

DIVISION OF VOCATIONAL REHABILITATION

The Division of Vocational Rehabilitation (DVR) offers services to help individuals with disabilities become employed. The primary objective is employment. Depending on the individual and their functional limitations, this may include part-time employment, self-employment, homemaking, or supported employment. Services are based on the needs of the individual and include assessment; counseling; vocational, academic, and other training services; physical and mental restoration services; assistive technology; independent living services; mobility and transportation; communication services; and job search and placement.

Eligibility requires certification by DVR that the client:

- Has a physical, mental, or sensory impairment that constitutes or results in a substantial impediment to employment.
- Can benefit in terms of an employment outcome from vocational rehabilitation services.
- Requires vocational rehabilitation services to prepare for, enter into, engage in, or retain employment.

These strict eligibility requirements should be considered when reviewing outcomes of DVR clients.

This study includes information from administrative records for 4,434 clients who left DVR programs during the 2003-2004 program year. The median length of program enrollment among those leaving DVR programs in 2003-2004 was 21 months.

Significant programmatic changes need to be considered when comparing outcomes for DVR clients over time. The most important of these is the adoption of an order-of-selection policy. Since the end of 2000, when program funds and staff resources

were insufficient to serve all eligible applicants, priority has been given to participants with the most significant disabilities: priority 1 was individuals with most severe disabilities, priority 2 was individuals with severe disabilities; and priority 3 was individuals with disabilities. Of the DVR clients leaving the program during 2003-2004, 59 percent were priority 1; 40 percent were priority 2; and 1 percent were priority 3.

This study includes information from DVR administrative records; Employment Security Department (ESD) wage files from Washington, Idaho, and Oregon; and federal employment records. In addition, 195 clients completed a survey, providing more detailed data on employment and satisfaction with the program.⁹⁷

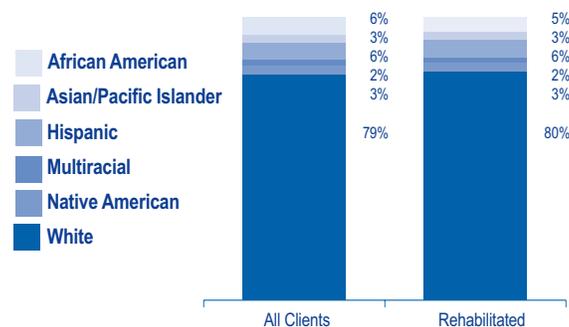
Participant Characteristics

The racial and ethnic composition of 2003-2004 clients roughly reflects the general population (Figure 1).⁹⁸ It also make up a similar percentage of those rehabilitated.

⁹⁷Responses from the participant survey were weighted to reflect the closure status—"Rehabilitated" versus "Other than Rehabilitated"—distribution of those leaving the program in 2003-2004.

⁹⁸In this report, unless otherwise stated, racial and ethnic minority groups are mutually exclusive; that is, an individual belongs to one group only. The groups include the following: Hispanics of any race (also referred to as Hispanics); non-Hispanic African Americans (also referred to as African Americans); non-Hispanic Asians/Pacific Islanders (also referred to as Asians/Pacific Islanders); non-Hispanic Native Americans and Alaskan Natives (also referred to as Native Americans); non-Hispanic multiracial (also referred to as multiracial); and non-Hispanic whites (also referred to as whites). According to the 2004 Washington State Population Survey, of those aged 16-74, 80 percent are whites; 3 percent are African Americans; 1 percent are Native Americans; 7 percent are Asians/Pacific Islanders; 2 percent are multiracial; and 7 percent are Hispanics.

FIGURE 1 DVR Clients by Race and Ethnicity



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Forty-four percent of the 2003-2004 clients were women, similar to the percentage of the 2001-2002 clients. Of those rehabilitated, 43 percent were women. The median age upon entering the program was 38; one quarter was age 47 or older. At the time of application, 69 percent had not previously had post-secondary education, 15 percent had postsecondary education but no degree or certificate, 9 percent had an associate degree or a vocational certificate, and 7 percent had a bachelor's degree or higher.

Competency Gains

Forty-one percent of the DVR clients were classified as rehabilitated upon leaving the program (i.e., they were working for 90 days prior to exit). This rehabilitation rate is slightly lower than the 49 percent reported two years ago.

Based on survey results, most DVR clients enrolled in the program to learn skills for a new job (79 percent) and to get job search assistance (77 percent).⁹⁹ Clients indicated receiving these and other types of training (Figure 2). In addition, DVR offers other work-related services in addition to training; for example, some clients receive physical and mental restoration services, assistive technology, and communication services.

As in the previous study, almost all clients who received a particular type of training reported at least some improvement in their skills (Figure 3).¹⁰⁰ Comparisons indicate that similar percentages indicated “a lot” of improvement across the skills with the exception of work habits in which a much lower percentage of the 2003-2004 clients so reported.

Among those employed in the third quarter after leaving their program, 70 percent indicated that their training was related to their job.

Participant Satisfaction

Sixty-three percent of clients were “very satisfied” or “somewhat satisfied” with their DVR program, down from sixty-nine percent who reported two years ago. As in the previous study, respondents reported relatively high levels of satisfaction with location, times, and the facilities (Figure 4). Satisfaction was lower with respect to advice on selecting programs and usefulness of the program to their careers.

FIGURE 2 DVR Clients Receiving Various Skills Training (percentages)



FIGURE 3 DVR Clients Receiving Various Skills Training Who Reported Their Skills Improved a Little or a Lot (percentages)

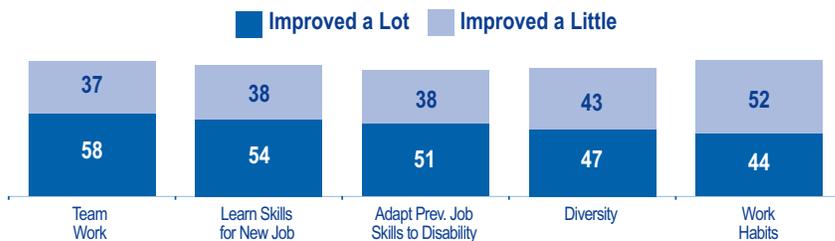
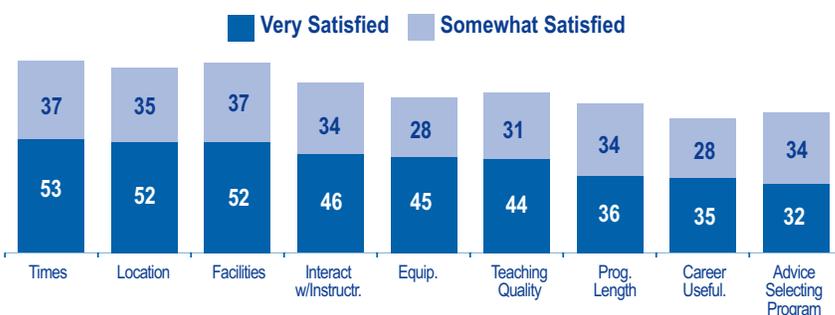


FIGURE 4 DVR Clients Very or Somewhat Satisfied With Program Features (percentages)



⁹⁹Note that respondents could select more than one reason for enrolling in the program.

¹⁰⁰In the survey, too few clients indicated receiving problem-solving, machinery operation, and writing skills training to reliably assess the levels of improvement and, therefore, are not included in Figure 3.

Similar to two years ago, DVR clients indicated job counseling and information about job openings as the support services they needed most while participating in the program (Figure 5). While most clients had their support service needs met, as in the past, considerable percentages left with an unmet need for job counseling, information about job openings, and on-the-job training.

Employment and Earnings

According to the survey responses, 40 percent of 2003-2004 clients were employed during the period seven to nine months after leaving their program (Figure 6).¹⁰¹ To find out more about the clients' post-program employment and earnings, we matched client records with ESD wage files from Washington and neighboring states. These files contain quarterly earnings and hours worked information on those individuals with employment reported for unemployment insurance (UI) benefits purposes (approximately 90 percent of in-state employment, with self-employment, active duty military, and those working for religious nonprofit organizations being the major groups of employers not included).

Record matches found 41 percent had reported employment during the third quarter after they left the program. The median hourly wage¹⁰² was \$9.43, and median annualized earnings were \$11,090.

¹⁰¹In the survey, clients were asked whether they were employed or self-employed. Therefore, in most cases, the percentage who reported being employed will be higher than the percentage of those whose employment was found in ESD wage records.

¹⁰²All wages and earnings are stated in 2005 Q1 dollars.

FIGURE 5 DVR Clients Needing a Service and Leaving With Need Unmet (percentages)

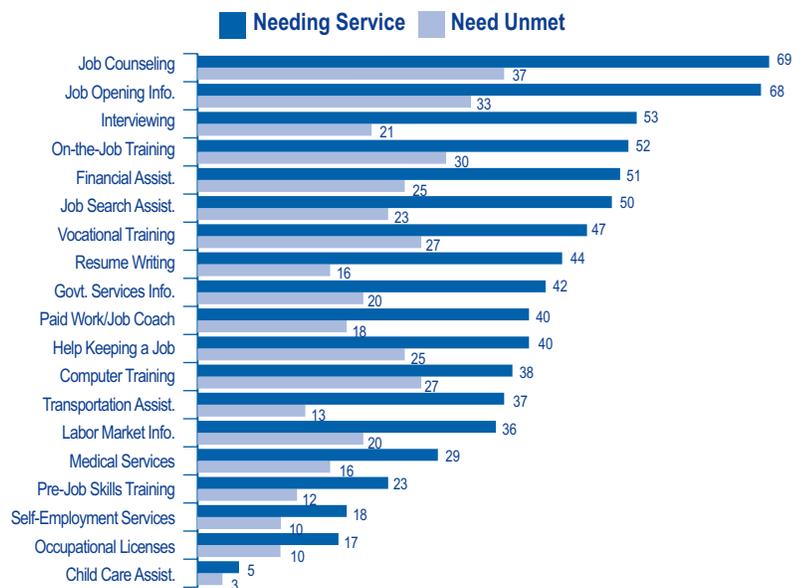


FIGURE 6 Employment and Earnings of DVR Clients in the Third Quarter After Leaving Program

	1997-98		1999-2000		2001-2002		2003-2004	
	All	Rehabilitated	All	Rehabilitated	All	Rehabilitated	All	Rehabilitated
Percentage self-reporting employment during third quarter after leaving program	na	na	60	na	52	na	40	na
Percentage with employment reported by employers to ESD during the third quarter after leaving program	56	72	57	71	46	72	41	70
Median quarterly hours worked, of those working	381	400	377	397	310	346	299	323
Percentage employed full-time (averaging 30 or more hours/week) of those working	49	51	48	51	43	46	39	43
Median annualized earnings of those working	\$13,366	\$14,317	\$14,097	\$14,749	\$12,955	\$14,450	\$11,090	\$12,478
Size of household in which median earnings would support at poverty level	2.2	2.5	2.4	2.6	2.0	2.5	1.5	1.9
Size of household in which median earnings would support at twice poverty level	0.7	0.7	0.7	0.8	0.7	0.8	0.6	0.7
Median hourly wage of those working	\$9.25	\$9.40	\$9.85	\$9.93	\$10.32	\$10.53	\$9.43	\$9.46
Percentage self-reporting receipt of medical benefits from employer	na	na	40	na	44	na	37	na
Percentage self-reporting receipt of pension benefits from employer	na	na	22	na	25	na	18	na

Notes: Earnings and wages are expressed in 2005 Q1 dollars. Poverty levels are based on federal poverty guidelines identified by the Department of Health and Human Services for 2005.

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Those deemed rehabilitated upon leaving the program (i.e., those who had been working for 90 days) tended to have better employment and earnings outcomes than those not considered rehabilitated.

DVR clients leaving in 2003-2004 tended to have lower employment rates and earnings than those leaving in 2001-2002. The order-of-selection policy may have contributed to these declines.

Employment among DVR clients continues to be heavily concentrated in retail trade and services industries (Figure 7).

Gender differences in postprogram employment and hourly wages are similar. Women's median annual earnings, however, are lower than men's (\$10,368

versus \$11,914). There is less variation in labor market outcomes by race and ethnicity among DVR clients than participants in many other programs. There are, however, some significant differences. Employment rates are significantly lower for African American (32 percent) clients than for whites (41 percent). Median annual earnings are lower for African Americans (\$9,804) and Native Americans (\$10,290) than for whites (\$10,812).

Net Impacts

Every four years the Workforce Training and Education Coordinating Board conducts net impact and cost-benefit analyses of workforce development programs. The most recent net impact study was conducted in 2006 and examined the experience of participants who left programs during the 2003-2004 and 2001-2002 program years.

The net impact analysis, conducted by the W.E. Upjohn Institute for Employment Research (Upjohn), attempts to estimate what happens to program participants as compared to what would have happened if they had not participated in a program. The objective is to determine the short-term and longer-term impacts of program participation on employment, hourly wages, hours worked, quarterly earnings, and receipt of UI benefits and public assistance.

In order to estimate these impacts, individuals who participated in the DVR program were compared to individuals who had similar characteristics, but who did not participate in any of the programs in the study. The comparison group members were selected from DVR-eligible applicants who left the program before the development of an employment plan. Short-term net impacts were derived by examining outcomes for individuals who exited the program in fiscal year 2003-2004 and longer-term impacts for individuals who exited in fiscal year 2001-2002.

FIGURE 7 Industry of Employment of DVR Clients in the Third Quarter After Leaving Program: 2003-2004

Industry Group	Employment
Natural Resources and Mining	1.8%
Construction	3.6%
Manufacturing	4.9%
Wholesale Trade	2.2%
Retail Trade	17.3%
Food and Beverage Stores	5.5%
Gasoline Stations	1.1%
General Merchandise Stores	4.3%
All Other Retail Trade	6.4%
Transportation, Warehousing, and Utilities	3.7%
Information	1.8%
Financial Activities	2.9%
Services	58.0%
Administration and Support, and Waste Management and Remediation	10.3%
Education	5.6%
Health Care	10.6%
Social Assistance	9.2%
All Other Services	22.3%
Public Administration	3.8%
TOTAL	100%

Note: Industry groups are based on North American Industry Classification System codes. Major and subgroup percentages do not always sum due to rounding.

The DVR program has positive net impacts on employment, hours worked, and earnings in the short-term, and hourly wage in the longer-term. Participation increases lifetime earnings.

Figure 10 shows the short-term and longer-term net impacts of DVR participation. During the third quarter after the 2003-2004 clients left the program, participation is associated with an increase of 6.8 percentage points; a net impact of 16.3 hours worked per quarter; and a net impact on mean quarterly earnings of \$222.¹⁰³ Participation is associated with decreases in the percentages receiving Temporary Assistance to Needy Families (TANF) and food stamp benefits.

The longer-term net impacts of participation are observed 9 to 12 quarters after clients left DVR during the 2001-2002 program year. In the longer term, participation is associated with increases in employment, hourly wage, hours worked, quarterly earnings, and the percentage receiving UI benefits, and is associated with decreases in the percentages receiving TANF and food stamps.

Benefits and Costs

The cost-benefit analysis estimates the value of the net impact on earnings, employee benefits (estimated at 20 percent of earnings), social welfare benefits, UI benefits, and certain taxes.¹⁰⁴ Program costs include both direct costs and support payments borne by the state and the tuition and foregone earnings borne by program participants. Benefits and costs are calculated for both the observed period of time and based upon a statistical model that estimated the benefits and costs out to age 65. In order to compare benefits and costs in terms of net present values, postprogram benefits and costs

are discounted by 3 percent per year and all figures are stated in 2005 Q1 dollars. The benefits and costs presented here are based on impacts estimated for clients leaving programs in 2001-2002, because a longer-term follow-up is required for this analysis.

For each client in a DVR program, the public (taxpayer) cost is \$8,114 over the length of their enrollment (Figure 11). Typically while participating in employment and training programs, individuals

FIGURE 10 Short-Term and Longer-Term Net Impact Results for DVR Clients Who Left the Program During PY 2003-2004 and PY 2001-2002

	Short-Term 2003-2004 Exitters	Longer-Term 2001-2002 Exitters
Employment: percentage in reported employment	6.8	11
Mean Hourly Wage	\$0.32*	\$1.34
Mean Hours Worked Per Quarter	16.3	44.8
Mean Quarterly Earnings	\$222	\$688
TANF: percentage receiving aid	-0.6*	-0.8
Food Stamps: percentage receiving	-3.7*	-3.9
Medical Benefits: percentage receiving	1.0*	-3.0*
UI: percentage receiving	-0.2*	2.6

Notes: Short-term refers to impacts observed in the third quarter after leaving the program. Longer-term refers to impacts observed 9 to 12 quarters after leaving the program. Earnings and wages are in 2005 Q1 dollars.

* Not statistically significant at the 0.05 level.

FIGURE 11 Benefits and Costs of DVR Programs

	First 2.5 Years After Program Participant	Public	Forecast to Age 65 Participant	Public
Benefits				
Earnings	\$7,843		\$45,850	
Employee Benefits	\$1,568		\$9,170	
Taxes	-\$1,353	\$1,353	-\$7,909	\$7,909
Transfers*	-\$624	\$624	-\$1,470	\$1,470
Costs				
Foregone Earnings**	\$613		\$613	
Program Costs	\$0	-\$8,114	\$0	-\$8,114
TOTAL	\$8,046	-\$6,137	\$46,254	\$1,264

Notes: Benefits and costs are expressed in 2005 Q1 dollars.

*Transfers include UI, TANF, food stamps, and medical benefits. TANF benefits reflect the value of cash grants, child care, and other client support services.

**Instead of foregone earnings, DVR clients had positive net earnings while participating.

¹⁰³All dollar amounts are expressed in 2005 Q1 dollars.

¹⁰⁴Upjohn estimated the impact of the net change in earnings on social security, Medicare, and federal income and state sales taxes.

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forego earnings. DVR clients, however, had net earnings during participation of \$613 over nonparticipants. During the first two and one-half years after leaving DVR, the average client will gain \$7,843 on earnings. During the course of working life to age 65, the average client will gain about \$46,500 in net earnings (net impact earnings plus earnings during participation) and about \$9,200¹⁰⁵ in employee benefits. These are net gains compared to the earnings of similar individuals who did not receive DVR services.

Projected participant benefits to age 65 outweigh public costs for the DVR program by a ratio of 6.9 to 1, or \$55,633 to \$8,114.¹⁰⁶

The total public (taxpayer) costs are less than the program costs because DVR participation is associated with increased tax revenues and decreased state social welfare expenditures. From the time of leaving the DVR program to age 65, the public is forecast to gain over \$7,909 per participant in additional social security, Medicare, and federal income and state sales taxes, and to save \$1,470 per client in total UI benefits and social welfare costs-greater than the direct cost of DVR services.

Areas for Improvement

When considering labor market outcomes, remember every DVR client faces substantial impediments to employment. Moreover, the severity of these impediments increased after the adoption of an order-of-selection policy toward the end of 2000. As is the case in several other programs, DVR clients report a substantial unmet need for job counseling services and information about job openings. Relatively high percentages of clients also report an unmet need for job counseling, information about job openings, and on-the-job training.

The majority (54 percent) who received job-specific training for a new job reported their skills improved “a lot.” A similar proportion (51 percent) reported substantial improvement in adapting previous job skills.

¹⁰⁵This employee benefits amount does not account for the reduction in employee benefits associated with foregone earnings. If the same benefit percentage (20 percent) were applied to foregone earnings, the gain in employee benefits in the longer term would be about \$9,300.

¹⁰⁶This ratio does not include the impacts on taxes, UI benefits, and public assistance, which are direct transfers between participant and the public (taxpayers).