

# Calculating Return on Investment for the AB 1111-funded Breaking Barriers to Employment Program

The formula for return on investment (ROI) is

$$(1) \text{ Return on Investment} = \frac{\text{Total Benefits} - \text{Total Costs}}{\text{Total Costs}} \times 100$$

Total benefits are measured with participants' wage gains attributable to the services they received in the program. Social Policy Research Associates and Corporation for a Skilled Workforce conducted an impact evaluation of the program and found that, on average, participants earned an additional \$1,662 in the fourth quarter after exit due to the services they received. We use this amount as the average wage gain per calendar quarter for six quarters after exit. It should be noted that there are likely additional benefits attributable to the program beyond participant wage gains, including reduced spending on social safety net programs, lower turnover in the labor market, and reduced criminal recidivism. These benefits may be considered in the future.

Summing the present value of wage gains for each quarter gives the total wage gain. Multiplying this number by the total number of participants gives us the total benefits of the program in terms of participant wage gains. Equation 2 shows this calculation:

$$(2) \text{ Total Benefits} = N \times \sum_{q=1}^6 \left( \frac{1,662}{(1+r)^q} \right)$$

Where:

- N = Total number of participants. There were 2,755 participants in the program.
- q = The number of calendar quarters after a participant exits.
- r = Discount rate. We assume a discount rate of 3% per year, or 0.7% per quarter.

Using Equation 2, the total benefits attributable to the program for 18 months (i.e. six calendar quarters) after participants exit is \$26,999,829.

Total costs are measured with the total dollar amount expended on the program by grantees, technical assistance contractors, and California Workforce Development Board overhead. The total cost of the program was \$11,246,943.

Using Equation 1, the ROI for the program is 140%.