

# TESTING TWO SUBSIDIZED EMPLOYMENT MODELS FOR TANF RECIPIENTS

Final Impacts and Costs of the  
Los Angeles County Transitional  
Subsidized Employment  
Program

OPRE Report 2019-71  
July 2019

**The Subsidized and Transitional Employment Demonstration**

**Testing Two Subsidized Employment Models for TANF  
Recipients**

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Transitional Subsidized Employment Program**

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Mary Farrell  
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# Overview

## Introduction

Securing employment in a competitive labor market can be difficult for job seekers with limited education or work experience, especially if they are single parents or caring for young children. Some public assistance programs — Temporary Assistance for Needy Families (TANF) programs, for example — attempt to make participants who cannot find employment in the regular labor market more employable by offering them “subsidized employment,” or temporary jobs subsidized with public funds. Subsidized employment can be designed to teach participants basic work skills, provide them with work experience that can be used on future résumés, and help them get a foot in the door with employers. Past research has found mixed results regarding these programs’ ability to affect participants’ employment rates or earnings in the long term. This varied track record has pushed the field to identify new models for subsidized employment. This study uses a random assignment design to evaluate two approaches to subsidized employment for TANF recipients in Los Angeles County.

## Primary Research Questions

The evaluation aims to answer the following research questions:

- How were these two approaches to subsidized employment designed and operated?
- What are the effects of the two models on employment and earnings, TANF receipt, combined income, and overall well-being, relative to what would have happened in the absence of the subsidized employment program?
- Which of the two models appears to be more effective, and for which population subgroups?
- To what extent do the costs of the two models differ from the amounts spent on those who were not offered the program services? How does this cost differential relate to the benefits associated with any program effects?

## Purpose

MDRC evaluated two distinct approaches to subsidized employment for TANF recipients in Los Angeles County. The study is part of the Subsidized and Transitional Employment Demonstration, sponsored by the Administration for Children and Families in the U.S. Department of Health and Human Services. The first model studied, Paid Work Experience (PWE), subsidizes the wages of individuals placed at employers in the nonprofit or public sector for up to six months. The second, On-the-Job Training (OJT), offers wage subsidies to for-profit employers who agree to place employees onto their payrolls after an initial two-month tryout period; if they do, the wage subsidies can continue for up to an additional four months.

## Key Findings

Findings from the evaluation include the following:

- **The two models differed substantially in terms of their subsidized employment placement rates and the duration of those placements, and there was considerable variation in the quality of implementation across service providers.** Forty-two percent of OJT group members were placed in subsidized employment, compared with 79 percent of PWE group members. Compared with OJT placements, PWE placements were far more likely to continue for more than two months. Placement rates and durations varied across the 21 organizations that were contracted to run the program models; variation was particularly substantial for OJT.
- **As expected, both models led to large increases in employment and earnings during the first year of follow-up.** In the first year after random assignment, both PWE and OJT group members were more likely to work, worked more quarters on average, and had higher average earnings than control group members. These differences were largest among sample members who had not been employed in the year before random assignment, and they declined as participants left subsidized jobs.
- **There is some evidence that PWE led to a small positive impact on employment in the last year of follow-up and that this effect was concentrated among those with little recent work experience.** Employment in the last year of follow-up was 4 percentage points higher for PWE group members compared with control group members, and this effect appeared to be concentrated among those who had not been employed in the year before random assignment. Additionally, there is some evidence that PWE may have led to group members obtaining better-quality jobs, in terms of weekly hours worked, hourly wages, and employer-provided health insurance, at the end of the follow-up period. The OJT model did not have noteworthy long-term impacts on any of the outcome domains.
- **PWE's small impact on employment in the last year of follow-up was not large enough to significantly reduce TANF receipt rates or increase income in the long term.**
- **The government spent more on the PWE and OJT groups than it spent on the control group, and more on the PWE group than on the OJT group.** The net cost was \$4,701 per PWE group member and \$2,046 per OJT group member.

## Methods

This evaluation includes an implementation study, an impact study, and a cost analysis. This report presents final impact results (after 30 months) and cost analysis findings. Findings from the implementation study and one-year impact results are summarized in this report and presented in full in a 2016 report.

The implementation study described the design of the PWE and OJT models and assessed how they operated. Data sources for the implementation study include staff interviews, observations, and participation data. The impact study used a random assignment design in which individuals eligible for and interested in the subsidized jobs program were randomly assigned to a PWE program group, an

OJT program group, or a control group that did not have access to either of these subsidized employment models but was required to participate in other welfare-to-work activities. The study evaluated impacts on education and training, employment and earnings, TANF receipt, combined income, and well-being. Data sources for the impact study included administrative records on earnings, TANF receipt, and food stamp receipt; subsidized employment payroll records; and surveys conducted approximately 4, 12, and 30 months after sample members entered the study. The cost study assessed the one-year costs of the two models and the difference in the cost of services provided to the program groups relative to the control group. Data sources for the cost study included operating costs, costs of supportive services, and wages and payroll costs supplied by program providers and oversight organizations.

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The Authors

# Chapter 1

## Introduction

Securing employment in a competitive labor market can be difficult for job seekers with limited education or work experience, especially if they are single parents or caring for young children. Some public assistance programs — Temporary Assistance for Needy Families (TANF) programs, for example — attempt to make participants who cannot find employment in the regular labor market more employable by offering them temporary employment using public funds to pay all or some of their wages. This type of employment is commonly referred to as “subsidized employment.” Employment that is not subsidized is referred to as “unsubsidized employment” in this report. Subsidized employment can be designed to teach participants basic work skills, provide them with work experience that can be used on future résumés, and help them get a foot in the door with employers.

This report presents final findings from the impact study at 30 months after study enrollment and from the cost analysis, as part of a random assignment evaluation of a subsidized employment program for TANF recipients in Los Angeles County. The study is part of a broader evaluation funded by the Administration for Children and Families in the U.S. Department of Health and Human Services, called the Subsidized and Transitional Employment Demonstration (STED). The Los Angeles STED study examines how two distinct approaches to subsidized employment affect TANF recipients’ employment and earnings, TANF receipt, combined income, education and training, and well-being.

## Background and Policy Context

Previous efforts to use subsidized employment to improve long-term employment outcomes for hard-to-employ populations have had mixed results.<sup>1</sup> While most recent studies suggest that subsidized employment can generate impacts on employment and earnings during the subsidy period, findings vary in terms of the persistence of these impacts over the longer term. Many studies have found that impacts on employment and earnings recede quickly after the subsidy ends, yet a recent evaluation of eight subsidized employment programs across the country found modest long-term impacts on employment and earnings.<sup>2</sup>

Subsidized employment received renewed attention due to the 2007-2009 economic recession. In 2009, when the national unemployment rate reached 10 percent, states used funds

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<sup>1</sup>Bloom (2010); Dutta-Gupta, Grant, Eckel, and Edelman (2016).

<sup>2</sup>See Barden et al. (2018). Additionally, a 2009 study of two program models targeting TANF recipients in Philadelphia, which did not find long-term positive impacts on employment, did find sustained positive impacts on measures of TANF receipt for one of the program models. Program group members were less likely than control group members to be receiving cash assistance 18 months after they enrolled in the program. See Bloom et al. (2009).

from the American Recovery and Reinvestment Act’s TANF Emergency Fund to subsidize jobs for over 280,000 people before funding expired in late 2010.<sup>3</sup> These programs were not limited to TANF recipients or other disadvantaged groups as were most of the subsidized employment programs that have been studied previously, and they did not emphasize helping participants make a transition to unsubsidized work. Rather, the TANF Emergency Fund programs were designed to give unemployed people — many of whom had steady work histories before the recession — the chance to earn income to alleviate the effects of unemployment.<sup>4</sup> The TANF Emergency Fund programs were popular in many states, with governors from both political parties expressing strong support for them. The experience was relatively short lived, and the subsidized employment programs had different goals and served different populations than the programs studied in STED. Nonetheless, the success of the TANF Emergency Fund programs rekindled interest in subsidized employment more broadly.

In 2010, the U.S. Departments of Health and Human Services and Labor made substantial investments to further advance the field’s understanding of subsidized employment by selecting MDRC to lead a series of evaluations. Through STED, the Department of Health and Human Services is funding studies of eight subsidized employment interventions aimed at various disadvantaged populations. Two of these studies, including the Los Angeles study that is the subject of this report, focus specifically on subsidized employment for TANF recipients.<sup>5</sup> Los Angeles County represented a unique opportunity to test large-scale subsidized employment approaches in a geographically and economically varied setting. The county has a large TANF program, contains diverse municipalities, and offers a complex operational context in which to implement the program.

## Program Models

This study evaluates two subsidized employment models for TANF recipients that comprise Los Angeles County’s Transitional Subsidized Employment program. The Los Angeles County Department of Public Social Services oversees the program and administers the county’s TANF program, which is called “CalWORKs” in California. Table 1.1 summarizes key program characteristics of the two models studied. As shown in the table, both approaches targeted TANF recipients in Los Angeles County who were required to participate in the county’s welfare-to-work program,<sup>6</sup> Greater Avenues for Independence, but who were unable to find unsubsidized jobs during a four-week job club. Participants also had to meet the following criteria: they were able to work the required hours; they were receiving TANF benefits and had five or more

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<sup>3</sup>Farrell, Elkin, Broadus, and Bloom (2011).

<sup>4</sup>Farrell, Elkin, Broadus, and Bloom (2011).

<sup>5</sup>For a summary of other subsidized employment tests that the U.S. Department of Health and Human Services and Department of Labor are funding, see Bloom (2015).

<sup>6</sup>Welfare-to-work programs help TANF recipients achieve self-sufficiency by offering employment and training services. In California, TANF recipients are required to participate in the welfare-to-work program unless they are exempt for reasons such as having very young children, having a disability, or caring for an ill or disabled person.

**Table 1.1**  
**Summary of Program Characteristics**

	<b>PWE</b>	<b>OJT</b>
<b>Target population</b>	TANF recipients in L.A. County who did not find unsubsidized jobs during 4-week job club	TANF recipients in L.A. County who did not find unsubsidized jobs during 4-week job club
<b>Placement type</b>	Public sector Nonprofit	Private sector For-profit
<b>Placement length and subsidy amount</b>	6 months / 100%	2 months / 100% → 4 months / up to \$550 per month
<b>Employer of record</b>	Workforce Investment Board	Workforce Investment Board → Employer (on payroll)

SOURCE: Los Angeles Department of Public Social Services.

months left of TANF eligibility (during the study period, individuals could receive up to 48 months of TANF benefits in total); they had not participated in Transitional Subsidized Employment in the preceding 12 months; and they had no major identified barriers that would prevent them from working.<sup>7</sup>

Several community organizations were central to the implementation of the models. The Department of Public Social Services had long contracted the South Bay Workforce Investment Board to oversee the administration and payment of the program subsidy.<sup>8</sup> The South Bay Workforce Investment Board also oversaw 21 Worksource Centers that were responsible for day-to-day program implementation, including recruiting employers, placing participants in subsidized jobs, and providing case management while participants were in subsidized jobs.<sup>9</sup>

<sup>7</sup>This was a soft criterion that could be flexibly interpreted. Some program staff thought of it as a “demonstrated willingness and desire to work” or being a good fit for the program.

<sup>8</sup>The South Bay Workforce Investment Board is one of several Workforce Investment Boards in Los Angeles County. Workforce Investment Boards — also sometimes known as Workforce Development Boards — are community organizations that bring together local businesses, labor groups, and educational institutions to invest in and oversee workforce development programs in the community. Each Workforce Investment Board typically operates multiple Worksource Centers.

<sup>9</sup>Worksource Centers in Los Angeles County work with both employers and job seekers to provide business and employment services. The South Bay Workforce Investment Board oversaw the 21 Worksource Centers in their implementation of the Transitional Subsidized Employment program. Several different Workforce Investment Boards in the county more broadly operated the Worksource Centers in the study. Worksource Centers are now known as America’s Job Centers of California, but they were called Worksource Centers at the time of program implementation in this study.

The two Transitional Subsidized Employment models are described in greater detail below.

- **Paid Work Experience**, or PWE, involves a six-month, fully subsidized placement in a position in the public or nonprofit sector. Participants are paid the minimum wage by the South Bay Workforce Investment Board, which acts as an intermediary between the employer and the participant.<sup>10</sup> The Los Angeles Department of Public Social Services does not expect that PWE participants will secure unsubsidized employment at their job sites when their placements end. Rather, the main goal of PWE is to increase the employability of participants in the longer term by giving them work experience. PWE is also supposed to include 16 hours of paid job search in the final month of their placements, as well as help from a case manager with searching for an unsubsidized job throughout the placement.
- **On-the-Job Training**, or OJT, is a private sector wage subsidy approach.<sup>11</sup> Participants are placed in jobs with for-profit, private employers; they spend the first two months on the payroll of the South Bay Workforce Investment Board and the final four months on employers' payrolls, with employers receiving a partial subsidy of up to \$550 per participant per month based on the number of hours the participant works. This approach seeks to replicate more closely a "real world" work environment and employer-employee relationship, with an explicit goal moving participants into permanent, unsubsidized employment at the same employer when the subsidy ends.

The two models differ considerably in their philosophy and ease of implementation. PWE takes a more traditional approach to subsidized employment and focuses on addressing participants' lack of recent work experience. By providing participants work experience that enhances their résumés and bolsters their soft skills, the program model aims to increase their attractiveness to future employers. OJT, on the other hand, attempts to mitigate the risk that employers take when hiring and to overcome a persistent challenge of subsidized employment programs: successfully transitioning participants from subsidized to unsubsidized employment. The model attempts to do so by placing participants into subsidized jobs with private sector employers for an initial two-month trial period and then moving participants directly onto employers' payrolls after this period. The philosophy behind OJT is that moving individuals onto employers' payrolls will

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<sup>10</sup>The minimum wage in Los Angeles was \$8.00 an hour when the project began, and increased to \$9.00 on July 1, 2014, and again to \$10.50 on January 1, 2016.

<sup>11</sup>Many research studies and publications have defined "on-the-job training" models, particularly for models in the workforce programs funded by the U.S. Department of Labor. The OJT approach implemented in Los Angeles County differs from other on-the-job training models in several ways, including the structure of the subsidy, the point at which a participant makes the transition onto an employer's payroll, and the availability of training that complements the placement. This report nonetheless refers to the approach as "On-the-Job Training" both for the sake of consistency and because that is what it is called by the Los Angeles Department of Public Social Services, which runs the program studied.

lead to permanent employment with the same employer since the default has been switched: The participant will remain on the employer’s payroll unless the employer lays off or fires the person.

There is an inherent difference in the models’ assumptions about participants’ readiness to work; OJT generally assumes that participants are more job ready for “real world” employment than PWE. PWE, therefore, is a lower-risk approach for employers since there is no expectation or mechanism designed to roll over the subsidized job into permanent employment as there is in OJT. Furthermore, it is possible that the employers in public and nonprofit sectors that PWE engages — many of which are mission-driven organizations with explicit goals of helping others — may be more motivated to participate in the program, compared with for-profit employers in the private sector that OJT seeks out. Some examples of PWE employers were food banks, Worksource Centers, and government and social service agencies; examples of OJT employers were fast food restaurants, a photography studio, security companies, and retail stores.

## Evaluation Design

The evaluation uses a random assignment design. Random assignment involves a lottery-like process that places individuals into either a program group, which is offered the services being tested, or into a control group, which is not offered those services. In this study, 2,622 individuals were randomly assigned to one of three research groups: the PWE program group (n=874), the OJT program group (n=877), or the control group (n=871). Those assigned to either program group were then referred to a Worksource Center for placement into the appropriate type of subsidized job. Individuals assigned to the control group — as well as to the program groups — could still receive TANF benefits, other TANF welfare-to-work services,<sup>12</sup> and other services in the community.

The evaluation of the Transitional Subsidized Employment program aims to answer the following research questions:

1. How was the program that encompassed these two models designed and operated?
2. What are the effects of the two models on employment and earnings, TANF receipt, combined income, and overall well-being, relative to what would have happened in the absence of the program?
3. Which of the two approaches appears to be more effective, and for which population subgroups?
4. To what extent do the costs of the two approaches differ from the amounts expended on behalf of individuals randomly assigned to the control group? How does this cost differential relate to the benefits associated with the models’ effects, if any?

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<sup>12</sup>As described previously, study participants were required to participate in the county’s welfare-to-work program if they were receiving TANF benefits.



To answer these questions, the evaluation includes an implementation study, an impact study, and a cost study. The implementation study aims to answer the first question about how the program was designed and operated. The impact study uses a random assignment design to address the second and third questions about whether the program models improve key outcomes of interest and whether they are more effective for certain subgroups of the sample. The impact study compares outcomes between the program groups and the control group, as well as between the two program groups. The random assignment design ensures that if differences emerge between the groups over time and these differences are large enough to reach statistical significance (which indicates that the differences are not likely to have occurred by chance alone), then these differences, or “impacts,” can be attributed with high confidence to the program. The cost study addresses the last question above. A 2016 report presented findings from the implementation study and impact findings at 12 months after study enrollment.<sup>13</sup> This report presents final impact findings at 30 months after study enrollment, as well as the cost study findings.

### **Data Sources and Methods of the 30-Month Impact Analysis**

The impact analysis uses a mixture of administrative and survey data. Administrative sources included quarterly wage data from the National Directory of New Hires and TANF and food stamp payment records from the Los Angeles Department of Public Social Services.<sup>14</sup> Additionally, the research team used subsidized employment payroll records to supplement the quarterly wage data. The team fielded a survey to the full study sample at approximately 30 months after random assignment that collected information about employment, education, training, and personal and economic well-being.<sup>15</sup> The two different sources of employment measures varied somewhat in their coverage. The employment measures derived from the National Directory of New Hires data picked up on formal employment that was covered by unemployment insurance.<sup>16</sup> The survey-based employment measures included both formal and informal employment,<sup>17</sup> but survey-based measures were also subject to recall errors or misreporting by survey respondents.

To ensure the most rigorous interpretation and presentation of evidence, this report divides impact findings into two categories: **Confirmatory findings** provide conclusive evidence of a program’s effects, while **exploratory findings** provide suggestive evidence. Box 1.1 defines and explains these two categories of findings, along with information about the methodological

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<sup>13</sup>Glosser, Barden, and Williams, with Anderson (2016).

<sup>14</sup>The National Directory of New Hires is a national database of wage and employment information that is operated by the Office of Child Support Enforcement.

<sup>15</sup>The survey response rate was 79 percent. See Appendix A for an analysis of survey response bias. Surveys were also conducted at 4 and 12 months after random assignment. Results from these earlier surveys are presented in greater detail in the 2016 interim report.

<sup>16</sup>Earnings for workers who are self-employed, who are classified as independent contractors, or who are working in the informal economy may not be captured in National Directory of New Hires records.

<sup>17</sup>This includes employment not captured in National Directory of New Hires data, such as self-employment, independent contracting, or work in the informal economy (for example, babysitting, some types of day labor jobs, or some types of street vendor jobs).

### Box 1.1

## Confirmatory and Exploratory Analyses

This study was designed to provide credible evidence about PWE's and OJT's long-term effects on employment and earnings. To ensure the most rigorous results, the study includes two types of analysis: (1) a confirmatory analysis to determine the overall effectiveness of the approaches, and (2) an exploratory analysis designed to offer additional insight and generate hypotheses for future research.

Confirmatory analysis uses a high standard of evidence to determine if an intervention has had its intended effect, and therefore its findings are considered conclusive rather than merely suggestive. In particular, it is designed to avoid the statistical problem caused by testing multiple hypotheses at the same time, often referred to as the "multiple comparisons problem." In brief, when many statistical tests are performed simultaneously, the overall probability of a spurious finding (that is, one resulting from chance rather than a true program effect) can increase substantially. The confirmatory analysis in this report mitigates the multiple comparisons problem by designating two outcomes that best measure the approaches' progress toward their primary long-term goals of increasing participants' employment and earnings. These outcomes were specified before any data analysis.

Exploratory analysis looks for suggestive evidence of the approaches' impacts on other outcomes. Findings from exploratory analyses are viewed as the best available evidence on potential program effects in secondary areas and can help inform policy. However, they should not be taken as definitive. In the exploratory analysis, formal adjustments for multiple comparisons are not made when reporting on statistical significance. (See Box 2.1 for an explanation of statistical significance in this report.)

considerations and approaches used for selecting confirmatory outcomes. In brief, the research team established two confirmatory measures and one confirmatory subgroup analysis for the evaluation in the main employment and earnings domain, which PWE and OJT were designed to affect. These confirmatory measures and subgroup analysis are the following:

1. **Current employment at the time of the 30-month survey.** Based on the 30-month survey, this measure includes any type of current employment (for example, formal, informal, unsubsidized, and subsidized employment).
2. **Total earnings in the final year of the follow-up period.** Derived from quarterly wage data from the National Directory of New Hires, this measure includes earnings from formal employment that was covered by unemployment insurance.
3. **An analysis of the above confirmatory outcomes by recent employment history at baseline.** This subgroup analysis was chosen as a confirmatory test based on the theory that those who were less connected to the labor market might benefit more from transitional jobs than those who had worked recently (and who therefore already had recent experience and skills from which to draw upon when seeking employment).

In addition to findings for these confirmatory measures, the report presents findings for exploratory measures that help explain the confirmatory findings or that provide additional insight by focusing on areas beyond the primary employment and earnings domain. Exploratory measures include additional employment and earnings measures, as well as measures in four other domains: education and training, TANF receipt, combined income, and well-being.<sup>18</sup> Education and training is included since the county's welfare-to-work program provides these services to TANF recipients and since any effects that either program model may have had in this domain could lead to effects on employment and earnings. The three additional domains — TANF receipt, combined income, and well-being — are included since changes in the employment and earnings domain could affect them.<sup>19</sup>

### **Data Sources and Methods of the Cost Analysis**

The cost study assesses the one-year costs of the two models and the difference in the cost of services provided to the program groups relative to the control group. To determine the cost of the program, the research team examined operating costs, costs of supportive services, and wages and payroll costs. The cost analysis uses administrative and program data from a variety of sources, including participation data from the county's management information system and program cost information from county expenditure reports. In addition, it uses published reports from the U.S. Department of Education to estimate education and training costs, as well as information from a staff time study of the Transitional Subsidized Employment program to allocate costs to the PWE and OJT approaches. These data sources are described in greater detail in Chapter 3.

### **Sample Member Characteristics**

The study sample includes 2,622 individuals who were randomly assigned to one of the three research groups between November 2012 and November 2013. Table 1.2 shows selected characteristics of the sample at study enrollment. (See the 2016 report for a more extensive list of sample characteristics.) The Transitional Subsidized Employment program primarily served individuals of color (94 percent). All sample members had children, and the majority (86 percent) were not married at the time of enrollment. There was variation in the amount of time individuals had received TANF benefits. Most (over 90 percent) had worked at some point in the past, but more than half had worked a year or less in the previous three years, and the majority (over 70 percent) had been making less than \$12 per hour in their last jobs. Sample members can be thought of as representing the middle range of the TANF caseload in terms of job readiness: They were unable to quickly find unsubsidized employment despite the help of TANF staff members, yet they were

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<sup>18</sup>The well-being domain includes measures of material hardship, health, and social support.

<sup>19</sup>In the case of TANF receipt, for example, one might expect TANF benefits payments and receipt to decrease if earnings from employment increases.

**Table 1.2**  
**Sample Characteristics at Study Enrollment**

Characteristic	Total
Average age (years)	31.7
Female (%)	85.5
Marital status (%)	
Never married	66.8
Currently married	13.9
Separated/divorced/widowed	19.3
Race/ethnicity (%)	
Hispanic/Latino	54.7
White, non-Hispanic	6.5
Black, non-Hispanic	31.6
Asian, non-Hispanic	3.1
Other	4.1
No high school diploma or equivalency credential (%)	39.0
Average number of minor children	1.7
Total time on TANF in the past (%)	
Less than 12 months	31.7
12 to 23 months	23.4
24 to 35 months	21.4
36 months or more	23.5
Ever employed (%)	93.9
Months employed in the last 3 years (%)	
1 month or less	22.0
2 to 5 months	13.2
6 to 11 months	17.7
12 to 23 months	24.3
24 or more months	22.8
Hourly wage at the end of last job (%)	
Less than \$8.00	3.3
\$8.00 to \$9.99	48.6
\$10.00 to \$11.99	21.6
\$12.00 to \$15.99	16.5
\$16.00 or more	10.1
Sample size	2,622

(continued)

## Table 1.2 (continued)

SOURCES: MDRC calculations using baseline data collected on the Los Angeles Department of Public Social Services' GAIN Employment Activity and Reporting System.

not the most disadvantaged TANF recipients who would have been exempted from work participation requirements (that is, those with disabilities, those caring for disabled family members, or those with very young children).

## Summary of Implementation and Early Impact Findings

The implementation analysis aims to answer the first research question of this study: How was the program that encompassed PWE and OJT designed and operated? Given the key differences between the PWE and OJT models and employer types — which, as mentioned above, makes OJT inherently more difficult to implement — the implementation analysis also sought to understand how the two models were implemented in relation to one another. This section describes key findings from the implementation study and relevant 12-month impact findings. See the 2016 report for the full implementation findings and 12-month impact findings.<sup>20</sup>

### Implementation Findings and Service Receipt Impacts

Figure 1.1 highlights several key findings from the implementation study.

- **PWE was associated with higher subsidized job placement rates, faster placement into subsidized jobs, and longer placement durations, on average, compared with OJT. There was wide variation in placement rates among service providers for both program models, but particularly for OJT.**

As shown in the top panel of Figure 1.1, the two program models had substantially different placement rates: 42 percent of OJT group members were placed in subsidized employment, compared with 79 percent of PWE group members. The different placement rates may be related to the fact that OJT carries greater risk for employers due to participants' eventual rollover onto employers' payrolls. These findings are in line with recent research that has found that more traditional subsidized employment models that place participants in the public or nonprofit sector are easier to implement and have higher participation rates than models that place participants in the private sector and take a wage subsidy approach.<sup>21</sup> Importantly, both models' placement rates compare favorably with recent research on similar types of subsidized employment models.<sup>22</sup>

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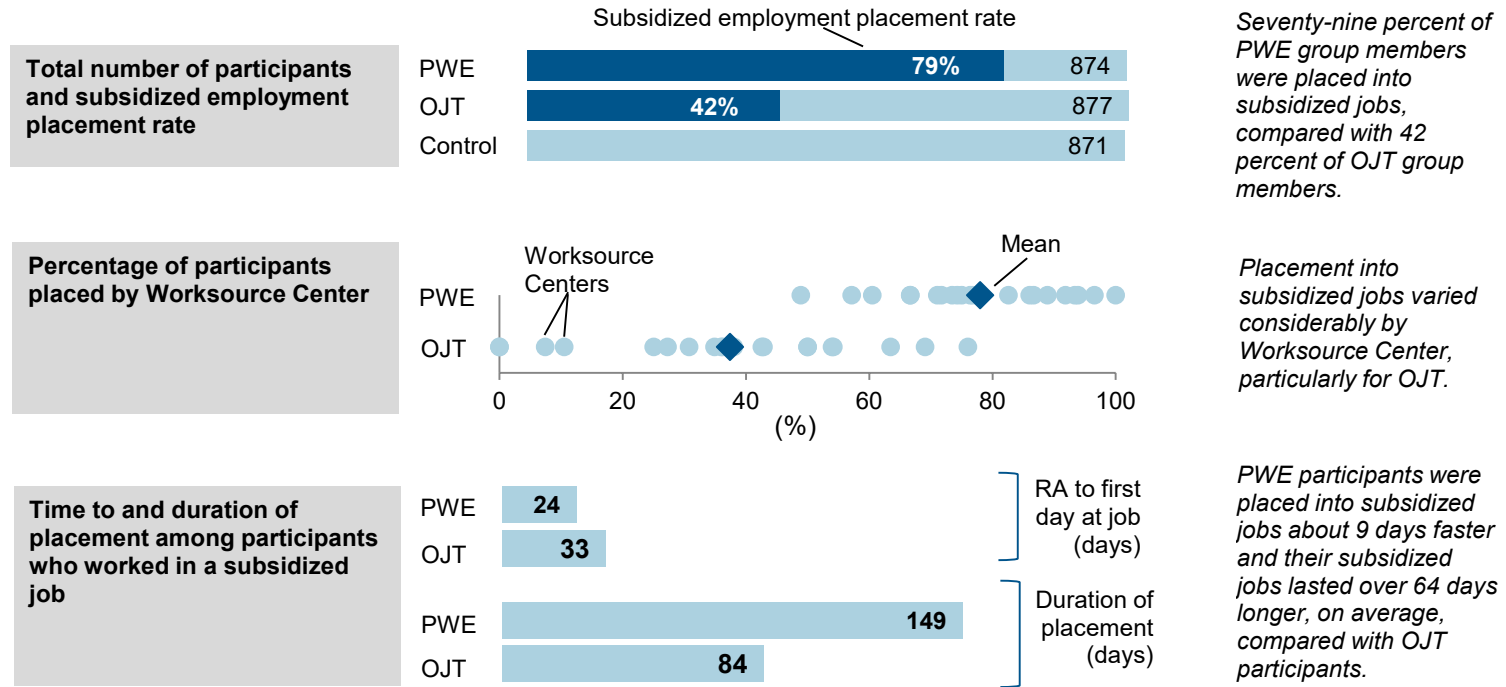
<sup>20</sup>Glosser, Barden, and Williams with Anderson (2016).

<sup>21</sup>Bloom (2010); Barden et al. (2018); Walter, Navarro, Anderson, and Tso (2017); Bloom et al. (2009); Redcross et al. (2009)

<sup>22</sup>Bloom (2010); Barden et al. (2018); Walter, Navarro, Anderson, and Tso (2017); Bloom et al. (2009); Redcross et al. (2009)

**Figure 1.1**

**Summary of Implementation Findings**



SOURCES: MDRC calculations based on program payroll and placement data from the South Bay Workforce Investment Board.

NOTE: RA = random assignment.

This suggests that both models were implemented relatively well compared with similar subsidized employment models.

As shown in the middle panel of Figure 1.1, placement in subsidized jobs varied considerably across the 21 Worksource Centers (the agencies that placed participants into subsidized jobs). In this dot plot, the light blue dots represent placement rates of individual Worksource Centers and dark blue diamonds represent the average rate across Worksource Centers. The plot shows that placement rates for PWE ranged from 49 to 100 percent, while placement rates for OJT ranged even more dramatically, from 0 to 76 percent. Some centers executed both models well, while others struggled, particularly with implementing the OJT model. In fact, 2 of the 21 Worksource Centers did not place any individuals into OJT jobs. Although methodological limitations prevented the research team from studying the effect of PWE or OJT by Worksource Center, it is important to bear in mind that impacts may also vary considerably by Worksource Center — perhaps particularly for OJT impacts given the wide range of placement rates.<sup>23</sup>

As the bottom panel of Figure 1.1 shows, PWE group members were placed more quickly in subsidized jobs and their subsidized jobs lasted longer, on average, compared with OJT group members. A greater share of PWE placements continued beyond the second month, compared with OJT placements, the time when OJT participants were intended to move onto employers' payrolls. It is possible that OJT had shorter average placement durations because employers were reluctant to put these individuals onto their payrolls directly. Placement duration also varied somewhat by Worksource Center for both models.

Program and control group members participated in welfare-to-work activities other than subsidized employment at high levels during the six months following random assignment (when program group members were supposed to be participating in OJT or PWE), with control group members participating at higher levels than program group members. Common activities include job search and job-readiness preparation, vocational training and education, community service, and remedial education.

Additionally, the implementation study found that program group members did not consistently receive help with unsubsidized job searches during and after the subsidy; some Worksource Centers were more proactive than others in helping participants. Interviews with Worksource Center staff revealed that PWE participants did not consistently have dedicated time to search for unsubsidized jobs in the last month of their placements as the county had intended when it designed the model. Unsurprisingly, Worksource Center staff reported that they rarely offered OJT participants help with finding unsubsidized employment after the subsidy ended given the expectation that OJT participants would have moved into unsubsidized employment with their OJT employers at that point.

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<sup>23</sup>Data and methodological limitations prevented the research team from performing this analysis. Individuals were randomly assigned to research groups, but referrals to Worksource Centers were not random. As such, any attempt to estimate impacts by Worksource Center is subject to potential bias associated with decisions that staff members made regarding the center to which they referred any given participant.

Figure 1.2 presents selected service receipt impacts during the year following study enrollment. Since the control group continued to receive TANF services from the county and participated actively in welfare-to-work activities other than subsidized employment, PWE and OJT had only modest impacts on service receipt as a whole. (See the 2016 report.) However, as shown in Figure 1.2, PWE had positive impacts on receipt of help finding or keeping a job, mentoring from a staff member at an agency or organization, and help paying for child care, compared with both the control group and the OJT group. This finding suggests that PWE created more consistent opportunities for engagement and may have offered a more supportive environment, compared with OJT and the control group. However, at least some of the differences in impacts between PWE and OJT may stem from their differing subsidized job placement rates.

The two bottom measures in Figure 1.2 show impacts on selected education and training measures. Interestingly, control group members participated in postsecondary education leading to a degree and earned professional licenses or certifications at higher rates than program group members in the year after random assignment. Since the county's welfare-to-work program offered educational activities as one way to satisfy work participation requirements, control group members may have participated in education activities at higher rates since many program group members were instead meeting their work participation requirements through subsidized employment. It also may have occurred because program group members were busy in subsidized employment and had less time to pursue education, or because control group members purposefully pursued education to improve their employability in the absence of subsidized employment. Regardless, this short-term educational cost to program group members would be worrisome if educational disparities persisted and negatively affected program group members' future employment prospects. Fortunately for program group members, this does not appear to have happened. (See Chapter 2.)

### **12-Month Impact Findings**

Early impact findings — presented in full in the 2016 report — showed that, by and large, PWE and OJT reached their short-term goals of helping TANF recipients gain work experience, meet welfare-to-work requirements, and improve well-being. PWE and OJT increased employment and earnings during the year following random assignment, with the greatest impacts concentrated among those with little recent work experience. There were larger gains in employment and earnings for the PWE group than the OJT group, which was largely due to the PWE approach's higher rates of placement in subsidized jobs. Consistent with prior research on subsidized jobs,<sup>24</sup> however, these employment effects decreased as subsidized employment ended. There were few differences across research groups in the rates at which sample members received TANF benefits, but there were short-term reductions for both program groups in the amount of TANF payments received, which was likely due to the subsidized earnings. There were some indications of improved financial well-being while working in the subsidized job. However, when

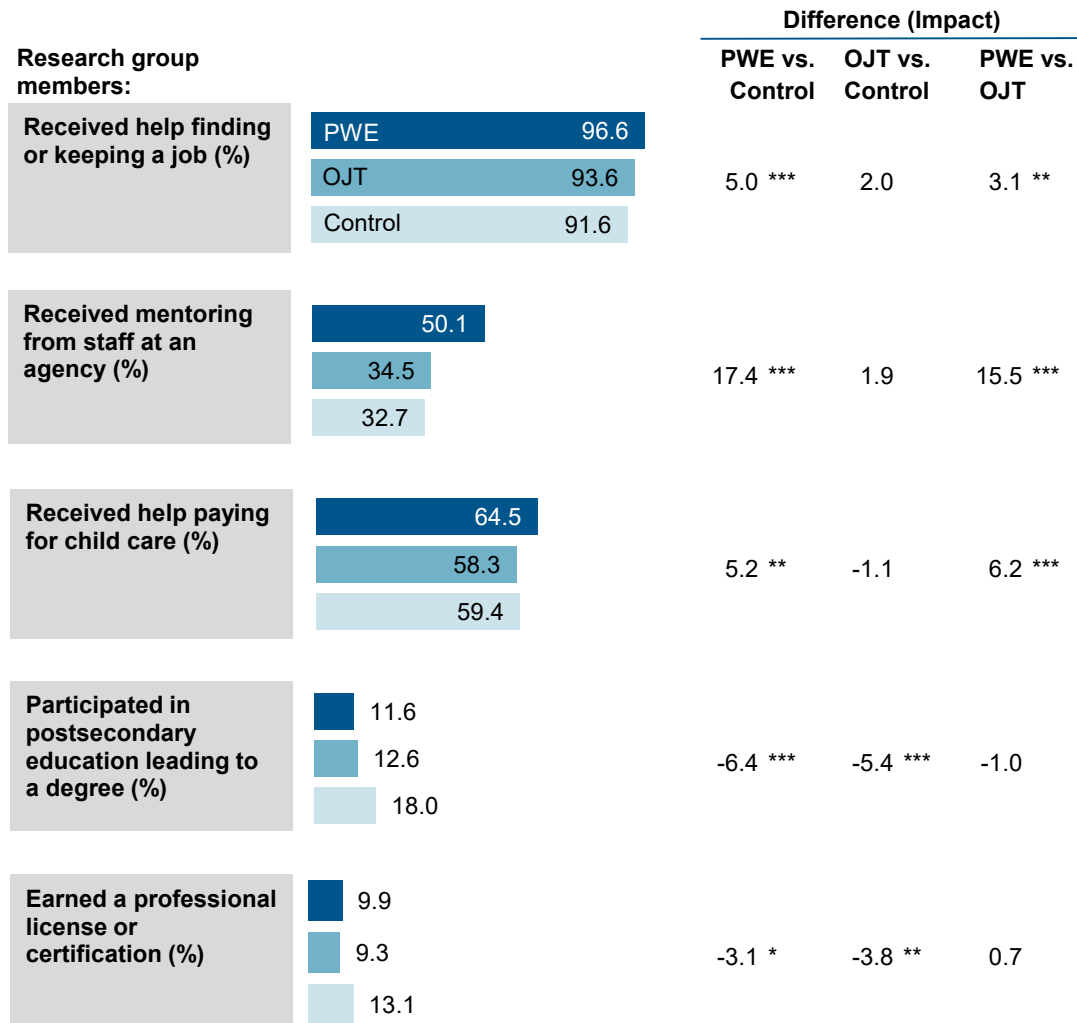
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<sup>24</sup>Redcross et al. (2016); Walter, Navarro, Anderson, and Tso (2017); Cummings, Farrell, and Skemer (2018).



**Figure 1.2**

**Summary of 12-Month Service Receipt Impacts**



SOURCE: MDRC calculations based on data from the STED 12-month survey.

NOTES: Results are regression-adjusted, controlling for pre-random assignment characteristics. Statistical significance levels are indicated as follows: \*\*\* = 1 percent; \*\* = 5 percent; \* = 10 percent.

Sample sizes are as follows: PWE (700), OJT (694), control (698).

surveyed one year after random assignment, there were few differences in well-being between the program and control group members. An impact analysis at 30 months after study enrollment, presented in Chapter 2, examines whether the work experience that PWE and OJT group members gained led to any longer-term impacts in these outcome domains.

## Chapter 2

### 30-Month Impacts

The 2016 report presented impacts covering a 12-month follow-up period. This follow-up period included the time when many of the program group members were engaged in a subsidized job; these interim findings provided insight into the short-term effects of Paid Work Experience (PWE) and On-the-Job Training (OJT) on the outcomes of interest, but they were not necessarily indicative of the program models' effects long after the subsidies ended. This chapter draws on up to 30 months of follow-up data to present PWE's and OJT's longer-term effects on measures of education and training, employment and earnings, Temporary Assistance for Needy Families (TANF) receipt, combined income, and well-being.<sup>1</sup>

The outcomes of each research group are compared against the outcomes of each of the other research groups. Doing so offers a full picture of the impacts of PWE and OJT, respectively, as compared with what would have happened in the absence of the program, as well as a comparison of the two program models themselves. The random assignment design ensures that if differences emerge between groups over time and these differences are large enough to reach statistical significance, then these differences, or “impacts,” can be attributed with high confidence to the program. See Box 2.1 for an explanation of statistical significance in this report and how to interpret the impacts presented in this chapter.

To bring into focus the story of PWE and OJT over the long term, exhibits in this chapter highlight key measures and impacts within each outcome domain. For the full set of outcome measures included in this analysis, see Appendix B Tables B.1 through B.8.

#### Education and Training

During the first year of follow-up, PWE and OJT had negative impacts on several key education and training measures.<sup>2</sup> Importantly, the two models significantly reduced participation in post-secondary education leading to a degree and receipt of a professional license or certification at 12 months after study enrollment. This section examines whether the short-term negative impacts on key educational outcomes led to any longer-term educational disparities, which could in turn affect employment and earnings.

- **PWE and OJT did not have any long-term impacts on participation in education and training or educational attainment.**

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<sup>1</sup>The minimum wage in Los Angeles was \$8.00 an hour when the project began, and increased to \$9.00 on July 1, 2014, and again to \$10.50 on January 1, 2016. It is possible that the changes in minimum wage could have affected the impacts observed in this chapter in unexpected ways.

<sup>2</sup>See Chapter 1 of this report and Glosser, Barden, and Williams, with Anderson (2016).

### Box 2.1

#### Statistical Significance in This Report

The threshold for statistical significance used in this study is a p-value below 0.10. A p-value is the probability for obtaining a difference at least as extreme as the calculated difference between groups in a situation where there is no real difference between groups.\* For example, a p-value of 0.10 indicates that there is a 10 percent chance of observing an impact at least as extreme as the one observed when there is no real difference between groups. The p-values associated with each impact are represented in exhibits using asterisks, where “\*” indicates a p-value less than 0.10, “\*\*” indicates a p-value less than 0.05, and “\*\*\*” indicates p-value less than 0.01. No asterisk indicates that the difference between groups is not statistically significant. That is, in a situation where there is no real difference between groups, the chance of observing an impact at least as large as the one observed is greater than 10 percent. Tables in Appendix B contain the p-values of all impacts presented in this chapter.

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\*Wasserstein and Lazar (2016).

The bars to the left in Figure 2.1 depict selected outcomes for each of the three research groups, and the corresponding differences, or “impacts,” among the three groups are shown to the right. The figure shows that there are no statistically significant differences in education between each of the program groups and the control group at the end of the last year of follow-up. This includes the same measures on which the program models had negative impacts at 12 months after study enrollment, as well as several other educational measures, presented in full in Appendix Table B.1, including participation in vocational training, participation in high school diploma or equivalency classes, and educational attainment. Therefore, the control group’s higher short-term participation in postsecondary education leading to a degree or a professional license or certification did not result in any long-term differences in educational attainment or participation among research groups. This finding indicates that PWE and OJT group members caught up to the control group on these educational measures after the subsidy ended. There were few differences between the two program groups in these educational measures.

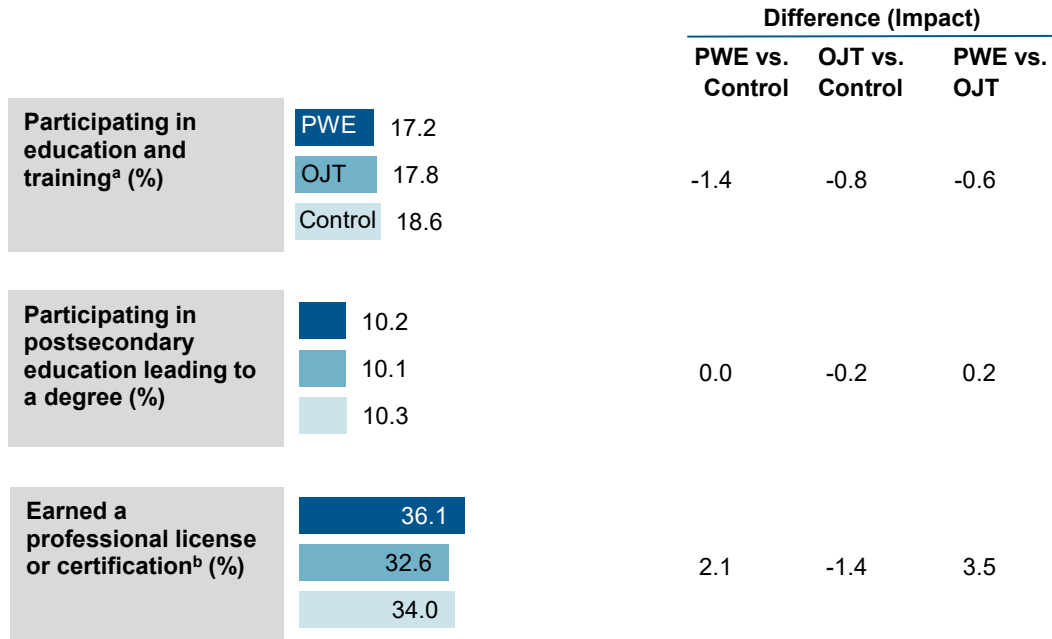
All research groups made large gains in earning a professional license or certification over the course of the study period: While roughly 1 in 10 study sample members had earned such a credential by the end of the first year of follow-up (see the 2016 report), a third or more had done so by the end of the last year of follow-up.<sup>3</sup> It is possible that the work participation activity options of the county’s welfare-to-work program — available to all sample members while they remained on TANF — supported these gains. The welfare-to-work program offered

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<sup>3</sup>Data for this measure were collected at two points in time: at the time of the 12-month survey and, again, at the time of the 30-month survey. They included, but were not limited to, status changes since random assignment.

**Figure 2.1**

**Impacts on Education and Training at the Time of the 30-Month Survey**



SOURCE: MDRC calculations based on responses to the STED 30-month survey.

NOTES: Results are regression-adjusted, controlling for pre-random assignment characteristics. Statistical significance levels are indicated as follows: \*\*\* = 1 percent; \*\* = 5 percent; \* = 10 percent.

Sample sizes are as follows: PWE (690), OJT (690), control (691).

<sup>a</sup>Measure includes high school diploma or equivalency classes, postsecondary education leading to a degree, and vocational training.

<sup>b</sup>Measure is based on status at the time of the 30-month survey (includes, but is not limited to, status changes since random assignment).

participants multiple options for meeting their work participation requirements, including vocational training or education and remedial education classes.

## Employment and Earnings

The primary goals of the PWE and OJT models were to increase participants’ employment and earnings. This section provides answers to whether the two program models did in fact achieve these goals by presenting impacts on confirmatory and exploratory measures of employment and earnings at the end of the 30-month follow-up period.

As described in greater detail in Chapter 1, the research team specified a small number of “confirmatory” outcome measures at the outset of the study with which it used the highest standards of evidence to assess the overall success of the two models, as well as complementary

“exploratory” measures to provide insight into the results of the confirmatory analysis. The two confirmatory measures in this study are employment at the time of the 30-month survey and earnings in the last year of the follow-up period, which was calculated from administrative wage data from the National Directory of New Hires and included earnings from “formal employment,” or employment that was covered by unemployment insurance.<sup>4</sup> Confirmatory measures appear at the top of Figure 2.2 in white boxes, while selected exploratory measures are presented below them in gray boxes. For the full set of employment and earnings outcomes that the research team analyzed, see Appendix Table B.2.

- **The weight of the evidence suggests that PWE likely had a small positive effect on employment in the last year of follow-up.**

As shown at the top of Figure 2.2, the confirmatory analysis found that PWE increased earnings during the last year of follow-up by \$889 (about \$74 per month) and current employment at the time of the 30-month survey by over 3 percentage points, on average, compared with the control group. However, neither of these differences is statistically significant. The earnings impact, however, is close to statistical significance, with a p-value of 0.114.<sup>5</sup> OJT did not have any long-term statistically significant impacts on the confirmatory measures or differences that come close to statistical significance, and there are no statistically significant long-term differences between PWE and OJT group members on these outcomes.

Findings from the exploratory analysis provide further insight into the confirmatory findings. As shown below the confirmatory measures in Figure 2.2, PWE group members were over 4 percentage points more likely to be employed during the last year of follow-up, compared with the control group, as per the administrative data, which included formal employment that was covered by unemployment insurance; this impact is statistically significant. Figure 2.3 shows that PWE’s impact on employment continued into the last quarter of the follow-up period, as indicated by asterisks below the horizontal axis labels. While PWE’s impact on the confirmatory measure of current employment at the time of the 30-month survey — which included any type of employment — is not statistically significant, its magnitude is in line with this finding.

Additionally, exploratory survey measures of employment showed some evidence that PWE group members were working in better-quality jobs when they were surveyed 30 months after study enrollment, compared with control group members. As presented in Figure 2.2, PWE group members were over 8 percentage points more likely to report working more than 34 hours per week compared with the control group; the PWE group’s mean on this measure was almost

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<sup>4</sup>The administrative data from the National Directory of New Hires were supplemented with subsidized employment and earnings data from the South Bay Workforce Investment Board to capture the subsidized work from PWE and OJT.

<sup>5</sup>P-values are shown for all impacts in Appendix B.

**Figure 2.2**

**Impacts on Employment and Earnings After 30 Months**

		Difference (Impact)		
		PWE vs. Control	OJT vs. Control	PWE vs. OJT
<div style="border: 1px solid black; padding: 5px;"> <b>Total earnings in last year of follow-up (\$)</b>                      (administrative data)                 </div>	PWE	10,666		
	OJT	9,951	889	174
	Control	9,777		715
<div style="border: 1px solid black; padding: 5px;"> <b>Currently employed at time of 30-month survey (%)</b>                      (survey data)                 </div>		59.8		
		56.9	3.4	0.4
		56.5		2.9
<div style="background-color: #f0f0f0; padding: 5px;"> <b>Employment in last year of follow-up (%)</b>                      (administrative data)                 </div>		72.2		
		70.3	4.1 *	2.3
		68.0		1.9
<div style="background-color: #f0f0f0; padding: 5px;"> <b>More than 34 hours worked per week at 30-month survey (%)</b>                      (survey data)                 </div>		38.2		
		34.1	8.2 ***	4.1
		30.0		4.0
<div style="background-color: #f0f0f0; padding: 5px;"> <b>Hourly wage more than \$12.00 at 30-month survey (%)</b>                      (survey data)                 </div>		21.0		
		18.0	4.0 *	1.0
		17.0		3.0

SOURCES: MDRC calculations based on quarterly wage data from the National Directory of New Hires, program payroll records, and responses to the STED 30-month survey.

NOTES: Results are regression-adjusted, controlling for pre-random assignment characteristics.

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

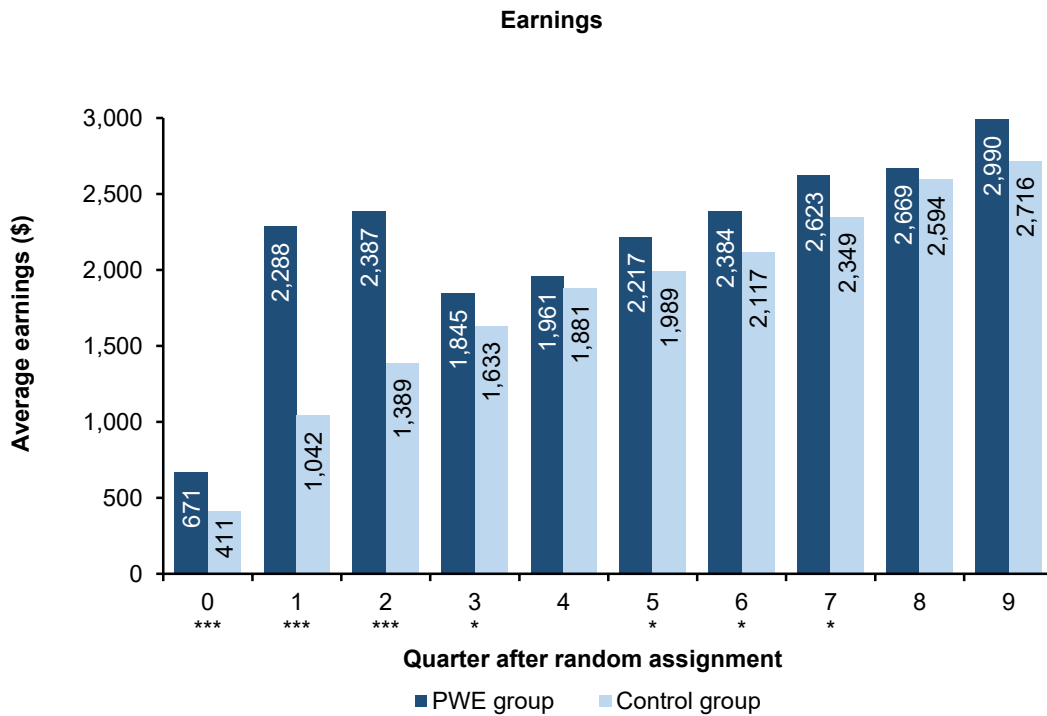
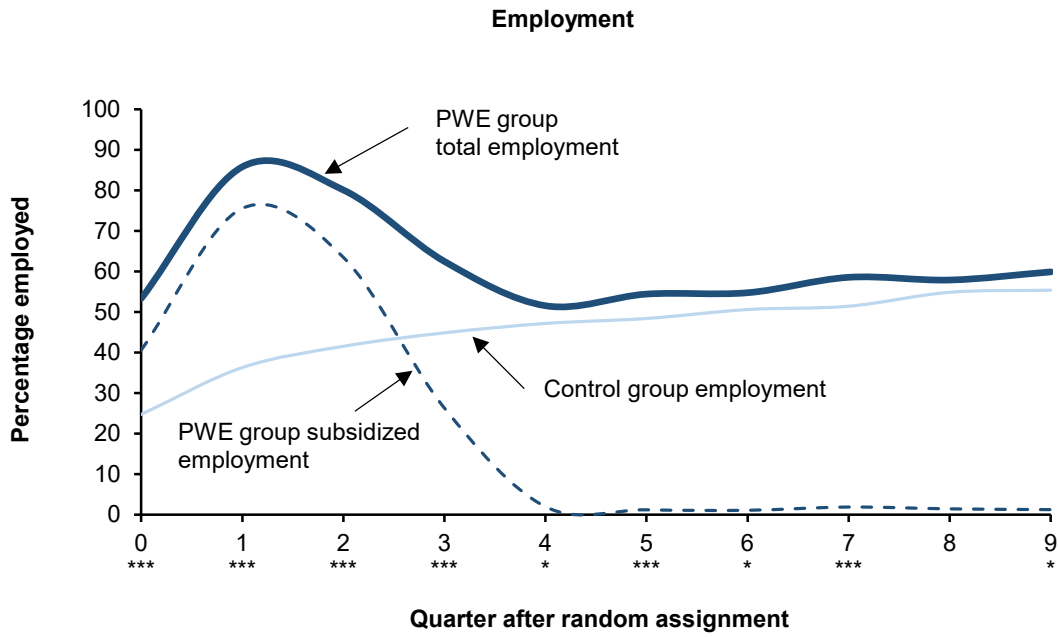
Sample sizes for survey measures are as follows: PWE (690), OJT (690), control (691); sample sizes for administrative measures are as follows: PWE (874), OJT (877), control (871).

Confirmatory measures are indicated by white boxes, while gray boxes indicate exploratory measures.

Employment and earnings measures from administrative data include both STED subsidized jobs and all other jobs covered by unemployment insurance.

**Figure 2.3**

**PWE Employment and Earnings Over Time**



(continued)

### Figure 2.3 (continued)

SOURCES: MDRC calculations based on quarterly wage data from the National Directory of New Hires, program payroll records, and responses to the STED 30-month survey.

NOTES: Results in this table are regression-adjusted, controlling for pre-random assignment characteristics.

Statistical significance levels for PWE versus control impacts are indicated as follows: \*\*\* = 1 percent; \*\* = 5 percent; \* = 10 percent.

Employment includes all employment covered by unemployment insurance and subsidized employment not covered by unemployment insurance wage records.

There were 10 PWE program group members who were working in subsidized jobs during the last year of follow-up.

30 percent higher than the control group's mean.<sup>6</sup> PWE group members were also 4 percentage points more likely to be paid more than \$12.00 per hour.<sup>7</sup> Lastly, PWE group members were nearly 5 percentage points more likely to report that they had health insurance through their employer, compared with the control group (Appendix Table B.8). Given that only 10 percent of control group members reported having this type of health insurance, PWE's impact on health coverage was quite large.

Taking the findings from the confirmatory and exploratory analyses together, the evidence suggests that PWE likely had a small impact on employment during the last year of the follow-up period — particularly formal employment that was covered by unemployment insurance — and may have improved the quality of group members' employment at the end of the follow-up period. OJT did not have any significant long-term impacts on employment or earnings aside from a small increase in the number of quarters the OJT group was employed in the last year of follow-up compared with the control group (also observed for the PWE group compared with the control group), and there were no long-term employment differences between PWE and OJT group members.

The general pattern of employment trajectories observed in Figures 2.3 and 2.4 is also noteworthy. The control group experienced steady gains in employment throughout the follow-up period, with the proportion of members who were employed increasing from 25 to 55 percent. For both program models, there was a large bump in employment during the first year as individuals were placed into subsidized jobs that ultimately dissipated as subsidies ended. This general pattern has been observed in other studies of subsidized employment programs.<sup>8</sup> There are some differences between the two program models, however: PWE (Figure 2.3) had a larger initial impact on employment than OJT (Figure 2.4) due to its higher placement rate, and the

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<sup>6</sup>The research team chose this number of hours per week for analysis because it aligns with the Bureau of Labor Statistics' definition of full-time employment (35 hours or more per week).

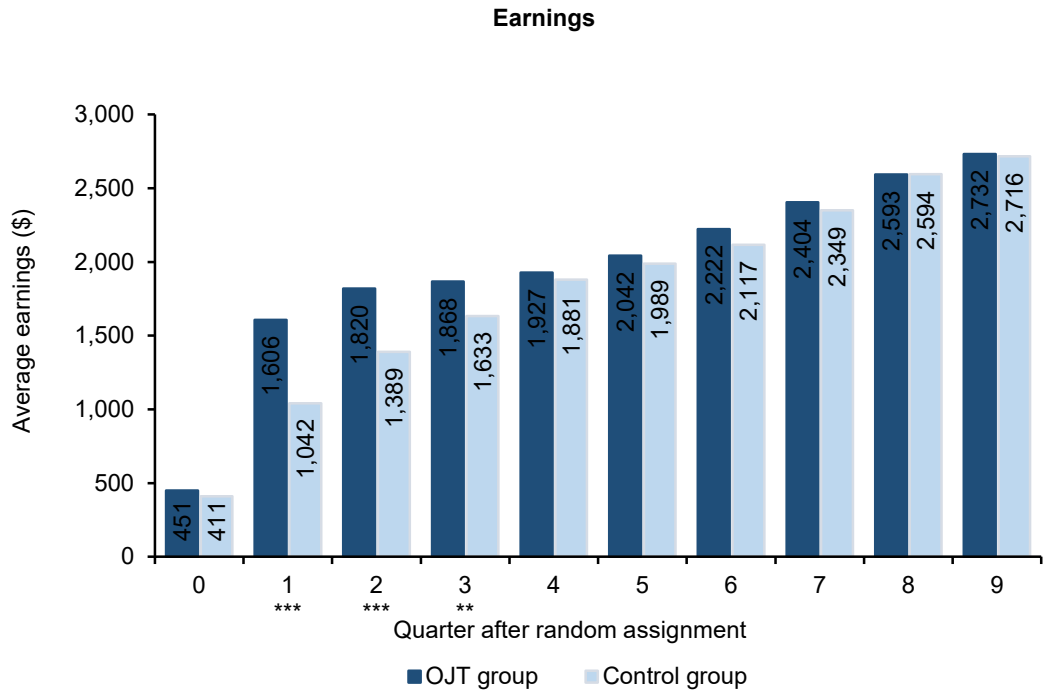
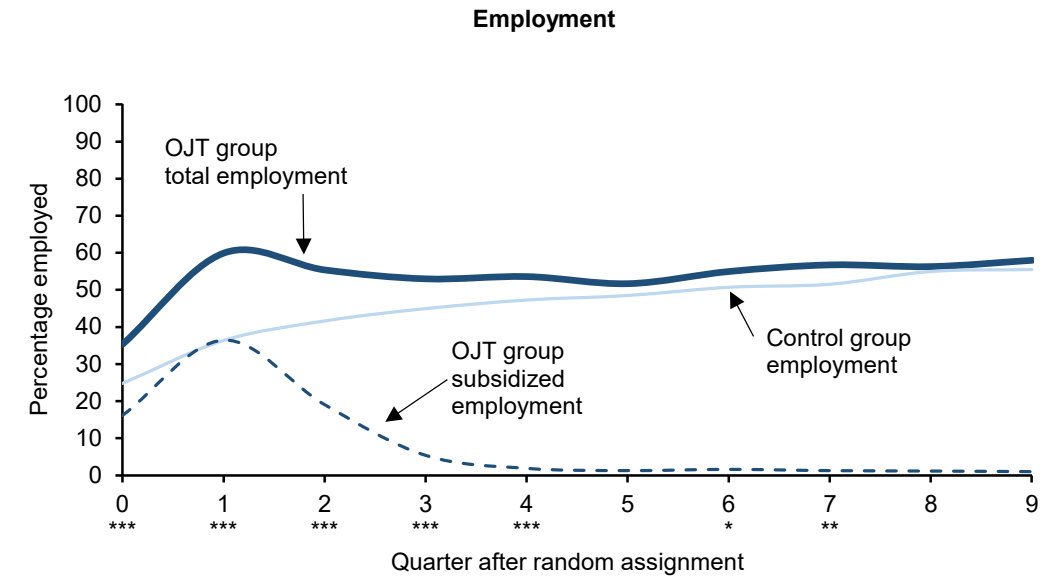
<sup>7</sup>Analysis for this finding included the full sample — that is, those who were working as well as those who were not working.

<sup>8</sup>Barden et al. (2018); Cummings, Farrell, and Skemer (2018); Valentine and Bloom (2011); Redcross, Miltenky, Rudd, and Levshin (2012).



**Figure 2.4**

**OJT Employment and Earnings Over Time**



(continued)

## Figure 2.4 (continued)

SOURCES: MDRC calculations based on quarterly wage data from the National Directory of New Hires, program payroll records, and responses to the STED 30-month survey.

NOTES: Results in this table are regression-adjusted, controlling for pre-random assignment characteristics.

Statistical significance levels for OJT versus control impacts are indicated as follows: \*\*\* = 1 percent; \*\* = 5 percent; \* = 10 percent.

Employment includes all employment covered by unemployment insurance and subsidized employment not covered by unemployment insurance wage records.

There were 15 OJT program group members who were working in subsidized jobs during the last year of follow-up.

employment rates of the PWE and control groups do not converge as closely as do the rates of the OJT and control groups toward the end of the follow-up period.

The bar charts at the bottom of Figures 2.3 and 2.4 show impacts on earnings by quarter. Both program models significantly increased quarterly earnings during the first year of follow-up, and PWE led to significant increases in earnings in several quarters after the first year, compared with the control group. Over the course of the entire follow-up period, PWE significantly increased earnings by \$3,914, on average, compared with the control group; OJT did not lead to statistically significant increases in earnings over this period, although OJT's increase in earnings of \$1,542 is close to being statistically significant with a p-value of 0.11. (See Appendix Table B.2.)

- **PWE's longer-term employment effects seem to be concentrated among those who had little recent work experience in the year before enrolling in the study.**

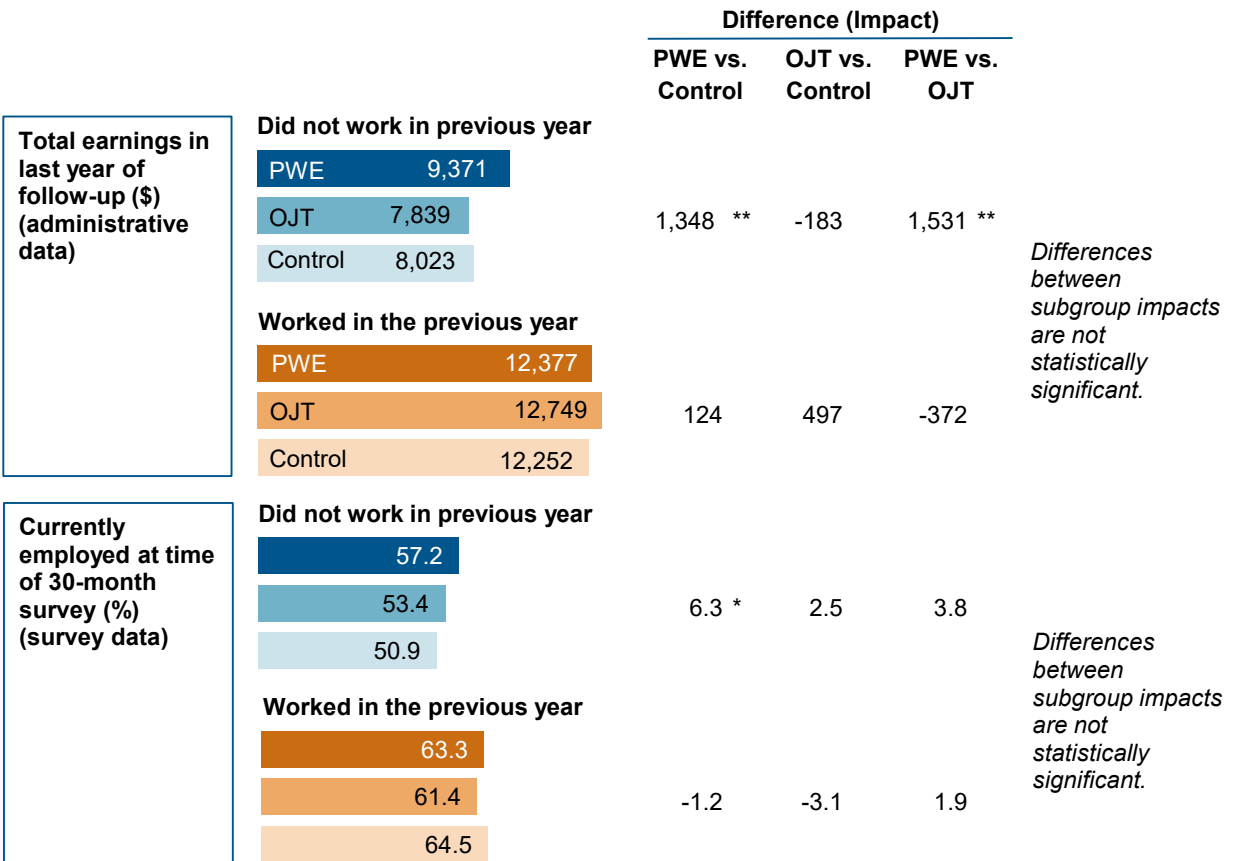
Figure 2.5 presents findings from a subgroup analysis of confirmatory employment and earnings measures. The research team compared impacts for those who did not work in the year before study enrollment with impacts for those who did work in the year before study enrollment. The hypothesis was that those who were less connected to the labor market might benefit more from subsidized jobs than those who had worked recently (and who therefore already had recent experience and skills to draw upon when seeking employment).<sup>9</sup> The figure shows that PWE had statistically significant positive impacts on the two confirmatory employment outcomes among those who lacked recent work experience, compared with similar individuals in the control group; however, the difference in impacts between the two subgroups is not statistically significant. An exploratory analysis of employment in the last year of follow-up based on administrative data

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<sup>9</sup>Those who did not work in the year before study enrollment had roughly the same rates of placement in subsidized employment as those who did work in the year before study enrollment. For those who did not work in the year before study enrollment, the rate of placement in PWE was 81 percent and the rate of placement in OJT was 41 percent. For those who did work in the year before study enrollment, the rate placement in PWE was 77 percent and the rate of placement in OJT was 43 percent.

Figure 2.5

Impacts on Employment and Earnings After 30 Months, by Employment Status at Baseline



SOURCES: MDRC calculations based on quarterly wage data from the National Directory of New Hires, program payroll records, and responses to the STED 30-month survey.

NOTES: Results are regression-adjusted, controlling for pre-random assignment characteristics.

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

Sample sizes for "did not work in previous year" are as follows: PWE (490), OJT (498), control (517); sample sizes for "worked in previous year" are as follows: PWE (384), OJT (379), control (354).

Subgroups are based on quarterly wage records from the National Directory of New Hires.

When comparing impacts between two subgroups, an H-statistic is generated. The H-statistic is used to assess whether the difference in impacts between the subgroups is statistically significant. None of the differences in impacts shown in this figure are statistically significant, as stated to the right of the bar graphs above.

provides additional insight. This analysis found that PWE significantly increased employment in the last year of follow-up among those who did not work in the year before enrollment, compared with similar individuals in both the control group (by over 7 percentage points) and the OJT group (by over 5 percentage points); the differences in these impacts between the subgroups are statistically significant. (See Appendix Table B.3.) Taken together, the evidence suggests that PWE's longer-term employment

effects were likely concentrated among those with little recent work experience, which is in line with the guiding hypothesis of this subgroup analysis.

## TANF Receipt

All sample members were receiving TANF benefits when they enrolled in the study.<sup>10</sup> This section investigates whether random assignment to either program group affected TANF receipt and benefit amounts in the 30 months that followed. The research team assessed impacts on these TANF outcome measures using data derived from administrative records from the Los Angeles Department of Public Social Services. Figure 2.6 shows impacts on selected TANF outcome measures. See Appendix Table B.4 for a full presentation of the findings from this analysis.

- **There are no statistically significant differences in the rate at which individuals across the three research groups received TANF during the last year of follow-up.**

As shown in Figure 2.6, about two-thirds of individuals across the three research groups received a TANF payment in the last year of follow-up. An analysis by quarter found that the percentage of sample members receiving TANF benefits declined steadily and similarly across the research groups from nearly 100 percent to about 50 percent over the course of the follow-up period. (See Appendix Table B.4.) This pattern is typical of TANF caseloads and is due to TANF recipients timing out of the TANF program; increasing their income by other means (such as employment); or other life events such as getting married, moving, or children aging out of eligibility.

The PWE group received an average of \$245 less in TANF payments during the last year of follow-up, compared with the control group.<sup>11</sup> This difference is statistically significant but very small, amounting to about \$20 per month. Over the course of the 30-month follow-up period, PWE and OJT significantly reduced TANF payments by \$820 and \$437, respectively, compared with the control group. (See Appendix Table B.4.) Reductions in TANF payment amounts were likely driven by higher earnings. California has a very generous earnings disregard for TANF that allows recipients to increase their earnings from employment quite substantially before they are at risk of completely losing their benefits; this earnings disregard explains why TANF payment amounts may have been slightly reduced while rates of receipt were not affected. Therefore, any longer-term gains in earnings experienced by the PWE group in the last year of follow-up were

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<sup>10</sup>TANF receipt rates are not 100 percent in Quarter 0 after random assignment in Appendix Table B.4 due to limitations in matching the study sample with administrative TANF records. All sample members needed to be receiving TANF in order to enroll in the study.

<sup>11</sup>As shown in Appendix Table B.4, PWE and OJT both led to reductions in the amount of TANF benefits received in the first year of follow-up that were larger than those observed in the last year of follow-up. The reductions in the first year of follow-up are explored further in the 2016 report (see Glosser, Barden, and Williams, with Anderson, 2016) and are likely due to the higher earnings that both groups had at that time.

**Figure 2.6**

**Impacts on TANF Receipt After 30 Months**

		Difference (Impact)		
		PWE vs. Control	OJT vs. Control	PWE vs. OJT
Ever received TANF payment in last year of follow-up (%)	PWE	64.5		
	OJT	67.1	-3.2	-2.6
	Control	67.7		
Amount of TANF payments in the last year of follow-up (\$)		3,145		
		3,241	-245 *	-96
		3,390		
Left TANF in 30-month follow-up period <sup>a</sup> (%)		66.7		
		66.4	3.6	0.3
		63.1		

SOURCE: MDRC calculations based on TANF data from the Los Angeles Department of Public Social Services.

NOTES: Results are regression-adjusted, controlling for pre-random assignment characteristics.

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

Sample sizes are as follows: PWE (874), OJT (877), Control (871).

<sup>a</sup>Measure is defined as leaving TANF for at least two consecutive months.

not great enough to completely lift PWE group members off TANF at a higher rate than other research groups, but they may have been large enough in the last year of follow-up to slightly reduce TANF benefit payment amounts.

## Combined Income

This section explores impacts on a composite measure of income, which combines earnings, TANF payments, food stamp payments, and unemployment insurance payments. The research team derived data for all payment measures from administrative records: The earnings and unemployment insurance payment measures were based on data from the National Directory of New Hires,<sup>12</sup> and the TANF and food stamp payment measures were based on benefit payment

<sup>12</sup>The earnings data from the National Directory of New Hires was supplemented with subsidized earnings data from the South Bay Workforce Investment Board to capture subsidized earnings from PWE and OJT.

data from the Los Angeles Department of Public Social Services. It is important to note that this composite income measure had limitations. Specifically, it may not have captured all of an individual's income and it did not include income received by other members of the household.<sup>13</sup> It therefore likely underestimated the true total incomes of sample members.

- **The three research groups had similar incomes in the last year of follow-up.**

Figure 2.7 shows the composite measure of income, its component measures, and differences between research groups on these measures during the last year of follow-up. See Appendix Table B.5 for impacts on these outcomes in the first year of follow-up. While PWE group members received an average of \$463 and \$333 more than control group members and OJT group members, respectively, during the last year of follow-up, these differences are not statistically significant. This finding indicates that any possible increase in earnings from employment for PWE group members during the last year of follow-up was largely offset by a reduction in benefit payment amounts. Findings from a separate analysis of impacts on income sources as reported on the 30-month survey tell a similar story; this analysis found that PWE had a small significant impact on income of \$90 in the past month. (See Appendix Table B.6.)

As shown in Appendix Table B.3, an analysis of income by subgroups based on recent employment history did not find any program-control group differences in impacts across these subgroups during the last year of follow-up. However, there was some evidence that PWE had more positive long-term impacts on income among those with little recent work experience, compared with OJT. The PWE groups' average income was \$1,147 higher than the OJT group's average income for this subgroup; this difference is statistically significant. The same was not observed among those who had worked in the year before study enrollment, and the difference in impacts between the subgroups is statistically significant. This finding suggests that the PWE model may have been a better fit for disadvantaged participants than the OJT model. That is, it might have been relatively easier to place the more disadvantaged participants into PWE positions than into OJT positions since the types of employers involved with the OJT model and the subsidy structure made it inherently more challenging. It also could have been that the services, such as help finding or keeping a job, mentoring, and help paying for child care, that more members of the PWE group reported receiving than the OJT group were particularly beneficial to these disadvantaged sample members. (See Chapter 1.)

Income increased during the study period for all three research groups to roughly \$17,000 in the last year of follow-up. As explained above, this measure likely underestimated the real incomes of individuals in the study. However, it is still striking that the average composite income

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<sup>13</sup>Types of income that this measure would not have captured include earnings not covered by unemployment insurance (for instance, babysitting), assistance from friends or family members, or benefits from other public assistance programs. It is worth noting specifically that this measure did not include child support, which may be particularly relevant given the TANF population in this study.

**Figure 2.7**

**Impacts on Combined Income in Last Year of Follow-Up**

		Difference (Impact)		
		PWE vs. Control	OJT vs. Control	PWE vs. OJT
<b>Combined Income (\$)</b> (sum of all sources below)	PWE	17,112		
	OJT	16,779	463	333
	Control	16,649		
<b>Earnings (\$)</b>		10,666		
		9,951	889	715
		9,777		
<b>TANF<sup>a</sup> (\$)</b>		3,146		
		3,243	-233	-98
		3,378		
<b>Food stamps (\$)</b>		3,151		
		3,363	-160	-211 **
		3,311		
<b>Unemployment insurance (\$)</b>		148		
		222	-34	-74 *
		182		

SOURCES: MDRC calculations based on quarterly wage data from the National Directory of New Hires, program payroll records, and TANF and Supplemental Nutrition Assistance Program (food stamps) data from the Los Angeles Department of Public Social Services.

NOTES: Results are regression-adjusted, controlling for pre-random assignment characteristics.

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

Sample sizes are as follows: PWE (874), OJT (877), control (871).

<sup>a</sup>TANF amounts may not equal those shown in Figure 2.5 due to rounding required to obtain National Directory of New Hires data.

was below the national poverty guidelines for a single parent household with two children (the average family composition of the study sample, as Table 1.2 shows), which was roughly \$20,000 during the period that corresponds to the last year of follow-up in this study.<sup>14</sup> This is a reminder that even though incomes did increase over the course of the study period, many were still struggling financially at the end of the follow-up period.

## Well-Being

Well-being is often related to and affected by changes in employment and earnings.<sup>15</sup> Since a central goal of the PWE and OJT models was to improve employment and earnings in the long run, this section explores whether the program models led to any longer-term impacts on well-being. In this report, well-being comprises measures of material hardship, health, and social support. Appendix Tables B.7 and B.8 show results for all outcomes studied.

- **There were few impacts on measures of well-being at the end of the follow-up period.**

Research groups were experiencing similar levels of material hardship and health at the end of the follow-up period. About half of all groups reported experiencing a financial shortfall in the past 12 months when surveyed 30 months after study enrollment, and over one-fifth reported that they did not have enough food in the past month. To put this finding in context, national statistics indicate that about 7 percent of households did not have access to adequate food in the past month when surveyed in December 2016.<sup>16</sup> OJT group members were significantly less likely to report experiencing serious psychological distress in the past month, compared with control group members, but it is unclear from the other impact findings presented in this chapter why this may have been the case. Three-fourths of sample members reported being in good, very good, or excellent health, which is about 10 percentage points lower than the rate reported by the general population of the United States.<sup>17</sup> Additionally, the percentage of sample members that reported having health insurance in the month before the survey was more than 10 percentage points lower than the national average for adults aged 18 to 64 in 2016.<sup>18</sup> As with the study sample's observed low income, these findings highlight the disadvantages that this population continues to face. Interestingly, even though many were experiencing material hardship, living below the poverty line, and experiencing poorer health compared with the general population, the vast

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<sup>14</sup>Office of the Assistant Secretary for Planning and Evaluation (2016).

<sup>15</sup>Williams and Hendra (2018).

<sup>16</sup>This figure is based on a food security scale used by the United States Department of Agriculture. United States Department of Agriculture (2017).

<sup>17</sup>Smith, Marsden, Hout, and Kim (2017).

<sup>18</sup>Center for Disease Control and Prevention (2016).



majority of sample members reported being pretty or very happy.<sup>19</sup> These levels of happiness are in line with those reported by the general population in the United States.<sup>20</sup>

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<sup>19</sup>PWE and OJT did not have any significant impacts on happiness measures at the time of the 4-month, 12-month, or 30-month surveys. However, a recent study that pooled data from a series of STED sites, including Los Angeles, to examine the relationship between well-being and employment found that program group members generally experienced gains in happiness measures during the time when many were working in subsidized jobs, relative to control group members. These effects dissipated as participants left subsidized jobs. See Williams and Hendra (2018).

<sup>20</sup>Smith, Marsden, Hout, and Kim (2017).

## Chapter 3

# Cost Analysis

This chapter presents the costs of services provided to Paid Work Experience (PWE), On-the-Job Training (OJT), and control group members during the first year following random assignment. It includes the costs of the Transitional Subsidized Employment (TSE) program services that only PWE and OJT group members could access from local Worksource Centers in Los Angeles County. In addition, it includes the costs of other services that all sample members may have received, including the cost of job search and job-readiness assistance, case management, and supportive services, provided by the Greater Avenues for Independence (GAIN) program, and the cost of education and training services provided by outside agencies that fulfilled welfare-to-work participation requirements.

The chapter begins with a description of the methodology and data sources used to estimate the costs. It then presents an estimate of the cost of services for each research group and the difference in the cost of services provided to PWE and OJT program group members relative to the control group members.

## Methodology

The cost analysis estimates the one-year cost of each program model based on county expenditure data for the July 2013 through June 2014 fiscal year, a period when many participants received services after entering the study.<sup>1</sup> All costs have been adjusted to 2016 dollars for this analysis.

During the one-year period following random assignment, most study group members had to participate in employment-related services in order to receive their full Temporary Assistance for Needy Families (TANF) benefits, and their program participation was recorded in the county's management information system (MIS). The analysis estimates the costs of the services recorded in the MIS and not the costs of services that staff were unaware of or services that participants received after leaving the TANF program. Given that most sample members did not exit the TANF program during the one-year follow-up period, as shown in Appendix Table B.4, the MIS likely captured most employment and education services provided to sample members.

The costs are grouped into the following three categories: GAIN (non-TSE), TSE, and education and training services.

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<sup>1</sup>To estimate TSE operating costs, the research team used expenditure data covering July 2013 to December 2013, when the program served program group members exclusively.

## **GAIN (non-TSE) Service Costs**

The GAIN service cost category consists of the costs of case management, job club, counseling (substance abuse counseling, mental health counseling, and domestic violence services), and supportive services paid by the Los Angeles Department of Social Services.

The per-person cost per program component was determined by two factors: the unit cost, which is the cost of serving one person in the component for one month, and the average number of months sample members spent in the component. The research team estimated the unit cost for each component from county expenditure reports, which itemize the total annual costs that Los Angeles County spent for each component, and from CalWORKs welfare-to-work monthly activity reports, which list the number of all GAIN participants in Los Angeles who received these services each month in the year. The component cost per research group member was calculated by multiplying the unit cost estimate by the average number of months that sample members in each group spent in the corresponding component.

The research team did not have specific information on how much case management and supportive services sample members received during the one-year follow-up period. Case management refers to the services provided by GAIN service workers, who are responsible for referring participants assigned to their caseload to program activities, monitoring their participation, and ensuring that they receive needed supportive services. The research team assumed that for every month research group members received TANF benefits, they received some level of GAIN case management. The team estimated the monthly cost of case management by dividing total annual case management expenditures by the number of GAIN enrollees each month in the year. This monthly cost was applied to the average number of months each research group received TANF benefits during the one-year follow-up period.

The supportive services costs comprise the cost of child care, transportation subsidies, and ancillary supports, which includes clothing, books, supplies, and other expenses required for a job or program activity. Similar to the calculation for case management, the research team did not have information on the sample members' receipt of supportive services. Unlike case management, which is provided to all GAIN enrollees regardless of their participation in activities, supportive services are only provided to GAIN participants who are participating in program activities. Therefore, instead of dividing expenditures across GAIN enrollees, the team estimated the monthly cost per person participating in program activities. The team then multiplied this monthly cost by the average number of months each research group participated in program activities to get the per-person cost.

## **TSE Costs**

The Los Angeles Department of Public Social Services contracts with South Bay Workforce Investment Board to oversee the administration of the TSE program, which, in turn, sub-contracts with Worksource Centers in the county to provide the TSE services. To cover program operations, the South Bay Workforce Investment Board paid Worksource Centers \$1,200 for every participant placed in a subsidized position, \$400 for each participant who moved into a full-

time unsubsidized job for at least 30 days, and \$200 for each participant who moved into a part-time unsubsidized job for at least 30 days. This pay structure was the same for both PWE and OJT. The TSE operating costs include these payments made to the Worksource Centers and the South Bay Workforce Investment Board's administrative costs.

To estimate the costs of the PWE and OJT models, the research team allocated a proportion of the TSE operating costs to each model using results from a staff time study that it conducted during a two-week period in October 2013. Though there were differences in how Worksource Centers staffed the TSE program, most staff worked with participants assigned to both PWE and OJT. In this time study, TSE staff recorded how they spent their time, separating out the time they spent providing case management, job search assistance, job development, and post-placement assistance to PWE participants from time spent providing these services to OJT participants.

To estimate the unit monthly cost of PWE and OJT services, the research team divided the total cost of each model from July 2013 to December 2013 by the number of participants in each group who were enrolled in the program each month during that period. The estimated operating cost equals the monthly cost multiplied by the average number of months participants were in each model.

Wages for the PWE and OJT groups came from payroll records. Since the TSE program provided workers' compensation benefits for the subsidized employment, the research team estimated the workers' compensation costs based on the average wages.

### **Education and Training Services**

As noted above, participants were required to participate in employment-related services. Some fulfilled this requirement by participating in education or training services. These services were not, for the most part, a cost to the Department of Public Social Services, but were paid by other agencies. Since it was not known from which institutions participants received the services, to estimate the cost of these services, the research team relied on public sources. Basic education costs were calculated for California from the U.S. Department of Education's Office of Career, Technical, and Adult Education's National Reporting System. To estimate vocational and post-secondary education services, the research team assumed most sample members received these services from the public community college system in Los Angeles and estimated the costs of these services from the U.S. Department of Education's National Center for Education Statistics' Integrated Postsecondary Education Data System (IPEDS).

### **Costs**

Average costs are divided into three categories — GAIN services, TSE services, and education and training services — for each research group. (See Table 3.1.)

**Table 3.1****Estimated Net One-Year Cost per Program Group Member (in 2016 dollars)**

Component	Gross Costs			Difference (Net Costs)		
	PWE Group	OJT Group	Control Group	PWE - Control	OJT - Control	PWE - OJT
<b>GAIN Costs (excluding TSE)</b>						
Case Management	1,234	1,234	1,258	-24	-24	0
Job Club	677	735	730	-53	5	-58
Counseling <sup>a</sup>	354	382	639	-285	-257	-28
Support Services	1,971	1,669	1,544	427	125	302
<b>Total GAIN costs</b>	<b>4,236</b>	<b>4,020</b>	<b>4,171</b>	<b>65</b>	<b>-151</b>	<b>216</b>
<b>TSE Costs</b>						
Program operations	1,382	1,607	0	1,382	1,607	-225
Wages	3,979	1,106	0	3,979	1,106	2,873
Workers compensation	43	12	0	43	12	31
<b>Total TSE costs</b>	<b>5,404</b>	<b>2,725</b>	<b>0</b>	<b>5,404</b>	<b>2,725</b>	<b>2,679</b>
<b>Non-GAIN Costs</b>						
Remedial education (ABE)	117	163	256	-139	-93	-46
Vocational training/postsecondary education	485	679	1,114	-629	-435	-194
<b>Total non-GAIN costs</b>	<b>602</b>	<b>842</b>	<b>1,370</b>	<b>-768</b>	<b>-528</b>	<b>-240</b>
<b>Total costs</b>	<b>10,242</b>	<b>7,587</b>	<b>5,541</b>	<b>4,701</b>	<b>2,046</b>	<b>2,655</b>

SOURCES: MDRC calculations based on GAIN expenditure reports; program participation data from the Los Angeles Department of Public Social Services; CalWORKs Welfare-to-Work Monthly Activity Reports; a staff time study; the U.S. Department of Education's Office of Career, Technical, and Adult Education's National Reporting System; and the U.S. Department of Education's National Center for Education Statistics' Integrated Postsecondary Education Data System (IPEDS).

**NOTE:**

<sup>a</sup>Counseling includes domestic violence, substance use disorder, and mental health services.

**GAIN Costs**

Over the first year of follow-up, the PWE group and OJT group received 9.9 months of TANF benefits, on average, compared with 10.1 months for the control group. As a result, the costs of GAIN case management are similar across the groups, though slightly higher for the control group.

The participation patterns differed by group. The PWE group spent 7.5 months participating in GAIN activities, compared with 6.4 month for the OJT group, and 5.9 months for the

control group. As a result, the costs of supportive services (child care, transportation subsidies, and other supports for work-related expenses) were higher for the PWE group than for the other two groups.

Other services that sample members received through the GAIN program included job club and counseling (domestic violence, substance use disorder, and mental health services). While all participants had attended job club before random assignment, some participated in this activity, again, after random assignment, resulting in a cost that was equivalent across all groups. The control group received more counseling services than the other two groups.

Overall, the per-person GAIN costs were slightly higher for the PWE group relative to the other two groups, stemming from the extra time PWE group members spent participating in GAIN activities, which resulted in higher costs for supportive services. The GAIN costs averaged \$4,236 for PWE group members, \$4,020 for OJT group members, and \$4,171 for control group members.

### **TSE Costs**

The per-person TSE program costs (not including wages and workers' compensation) were slightly lower for the PWE program group (\$1,382) than for the OJT program group (\$1,607). The monthly per-person cost of the PWE model was less than half that of the OJT model (\$284 and \$659, respectively). Staff spent a disproportionate amount of their time helping OJT participants find job placements compared with PWE participants, which is not surprising given that staff had PWE job placements readily available for participants in this group, while OJT placements required more outreach to individual private sector employers. While the monthly cost was lower for PWE, the PWE group spent more time in TSE than the OJT group (4.9 and 2.4 months, respectively). Still, the TSE program costs were lower overall for the PWE group due to the lower monthly cost.

PWE group members received almost four times as much in subsidized wages as the OJT group (\$3,979 and \$1,106, respectively).<sup>2</sup>

The total TSE costs, which included the program costs, wages, and workers' compensation, averaged \$5,404 for PWE group members and \$2,725 for OJT group members.

### **Education and Training Services**

In the first year of follow-up, members of both program groups were less likely than the control group to report participation in education, particularly postsecondary education leading to a degree. This decrease could have occurred because program group members who were busy in subsidized employment had less time available to pursue education, or because control group members who did not have access to subsidized employment pursued education in order to improve their employability and to fulfill TANF work activity requirements. The costs of these

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<sup>2</sup>In addition to the subsidized wages, the OJT group that continued to work in the third through sixth months received an additional, unsubsidized amount from the employer.

services averaged \$1,370 for control group members, compared with \$602 for PWE group members and \$842 for OJT group members.

### **Net Costs**

The net cost in this study is the difference between the costs of the services that the PWE and OJT groups received and the cost of the services that the control group received. Table 3.1 shows the difference between the costs of the PWE and OJT models. The PWE group's per-person net cost averaged \$4,701 and the OJT group's per-person net cost averaged \$2,046. These costs represent what the county spent over and above what it spent on control group members. The PWE model cost \$2,655 more per person than the OJT model, which is primarily due to the difference in subsidized wages paid to PWE participants relative to OJT participants.

It is helpful to compare the net costs with the program models' impacts on the main outcomes. While the PWE model was more expensive, it generated larger impacts than OJT. As shown in Chapter 2, over 10 quarters, the PWE model significantly increased individual earnings by \$3,914, whereas the OJT model increased earnings by \$1,542; this difference is not statistically significant. While both program models significantly reduced the amount of TANF benefits — by \$820 for PWE group members and \$437 for OJT group members — neither approach likely led to overall savings to the government during this period.<sup>3</sup>

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<sup>3</sup>A benefit-cost analysis is required to assess the overall financial gains and losses produced by the two program groups from the perspectives of the participants, the government, and society. A benefit-cost analysis examines additional measures that go beyond the measures presented in this report, including the potential costs and benefits associated with increased earnings, including effects on taxes, fringe benefits, and work-related costs, and reduced government benefits, including reductions in administrative costs related to eligibility.

## Chapter 4

# Conclusion

This report provides final findings from the Subsidized and Transitional Employment Demonstration (STED) evaluation in Los Angeles County. Two different approaches to subsidized employment targeting recipients of Temporary Assistance for Needy Families (TANF) were tested for their longer-term effects on employment and earnings and on other related outcome domains. The results provide important insights into the viability and effectiveness of subsidized employment as a welfare-to-work strategy for people receiving TANF in a large county welfare program.

### Summary of Findings

- **Although both program models were implemented well overall, subsidized job placement rates and placement duration varied considerably among service providers.**

The study found that 79 percent of Paid Work Experience (PWE) group members and 42 percent of On-the-Job Training (OJT) group members were placed in subsidized employment. These placement rates compare favorably with those observed for similar models in other studies, suggesting that both approaches were implemented well overall.<sup>1</sup> However, there was substantial variation in the placement rates and placement durations among Worksource Centers — the organizations responsible for day-to-day program implementation. This variation may be due at least in part to Los Angeles County’s large geographic size; available employment opportunities, the strength of the local economy, and the types of industries operating in any given area varied considerably across the county and therefore among Worksource Centers depending on their location. Regardless, this variation was observed for both program models but was particularly wide ranging for OJT, and it suggests that not all members of either program group received the same application of the respective model.

Important lessons and implications can be drawn from the variation in this implementation story. First, the variation highlights the fact that these program models were tested in a complex, real-world setting where the preferences of employers and availability of jobs presented formidable challenges, particularly for OJT. Additionally, the findings show that it is possible to implement both subsidized employment models well for TANF recipients in an extremely large county-run welfare-to-work program.<sup>2</sup> The more successful service providers were able to place 100 percent of PWE group members and over 75 percent of OJT group members into subsidized jobs. Lastly, the variation in implementation suggests that impacts may vary by Worksource Center; since placement variation was particularly wide among Worksource Centers operating the

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<sup>1</sup>Bloom (2010); Barden et al. (2018); Walter, Navarro, Anderson, and Tso (2017); Bloom et al. (2009); Redcross et al. (2009).

<sup>2</sup>There were roughly 50,000 enrolled families on the Los Angeles County welfare-to-work caseload during the study enrollment period. See California Department of Social Services (2018a, 2018b).



OJT model, it may be particularly relevant for interpreting the OJT results. The research team did not explore an impact analysis by Worksource Center in this report due to data and methodological limitations.

- **There is some evidence that PWE led to a small positive impact on employment in the last year of follow-up and that this effect was concentrated among those with little recent work experience. However, this effect was not large enough to reduce TANF receipt rates or to increase sample members' income in the long run.**

The weight of the evidence suggests that PWE had a small positive effect on longer-term employment and may have led to slightly improved job quality at the end of the follow-up period. This small positive employment impact was likely concentrated among those with little recent work experience. PWE's impact on the confirmatory measure of earnings during the last year of follow-up narrowly missed the study's threshold for statistical significance.

There were no significant differences in total income across research groups in the last year of follow-up. Therefore, any small increase in earnings due to employment for PWE group members in the last year of follow-up was offset by reductions in benefit amounts they received. PWE group members were no more likely to have left TANF by the end of the follow-up period compared with other groups, suggesting that any increase in earnings from employment was not enough to lift individuals off TANF at higher rates.

Both models led to sizable increases in employment and earnings during the first year following study enrollment, when many program group members were being placed into subsidized jobs. As subsidies ended, however, the differences in employment and earnings between program and control group members began to narrow. This general pattern has been observed in other studies of subsidized employment programs.<sup>3</sup> There were some important differences in this pattern between PWE and OJT, however: The initial bump in employment and earnings among PWE group members was much larger due to the group's higher rate of placement in subsidized employment and longer placement duration, and the PWE group converged slightly less with the control group toward the end of the follow-up period than the OJT group. The control group saw a steady rise in employment throughout the follow-up period.

While PWE and OJT had negative short-term impacts on some measures of educational participation and attainment, there were no differences in education and training outcomes across research groups by the end of the follow-up period. Additionally, the program and control groups were generally similar in overall well-being at the end of the last year of follow-up. The OJT model did not have meaningful long-term impacts on any of the outcome domains.

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<sup>3</sup>Redcross, Millenky, Rudd, and Levshin (2012); Valentine and Bloom (2011); Barden et al. (2018); Cummings, Farrell, and Skemer (2018).

- **The government spent more on the PWE and OJT groups than it spent on the control group, and more on the PWE group than on the OJT group.**

The net cost per person — that is, the cost of the program per person *over and above* the cost of services that the control group received per person — was \$4,701 for the PWE group and \$2,046 for the OJT group. The difference of \$2,655 in net costs between the two approaches can be attributed to PWE’s higher placement rates: PWE group members received about \$2,900 more in subsidized wages than OJT group members. In other words, a large share of PWE’s additional costs are direct income transfers to PWE group members.

## **Program and Policy Implications**

Findings from this report offer lessons to policymakers about potential benefits and challenges to implementing these two different approaches to subsidized employment in the context of a TANF program.

- **Consistent with recent research on subsidized employment programs for disadvantaged populations, this study found that the model that places participants with employers in the public or nonprofit sector is easier to implement than the wage subsidy model that places participants with for-profit employers in the private sector.**

Final impact findings suggest that the PWE model may have had small long-term impacts on employment and job quality, with employment impacts concentrated among those with little recent work experience. OJT, on the other hand, did not have any noteworthy longer-term impacts on employment outcomes. These differences in long-term impacts may be somewhat driven by differences between the two models in subsidized job placement rates and placement durations.

A combination of factors related to employer type and subsidy structure may underlie these differences. For example, a larger share of PWE group members reported receiving supportive services in the year after study enrollment. It is possible that PWE placements, which were in government agencies or nonprofit organizations, offered participants a more supportive environment that was especially beneficial to TANF recipients. Differences in subsidy structure may have also come into play. PWE offered fully subsidized placements and the participant remained on the program provider’s payroll for the entire period. OJT, by contrast, involved considerably higher risks for employers, who were expected to transfer participants onto their payroll after a two-month trial period and could subsequently receive a partial wage subsidy. Given these higher risks, it follows that the initial placement rate for OJT would be considerably lower than that for PWE, and that this lower rate could result in smaller impacts on employment and earnings for OJT group members compared with PWE group members. Other recent evaluations of subsidized employment approaches have found similar patterns when examining these types of

models.<sup>4</sup> The wider variation in implementation of the OJT model across Worksource Centers may also be due to the model's inherently higher risks for employers that make it more difficult to run, compared with the PWE model.

The implementation findings also raise important questions about the design of the OJT model. Compared with OJT placements, PWE placements were far more likely to continue past the second month, the time when OJT participants were expected to move onto employers' payrolls. It could be that two months was too short a period for employers to properly assess participants' skills and value to the company. However, many companies have probationary periods for new employees that are only slightly longer. Requiring employers to place participants directly on their payrolls from day one may be one way to avoid this sharp drop-off, but recent studies of similar approaches suggest that doing so may reduce the initial placement rate and may not necessarily translate into substantially longer placement durations.<sup>5</sup> In sum, implementing a large-scale, private sector wage subsidy model for disadvantaged populations such as OJT seems to be particularly challenging. Historically, more successful versions of wage subsidy models were typically more selective in whom they served or were smaller in scale than the OJT model in this study.<sup>6</sup>

- **Public or nonprofit sector models appear to have the greatest success when they target more disadvantaged groups.**

While the PWE model was relatively easier to implement and likely led to larger impacts on employment and earnings, compared with the OJT model, there is also evidence that targeting PWE to a more disadvantaged subgroup of TANF recipients may yield greater impacts. The subgroup analysis revealed that the PWE model's positive impact on employment was likely concentrated among those with little recent work experience. Other studies of subsidized employment approaches have similarly found that there is greater potential for employment impacts when they target a more disadvantaged population.<sup>7</sup> For example, a recent study of seven enhanced subsidized employment models that served noncustodial parents and formerly incarcerated individuals found that targeting chronically unemployed subpopulations led to larger short-term increases in employment and earnings.<sup>8</sup> The same study also observed that placements in the public or nonprofit sector were most successful among this more disadvantaged subgroup.

- **When evaluating success, it is important to consider the goals of subsidized employment programs for TANF recipients.**

In the year after study enrollment, both PWE and OJT dramatically increased employment and earnings by quickly putting to work program group members who had struggled to find jobs. When subsidized jobs were offered to PWE and OJT group members, they readily accepted

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<sup>4</sup>Barden et al. (2018); Walter, Navarro, Anderson, and Tso (2017).

<sup>5</sup>Barden et al. (2018); Walter, Navarro, Anderson, and Tso (2017).

<sup>6</sup>Auspos, Cave, and Long (1988); Freedman et al. (1988); Orr et al. (1996).

<sup>7</sup>Barden et al. (2018); Bloom et al. (2009).

<sup>8</sup>Barden et al. (2018).

them and were willing to work, even in relatively low-paying and low-skilled jobs. Additionally, providers met the sample size goal for this study without any difficulty, which suggests there was ample demand for the subsidized employment program among TANF recipients. These findings are noteworthy and provide evidence that subsidized jobs are an effective mechanism for getting money into the pockets of individuals struggling in the labor market and providing them with needed work experience. In addition to these short-term gains, the models were also successful as an option for TANF recipients to meet their work participation requirements.

Yet the final impact findings for OJT revealed few longer-term effects, and the final impact findings for PWE indicate only a small long-term impact on employment, which is offset by reductions in public assistance benefits and not large enough to affect income or rates of benefit receipt.<sup>9</sup> Program group members did not make any long-term tradeoffs in education or well-being outcomes. However, many individuals across all research groups were still struggling financially at the end of the follow-up period. The findings suggest that the OJT model as implemented in this study is less successful at improving longer-term outcomes among the TANF recipients it served.

Given that the long-term findings for the PWE model were mixed, the assessment of its long-term success is more subjective. Some TANF administrators may believe that the model was successful because it reduced TANF benefit payments (however slightly) due to greater employment, while others may believe it was less successful since it did not prompt PWE group members to leave TANF at higher rates in the long term. Some may believe that the model did not go far enough since there were no long-term effects on income, although many would also argue that, despite the model's null long-term effect on income, both PWE group members and society are better off if a greater share of income is derived from earnings rather than public assistance. The net costs of implementing the PWE model should also be considered. At about \$4,700 per group member, they were higher than the savings in public assistance benefits. For some, these costs may outweigh any of the abovementioned benefits; for others, achieving the programmatic goals may be worth the costs.

## Next Steps

This is the final report in the evaluation of Los Angeles County's Transitional Subsidized Employment program. A future report will analyze findings across 13 subsidized jobs programs that MDRC evaluated as part of the STED evaluation and the Enhanced Transitional Employment Demonstration, funded by the U.S. Department of Labor. It will determine what cross-cutting lessons can be learned from these programs and evaluations to inform the development of future employment programs.

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<sup>9</sup>California has a very generous earnings disregard for TANF that allows recipients to increase their earnings from employment quite substantially before they are at risk of completely losing their benefits. This means that PWE group members would have needed to earn substantially higher amounts from employment than was observed for PWE to have prompted group members to leave the TANF program in the longer term at higher rates. It also explains why TANF payment amounts were reduced while rates of TANF receipt were not.

**Appendix A**

**Survey Response Bias Analysis**



This analysis examines the survey response for the last of three surveys administered as part of the STED Los Angeles evaluation, which was administered at roughly 30 months after random assignment.<sup>1</sup> A subset of the full study sample completed each survey; therefore, it is possible that those who participated in the surveys are not representative of the full study sample, which could introduce bias into the estimates produced from the survey data. It is likely that the survey response sample differs slightly from the full study sample in terms of sociodemographic characteristics, as certain characteristics such as age, gender, and stability are generally associated with survey response. Differences between program and control group respondents are the main concern: If there are differences between the type of program group member who responds to the surveys and the type of control group member who responds to the surveys, impact estimates based on the surveys may be biased.

Overall, the administration of the survey was fair, with a response rate of about 79 percent, and most interviews were completed on time (that is, within the survey fielding window of four months). There are a few small differences between the sociodemographic characteristics of the survey respondents and nonrespondents, which, for the reasons described above, is a typical finding of survey response analysis. However, the baseline characteristics of the members of the three research groups are similar within the survey response sample. In addition, program impacts on administrative outcomes among survey respondents are comparable to those estimated for the full study sample, indicating that there was limited survey response bias.

## Response Differences

To test whether survey respondents differed from nonrespondents, the research team compared the sociodemographic characteristics of these two groups. As shown in Appendix Table A.1, respondents of the 30-month survey differed significantly from nonrespondents on a couple of characteristics. Specifically, respondents were more likely to be female and to be black, and they were less likely to be Hispanic, white, or another race. These response patterns are similar to those for the 12-month survey.

Because the comparison of a series of characteristics is susceptible to false positives, the research team conducted a global test of the relationship of these characteristics to response status. This test is conducted by estimating a regression model predicting survey response, and the test statistic reported for each characteristic indicates whether that characteristic has a statistically significant association with survey response, controlling for the other characteristics. The joint test indicates whether the characteristics collectively have a statistically significant association with survey response. A few characteristics — specifically, age, gender, and race — have significant effects. The overall joint test is also statistically significant, indicating that response status for this survey can be predicted by these characteristics. These associations may indicate some level of

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<sup>1</sup>The two other surveys used in this evaluation, administered at roughly 4 and 12 months after random assignment, showed few signs of response bias. See Glosser, Barden, and Williams, with Anderson (2016).

response bias, but this bias would primarily affect outcome estimates rather than impact estimates, as the bias affects both program and control group members.

Of primary concern in an impact analysis are differences between research groups within the respondent sample. If respondents' sociodemographic characteristics vary by research group, the impact estimates may not reflect true differences between groups. Thus, the research team compared sociodemographic characteristics of survey respondents by research group. As shown in Appendix Table A.2, survey respondents were similar across research groups, and the joint test of the association between sociodemographic characteristics and research groups for survey respondents was not significant. Thus, the impact estimates presented in the report are unbiased in terms of sociodemographic characteristics.

## **Impact Differences**

Another way to assess possible bias arising from survey response rates is to examine differences between the full sample and the survey respondents in impacts measured with administrative data. If the differences between the program and control groups in the survey respondent sample are not similar to those observed for the full impact sample, it would indicate that the respondent sample is not representative and therefore impact estimates based on the survey may be biased. Appendix Table A.3 shows selected 30-month impacts based on administrative data for the study and survey respondent samples. Though the magnitude of the impacts varies slightly between samples, the overall pattern is generally the same. When multiple outcomes are tested, the results are susceptible to false positives. Thus, the research team performed a joint test to assess differences in multiple outcomes simultaneously. This test found that there were no significant differences in impacts on employment and earnings and TANF receipt outcomes between survey respondents and the impact sample.



## Appendix Table A.1

### Selected Baseline Characteristics of Survey Respondents and Nonrespondents

Characteristic	30-Month Survey			Impact Sample
	Respondents	Nonrespondents	P-value	
Age			0.554	
18 to 24 years	24.7	25.4		24.9
25 to 34 years	42.0	44.5		42.5
35 to 44 years	22.0	20.0		21.5
45 or more years	11.3	10.2		11.1
Female (%)	87.9	76.6 ***	0.000	85.5
Race/ethnicity (%)			*** 0.003	
Hispanic	54.0	57.5		54.7
White, non-Hispanic	6.1	7.9		6.5
Black, non-Hispanic	33.2	25.6		31.6
Other, non-Hispanic	6.8	9.0		7.2
Ever employed (%)	94.0	93.6	0.756	93.9
Ever employed for six months or more at same job (%)	52.5	48.8	0.127	51.7
Number of minor children (%)			0.316	
One	52.1	56.1		53.0
Two	27.8	26.9		27.6
Three	13.7	12.0		13.3
Four or more	6.4	5.1		6.1
Educational attainment (%)			0.720	
No degree	39.0	39.4		39.0
High school diploma or equivalency credential	33.8	35.2		34.1
Some college	22.5	20.3		22.1
Bachelor's degree	4.7	5.1		4.8
Disabled (%)	1.8	0.9	0.128	1.6
Lifetime TANF reciprocity (%)			0.166	
Less than 12 months	30.8	35.2		31.7
12 to 23 months	23.6	22.7		23.4
24 to 35 months	21.4	21.4		21.4
36 months or more	24.2	20.7		23.5

(continued)

**Table A.1 (continued)**

Characteristic	30-Month Survey			Impact Sample
	Respondents	Nonrespondents	P-value	
Monthly income (%)			0.957	
None (\$0)	1.2	1.1		1.2
\$1 to \$500	33.4	31.8		33.1
\$501 to \$1,000	47.8	48.8		48.0
\$1,001 to \$2,500	15.7	16.3		15.8
More than \$2,500	1.9	2.0		1.9
Sample Size	2,071	551		2,622

SOURCE: MDRC calculations using responses to the STED 30-month survey and baseline data collected on the Los Angeles Department of Public Social Services' GAIN Employment Activity and Reporting System.

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

**Appendix Table A.2**  
**Selected Baseline Characteristics of Survey Respondents,**  
**by Research Group**

Characteristic	30-Month Survey			P-value
	PWE Group	OJT Group	Control Group	
Age				0.508
18 to 24 years	23.3	25.7	25.2	
25 to 34 years	42.0	39.6	44.3	
35 to 44 years	22.5	23.2	20.3	
45 or more years	12.2	11.6	10.3	
Female (%)	86.5	88.0	89.1	0.326
Race/ethnicity (%)				0.993
Hispanic	54.5	53.8	53.6	
White, non-Hispanic	5.8	6.3	6.1	
Black, non-Hispanic	32.5	33.7	33.4	
Other, non-Hispanic	7.2	6.3	6.9	
Ever employed (%)	94.3	92.8	94.9	0.213
Ever employed for six months or more at same job (%)	52.9	54.5	50.0	0.237
Number of minor children (%)				0.865
One	52.2	52.5	51.8	
Two	26.7	29.1	27.6	
Three	14.2	12.9	13.9	
Four or more	7.0	5.5	6.7	
Educational attainment (%)				0.420
No degree	39.0	41.2	36.7	
High school diploma or equivalency credential	31.9	33.2	36.2	
Some college	23.7	21.7	22.2	
Bachelor's degree	5.4	3.9	4.9	
Disabled (%)	1.5	2.0	2.0	0.656
Lifetime TANF reciprocity (%)				0.366
Less than 12 months	32.5	32.2	27.8	
12 to 23 months	23.0	24.3	23.3	
24 to 35 months	21.3	20.9	22.1	
36 months or more	23.2	22.6	26.8	

(continued)

**Table A.2 (continued)**

Characteristic	30-Month Survey			P-value
	PWE Group	OJT Group	Control Group	
Monthly income (%)				0.513
None (\$0)	0.9	1.7	1.0	
\$1 to \$500	35.7	34.1	30.5	
\$501 to \$1,000	46.7	47.1	49.6	
\$1,001 to \$2,500	14.9	15.3	16.8	
More than \$2,500	1.9	1.7	2.0	
Sample Size	690	690	691	

SOURCE: MDRC calculations using responses to the STED 30-month survey and baseline data collected on the Los Angeles Department of Public Social Services' GAIN Employment Activity and Reporting System.

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

**Appendix Table A.3**

**Selected 30-Month Impacts on Administrative Outcomes for the Research and Survey Respondent Samples**

Outcome	PWE Group	OJT Group	Control Group	PWE vs. Control		OJT vs. Control		PWE vs. OJT		
				Difference (Impact)	P-value	Difference (Impact)	P-value	Difference (Impact)	P-value	
Employment in last year of follow-up (%)										
Research sample	72.2	70.3	68.0	4.1 *	0.056	2.3	0.294	1.9	0.384	
Respondent sample, 30-month survey	73.3	70.6	67.2	6.1 **	0.012	3.4	0.158	2.7	0.271	
Total earnings in last year of follow-up (\$)										
Research sample	10,666	9,951	9,777	889	0.114	174	0.757	715	0.202	
Respondent sample, 30-month survey	10,802	9,904	9,809	993	0.114	95	0.880	899	0.152	
TANF receipt in last year of follow-up (%)										
Research sample	64.5	67.1	67.7	-3.2	0.145	-0.6	0.790	-2.6	0.232	
Respondent sample, 30-month survey	67.8	68.7	71.0	-3.2	0.183	-2.3	0.343	-0.9	0.702	
Amount of TANF payments in last year of follow-up (\$)										
Research sample	3,145	3,241	3,390	-245 *	0.087	-149	0.298	-96	0.501	
Respondent sample, 30-month survey	3,336	3,413	3,628	-291 *	0.070	-215	0.183	-77	0.633	
Sample size										
Research sample	874	877	871							
Respondent sample, 30-month survey	690	690	691							

SOURCES: MDRC calculations based on responses to the STED 30-month survey, quarterly wage data from the National Directory of New Hires, program payroll records, and TANF data from the Los Angeles Department of Public Social Services.

NOTES: Results in this table are regression-adjusted, controlling for pre-random assignment characteristics.

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

Employment rates and earnings include both STED subsidized jobs and all other jobs covered by unemployment insurance.

**Appendix B**

**Supplementary Impact Tables**



Appendix B contains tables that accompany Chapter 2 and present additional impact findings. These tables contain the full set of measures tested in the 30-month impact analysis.



## Appendix Table B.1

### Impacts on Education and Training After 30 Months

Outcome (%)	Average Outcome Levels			PWE vs. Control		OJT vs. Control		PWE vs. OJT	
	PWE Group	OJT Group	Control Group	Difference (Impact)	P-value	Difference (Impact)	P-value	Difference (Impact)	P-value
Participating in education and training at time of 30-month survey	17.2	17.8	18.6	-1.4	0.533	-0.8	0.724	-0.6	0.790
High school diploma or equivalency classes <sup>a</sup>	2.5	2.5	2.0	0.5	0.583	0.4	0.620	0.0	0.961
Postsecondary education leading to a degree	10.2	10.1	10.3	0.0	0.992	-0.2	0.913	0.2	0.921
Vocational training	7.8	10.6	9.7	-1.8	0.243	1.0	0.541	-2.8 *	0.075
Highest degree or level of school completed <sup>b</sup>									
High school diploma or equivalency credential	41.2	39.2	38.2	3.0	0.966	0.9	1.000	2.1	0.997
Some postsecondary (no degree)	27.9	29.5	30.2	-2.3	0.992	-0.7	1.000	-1.6	0.999
Associate (2-year college) degree	6.3	6.1	7.1	-0.8	0.999	-1.0	0.999	0.1	1.000
Bachelor (4-year college) degree	4.4	4.0	4.8	-0.4	1.000	-0.8	0.998	0.4	1.000
Advanced degree (master, professional, doctorate)	1.1	1.1	1.0	0.1	1.000	0.1	1.000	0.0	1.000
No degree	19.2	20.1	18.7	0.5	1.000	1.4	0.997	-0.9	0.999
Earned professional license or certification <sup>b</sup>	36.1	32.6	34.0	2.1	0.419	-1.4	0.587	3.5	0.176
Sample size	690	690	691						

SOURCE: MDRC calculations based on responses to the STED 30-month survey.

NOTES: Results in this table are regression-adjusted, controlling for pre-random assignment characteristics.

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

<sup>a</sup>Measure excludes 266 respondents that did not have a high school diploma or equivalency credential at baseline who were mistakenly not asked this survey question.

<sup>b</sup>Measure is based on status at the time of the 30-month survey (includes, but is not limited to, status changes since random assignment). To account for correlations between statistical tests of individual categories of a categorical outcome, significance for this measure was calculated using a Westfall-Young procedure.

## Appendix Table B.2

### Impacts on Employment and Earnings After 30 Months

Outcome	Average Outcome Levels			PWE vs. Control		OJT vs. Control		PWE vs. OJT		
	PWE Group	OJT Group	Control Group	Difference (Impact)	P-value	Difference (Impact)	P-value	Difference (Impact)	P-value	
<b><u>Outcomes based on administrative data</u></b>										
Total earnings <sup>a</sup> (\$)										
First year of follow-up	7,191	5,745	4,476	2,716	*** 0.000	1,269	*** 0.000	1,447	*** 0.000	
Last year of follow-up	10,666	9,951	9,777	889	0.114	174	0.757	715	0.202	
Total follow-up period	22,036	19,665	18,122	3,914	*** 0.000	1,542	0.114	2,371	** 0.015	
Employment (%)										
First year of follow-up	91.9	76.2	57.8	34.1	*** 0.000	18.3	*** 0.000	15.7	*** 0.000	
Last year of follow-up	72.2	70.3	68.0	4.1	* 0.056	2.3	0.294	1.9	0.384	
Total follow-up period	95.7	87.2	77.1	18.6	*** 0.000	10.1	*** 0.000	8.5	*** 0.000	
Number of quarters employed										
First year of follow-up	2.8	2.0	1.5	1.3	*** 0.000	0.6	*** 0.000	0.8	*** 0.000	
Last year of follow-up	2.3	2.3	2.1	0.2	** 0.020	0.1	* 0.096	0.1	0.501	
Employment in all quarters (%)										
First year of follow-up	28.2	20.7	14.9	13.3	*** 0.000	5.8	*** 0.002	7.5	*** 0.000	
Last year of follow-up	42.0	41.5	38.1	3.9	* 0.091	3.4	0.139	0.5	0.833	
Sample size	874	877	871							
<b><u>Self-reported outcomes based on survey data</u></b>										
Ever employed (%)										
First year of follow-up	78.5	70.0	55.5	23.0	*** 0.000	14.5	*** 0.000	8.5	*** 0.001	
Last year of follow-up	76.9	73.6	74.0	2.9	0.220	-0.4	0.863	3.3	0.161	

(continued)

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

Outcome	Average Outcome Levels			PWE vs. Control		OJT vs. Control		PWE vs. OJT	
	PWE	OJT	Control	Difference	P-value	Difference	P-value	Difference	P-value
	Group	Group	Group	(Impact)		(Impact)		(Impact)	
Currently employed (%)									
At time of 12-month survey	43.1	44.3	38.9	4.2	0.108	5.4 **	0.040	-1.2	0.653
At time of 30-month survey	59.8	56.9	56.5	3.4	0.204	0.4	0.868	2.9	0.269
Type of employment at time of 30-month survey <sup>b</sup> (%)									
Not currently employed	42.1	45.0	46.1	-3.9	0.671	-1.1	0.972	-2.9	0.809
Permanent	48.0	44.1	42.0	5.9	0.225	2.1	0.867	3.9	0.671
Temporary, including day labor and odd jobs	9.4	10.9	11.5	-2.0	0.766	-0.6	0.972	-1.5	0.867
Other	0.5	0.0	0.5	0.0	0.972	-0.5	0.671	0.5	0.660
Among those currently employed <sup>c</sup>									
Hours worked per week	34.3	33.9	32.7	--		--		--	
Hourly wage (\$)	12.3	12.7	11.9	--		--		--	
Hours worked per week (%)									
More than 20 hours	49.1	46.3	44.2	5.0 *	0.063	2.1	0.425	2.8	0.289
More than 34 hours	38.2	34.1	30.0	8.2 ***	0.001	4.1	0.107	4.0	0.111
Hourly wage (%)									
More than \$10.00	33.6	30.6	30.7	2.9	0.254	-0.1	0.960	3.0	0.234
More than \$12.00	21.0	18.0	17.0	4.0 *	0.059	1.0	0.641	3.0	0.154
More than \$15.00	9.9	9.8	7.3	2.6 *	0.097	2.5	0.110	0.1	0.957
Sample size	690	690	691						

(continued)

### Appendix Table B.2 (continued)

SOURCES: MDRC calculations based on quarterly wage data from the National Directory of New Hires, program payroll records, and responses to the STED 12-month and 30-month surveys.

NOTES: Results in this table are regression-adjusted, controlling for pre-random assignment characteristics.

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

<sup>a</sup>Employment rates and earnings include both STED subsidized jobs and all other jobs covered by unemployment insurance.

<sup>b</sup>To account for correlations between statistical tests of individual categories of a categorical outcome, significance for this measure was calculated using a Westfall-Young procedure.

<sup>c</sup>These measures are calculated among those employed at the time of the survey; they are therefore considered nonexperimental and are not tested for statistical significance.

**Appendix Table B.3**

**Impacts on Employment, Earnings, and Combined Income After 30 Months,  
by Employment Status at Random Assignment**

Outcome	Average Outcome Levels			PWE vs. Control			OJT vs. Control			PWE vs. OJT		
	PWE Group	OJT Group	Control Group	Difference			Difference			Difference		
				Difference (Impact)	P-value	Subgroup Impacts <sup>a</sup>	Difference (Impact)	P-value	Subgroup Impacts <sup>a</sup>	Difference (Impact)	P-value	Subgroup Impacts <sup>a</sup>
<b><u>Did not work in the previous year<sup>b</sup></u></b>												
Employment <sup>c</sup> (%)												
First year of follow-up	90.0	68.6	45.2	44.8	*** 0.000	†††	23.4	*** 0.000	†††	21.4	*** 0.000	†††
Last year of follow-up	68.2	62.8	60.9	7.3	** 0.015	††	2.0	0.513		5.4	* 0.076	†
Number of quarters employed												
First year of follow-up	2.7	1.7	1.1	1.6	*** 0.000	†††	0.6	*** 0.000		1.0	*** 0.000	†††
Last year of follow-up	2.1	1.9	1.9	0.3	** 0.017		0.1	0.410		0.2	0.116	
Currently employed (%)												
At time of 12-month survey	39.1	39.8	33.7	5.4	0.111		6.1	* 0.070		-0.7	0.838	
At time of 30-month survey	57.2	53.4	50.9	6.3	* 0.076		2.5	0.480		3.8	0.279	
Total earnings (\$)												
First year of follow-up	6,665	4,355	3,012	3,653	*** 0.000	†††	1,343	*** 0.000		2,310	*** 0.000	†††
Last year of follow-up	9,371	7,839	8,023	1,348	** 0.045		-183	0.783		1,531	** 0.023	
Combined income <sup>d</sup> (\$)												
First year of follow-up	15,744	13,916	12,731	3,013	*** 0.000	†††	1185	*** 0.000		1,828	*** 0.000	†††
Last year of follow-up	16,066	14,918	15,141	925	0.123		-223	0.707		1,147	* 0.057	†
Sample size	490	498	517									

(continued)

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

Outcome				PWE vs. Control			OJT vs. Control			PWE vs. OJT		
	PWE Group	OJT Group	Control Group	Difference (Impact)	P-value	Subgroup Impacts <sup>a</sup>	Difference (Impact)	P-value	Subgroup Impacts <sup>a</sup>	Difference (Impact)	P-value	Subgroup Impacts <sup>a</sup>
<b>Worked in the previous year<sup>b</sup></b>												
Employment <sup>c</sup> (%)												
First year of follow-up	94.5	86.7	75.6	18.9	*** 0.000	†††	11.1	*** 0.000	†††	7.8	*** 0.002	†††
Last year of follow-up	77.6	79.5	78.7	-1.1	0.707	††	0.8	0.807		-1.9	0.527	†
Number of quarters employed												
First year of follow-up	3.0	2.5	2.0	1.0	*** 0.000	†††	0.5	*** 0.000		0.5	*** 0.000	†††
Last year of follow-up	2.6	2.7	2.5	0.1	0.618		0.1	0.242		-0.1	0.490	
Currently employed (%)												
At time of 12-month survey	47.5	51.2	47.3	0.2	0.960		3.9	0.361		-3.7	0.381	
At time of 30-month survey	63.3	61.4	64.5	-1.2	0.761		-3.1	0.449		1.9	0.642	
Total earnings (\$)												
First year of follow-up	7,839	7,734	6,462	1,377	** 0.020	†††	1,272	** 0.032		104	0.857	†††
Last year of follow-up	12,377	12,749	12,252	124	0.900		497	0.617		-372	0.701	
Combined income <sup>d</sup> (\$)												
First year of follow-up	17,153	17,242	16,113	1,040	* 0.073	†††	1,129	* 0.053		-89	0.875	†††
Last year of follow-up	18,524	19,228	18,761	-236	0.788		467	0.597		-704	0.414	†
Sample size	384	379	354									

(continued)

### Appendix Table B.3 (continued)

SOURCES: MDRC calculations based on quarterly wage data from the National Directory of New Hires, program payroll records, TANF and Supplemental Nutrition Assistance Program (food stamps) data from the Los Angeles Department of Public Social Services, and responses to the STED 12-month and 30-month surveys.

NOTES: Results in this table are regression-adjusted, controlling for pre-random assignment characteristics.

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

<sup>a</sup>When comparing impacts between two subgroups, an H-statistic is generated. The H-statistic is used to assess whether the difference in impacts between the subgroups is statistically significant. Statistically significant differences across subgroups are indicated as follows: ††† = 1 percent; †† = 5 percent; † = 10 percent.

<sup>b</sup>Measure is based on data from quarterly wage records from the National Directory of New Hires.

<sup>c</sup>Employment includes all employment covered by unemployment insurance and employment from program-provided subsidized jobs not covered by unemployment insurance wage records.

<sup>d</sup>Combined income is the sum of income from earnings, TANF, food stamps, and unemployment insurance benefits.

### Appendix Table B.4

#### Impacts on TANF Receipt After 30 Months

Outcome	Average Outcome Levels			PWE vs. Control		OJT vs. Control		PWE vs. OJT	
	PWE	OJT	Control	Difference		Difference		Difference	
	Group	Group	Group	(Impact)	P-value	(Impact)	P-value	(Impact)	P-value
Ever received a TANF payment (%)									
First year of follow-up	99.3	99.9	99.3	0.1	0.841	0.6 *	0.056	-0.6 *	0.086
Last year of follow-up	64.5	67.1	67.7	-3.2	0.145	-0.6	0.790	-2.6	0.232
Total follow-up period	99.5	100.0	99.6	-0.1	0.719	0.4	0.130	-0.5 *	0.060
Number of quarters receiving TANF payments									
First year of follow-up	3.6	3.6	3.6	0.0	0.506	0.0	0.305	0.0	0.718
Last year of follow-up	2.2	2.3	2.3	-0.1	0.315	0.0	0.658	0.0	0.571
Received TANF payments by quarter after random assignment <sup>a</sup> (%)									
Quarter 0	99.1	99.7	98.8	0.2	0.559	0.8 *	0.050	-0.6	0.169
Quarter 1	95.8	96.1	95.6	0.2	0.836	0.6	0.567	-0.4	0.714
Quarter 2	85.9	84.7	87.2	-1.3	0.428	-2.4	0.141	1.1	0.496
Quarter 3	77.2	76.0	78.9	-1.7	0.387	-2.9	0.139	1.2	0.539
Quarter 4	70.4	71.7	72.3	-1.9	0.375	-0.6	0.793	-1.3	0.530
Quarter 5	64.7	67.1	66.8	-2.1	0.342	0.3	0.900	-2.4	0.280
Quarter 6	61.3	62.1	63.0	-1.7	0.448	-0.8	0.712	-0.9	0.695
Quarter 7	57.3	59.0	59.4	-2.1	0.355	-0.4	0.854	-1.7	0.457
Quarter 8	53.8	54.1	55.8	-1.9	0.410	-1.6	0.483	-0.3	0.902
Quarter 9	49.0	50.8	51.6	-2.6	0.261	-0.8	0.734	-1.8	0.432
Amount of TANF payments (\$)									
First year of follow-up	4,598	4,881	5,061	-464 ***	0.000	-181 **	0.035	-283 ***	0.001
Last year of follow-up	3,145	3,241	3,390	-245 *	0.087	-149	0.298	-96	0.501
Total follow-up period	9,709	10,092	10,530	-820 ***	0.002	-437 *	0.094	-383	0.141

(continued)



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

Outcome	Average Outcome Levels			PWE vs. Control		OJT vs. Control		PWE vs. OJT	
	PWE	OJT	Control	Difference		Difference		Difference	
	Group	Group	Group	(Impact)	P-value	(Impact)	P-value	(Impact)	P-value
Left TANF <sup>b</sup> (%)									
12-month follow-up period	37.5	37.7	32.7	4.8 **	0.033	5.0 **	0.026	-0.2	0.926
30-month follow-up period	66.7	66.4	63.1	3.6	0.110	3.2	0.148	0.3	0.877
Sample size	874	877	871						

SOURCE: MDRC calculations based on TANF data from the Los Angeles Department of Public Social Services.

NOTES: Results in this table are regression-adjusted, controlling for pre-random assignment characteristics.

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

<sup>a</sup>The quarter of random assignment is Quarter 0. Quarter 1 is the first quarter after random assignment, Quarter 2 is the second quarter after random assignment, and so on. There are no statistically significant differences between the three research groups, with the exception of an impact of 0.8 for OJT compared with the control group in Quarter 0.

<sup>b</sup>Measure is defined as leaving TANF for at least two consecutive months.

## Appendix Table B.5

### Impacts on Combined Income After 30 Months

Outcome (\$)	Average Outcome Levels			PWE vs. Control		OJT vs. Control		PWE vs. OJT		
	PWE Group	OJT Group	Control Group	Difference (Impact)	P-value	Difference (Impact)	P-value	Difference (Impact)	P-value	
Combined income <sup>a</sup>										
First year of follow-up	16,372	15,268	14,183	2,189 ***	0.000	1,084 ***	0.000	1,105 ***	0.000	
Last year of follow-up	17,112	16,779	16,649	463	0.355	130	0.795	333	0.504	
Income from earnings										
First year of follow-up	7,191	5,745	4,476	2,716 ***	0.000	1,269 ***	0.000	1,447 ***	0.000	
Last year of follow-up	10,666	9,951	9,777	889	0.114	174	0.757	715	0.202	
Income from TANF										
First year of follow-up	4,603	4,889	5,061	-458 ***	0.000	-172 **	0.045	-286 ***	0.001	
Last year of follow-up	3,146	3,243	3,378	-233	0.104	-135	0.345	-98	0.494	
Income from food stamps										
First year of follow-up	4,267	4,410	4,330	-63	0.453	80	0.341	-142 *	0.088	
Last year of follow-up	3,151	3,363	3,311	-160	0.134	52	0.629	-211 **	0.047	
Income from unemployment insurance										
First year of follow-up	311	224	316	-5	0.930	-92	0.124	87	0.146	
Last year of follow-up	148	222	182	-34	0.397	40	0.322	-74 *	0.066	
Sample size	874	877	871							

SOURCES: MDRC calculations based on quarterly wage data from the National Directory of New Hires, program payroll records, and TANF and Supplemental Nutrition Assistance Program (food stamps) data from the Los Angeles Department of Public Social Services.

NOTES: Results in this table are regression-adjusted, controlling for pre-random assignment characteristics.

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

<sup>a</sup>Combined income is the sum of income from earnings, TANF, food stamps, and unemployment insurance benefits.

## Appendix Table B.6

### Impacts on Income Sources After 30 Months

Outcome	Average Outcome Levels			PWE vs. Control		OJT vs. Control		PWE vs. OJT		
	PWE	OJT	Control	Difference	P-value	Difference	P-value	Difference	P-value	
	Group	Group	Group	(Impact)		(Impact)		(Impact)		
In the past month										
Received income from working (%)	60.5	58.4	55.0	5.6 **	0.037	3.4	0.205	2.2	0.411	
Received Supplemental Security Income (%)	5.8	6.0	5.6	0.2	0.860	0.4	0.745	-0.2	0.881	
Received public assistance or welfare not including WIC or food stamps (%)	43.4	47.1	48.9	-5.4 **	0.039	-1.8	0.491	-3.6	0.168	
Received unemployment insurance (%)	2.1	2.6	1.9	0.2	0.784	0.7	0.398	-0.5	0.567	
Received child support (%)	13.7	11.6	11.5	2.2	0.216	0.1	0.954	2.1	0.236	
Received a child care subsidy or voucher (%)	3.9	4.1	4.7	-0.7	0.504	-0.6	0.595	-0.1	0.892	
Received benefits from Section 8 or other housing assistance programs (%)	9.6	11.6	9.9	-0.3	0.849	1.6	0.300	-1.9	0.219	
Received food stamps (%)	64.8	69.1	68.6	-3.8	0.129	0.6	0.820	-4.3 *	0.081	
Received WIC benefits (%)	25.2	26.6	24.7	0.5	0.836	1.9	0.390	-1.4	0.513	
Received other income <sup>a</sup> (%)	10.2	10.7	11.8	-1.6	0.348	-1.0	0.542	-0.6	0.743	
Total income (\$)	1,262	1,167	1,172	90 *	0.051	-5	0.908	96 **	0.039	
Sample size	690	690	691							

SOURCE: MDRC calculations based on responses to the STED 30-month survey.

NOTES: The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) is a program designed to support the nutritional health and education of women, infants, and children who are low-income for nutritionally at-risk.

Results in this table are regression-adjusted, controlling for pre-random assignment characteristics.

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

<sup>a</sup>Other income includes income from retirement or Social Security, pensions from the Veterans Administration, Workers' Compensation or disability payments, cash from family and friends who live outside of their household, energy assistance subsidies or vouchers, and income from other unspecified sources.

## Appendix Table B.7

### Impacts on Material Hardship After 30 Months

Outcome (%)	Average Outcome Levels			PWE vs. Control		OJT vs. Control		PWE vs. OJT	
	PWE	OJT	Control	Difference	P-value	Difference	P-value	Difference	P-value
	Group	Group	Group	(Impact)		(Impact)		(Impact)	
Experienced a financial shortfall in the past 12 months	49.8	52.9	51.3	-1.5	0.579	1.6	0.552	-3.1	0.250
Could not pay rent or mortgage	35.2	35.9	36.8	-1.7	0.517	-0.9	0.716	-0.7	0.776
Evicted from home or apartment	4.4	5.8	4.1	0.4	0.753	1.7	0.136	-1.4	0.238
Utility or phone service disconnected	28.2	30.7	29.9	-1.7	0.489	0.8	0.754	-2.5	0.314
Could not afford prescription medicine	20.5	22.1	21.3	-0.9	0.689	0.7	0.751	-1.6	0.472
Received subsidized child care in the past month	3.9	4.1	4.6	-0.7	0.521	-0.5	0.616	-0.1	0.890
Received food stamps in the past month (%)	64.8	69.1	68.6	-3.8	0.129	0.6	0.820	-4.3 *	0.081
Did not have enough food in the past month	23.8	20.4	21.1	2.6	0.237	-0.8	0.721	3.4	0.123
Living in emergency or temporary housing in the past month	2.0	1.8	2.7	-0.7	0.371	-0.8	0.294	0.1	0.874
Sample size	690	690	691						

SOURCE: MDRC calculations based on responses to the STED 30-month survey.

NOTES: Results in this table are regression-adjusted, controlling for pre-random assignment characteristics.

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

Respondents who were incarcerated during the period in question are not included in the measures in this table.

## Appendix Table B.8

### Impacts on Health, Well-Being, and Social Support After 30 Months

Outcome	Average Outcome Levels			PWE vs. Control		OJT vs. Control		PWE vs. OJT	
	PWE Group	OJT Group	Control Group	Difference (Impact)	P-value	Difference (Impact)	P-value	Difference (Impact)	P-value
Currently in good, very good, or excellent health (%)	75.1	74.8	74.7	0.4	0.860	0.2	0.948	0.3	0.911
Had health insurance coverage in the past month <sup>a</sup> (%)	77.1	73.7	73.4	3.7	0.119	0.3	0.904	3.4	0.150
Health insurance coverage through employer <sup>a</sup> (%)	14.9	12.4	10.0	4.9 ***	0.006	2.4	0.179	2.5	0.159
Experienced serious psychological distress in the past month <sup>b</sup> (%)	9.1	7.2	10.5	-1.4	0.357	-3.2 **	0.034	1.8	0.230
Score on social support scale <sup>c</sup>	3.9	4.0	3.9	0.0	0.923	0.1	0.382	0.0	0.436
Overall happiness <sup>d</sup> (%)									
Very happy	27.7	30.3	28.5	-0.7	0.983	1.9	0.914	-2.6	0.809
Pretty happy	57.0	55.9	57.4	-0.4	0.983	-1.4	0.961	1.1	0.983
Not too happy	15.3	13.7	14.2	1.1	0.957	-0.5	0.983	1.6	0.908
Sample size	690	690	691						

SOURCE: MDRC calculations based on responses to the STED 30-month survey.

NOTES: Results in this table are regression-adjusted, controlling for pre-random assignment characteristics.

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

<sup>a</sup>Respondents who were incarcerated during the period in question are not included in this measure.

<sup>b</sup>A score of 13 or higher on the Kessler-6 (K-6) scale is used here to define serious psychological distress. The K-6 assesses how often during the past month a respondent felt so sad that nothing could cheer him or her up, nervous, restless or fidgety, hopeless, that everything was an effort, or worthless. As a result of minor differences between the scale used to administer the K-6 in the 12-month survey and the standard K-6 scale, the percentages presented in this table may slightly underestimate the incidence of serious psychological distress in this sample.

<sup>c</sup>The Medical Outcomes Study Social Support Survey is a seven-item scale that assesses the types of social support available to respondents. Scale scores range from 1 to 5, where higher scores indicate higher levels of social support. The seven items are averaged.

<sup>d</sup>To account for correlations between statistical tests of individual categories of a categorical outcome, significance for this measure was calculated using a Westfall-Young procedure.

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