



CENTER FOR RESEARCH ON EMPLOYMENT
OF DISADVANTAGED POPULATIONS

RESEARCH REPORT

Cost-Benefit Analysis of Eshet Chayil (Woman of Valor) Program

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The study was initiated and funded by the Ministry of Labor and Social Affairs

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Executive Summary

1. Background

Cost-Benefit Analysis

The Ministry of Social Affairs and Services (MSAS) asked the Myers-JDC-Brookdale Institute (MJB) to conduct a cost-benefit analysis of the Eshet Chayil (Woman of Valor) Program, which addresses the integration into employment of women far removed from the labor market.

A Cost-Benefit Analysis Includes:

- a. Systematic itemization of the cost-benefit aspects of the programs, and an assessment of their financial value
- b. Comparison of benefits and costs – an analysis based on two accepted measures:
 - 1. The net benefit: benefit minus cost
 - 2. The cost-benefit ratio
- c. Itemization of costs and benefits omitted from the financial assessment.

We used a standard analysis to examine the types of cost and benefit from three perspectives: that of society (increased resources at the disposal of society); of the government (savings in the government's net budget); and of the participant (improved financial status; Greenberg & Knight, 2007). The main perspective is usually that of the economy (society).

Program Players, Goal and Target Population

The program of Eshet Chayil (Woman of Valor) was developed in the 1990s by TEVET – an employment project of the government and JDC-Israel. At the end of 2010, the program was transferred to the auspices of MSAS (partnered by the Ministry of the Economy, the Economic Development of the Arab, Druze and Circassian Sectors at the Prime Minister's Office, the Ministry of Immigrant Absorption, the Ministry of Education, the Ministry of Construction and Housing – Division of Neighborhood Renewal – and local authorities).

The program is based on the idea that the integration into employment of women from traditional societies, who are removed from the labor market, may serve as a lever for their empowerment and for their personal and family development.

The program is active among four populations of women whose employment resources are limited:

- a. Arab women
- b. Vulnerable Jewish women who have long been in Israel (whether native-born or having lived here for 15 years)
- c. Ethiopian-Israelis
- d. Women from the Caucasus and Bukhara.

This analysis relates to the first three categories. The available data did not allow us to locate a comparison group for women from the Caucasus and Bukhara. We also could not locate a comparison group with regard to Jewish women long in the country though not native-born (part, but not all, of group b). These two populations were therefore not included in the analysis.

2. Study Method

Evaluating the Program Impact

A cost-benefit analysis demands an evaluation of the impact of the program on participants. Presumably, some participants would have integrated into employment even without the programs. The evaluation of program impact therefore rested on two sub-appraisals:

1. Improvement in the employment status of participants
2. Improvement in the employment status of the control or comparison group; this group was composed of non-participants similar in characteristics to the program participants.

The evaluation of program impact is performed by calculating the difference between these two sub-appraisals.

To locate a group of people similar to program participants, Randomized Controlled Trial (RCT) is generally considered the best method: program candidates are located and the control group is chosen from them at random. If it is not possible to use this method, an attempt is made to identify a comparison group that is similar to the participant group. The main challenge of the study was to locate a suitable comparison group. Since the program was not implemented with pre-designated control groups, the comparison group had to be located retroactively. To this end, we used a method developed at MJB to examine employment programs, based on panel data from the Central Bureau of Statistics (CBS) Labor Force Survey.

The CBS Labor Force Survey takes into account the participants' interest in integrating into employment. It also enables the monitoring of respondents for a year. The difference between the participant and comparison groups could thus be estimated at the end of the first year. For the participant group, we had data for the second year as well, and these indicated a stable employment rate. We therefore decided to base our evaluation on a two-year period and to assume that the program impact continued into the second year to the same extent as we had found at the end of the first. The impact may in fact be lower in the second year or continue beyond it. We assumed that the impact remained stable in the second year and we disregarded a potential impact beyond the second year. As regards wages, we adopted the conservative assumption of a smaller program impact: we disregarded the possibility that program participation affects not only the onset of employment but also the type of employment found and the wage level. This approach was due to the limitation that the Labor Force Survey provides no data on wages.

The final impact was estimated by Coarsened Exact Matching (CEM – Iacus, King & Porro, 2012).

The cost-benefit analysis was based on several sources. The main one was the tender to implement the program published by MSAS in 2012. It related to the average total investment in the program per participant.

3. Findings

As noted above, this report presents costs and benefits from the perspectives of society, government and participants.

Due to data limitations, we could not relate to a period beyond two years.

Perspective of the Economy (Society)

Two years after the women joined the program, the net benefit (i.e., minus cost) was positive:

- ◆ Some NIS 4,800 to NIS 7,500, for participants from Arab society
- ◆ Some NIS 4,300 to NIS 6,200, for Jewish women long in Israel
- ◆ Some NIS 7,300, for Ethiopian-Israelis.

The ranges designated in the cost-benefit analysis for Arab women and Jewish women long in Israel are due to our use of two comparison groups. Both comprised interviewees similar to the program participants in personal characteristics; however, one comprised only participants interested in employment while the other comprised all non-employed interviewees. For Ethiopian-Israeli women, the data did not allow us to use a comparison group consisting solely of women interested in employment; consequently, for them, we could only use the second type of comparison group. As a result, the evaluation concerning Ethiopian-Israeli women provided only the upper limit of the assessment of net benefit.

To provide another angle on the findings, we calculated the period after which the benefit to participants equaled the cost of the program; i.e., how long did it take for the program to "return the investment" to society. This period ranged from 1.4 to 1.6 years for the three populations. In other words, the program became profitable for society during the period covered by this report, which, as said, was the first two years after participants joined.

The Perspective of Participants

From the perspective of participants, the net benefit was positive; the financial improvement following the program was greater than the costs involved in the women going out to work. This is because the women who started to work earned a wage, and since they did not receive an income-support benefit (during the period of the study, the program was not directed at recipients of income-support), integration into employment did not involve the loss of such a benefit nor any payment on their part.

The Perspective of the Government

From the perspective of the government budget, the net benefit was negative: the cost of the program was higher than the budget savings resulting from the women's integration into employment. This is because the government bore the cost of the program without saving on expenses since, as said, the

program was not designed for recipients of income benefits and few participants received sufficiently high wages to pay income tax. Moreover, some of the participants that started to work were entitled to an employment grant (negative income tax).

4. Outcome Sensitivity Test

We examined whether the evaluation of the program impact on employment rates was sensitive to the various assumptions and, if so, to what extent. The examination revealed that the program remained profitable for society after two years from the time that participants joined it even if the impact was several dozen percent smaller than what we had assumed.

Nevertheless, the findings should be approached with caution, particularly among Ethiopian-Israelis, for two reasons. Firstly, the comparison group for this population of participants did not relate to their motivation in integrating into employment, due to lack of data. Secondly, the analysis related only to women who were not employed at the time of joining; however, a sizable percentage of the Ethiopian-Israeli women were employed when they joined the program (17% of the participants who had joined in 2008-12), a rate showing a trend of increase: in 2011-12, 47% were employed at the time of joining. Among Israeli-born Jewish women, 20% were employed when they joined the program.

5. Additional Aspects to Consider in Evaluating the Findings

Cost-benefit analysis demands numerous decisions about which factors to include in the financial assessment. These decisions involve both considerations of principle and availability of data. The following factors were omitted from the financial assessment in this report:

a. Types of Benefit Omitted from Consideration

1. Due to data limitations, the evaluation does not relate to the program impact on the employment progress of participants working at the time of joining.
2. The evaluation does not take into account the broader program impact on employment of people not participating in the program, for example:
 - a. On friends and relatives of the participants
 - b. On the readiness of employers to continue hiring similar candidates
 - c. On the atmosphere of the broader community that encourages people with similar characteristics to find work.

b. Types of Cost Omitted from Consideration

1. Costs of services that support going out to work, such as daycare – both in terms of participants paying for daycare and in terms of the government subsidizing daycare for these participants
2. Costs of the use of physical buildings and of the work of various bodies that support the program, such as social workers in MSAS Social Departments who refer participants to the program.

In our evaluation, these costs do not change the results substantially.

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