

guarantee for those whom opportunity does not reach. As opportunity increases, this number whose income must be guaranteed will necessarily decrease. But in the final analysis, one of the things the poor need in order to become a real part of our society is money, and we should not shrink from the principles of providing it to them when opportunity leaves them behind and they cannot provide it themselves.

### EXAMPLES OF COST-BENEFIT ANALYSIS

#### JOB CORPS PAYBACK PERIOD

Using conservative assumptions, the Government's investment will be matched by the increased earnings of a graduate in 5.1 years. This is a computation based upon earnings alone. If other social costs (public assistance payments, law enforcement, etc.) generated by these same youth had they never been in Job Corps, were included, the period would be reduced considerably below the 5.1 years.

#### 1. Costs:

|                                                                            |               |
|----------------------------------------------------------------------------|---------------|
| (a) Total costs at steady-state \$7,765 by 45,000 man-years-----           | \$349,000,000 |
| (b) With average term of 9 months, this provides for enrollees-----        | 60,000        |
| (c) Assumed number of graduates-----                                       | 50,000        |
| (d) Steady-state costs per graduate (\$349,000,000 divided by 50,000)----- | \$6,980       |
| (e) Success rate assumed for graduates <sup>1</sup> -----percent--         | 80            |
| (f) Cost per success (\$6,980 divided by 80 percent)-----                  | \$8,725       |

#### 2. Benefits:

|                                                               |         |
|---------------------------------------------------------------|---------|
| (a) Average hourly wage per successful graduate per hour--    | \$1.60  |
| (b) Assumed annual employment per successful graduate hours-- | 2,000   |
| (c) Average annual wage per successful graduate-----          | \$3,200 |
| (d) Average hourly wage before entry-----                     | \$1     |
| (e) Assumed annual employment before entry----hours--         | 1,500   |
| (f) Average annual wage before entry-----                     | \$1,500 |
| (g) Earnings gain-----                                        | \$1,700 |

3. Earnings payback period (\$8,725 divided by \$1,700): Time required for enrollee earnings to equal government cost years-- 5.1

<sup>1</sup> Success is defined as holding a good steady job, going back to school or into military service. A good job is defined as semiskilled or better. For purpose of this calculation, all successful graduates are treated as if they were in jobs.

#### *Cost effectiveness summary of Job Corps and out-of-school Neighborhood Youth Corps*

A direct cost-effectiveness comparison of the Job Corps and out-of-school Neighborhood Youth Corps programs cannot be made until evaluative data are available. Such data are not available: first, because Job Corps does not yet have enough graduates to provide a reasonable predictive sample of future success; and second, because a crucial factor in evaluation is the ability of graduates to retain full-time employment, and neither program has had graduates over a long enough period of time to estimate this factor.

We have, however, prepared the ground for such a comparison. It starts with the fact that the steady-state costs per graduate of Job Corps are roughly six times those of out-of-school Neighborhood Youth Corps, and therefore Job Corps must be six times as productive in order to be equally cost effective. (One exception to this statement