

RETURN ON INVESTMENT

An Overview of a Study of Vocational Rehabilitation
Conducted by Northwest Economic Research Center

RETURN ON INVESTMENT



- **Goals**
 - ▣ Determine the return on the dollars invested in the Vocational Rehabilitation program
 - ▣ Provide evidence for further investment in the program

The Study

- The Study was conducted by the Northwest Economic Research Center By Jeff Renfro, Senior Economist
- Briefed on the findings in January, 2013
- An article describing the study will be completed by the fall

The Study

- Quasi Experimental Design
- Tried to identify what the impact of participating in the VR program was on post program earnings and hours
- Used clients who were eligible but did not enter plan as the comparison group
- Tried to control for the differences between the comparison and the program group in order to determine what the impact of participation in VR was
- Used clients who closed from plan for the period of FFY 2006 through FFY2008 for the program and comparison groups
- Compared the experimental and comparison groups on three years of pre and post earnings and work hours (UI Wage data)

The Study

- Used a statistical modeling software to identify the impact of the VR program on the program participant's earnings and hours post program.

FINDINGS



Significant Variables

- VR program
- Gender –Males have higher wages, hours
- Regional Unemployment Rate
- Program Time: Positive Impact
- Total Purchase of services: Positive impact
- Marital Status: Married and Widowers fare better
- TANF, SSI, SSDI: receipt of benefits, Negative impact
- Bachelors Degree, AA degree or Equivalent some college: Positive Impact

Significant Variables

- Most Significant Disability: Negative impact
- Drug and Alcohol programs: Negative impact
- Job Retention, Job Maintenance, Job Readiness: Positive Impact

Effect of program on likelihood of employment

- The program group is **1.93** as likely to be employed in the first quarter as the comparison group

Effect of program participation on wages

- Difference in wages between the comparison group and VR participants
 - 1st quarter post employment \$1,353
 - 1st year post employment \$4,941
 - 3rd year post employment \$3,653
 - Total post program controlled for inflation \$12,697

Summary of Return on Investment

□ Net Benefit:

- Estimated Lifetime Benefit \$28,779.45
- Number of program participants x 8,773
- Benefits for all program participants \$252,482,148.17
 - Estimated Lifetime benefit x Number of program participants
- Total program cost (entire sample) -\$ 48,415,317.05
- Difference \$204,066,831.12

**Ratio of total program benefit to total
program cost**

5.2

State Share of the Cost

- Benefit for all program participants \$252,482,148.17
(estimate Lifetime Benefit x number of program participants)
- Total program costs (entire sample) \$48,415,317.05
- State share of program cost \$10,554,539.12
(28% of total program costs for entire sample)
- Ratio of total benefit to state share of cost: 24

Benefit to the Taxpayers

- Benefits to Taxpayers
 - Benefits to Taxpayers: Taxes paid by clients who are employed
 - Public Assistance Benefits not paid by State as result of employment
- First ten years:
 - \$6,030.27 per program client
- Lifetime(until age 65):
 - \$12,081.03 per program client

Cost Benefit of a Counselor

- Tax benefit of one counselor per year:
 - Amount of taxes paid per counselor: \$42,840.44
 - Based on the lifetime tax returns and savings of Public Assistance Benefits of one client X the average number of clients rehabilitated by a counselor in a year (17.87)
 - Cost benefit ratio for a counselor: for every \$1 spent on a counselor \$10.8 are returned in tax revenue and public assistance savings to the State.