NEWWS (n = 3,135)	-3,571	2,316	-5,888	0	735	6,268	-5,533	0	-2,952
<b>Mandatory Mixed-Initial-Activity Programs</b>									
Butte GAIN (n = 1,234)	2,210	4,972	-2,778	17	77	4,146	-4,053	-17	2,026
Portland NEWWS (n = 4,028)	-745	6,793	-7,538	0	6,337	9,804	-3,467	0	5,169
Riverside GAIN (n = 5,626)	2,651	7,526	-4,997	123	4,096	6,447	-2,229	-123	6,221
San Diego GAIN (n = 8,224)	1,323	4,101	-2,869	91	1,069	3,828	-2,668	-91	2,303
Tulare GAIN (n = 2,248)	2,201	2,466	-169	-96	-3,154	565	-3,815	96	-1,143
Project Independence (Florida) (n = 18,237) <sup>b</sup>	-515	932	-1,481	33	100	1,739	-1,605	-33	-479
Alameda GAIN (n = 1,205) <sup>c</sup>	1,521	4,062	-2,597	56	-4,260	3,606	-7,811	-56	-2,935
Los Angeles GAIN (n = 4,434) <sup>f</sup>	-2,178	829	-3,030	22	-4,803	3,298	-8,079	-22	-7,042
<b>Earnings Supplement Programs</b>									
MFIP (Minnesota) (n = 3,208)	10,141	1,096	8,958	86	-10,958	-11,299	341	0	-815
SSP Applicants (Canada) (n = 2,371) <sup>d</sup>	6,589	4,719	1,870	0	-580	817	-1,398	0	6,009
SSP Long-Term Recipients (Canada) (n = 4,852) <sup>f</sup>	4,614	1,733	2,786	95	-2,363	-1,123	-1,240	0	2,251
WRP (Vermont) (n = 5,469)	239	-218	448	8	-228	-516	284	4	13
<b>Time-Limit-Mix Programs</b>									
FTP (Florida) (n = 2,738)	1,983	3,435	-1,744	292	-8,128	2,094	-10,175	-46	-6,374
Jobs First (Connecticut) (n = 4,642)	6,839	3,570	1,791	1,478	-5,111	-2,385	-2,725	0	1,512
Full WRP (Vermont) (n = 5,469)	1,754	3,242	-2,086	598	402	2,048	-1,568	-78	1,978

SOURCES: Published reports from the program evaluations; see references.

NOTES: <sup>a</sup>The participant and government perspectives may not quite sum to the social perspective due to employer-paid payroll taxes and work experience output. In the studies in this synthesis, payroll taxes (for example, the employers' portion of Social Security and Medicare taxes) were often treated as zero in the participant perspective and as a benefit to government. Because employers are part of society, payroll taxes are then treated as zero in the social perspective, under the assumption that they were paid by employers. Work experience output is only captured in the social perspective.

<sup>b</sup>Targeted applicants and reapplicants.

<sup>c</sup>Targeted long-term welfare recipients.

<sup>d</sup>Applicant results for Canada's Self-Sufficiency Project (SSP) are a six-year estimate.

<sup>e</sup>SSP results for applicants and recipients are reported separately because these two groups of individuals were studied in two different experiments, and the timing of eligibility for the SSP incentive differed for the two groups as well. MFIP results are for single-parent long-term recipients in urban counties because the experiment that measured the effect of the financial incentive alone included only that group. Most programs targeted both applicants and recipients with the same services and both groups were included in the same experiment; for these programs, results are shown for both groups combined. A few programs targeted only applicants or long-term recipients; in these cases, the targeted group is noted.

## References

- Ashworth, Karl, Andreas Cebulla, David Greenberg, and Robert Walker. 2004. "Meta-evaluation: Discovering What Works Best in Welfare Provision," *Evaluation* 10, 2: 193-216.
- Bloom, Dan, James Kemple, Pamela Morris, Susan Scrivener, Nandita Verma, and Richard Hendra, with Diana Adams-Ciardullo, David Seith, and Johanna Walter. 2000. *The Family Transition Program: Final Report on Florida's Initial Time-Limited Welfare Program*. New York: MDRC.
- Bloom, Dan, and Charles Michalopoulos. 2001. *How Welfare and Work Policies Affect Employment and Income: A Synthesis of Research*. New York: MDRC.
- Bloom, Dan, Sue Scrivener, Charles Michalopoulos, Pamela Morris, Richard Hendra, Dianna Adams-Ciardullo, and Johanna Walter, with Wanda Vargas. 2002. *Jobs First: Final Report on Connecticut's Welfare Reform Initiative*. New York: MDRC.
- Boardman, Anthony, David Greenberg, Aidan Vining, and David Weimer. 2006. *Cost-Benefit Analysis: Concepts and Practice*, 3rd ed. Upper Saddle River, NJ: Prentice Hall.
- Ford, Reuben, David Gyarmati, Kelly Foley, and Doug Tattrie, with Liza Jimenez. 2003. *Can Work Incentives Pay for Themselves? Final Report on the Self-Sufficiency Project for Welfare Applicants*. Ottawa: Social Research and Demonstration Corporation.
- Freedman, Stephen, Jean Tansey Knab, Lisa A. Gennetian, and David Navarro. 2000. *The Los Angeles Jobs-First GAIN Evaluation: Final Report on a Work First Program in a Major Urban Center*. New York: MDRC.
- Friedlander, Daniel, Marjorie Erickson, Gayle Hamilton, and Virginia Knox. 1986. *West Virginia: Final Report on the Community Work Experience Demonstrations*. New York: MDRC.
- Friedlander, Daniel, Stephen Freedman, Gayle Hamilton, and Janet Quint. 1987. *Final Report on Job Search and Work Experience in Cook County*. New York: MDRC.
- Friedlander, Daniel, and Gayle Hamilton. 1993. *The Saturation Work Initiative Model in San Diego: A Five-Year Follow-Up Study*. New York: MDRC.

- Goldman, Barbara, Daniel Friedlander, and David Long. 1986. *Final Report on the San Diego Job Search and Work Experience Demonstration*. New York: MDRC.
- Greenberg, David, 1997. "The Leisure Bias in Cost-Benefit Analyses of Employment and Training Programs," *The Journal of Human Resources* 32, 2: 413-439.
- Greenberg, David, Karl Ashworth, Andreas Cebulla, and Robert Walker. 2004. "Do Welfare-to-Work Programmes Work for Long?" *Fiscal Studies* 25, 1: 27-53.
- Greenberg, David, Karl Ashworth, Andreas Cebulla, and Robert Walker. 2005. "When Welfare-to-Work Programs Seem to Work Well: Explaining Why Riverside and Portland Shine So Brightly," *Industrial and Labor Relations Review* 58, 1: 34-50.
- Greenberg, David, Victoria Deitch, and Gayle Hamilton. 2009. *Welfare-to-Work Program Benefits and Costs: A Synthesis of Research*. New York: MDRC.
- Grogger, Jeffrey, and Lynn A. Karoly. 2005. *Welfare Reform: Effects of a Decade of Change*. Cambridge, MA: Harvard University Press.
- Hamilton, Gayle, Stephen Freedman, Lisa Gennetian, Charles Michalopoulos, Johanna Walter, Diana Adams-Ciardullo, Anna Gassman-Pines, Sharon McGroder, Martha Zaslow, Jennifer Brooks, and Surjeet Ahluwalia. 2001. *How Effective Are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs*. Washington, DC: U.S. Department of Health and Human Services and U.S. Department of Education.
- Hardin, Einar and Michael E. Borus. 1969. *Economic Benefits and Costs of Retraining Courses in Michigan*. East Lansing, MI: School of Labor and Industrial Relations, Michigan State University.
- Kemper, Peter, David A. Long, and Craig Thornton. 1981. *The Supported Work Evaluation: Final Benefit-Cost Analysis*. New York: MDRC.
- Kemple, James, Daniel Friedlander, and Veronica Fellerath. 1995. *Florida's Project Independence: Benefits, Costs, and Two-Year Impacts of Florida's JOBS Program*. New York: MDRC.
- Michalopoulos, Charles. 2005. *Does Making Work Pay Still Pay? An Update on the Effects of Four Earnings Supplement Programs on Employment, Earnings, and Income*. New York: MDRC.

- Michalopoulos, Charles, Doug Tattrie, Cynthia Miller, Phillip K. Robins, Pamela Morris, David Gyarmati, Cindy Redcross, Kelly Foley, and Reuben Ford. 2002. *Making Work Pay: Final Report on the Self-Sufficiency Project for Long-Term Recipients*. Ottawa: Social Research and Demonstration Corporation.
- Miller, Cynthia, Virginia Knox, Lisa A. Gennetian, Martey Doodoo, Jo Anna Hunter, and Cindy Redcross. 2000. *Reforming Welfare and Rewarding Work: Final Report on the Minnesota Family Investment Program, Vol. 1: Effects on Adults*. New York: MDRC.
- Moffitt, Robert. 1983. "An Economic Model of Welfare Stigma," *American Economic Review* 73: 1023-35.
- Morris, Pamela A., Lisa A. Gennetian, and Greg J. Duncan. 2005. "Effects of Welfare and Employment Policies on Young Children: New Findings on Policy Experiments Conducted in the Early 1990s." *Social Policy Report* 19, 2. New York: MDRC.
- Morris, Pamela A., Aletha C. Huston, Greg J. Duncan, Danielle A. Crosby, and Johannes Bos. 2001. *How Welfare and Work Policies Affect Children: A Synthesis of Research*. New York: MDRC.
- Riccio, James A., Daniel Friedlander, and Stephen Freedman, with Mary E. Farrell, Veronica Fellerath, Stacey Fox, and Daniel J. Lehman. 1994. *GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program*. New York: MDRC.
- Scrivener, Susan, Richard Hendra, Cindy Redcross, Dan Bloom, Charles Michalopoulos, and Johanna Walter. 2002. *WRP: Final Report on Vermont's Welfare Restructuring Project*. New York: MDRC.