

**ASSESSMENT OF THE TOTAL ANNUAL BEFORE-TAX EARNINGS IMPACT
OF THE
TANF COMPREHENSIVE EVALUATION PROGRAM**

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EXECUTIVE SUMMARY

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Program Description and Objective:

- The Comprehensive Evaluation (CE) program (or process) is administered to TANF WorkFirst clients who are deemed mandatory participants in that process based on *WSR 06-08-044 Permanent Rules*.
- The CE process is comprised of a “series of questions, answers and evaluations focused on your (the client’s) strengths, job skills, education and other relevant elements. The results of the comprehensive evaluation are used to determine your ability to find and keep a job in your local labor market and (identify) what WorkFirst activities will help you prepare for and find work.” (WAC 388-310-0700)

CE Group Evaluated:

- The study assesses the post-CE annual before-tax earnings experiences of 7,167 female mandatory participants who had no TANF income support in 2007q1, who were on TANF in 2007q2.
 - 4,006 of these started CE in 2007q2; 3,161 did not start CE in 2007q2.
 - Of those 4,006 clients who started CE, 2,175 completed the CE process by the end of the following year, 2008q2; 1,831 did not.

Method of Analysis:

- This is a multivariate statistical analysis that employs two different matched comparison groups of individuals who did not meet the criteria of no TANF income support in 2007q1 *and* receipt of TANF income support in 2007q2.
 - **Comparison group one** was matched to the nearest dollar of before-tax annual earnings in the first four calendar quarter period immediately preceding 2007q2. This assumes the CE client entered TANF due to some short run negative event that affected her ability to support herself.
 - **Comparison group two** was matched to the nearest dollar of before-tax annual earnings in the 5th through 8th quarter period prior to 2007q2. This assumes the CE client has some longer term, more chronic factors that affect her ability to support herself.

Results:

- **All TANF clients who started CE in 2007q2:**
 - When compared with comparison group one, those TANF clients who started CE earned over one thousand dollars a year more in before-tax annual earnings than their matched comparison group.
 - When compared with comparison group two, there is no difference in before-tax annual earnings in the follow up year.
- **All TANF clients who did not start CE in 2007q2:**
 - When compared with comparison group one, those TANF clients who did not start CE earned the same as their comparison group in the follow up year – that is, there was no difference in earnings.
 - When compared with comparison group two, TANF clients who did not start CE earned over two thousand dollars less per year than their comparison group.
- **TANF Clients who started CE in 2007q2 and completed CE:**
 - When compared with comparison group one, those TANF clients who *started and completed* CE earned over two thousand dollars a year more in before-tax annual earnings than their *matched comparison group*.

- When compared with comparison group two, TANF clients who *started and completed CE* earned more than one thousand dollars more than their matched comparison group in before-tax annual earnings in the follow up year. However, the odds are one out of ten that this finding is due strictly to chance.
- **TANF Clients who started CE in 2007q2 and did not complete CE:**
 - When compared with comparison group one, those TANF clients who started and did not complete CE earned over one thousand dollars a year less than their matched comparison group. However, the odds are one out of ten that this finding is due strictly to chance.
 - When compared to comparison group two, those TANF clients who started but who did not complete CE earned over two thousand dollars less per year than their matched comparison group.
- **Overall Conclusion:** This set of eight estimates indicates that on average, *those TANF clients who enroll in and complete the set of CE services earn distinctly higher annual before-tax earnings than does their matched comparison group.*

Net Impact Estimates of the Before-Tax Earnings Experience of TANF Clients Who Do and Do Not Participate in the Comprehensive Evaluation Program

Sample and Comparison Group	Partial Regression Coefficient	Sample Size
Total Sample: TANF Clients Who Started and Did Not Start Comprehensive Evaluation		
Started Comprehensive Evaluation:		
Comparison Group One Quarters 1 - 4	\$1010.5**	8,012
Comparison Group Two Quarters 5 - 8	-\$71.8	8,012
Did Not Start Comprehensive Evaluation		
Comparison Group One Quarters 1 - 4	-\$700.1	6,322
Comparison Group Two Quarters 5 - 8	-\$2,142.3*****	6,322
Sample That Started Comprehensive Evaluation		
Started and Completed Comprehensive Evaluation		
Comparison Group One Quarters 1 - 4	\$2,083.8****	4,350
Comparison Group Two Quarters 5 - 8	\$1,048.1*	4,350
Started and Did Not Complete Comprehensive Evaluation		
Comparison Group One Quarters 1 - 4	-\$1,322.5*	3,662
Comparison Group Two Quarters 5 - 8	-\$2,299.3***	3,662

Notes: * = statistically significant at an alpha of at least .10; ** = statistically significant at an alpha of at least .05; *** = statistically significant at an alpha of at least .01; **** = statistically significant at an alpha of at least .001; ***** = statistically significant at an alpha of at least .0001.

Explanation: An alpha of .0001 says that the probability that there is really no difference between the CE group and the comparison group is only one out of 10,000.

Interpretation of Partial Regression Coefficient: For the TANF group that started and completed CE, compared to Comparison Group One, TANF CE completers earned \$2,084 more per year on average than did the matched comparison group.

**ASSESSMENT OF THE TOTAL ANNUAL BEFORE-TAX EARNINGS IMPACT
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Introduction

This study assesses the net impact on total annual before-tax earnings (annual earnings, hereafter) of the TANF Comprehensive Evaluation (CE) program over the one year period following the quarter in which the client enters the CE program – 2007q3 through 2008q2.¹ It analyses the impact on annual earnings of *participating in the CE program starting in 2007q2 regardless of whether the program is completed* and it analyses the impact on annual earnings of *completing the CE program process*, given that one has been selected into the program. These two analyses yield quantitatively different, but consistent, net impacts of the CE program.

To identify the net impact of the CE program on the TANF clients, this analysis breaks the TANF WorkFirst client load into four groups of female TANF clients over a 12-month follow up period. **These four groups are:**

1. TANF WorkFirst clients who are selected to receive CE services;
2. TANF WorkFirst clients who are not selected to receive CE services;
3. TANF WorkFirst clients who received such services and who completed the CE process; and,
4. TANF WorkFirst clients who received such services and who did not complete the CE process.

Table 1 displays the socio-demographic characteristics of these four groups as well as selected information on each group's experience with TANF. These four groups clearly differ on several critical dimensions, especially with respect to:

- the percent ever married;
- the age of youngest child, in months,
- percent of assistance units with more than one adult,
- the percent receiving any TANF in the four post-CE quarters, and,
- the frequency at which each group has ever been sanctioned.

All of these variables can have an effect on the decision to enter the labor force, seek employment, and remain employed.

TANF Performance Goals

The selection process into CE is directed toward and guided by the achievement of the six primary performance *goals* of TANF WorkFirst. These goals, re-arranged to more clearly reflect their causal relationships that may lead to greater economic self sufficiency, are to:

1. Reduce the TANF caseload;

Table 1. Demographic and TANF-Related Characteristics of the TANF WorkFirst and TANF Comprehensive Evaluation Groups, as of 2007q2

Sociodemographic or TANF-Related Characteristic	All TANF WorkFirst Female Recipients in 2007q2 with no TANF in 2007q1		TANF WorkFirst Female Recipients Who Started CE in 2007q2	
	Recipients Who Started CE in 2007q2	Recipients Who Did Not Start CE in 2007q2	Recipients Who Completed CE	Recipients Who Did Not Complete CE
Maximum Sample Size	4,006	3,161	2,175	1,831
Sociodemographic Characteristics				
Age in Years at Last Birthday	28.4	28.6	28.7	28.1
Years of Education Completed ¹	11.7	11.5	11.7	11.6
Number of Adults in the Assistance Unit	1.14	1.18	1.14	1.13
Number of Children in the Assistance Unit	1.44	1.51	1.47	1.40
Age of Youngest Child, in Months	65.9	62.3	68.5	62.7
Percent Caucasian	64.8	63.4	65.1	64.3
Percent Ever Married	41.6	42.8	42.9	40.1
Experience on TANF				
Number of Months on TANF Since July 1997	15.7	14.6	15.3	16.1
Number of Episodes on TANF Since July 1997	1.9	1.7	1.8	2.0
Percent of Assistance Units with More Than One Adult	13.7	17.7	14.5	12.8
Percent Ever Sanctioned	35.1	30.0	32.4	38.3
Percent Receiving TANF in Post Quarter 1	72.8	80.1	73.0	72.5
Percent Receiving TANF in Post Quarter 2	49.7	51.9	48.6	50.9
Percent Receiving TANF in Post Quarter 3	42.1	41.8	41.1	43.8
Percent Receiving TANF in Post Quarter 4	38.9	37.3	37.8	40.3
Percent Receiving TANF Anytime in Post Quarters 1 - 4	80.3	85.2	80.1	80.5

Notes: ¹Individuals with a GED have had their years of education converted to 12. This creates some unknown bias in the measurement of the education variable, but is not an issue here since the education variable does not enter into the measurement of the net impact of the CE program

Source: DSHS Data Warehouse and OFM Adult Caseload AF Arrays file

2. Reduce TANF returns, i.e., reduce the probability that a TANF client, having once exited TANF, will return to the TANF rolls; and,
3. Increase child support collections.

Achieving the above three goals should help lead to an:

4. Increase in the number of (TANF) participants in unsubsidized jobs;
5. Increase in the percentage of (TANF) participants with earnings; and,
6. Increase in the earnings of (TANF) participants.

What Is the Comprehensive Evaluation Program?

In general, the CE component of TANF WorkFirst attempts to determine the best pathway to employment for a particular TANF WorkFirst applicant.

“All newly approved WorkFirst applicants will receive a personalized comprehensive evaluation that will be given by an interagency team of professional and caring staff. This evaluation provides the framework for future activities in WorkFirst.”²

“The primary *objectives* of the comprehensive evaluation are to:

1. Gather better information about parents’ skills and abilities and more quickly place them (the parents) in an appropriate activity;
2. Clarify program criteria so staff can help parents make objective decisions about what activities are appropriate;
3. Increase parents’ involvement in developing their plan for participating in WorkFirst, resulting in more parent buy-in and better results; and,
4. Increase consistency in how the WorkFirst program operates across the state.”³

What Is the Comprehensive Evaluation Treatment – i.e., What Are the Services Delivered?⁴

“The comprehensive evaluation is a series of evaluations designed to help parents achieve better and quicker engagement in employment-related activities that lead to self sufficiency.”⁵

Comprehensive Evaluation provides a set of diagnostic and job search services. These services do not add to a person’s marketable human capital⁶. Rather, these services are intended to increase the effectiveness by which a person’s existing marketable human capital is put to use in the job market. These skills can be applied in the form of leading directly and more quickly to employment. Or, they can be applied in the form of leading to the acquisition of additional skills, behaviors, or attitudes, via job skills training, job counseling, etc., that in turn lead to an increase in a person’s marketable skills.

In sum, Comprehensive Evaluation seeks to improve on the effectiveness of one’s existing human capital in finding a job that leads to self sufficiency; or that leads to actions to increase one’s human capital, which then leads to self sufficiency.

Since, it is one's human capital, broadly defined to include skills, health, attitudes, education, etc., that leads to a job, it can be hypothesized that Comprehensive Evaluation can lead to increased self sufficiency. However, the net contribution of CE comes in the form of facilitating the effective employment of one's existing human capital.⁷

Method of Analysis

The net impact of the CE program on annual earnings is estimated using multivariate statistical analysis that compares the TANF WorkFirst clients, with and without CE, with a matched comparison group. The matching process is based on a dollar-for-dollar match on annual earnings prior to 2007q2, the quarter in which eligible clients are directed into CE.⁸

The Comparison Group There are two matched comparison groups. While we have an exact match to the nearest dollar on earnings, we do not know the gender of the individuals in the matched comparison group. There are certain to be some males in each of the two comparison groups. However, the earnings experience, and one can then assume, labor market behavior, of these particular males is similar to that of female TANF CE clients since their pre-CE annual earnings are exactly the same.

Comparison Group 1 – 4 is generated based on a match of total annual before-tax earnings in the first four quarters prior to TANF enrollment during 2007 Q2. This matched group is designed to measure short term earnings prior to enrolling in TANF. The logic in the selection of this comparison group is that it will help identify any *acute situation* in the year prior to 2007q2 that leads to a loss of employment and earnings and a subsequent necessity to enroll in TANF. Examples of such situations are the loss of a job, a divorce or loss of a partner, a serious, but short-term illness, etc.

Comparison Group 5 – 8 is generated based on a match of total annual before-tax earnings in the quarters 5 to 8 prior to TANF enrollment during 2007 Q2. This matched group is designed to compare the TANF CE group with its matched comparison group based on the more *steady state*, longer term earnings capacity of the TANF CE clients. Examples of such characteristics that affect one's longer term earnings capacity are years of education completed, on the job experience, basic physical and mental health, attitudes toward work, willingness to take and give orders, etc.

Net impact results using the two comparison groups will differ, but, ideally, they will be broadly consistent with each other since the *behaviors* that we attempt to identify and control for with Comparison Group 5 – 8 underlie the *situations* we attempt to control for using Comparison Group 1 – 4.

Statistical Method

Since the post-CE annual earnings of some individuals – TANF and comparison group – are zero while annual earnings for others are positive, Tobit multivariate estimation is employed.

The Dependent Variable. The dependent variable is total annual before-tax earnings, summed over the one year followup period after the end of the quarter in which a client enters TANF-CE, measured from 2007 Q3 through 2008 Q2

The Explanatory Variables. The explanatory or control variables common to the TANF and comparison group are:

1. Total duration in months ever on AFDC or TANF in the period from July 1997 up to 2007 Q2
2. The squared value of total duration, to determine if the relationship between earnings and duration is nonlinear
3. The number of episodes of dependence on AFDC or TANF from July 1997 up to 2007 Q2
4. Presence or absence of ever having a short term exemption from WorkFirst TANF from July 1997 up to 2007 Q2 – yes or no
5. The number of months the individual was sanctioned from July 1997 up to 2007 Q2
6. The percent of quarters employed in the eight quarters prior to 2007 Q2
7. Total quarterly before tax earnings in the first quarter prior to 2007 Q2
8. Total quarterly before tax earnings in the second quarter prior to 2007 Q2
9. Total quarterly before tax earnings in the third quarter prior to 2007 Q2
10. Total quarterly before tax earnings in the fourth quarter prior to 2007 Q2
11. Total quarterly before tax earnings in the fifth quarter prior to 2007 Q2
12. Total quarterly before tax earnings in the sixth quarter prior to 2007 Q2
13. Total quarterly before tax earnings in the seventh quarter prior to 2007 Q2
14. Total quarterly before tax earnings in the eighth quarter prior to 2007 Q2

The Policy Variables. The policy variables represent the different statuses that a WorkFirst client may be in over time. As such, they also reflect potentially different behavior of these clients, e.g., a client may be mandatorily enrolled in CE but manage never to complete the CE process. The variables are:

1. TANF enrollment in 2007 Q2 and no enrollment in 2007Q1 – yes or no
2. Comprehensive Evaluation enrollment in 2007 Q2 – yes or no
3. Completed or did not complete set of services of Comprehensive Evaluation within the period 2007 Q2 through 2008 Q2 – yes or no

Results

Table 2 shows the statistically unadjusted levels of post-CE annual earnings over the period 2007q3 through 2008q2. Table 2 shows the net impact estimates of the CE program on post-CE annual earnings from several perspectives.

1. TANF WorkFirst clients who started CE:
2. TANF WorkFirst clients who did not start CE
3. TANF WorkFirst Clients who started and completed CE
4. TANF WorkFirst Clients who started and did not complete CE

Table 2 reveals that the TANF WorkFirst CE and non-CE cohorts are both matched, one-on-one with their respective comparison groups. Note also that the mean annual before-tax

earnings for the periods Pre-Earn \$ 1 – 4 and Pre-Earn \$ 5 – 8 are identical for the TANF CE groups and their matched comparison groups.

Comparisons without Statistical Adjustment

The results in Table 2 demonstrate the necessity to adjust for all relevant variables that might affect annual earnings, other than the fact that a TANF WorkFirst client does or does not enroll in CE and, having enrolled, completed CE.

Viewing these simple, unadjusted means would lead one to believe that the CE program was not effective. If we compare those TANF WorkFirst clients who entered CE with their matched comparison group, we see that for the Comparison Group 1 – 4, post-CE annual earnings are \$7,721, while those of the TANF CE group are only \$5,238. Likewise, if we compare the Comparison Group 5 – 8 with the TANF CE group, we see that the TANF CE group earns only \$5,238 while the comparison group earns \$12,044.

This general pattern is the same for the TANF WorkFirst group that did not start CE, and those who started CE and completed it, as well as those who started CE and did not complete CE.

However, when we statistically adjust these data with a multivariate statistical model that is consistent with the structure of the data and which controls for the 14 explanatory variables listed above, the results are quite different.

Comparisons with Statistical Adjustment

Using the same perspectives as are displayed in Table 2, Table 3 shows the following net impacts of the CE program once we control for the intervening influence of the 14 explanatory variables.

TANF WorkFirst clients who started CE. When compared with the 1 -4 quarter pre-TANF comparison group, those TANF clients who started CE earned over one thousand dollars a year more in before tax annual earnings than their matched comparison group. When compared with the 5 – 8 quarter pre-TANF comparison group, there is no difference in before-tax annual earnings in the follow up year.

TANF WorkFirst clients who did not start CE. When compared with the 1 -4 quarter pre-TANF comparison group, those TANF clients who did not start CE earned the same as their comparison group in the follow up year – that is, there was no statistically significant difference in earnings. When compared with the 5 – 8 quarter pre-TANF comparison group, TANF clients who did not start CE earned over two thousand dollars less per year than their comparison group.

Conclusion: This set of four estimates indicates that on average, those TANF clients who enroll in CE improve their annual before-tax earnings during the follow up year.

TANF WorkFirst Clients who started and completed CE. When compared with the 1 -4 quarter pre-TANF comparison group, those TANF clients who started and completed CE

Table 2. Average Annual Before-Tax Earnings¹, in Dollars, of the TANF WorkFirst Cohort, the TANF WorkFirst Comprehensive Evaluation Cohort, and the Matched Comparison Groups

	TANF WorkFirst Cohort				Comparison Group 1 – 4			Comparison Group 5 – 8		
	N	Pre-Earn \$ 1 – 4	Pre-Earn \$ 5 – 8	Post-Earn \$ 1 – 4	N	Pre-Earn \$ 1 – 4	Post-Earn \$ 1 – 4	N	Pre-Earn \$ 5 – 8	Post-Earn \$ 1 – 4
TANF Clients Who Started CE	4,006	5,894	5,798	5,238	4,006	5,894	7,721	4,006	5,798	12,044
TANF Clients Who Did Not Start CE	3,161	6,234	5,886	5,086	3,161	6,234	7,997	3,161	5,886	12,095
TANF Clients Who Started CE and Completed CE	2,175	6,370	6,196	6,164	2,175	6,370	8,248	2,175	6,196	12,577
TANF Clients Who Started CE and Did Not Complete CE	1,831	5,328	5,326	4,137	1,831	5,328	7,094	1,831	5,326	11,410

Notes:

¹These estimates contain observations with zero annual earnings. See Appendix Table 1 for detail on annual earnings measures that include and exclude those observations with zero annual earnings.

earned over two thousand dollars a year more in before tax annual earnings than their matched comparison group. When compared with the 5 – 8 quarter pre-TANF comparison group, TANF clients who started and completed CE earned more than one thousand dollars more than their matched comparison group in before-tax annual earnings in the follow up year. However, the odds are one out of ten that this finding is due strictly to chance.

TANF WorkFirst Clients who started and did not complete CE. When compared with the 1 -4 quarter pre-TANF comparison group, those TANF clients who started and did not complete CE earned over one thousand dollars a year less than their matched comparison group. However, the odds are one out of ten that this finding is due strictly to chance. When compared to the 5 – 8 quarter pre-TANF comparison group, those TANF clients who started but who did not complete CE earned over two thousand dollars less per year than their matched comparison group.

Conclusion:

This set of four estimates indicates that on average, those TANF clients who enroll in and complete the set of CE services earn distinctly higher annual before-tax earnings than do their matched comparison group. Depending on the comparison group, the gain is between one thousand and two thousand dollars per year in before-tax earnings in the first year after starting or finishing CE. Relative to the costs of the CE program itself, it pays to have appropriate TANF clients enroll in CE and it pays even more if, having enrolled in CE, the client completes the set of services offered. These results are consistent with previous research on targeting individuals and providing them with a variety of client-appropriate intensive job search services.⁹

In addition, this analysis indicates that the CE program has a greater impact on assisting TANF WorkFirst clients overcome more immediate-term acute personal problems that affect one's earnings than it does in compensating for any more fundamental, longer-term problems that a person may have in regaining her economic self sufficiency.

Table 3. Net Impact Estimates of the Before-Tax Earnings Experience of TANF Clients Who Do and Do Not Participate in the Comprehensive Evaluation Program

Sample and Comparison Group	Partial Regression Coefficient	Standard Error/ Pr>ChiSq	Log Likelihood Ratio	Sample Size
Total Sample: TANF Clients Who Started and Did Not Start Comprehensive Evaluation				
Started Comprehensive Evaluation:				
Comparison Group One Quarters 1 - 4	1010.5**	464.1/0.0294	-53282.45404	8,012
Comparison Group Two Quarters 5 - 8	-71.8	486.6/0.8827	-57947.11759	8,012
Did Not Start Comprehensive Evaluation				
Comparison Group One Quarters 1 - 4	-700.1	438.9/0.1107	-41178.60566	6,322
Comparison Group Two Quarters 5 - 8	-2,142.3*****	452.7/<0.0001	-45308.81546	6,322
Sample That Started Comprehensive Evaluation				
Completed Comprehensive Evaluation				
Comparison Group One Quarters 1 - 4	2,083.8****	607.7/0.0006	-30591.34957	4,350
Comparison Group Two Quarters 5 - 8	1,048.1*	624.9/0.0935	-32682.20858	4,350
Did Not Complete Comprehensive Evaluation				
Comparison Group One Quarters 1 - 4	-1,322.5*	725.0/0.0681	-22644.0153	3,662
Comparison Group Two Quarters 5 - 8	-2,299.3***	783.3/0.0033	-25223.31714	3,662

Notes: * = statistically significant at an alpha of at least .10; ** = statistically significant at an alpha of at least .05; *** = statistically significant at an alpha of at least .01; **** = statistically significant at an alpha of at least .001; ***** = statistically significant at an alpha of at least .0001.

Explanation: An alpha of .0001 says that the probability that there is really no difference between the CE group and the comparison group is only one out of 10,000.

Interpretation of Partial Regression Coefficient: For the TANF group that started and completed CE, compared to Comparison Group One, TANF CE completers earned \$2,084 more per year on average than did the matched comparison group.

Endnotes

¹ Annual before-tax earnings are the product of the average hourly wage rate times the number of hours worked, conditioned on a) being in the labor force and b) working. The prospective worker makes four decisions: Enter the labor force or not; actively seek employment or exert less effort; selection of a job at a given wage rate; decision on the number of hours to work at that job.

²*WorkFirst Handbook*. Welcome to the Work

First Handbook. <http://www1.dshs.wa.gov/ESA/wfhand>

³*WorkFirst Handbook*. Tools. 3.2.1 Comprehensive Evaluation, Comprehensive Evaluation Foundation and Updating a Comprehensive Evaluation.

<http://www1.dshs.wa.gov/ESA/wfhand>

⁴ The CE regimen of services (treatments) shares some characteristics with *mandatory job search assistance* programs. Mandatory job search assistance for Unemployment Insurance recipients is designed to make UI claimants more effective job searchers, thus resulting in quicker re-employment. This is what Paul T. Decker refers to as the *skills effect* because “it occurs as claimants take the skills that they learn from the job-search workshop and apply them in looking for a new job. Second, Decker identifies an *encouragement effect* due to the fact that the services encourage a claimant to look for work immediately upon becoming a UI claimant. “...the encouragement effect is related to the substance of services designed to help claimants cope with the psychological aspects of unemployment and to stimulate claimants to search aggressively for a new job.” See Paul T. Decker. 1997. “Work Incentives and Disincentives”. in O’Leary, Christopher J. and Stephen A. Wandner, Editors. *Unemployment Insurance in the United States*. Kalamazoo, MI: W. E. Upjohn Institute for Employment Research.

⁵ *WorkFirst Handbook*. Tools. 3.2.1.1. What is a Comprehensive Evaluation?

<http://www1.dshs.wa.gov/ESA/wfhand>

⁶ Human capital is that complete set of skills, education, and behaviors that lead to employment.

⁷ Some of the CE services can increase one’s human capital, however. For example, learning how to search for a job more effectively is a form of human capital – knowledge of how to navigate the job market.

⁸ This earnings variable reflects the fact that much of the variation in earnings among these relatively low income persons is due to hours worked. Variations in the hours worked component of earnings reflects, for whatever reason, a person’s ability or willingness to supply labor, conditioned on being employed in the first place.

Thus, over the long term—one’s life cycle of work experience—this earnings variable will reflect:

1. Previous work experience—that is, human capital gained due to informal on-the-job training⁸ and learning-by-doing prior to one’s most recent episode of TANF WorkFirst
2. Formal education
3. Native intelligence – in particular the ability to learn new intellectual and technical skills
4. Age
5. Gender
6. Ethnicity
7. Motivation to enter the labor force

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8. Motivation to seek, and skill in seeking, employment, conditioned on being in the labor force
 9. Other psychological aspects of the work experience
 - a. Willingness to take and give orders
 - b. Minimal absenteeism
 - c. Showing up on time
 - d. Being ready to work each work day
 10. Health and Disability
 - a. mental health
 - b. physical health

Note that variables 1, 2, 3, 5 and 6 above are *unchanging* over the course of the evaluation period. Age levels vary among TANF WorkFirst Exiters at the outset of the study periods in question and age is *changing over time*, but the categorical (dummy) variable set that accounts for each year of data observation can account for at least part of the effect of *changing age* (but not one's age level) on the net impact outcome. (See below for the specification of the year dummies.) Variables 7, 8 and 9 are heavily ingrained in habit, culture, and personal background and are *very slow to change*. The possible combinations in variable 10 can either be changing or unchanging over the course of the pre-TANF and post-TANF WorkFirst experience. The variables in 10 can change over time. The use of Comparison Group 1 – 4 should adjust for some of that potential change.

⁹ This conclusion is based on the results reported in Stephen A. Wandner, *Solving the Unemployment Puzzle: From Research to Policy*, January 15, 2009. Unpublished manuscript. This manuscript presents a detailed account of the full range of experiments, including in particular, mandatory registration and job search for Unemployment Insurance recipients, funded by the U.S. Department of Labor over the past 20 years that were designed to assist permanently dislocated and other potentially long term unemployed workers find new jobs.