Utah’s population is less likely to have a disability than the nation’s population. Nevertheless, poverty is a substantial problem for the percent of the population that is disabled. In addition, disabilities play a major role in the level of poverty. Individuals with disabilities are less likely to be employed and earn substantially less than individuals without disabilities.

The Vocational Rehabilitation Program run by the Utah State Office of Rehabilitation assists individuals with disabilities improve their employment outcomes.

The purpose of the Economic Impact Study was to determine the return on the public investments in the Utah State Office of Rehabilitation for the Vocational Rehabilitation Program. The goal of the study was to answer two research questions.

1. What has been the impact of the Vocational Rehabilitation Program on participants’ earnings and employment?
2. What are the public and private costs and benefits associated with the Vocational Rehabilitation Program?

The study group was divided into a control group and a program group. The program group consists of individuals who received services (closure types 3 and 4 also known as status 26 and status 28 closures). The control group consists of individuals who were determined eligible but did not receive services (closure types 5 and 7 also known as status 30 closures).[1]

Given the key questions of what effects do USOR services have on earnings and employment, two separate analyses were done to distinguish the effects on earnings and the effects on employment. The analysis of earnings included only those participants who were employed. The employment analysis included individuals that were not consistently employed.

**Earnings Impact**

What is the net impact of participation in the Vocational Rehabilitation Program on earnings from Unemployment Insurance (UI) covered employment in Utah?

The answer to this question is that the earnings impact appears to be positive and quite large, based on the analysis of case closures from October 1, 2004 to September 30, 2005. This conclusion is based on the following results.

Using a simple comparison of average earnings, the difference between those applicants who received services - the program group - and those who did not - the control group - was $3,534 in the first year after services, $3,347 in the second year, and $2,976 in the third year after services (in 2008 dollars).

Given the key questions of what effects do USOR services have on earnings and employment, two separate analyses were done to distinguish the effects on earnings and the effects on employment. The analysis of earnings is described above and included only those participants who were employed. The employment analysis was designed similar to the earnings analysis.
except that the dependent variable was an indicator of whether or not the individual was employed for that quarter.

In order to ensure that the higher earnings of the program group is not based on an unobservable systemic difference in the program group versus the control group, we used regression analysis to test for the difference in earnings between the two groups while controlling for individual and labor market characteristics.

Wages do increase post eligibility determination for everyone, both program and control group, by $1032 per quarter. However, for those that received services their wages increase by an additional $1506 per quarter. This advantage does not diminish over time.

Individuals in the program group with the most significant disabilities do not experience nearly as large a wage benefit. Their quarterly wage increase correlated with USOR services is $243.

**Employment Impact**

What is the net impact of participation in the Vocational Rehabilitation Program on UI-covered employment in Utah?

Like earnings, the impact on employment is positive and quite large, based on the analysis of case closures from October 1, 2004 to September 30, 2005. This conclusion is based on the following results.

Using a simple comparison of means, those who receive services are 16% more likely to be employed than those who did not in the first quarter after closure. For the second quarter after closure, those who received services were 15% more likely to be employed.

In order to ensure that the higher employment rates for the program group are not based on an unobservable system difference in the program group versus the control group, we used regression analysis to test for the difference in earnings between the two groups while controlling for individual and labor market characteristics. On average, those who received services were 9.1% more likely to be employed.

**Costs and Benefits of Vocational Rehabilitation Program**

**Private Benefits**

Economic benefits to the individual come in two forms:

- For those who are working, an increase in earnings.
- For those who were not working, an increase in the likelihood of employment and, therefore, earnings.

The USOR Vocational Rehabilitation program helps increase earnings in Utah by over $282 million; over $56 million from increased earnings and over $226 million from increased employment.

**Public Benefits**

While the individuals who participate in the Vocational Rehabilitation program see large increases in their earnings, the State of Utah also benefits from the increased earnings. First, the state
collects additional tax revenue and second, the state pays less in public benefits to participants.

Public benefits include decreased payments from Social Security Insurance, Social Security Disability Insurance, Temporary Assistance to Needy Families, General Assistance, Veteran’s Disability, Worker’s Compensation and other programs. Some of these programs are funded through the state and some are funded through the federal government. The reduction in these benefits will result in a savings of over $34 million for the participants in FY 2005.

The State of Utah saves the present value of $4,570,582.93 in Medicaid benefits per year of USOR services.

In terms of increased taxes, Utahns with similar incomes to the participants paid 11.4% of their income in state and local taxes in FY 2005. Thus, the $282 million will result in the present value of $32,231,036 in increased state tax revenue.

Public costs of the program are the amount that the state spends on administering the Vocational Rehabilitation program. The state spent $12,599,900 on the Vocational Rehabilitation program in FY 2005. The federal government contributed $23,887,000, for a total of $36,486,900.

The final result of the above calculations reveals that for every state dollar spent on Vocational Rehabilitation, $5.64 dollars are returned to the state in terms of increased taxes and decreased benefits from public programs.

**Economic Impact of Federal Expenditures for the Vocational Rehabilitation Program**

The federal government contributed $23,887,000 of the total $36,486,900 spent on Vocational Rehabilitation in FY 2005. This represents a positive economic impact on the Utah economy because it is an injection of money from an outside source. The federal expenditure supports jobs, which create income and generate tax revenue in Utah.

The federal dollars supported an additional 250 jobs, which resulted in an additional $16 million in earnings. These earnings translate into approximately $1.6 million in additional tax revenue to the state.

The additional tax revenue from the federal dollars increases the cost benefit ratio to 5.77.

**Limitations of the Study**

Limitations of the study include:

- Limited external validity
- Limitations of using nonexperimental data
- Service definitions
- Data limitations

The Economic Impact Study was completed for the Utah State Office of Rehabilitation by the Center for Public Policy & Administration at the University of Utah. The full report can be found at: [http://www.usor.utah.gov/utah-state-office-of-rehabilitation-economic-impact-study](http://www.usor.utah.gov/utah-state-office-of-rehabilitation-economic-impact-study).

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[1] Some individuals with closure types 5 and 7 may have received minimal services related to the eligibility determination process. However, there is no clear method for determining which individuals received these services and as they were minimal, they should not materially alter the findings for employment outcomes.