OPPORTUNITY NYC | WORK REWARDS

Executive Summary

WORKING TOWARD SELF-SUFFICIENCY

Early Findings from a Program for Housing Voucher Recipients in New York City

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Funders of the Opportunity NYC−Work Rewards Demonstration

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Dissemination of MDRC publications is supported by the following funders that help finance MDRC's public policy outreach and expanding efforts to communicate the results and implications of our work to policymakers, practitioners, and others: The Annie E. Casey Foundation, The George Gund Foundation, Sandler Foundation, and The Starr Foundation.

In addition, earnings from the MDRC Endowment help sustain our dissemination efforts. Contributors to the MDRC Endowment include Alcoa Foundation, The Ambrose Monell Foundation, Anheuser-Busch Foundation, Bristol-Myers Squibb Foundation, Charles Stewart Mott Foundation, Ford Foundation, The George Gund Foundation, The Grable Foundation, The Lizabeth and Frank Newman Charitable Foundation, The New York Times Company Foundation, Jan Nicholson, Paul H. O'Neill Charitable Foundation, John S. Reed, Sandler Foundation, and The Stupski Family Fund, as well as other individual contributors.

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Overview

In 2007, New York City's Center for Economic Opportunity launched Opportunity NYC–Work Rewards, a new test of three alternative but related ways of increasing employment and earnings for families who receive Housing Choice Vouchers to subsidize their rent. Two of the interventions include the Family Self-Sufficiency (FSS) program, the main federal effort for increasing employment and earnings and reducing reliance on government subsidies among housing voucher recipients. FSS offers case management designed to connect participants to services that can help them prepare for, find, and advance in work. But as their income increases, so does their share of the rent. Thus, FSS also includes a component through which families can build their savings by diverting their increased rent payments into interest-bearing "escrow accounts" maintained by the housing authority and paid to participants when they complete the program, which could take five years or more. The Work Rewards demonstration includes the first random assignment study of the FSS program and a test of an enhanced version of the program that combined FSS with special incentives (paid every two months) to encourage sustained full-time employment. Finally, the demonstration tests the effects of those same incentives offered without FSS, to determine whether this administratively simpler and potentially less costly approach could be effective. This report presents the early findings from the first two and a half years of follow-up.

Key Findings

- There is no evidence so far that FSS improved labor market outcomes for the full sample enrolled in FSS alone.
- The combination of FSS and special work incentives also produced no consistent effects on employment and earnings for the full sample. However, FSS plus the incentives produced large and statistically significant increases in average quarterly employment rates and average earnings (a gain of 45 percent over the control group average) for the subgroup of voucher holders who were not working at study entry.
- The special work incentives alone produced no consistent overall effects for the full sample. However, they produced statistically significant increases in earnings for participants who were receiving food stamps at study entry. The FSS-only intervention produced a similar pattern of effects. Although it is impossible to say for certain, the special incentives might have offset this population's concerns about potential reductions in their food stamp benefits if they earned more money, thus counteracting possible disincentives to work.
- It is also possible that the FSS services and escrow offer may have encouraged voucher holders who were receiving food stamps to reassess the likely payoff from working more.
- None of the models so far has shown effects on the group that was employed when the study began, suggesting more generally that it may be worthwhile to reexamine how FSS programs approach this group.

Work Rewards will track participants' outcomes through 2013. Future reports will also include results from a three-year survey and a benefit-cost analysis. These findings should inform future research on FSS, particularly a new national evaluation of FSS that MDRC is conducting for the U.S. Department of Housing and Urban Development.

Preface

Improving employment outcomes for low-income tenants who receive government rental assistance is a long-standing goal of policymakers. While some programs have been implemented to try to achieve this goal, limited evidence exists to demonstrate whether they work, particularly among recipients of housing vouchers, which are used to supplement rent in the private housing market. For example, many housing authorities operate Family Self-Sufficiency (FSS), a voluntary federal program that offers case management and job-related services and includes an asset-building tool to help participants save money. Although some studies of FSS have been done, none of them has been a randomized control trial, leaving uncertainty about its effectiveness.

The Opportunity NYC−Work Rewards demonstration, sponsored by New York City's Center for Economic Opportunity and launched in 2007, is the first random assignment test of FSS to date — but it goes further than just testing FSS. Based on earlier findings that identified cash work incentives as an effective way to increase employment and earnings among various low-income groups, the demonstration is also testing the effectiveness of FSS combined with an offer of immediate cash rewards for work and training. The designers of the Work Rewards demonstration reasoned that adding such incentives to the basic FSS model might result in a more powerful intervention than FSS alone. Finally, the demonstration is testing a third strategy: whether these short-term cash incentives, which would be easier to bring to scale and potentially less costly than a services program like FSS, might be similarly effective on their own.

Early findings from the ongoing Work Rewards evaluation point to benefits for some voucher holders but not for others. Overall, the study found no sustained effects for the full samples in any of the three programs. But it did identify positive effects for certain subgroups. For example, FSS combined with the special work incentives produced large increases in employment and earnings for participants who were not working at study entry, but it did not help those who already had a job. The program that offered the work incentives alone increased earnings for those who were receiving SNAP benefits (food stamps) at study entry. These early findings may have important implications for the way FSS programs approach different types of voucher holders.

The Work Rewards demonstration provides a touchstone for a new national evaluation testing FSS across a number of states, which MDRC is now launching under a contract with the U.S. Department of Housing and Urban Development. The national evaluation will provide evidence on the effectiveness of FSS across a diverse set of cities, local contexts, demographic groups, and approaches to implementation. Together, the New York City and national evaluations promise to yield valuable lessons on how to stimulate employment and economic self-sufficiency among low-income families who rely on housing vouchers to help pay their rent.

Gordon L. Berlin
President, MDRC

Acknowledgments

This report would not exist without the generous contributions and support of many people. We are especially grateful to the individuals participating in the Opportunity NYC−Work Rewards demonstration and the members of the control group who have allowed us to learn from their experiences. We are also very grateful to the staff at Seedco and the participating community-based organizations (CBOs) for helping us understand their efforts in operating the different program models and in supplying us with essential data on families' participation. At Seedco, we acknowledge the contributions of former staff members Andrea Phillips, Rebecca Ross, Saroya Friedman-Gonzalez, Naomi Zuk-Fisher, Juan Pinzon, Meenakshi Bhatt, Kate Head, and Cate Bowman, as well as all the interns, staff who operated the payment processing unit, and others who contributed to the implementation of this program.

We also appreciate the dedication of the many staff members, past and present, at the CBOs involved with different stages of the demonstration. In particular, we would like to thank Sara Farimani and Sulia Joa at Northern Manhattan Improvement Corporation (NMIC); Kathleen Masters, Eileen Reilly, Anita Fee, Flutra Gorana, Ryan Wilson, and Ana Melendez at CAMBA; and Glenn Bullock at BronxWorks. We also thank Irene Black, Wanda Figueroa, and Claudia Velez at St. Nicks Alliance (formerly known as St. Nicholas Neighborhood Preservation Corporation), and Rosemary Ordonez-Jenkins, Meiling Viera Delgado, and Shawnica Phillips at Phipps Opportunity Center.

Our partners at the New York City Department of Housing Preservation and Development (HPD) and the New York City Housing Authority (NYCHA) played crucial roles in the design and implementation of Work Rewards. At HPD, we thank Nicole Levin for her contributions to the design of the FSS study, its learning agenda, and the ongoing management of the program; Dinsiri Fikru also offered helpful suggestions. At NYCHA, Celeste Glenn provided guidance and assistance with the inclusion of NYCHA voucher holders in the demonstration.

We owe special gratitude to Mayor Michael Bloomberg for his support for the project, and to Deputy Mayor Linda Gibbs and staff of the New York City Center for Economic Opportunity (CEO), especially Veronica White and Allegra Blackburn-Dwyer for their guidance on the design of the evaluation, their assistance in helping us acquire crucial data from various City agencies, and their feedback on the emerging findings. We thank staff at HPD, NYCHA, and other New York City and New York State agencies who prepared the administrative records data used in the analysis. We also appreciate the time that staff from the U.S. Department of Housing and Urban Development and other New York City agencies took to reflect on the initial findings.

We appreciate the continuing support of the funders of the demonstration. These include Bloomberg Philanthropies, The Rockefeller Foundation, The Starr Foundation, Open Society Foundations, Robin Hood Foundation, American International Group (AIG), Tiger Foundation, The Annie E. Casey Foundation, The John D. and Catherine T. MacArthur Foundation, and New York Community Trust.

Special thanks go to two external reviewers who carefully read an early draft and offered valuable comments: John Goering and Jeff Lubell were very generous with their time, and we are very grateful for their insights about the policy significance of the findings.

We also offer special thanks to Dr. Henry Goldschmidt for conducting a seminar for MDRC staff to educate us about the Hasidic community, conducting the interviews with Hasidic sample members, and helping to conduct the analysis and write that section of the report. Thanks also go to community leaders in the Hasidic communities of Williamsburg, Borough Park, and Flatbush, as well as to the leadership of the Metropolitan Council on Jewish Poverty, for helping us understand the unique employment challenges of these communities.

At MDRC, Donna Wharton-Fields and Vanessa Martin served as liaisons to Seedco and the CBOs and contributed valuable observations and insights to strengthen program operations. Gordon Berlin, John Hutchins, Richard Hendra, and David Greenberg provided valuable feedback on report drafts. Gilda Azurdia and Jared Smith managed the acquisition and processing of all quantitative data. Victoria Dietch, Zakia Barnes, and Nathaniel Roth processed and analyzed the vast amount of quantitative data used in this report. Former MDRC staff members Sarah Rich and Jeff Berman also provided important support on various aspects of the evaluation. Crystal Ganges-Reid coordinated the production of the report; Diane Singer helped with the production of the exhibits; and Alexandra Brown, Daniel Schlaff, Jaya Varma, and Jeremy Welsh-Loveman assisted with fact-checking. Alice Tufel edited the report and Stephanie Cowell prepared it for publication.

The Authors

Executive Summary

In 2007, New York City launched the Opportunity NYC−Work Rewards demonstration. Work Rewards is testing three alternative ways of improving employment, earnings, and quality-of-life outcomes for very low-income families who are receiving assistance with rental costs under the federal government's Housing Choice Vouchers program. This report presents initial findings from an ongoing evaluation of those interventions.

At the time they entered the study, all participants were receiving rental subsidies in the form of housing vouchers under Section 8 of the Housing Act of 1937, the nation's largest rental assistance program. The vouchers, available to over two million low-income households nationwide, allow recipients to live in privately owned rental properties. Policymakers have long sought to improve voucher holders' labor market outcomes and financial assets. This is a steep challenge. Like other low-income groups, many voucher holders have low education and skill levels and face other impediments to steady and good-quality employment. In addition, many experts contend that the structure of the rent subsidy policy itself may discourage some tenants from working as much as they could. Tenants generally pay 30 percent of their income in rent (after certain income exclusions), with the government making up the difference. Thus, an increase in a household's income triggers an increase in rent, with this extra rental charge acting as an implicit "tax" on earnings.

The federal Department of Housing and Urban Development (HUD) administers the voucher program through agreements with local public housing authorities. To promote and support employment among voucher holders and to help them build financial assets, HUD also funds the Family Self-Sufficiency (FSS) program. Nationally, the FSS program reaches a small proportion of all voucher households (about 5 percent). HUD provides housing authorities with modest resources to hire local service coordinators to develop self-sufficiency plans with participating families and to connect those families with job search, education, training, and other services in their communities. HUD also funds a special program component to help families build their savings through interest-bearing "escrow accounts" maintained by the housing authority. Qualifying tenants still pay an increase in rent when their earnings rise, but that extra payment is deposited into the escrow account and is rebated to them (with interest) once they complete the self-sufficiency plans they agreed to with the housing authority and are not receiving any cash welfare payments through Temporary Assistance for Needy Families (TANF) and/or Safety Net Assistance (SNA). Thus, the escrow account functions as a kind of "forced savings" or asset-building account. It may also provide a financial incentive for tenants to increase their work effort. Overall, no strong evidence exists showing whether or not the FSS program actually achieves the employment and asset-building goals it is designed to produce. Nor is there very extensive information about the program's operation. Moreover, the very low percentage of eligible housing residents who participate in FSS in most jurisdictions raises the question of whether alternative structures might engage more residents and improve the program's reach and effectiveness.

The New York City Department of Housing Preservation and Development (HPD) operates one of the largest FSS programs in the country,[1] and it agreed to subject this program, which it was beginning to modify in 2007, to a rigorous test as part of the Work Rewards demonstration. It also agreed to test new work-related financial incentives alongside its FSS program. The special incentives included cash bonuses, called "reward payments," of $150 per month designed to encourage voucher holders to work full time, and other bonuses for completing approved education and training activities. (See Box ES.1.) Paid out every two months, the bonuses were envisioned as more immediate and, hence, potentially more powerful work incentives than the escrow savings, which could take several years to build and receive. In a related experiment, the New York City Housing Authority (NYCHA), which is the City's primary housing authority and which operates a more broadly available Section 8 voucher program (the largest in the country), agreed to test the same financial incentives for its voucher holders, but without an FSS program.[2] Both experiments targeted voucher holders with household incomes at or below 130 percent of the federal poverty level.

Box ES.1

Work-Related Financial Incentives in the Work Rewards Demonstration

In addition to testing the FSS program, the Work Rewards demonstration is testing the effectiveness of special cash incentives that are intended to promote full-time work and the completion of education and training to enhance participants' employability. Cash rewards are offered for:

- *Sustained full-time employment.* To receive this reward, participants had to remain employed for an average of 30 hours per week for six out of every eight weeks (that is, about 75 percent of the weeks in each two-month "activity period"). Full compliance with this condition earned a participant a $300 cash reward per activity period — up to $1,800 per year for two years.

- *Completion of approved education and training courses.* Compliance with this condition could earn a participant $300, $400, or $600 for a course, depending on its length, up to a total of $3,000 over two years.

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[1]HPD, a low-income housing development agency in New York City, provides Section 8 vouchers to income-eligible families who meet special preference categories, such as living in a property regulated by HPD, a property undergoing substantial HPD-funded renovations (requiring tenants to relocate), or a homeless shelter.

[2]Unlike HPD's voucher program, NYCHA's program accepts applications from the general public, provided they meet the income-eligibility criteria (130 percent of the federal poverty level) — although, at the time of this writing, its waiting list is currently closed.

In sum, the Work Rewards demonstration is testing three distinct strategies: (1) FSS alone, (2) FSS *plus* special work incentives (that is, immediate cash incentives in addition to the longer-term incentive of the escrow account), or "reward payments," and (3) the special work incentives alone. The first two of these tests (comprising the "FSS only" and "FSS+incentives" programs) are referred to as the "FSS study" in this report, and they involve households with vouchers obtained through HPD. The third test (without FSS), referred to as the "work incentives" or "incentives-only" study in this report, involves households with vouchers obtained through NYCHA. Using two parallel randomized control trials, the evaluation is determining the effects, or "impacts," of the FSS program and the new special work incentives on voucher holders' employment outcomes, housing subsidy receipt, receipt of other public assistance benefits, and various quality-of-life outcomes. Individuals can be enrolled in FSS for five years (with a two-year extension possible in some cases), and that program continues to operate; the special work incentives were available for two years to each participant to whom they were offered. The evaluation will eventually include five years of follow-up data on each sample member from the time of random assignment.

New York City's Center for Economic Opportunity (CEO), a unit within the office of Mayor Michael R. Bloomberg, is sponsoring the Work Rewards demonstration. Seedco, a nonprofit workforce and economic development organization, provided technical assistance in the program's design and operated the payment system for the special financial incentives component of the interventions. A small network of community-based organizations (CBOs) was responsible, along with the housing authorities, for directly engaging families in each intervention. MDRC, a nonpartisan social policy research organization, collaborated with CEO, the two housing authorities (HPD and NYCHA), Seedco, and the community organizations on the design and fielding of the interventions and is conducting the evaluation.[3] A consortium of private funders paid for the special financial incentives and is covering the evaluation costs,[4] while CEO and HUD supported HPD's FSS program with public dollars.

This first report includes an implementation analysis that examines the experiences of the housing authorities and nonprofit organizations operating FSS and the special financial incentives component over the two-and-a-half-year study period, from April 2008 (when program operations began) through October 2010. The report also presents initial findings on the program's impacts on employment and earnings and on the receipt of food stamps (now

[3]CEO is also the sponsor of a related demonstration testing a comprehensive "conditional cash transfer" program called Opportunity NYC−Family Rewards, in which MDRC and Seedco were also involved.

[4]The consortium of private funders comprises Bloomberg Philanthropies, The Rockefeller Foundation, The Starr Foundation, Open Society Foundations, Robin Hood Foundation, American International Group (AIG), Tiger Foundation, The Annie E. Casey Foundation, The John D. and Catherine T. MacArthur Foundation, and New York Community Trust.

called Supplemental Nutrition Assistance Program, or SNAP, benefits) and cash welfare payments.[5] It examines impacts on employment-related outcomes over a 30-month follow-up period and on food stamps and welfare outcomes over an 18-month follow-up period.[6] Future reports will cover up to five years of follow-up on all of these measures and, for the FSS study sample, will include results from a three-year survey.

The Findings in Brief

Implementation Findings

The current report highlights the intensive efforts that the community organizations made and the challenges they encountered in trying to recruit voucher holders to join the Work Rewards demonstration. In keeping with the demonstration's guidelines for the FSS study (comprising the FSS-only and FSS+incentives studies), the community agencies were required to work aggressively to contact a representative subset of eligible tenants from HPD recruitment lists made up of randomly selected households. Upon making contact, the staff encouraged the tenants to enroll in the study, while also explaining that they could be assigned to the control group. Bad contact information (for example, obsolete phone numbers) made it especially difficult to reach specific families on the lists. This approach contrasts with the practices of FSS programs nationally, which are allowed to give preference to voucher holders who appear to be the most motivated to participate in FSS.

Although the task was a difficult one, the organizations succeeded in enrolling a sample of residents who generally reflected the diverse characteristics of the eligible HPD voucher population. The evaluation found that the special work incentives (in combination with FSS) were much more appealing for many voucher holders than the offer of FSS alone, and the prospect of being selected for the group that could receive those reward payments convinced many tenants to sign up for the study. Furthermore, among tenants who were selected for the FSS+incentives group, the special incentives promoted a deeper level of engagement in FSS activities.

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[5]This report focuses on sample members (the "core sample") who are classified as nonelderly and nondisabled — the usual focus of self-sufficiency programs. However, some elderly and disabled individuals enrolled. The full report includes an appendix showing findings for the entire random assignment samples, including elderly and disabled individuals, for both the FSS and incentives-only studies. The incentives-only study also includes individuals from Hasidic communities in Brooklyn. Because this group has a number of unique characteristics and orientations toward the labor market that distinguish them from the populations normally served by housing voucher programs nationally, findings for this group were analyzed separately. (See Appendix A.)

[6]Data on benefit receipt beyond 18 months were not available in time to be included in this report.

The community organizations that were responsible for operating FSS encountered a variety of implementation hurdles, including year-to-year funding uncertainties and a complex contract structure that made it difficult to deliver consistently strong employment services. In addition, marketing the critical escrow component of FSS proved to be more complicated than anticipated. Many participants — and even staff in the community organizations, which had not previously operated FSS — did not fully understand how it worked. Nonetheless, over one-fourth of the households in the FSS program have begun accumulating escrow savings (even without the extra work incentives payments).

Recruiting NYCHA voucher holders for the incentives-only study was also challenging, for many of the same reasons. However, those efforts, also, ultimately yielded a sample that reasonably reflected the larger eligible population of NYCHA voucher holders. About half of the participants in the incentives-only study earned at least one reward payment within the first 18 months after random assignment, while about one-third of participants in the FSS+incentives program did so. In both cases, most of those rewards were for sustaining full-time employment; few were for completing education or training activities.

Impact Findings

The early impact findings show that neither FSS alone nor FSS combined with the special work incentives had any overall effect on voucher holders' labor market outcomes or on their receipt of food stamps or cash welfare payments. However, both interventions did have positive effects for certain subgroups that were specified before the impact estimates were calculated. Based on some prior research on employment programs, it was expected that the effects of Work Rewards might vary for different types of individuals — defined, for example, in terms of their employment history and prior receipt of public assistance.[7] The Work Rewards study found that FSS+incentives produced large and statistically significant increases in average quarterly employment rates and average earnings for voucher holders who were *not already working* at the time they entered the study. Impact estimates for FSS alone were also positive for that subgroup, but they were smaller and less likely to be statistically significant (meaning that the effects are uncertain). Neither of the two interventions improved outcomes for participants who were *already working* when they enrolled in the study. This pattern is consistent with the study's qualitative research finding indicating that the community organizations operating

[7]Richard Hendra, James A. Riccio, Richard Dorsett, David H. Greenberg, Genevieve Knight, Joan Phillips, Philip K. Robins, Sandra Vegeris, and Johanna Walter, with Aaron Hill, Kathryn Ray, and Jared Smith, *Breaking the Low-Pay, No-Pay Cycle: Final Evidence from the UK Employment Retention and Advancement (ERA) Demonstration,* Report 765 (Leeds, UK: Department for Work and Pensions, 2011); Charles Michalopoulos, *Does Making Work Pay* Still *Pay? An Update on the Effects of Four Earnings Supplement Programs on Employment, Earnings, and Income* (New York: MDRC, 2005).

FSS had much more concrete assistance to offer to participants who needed to find jobs than they could offer to participants who were already working and hoping to increase their earnings.

The early impact findings for the incentives-only study are also largely a subgroup story. In this case, the subgroups that mattered most were defined in terms of participants' receipt of food stamps at the time of random assignment. The incentives-only intervention produced sizable and statistically significant increases in earnings for participants who were food stamp recipients, but had no effects for participants who were not food stamp recipients. Interestingly, FSS+incentives and FSS alone produced a similar pattern of results (and were statistically significant in the latter case). One interpretation of this general finding is that perhaps the special work incentives and/or the extra prodding and support offered by the FSS program helped counteract the worries that some food stamp recipients may have had about potential reductions in their food stamp benefits if they earned more money. In other words, the rewards or the program alone may have counteracted possible work disincentive effects triggered by the receipt of food stamps and housing subsidies.

Data on the effects of all three interventions on the receipt of cash welfare and food stamps are currently available for 18 months of follow-up. The interim analysis presented in this report shows that FSS by itself reduced the receipt of welfare payments under TANF, but not food stamps, during this period. So far, neither the FSS+incentives nor the incentives-only approach has had a similar effect. The evaluation will eventually determine whether this pattern changes as longer-term data become available.

Findings from the FSS Study

The FSS program was operated collectively by HPD, several CBOs contracted to HPD, and Seedco, which provided technical assistance to the community organizations and served as the overall program manager. Seedco also administered the reward payments system for the FSS+incentives group, which entailed reviewing claims submitted by participants via special "coupons," verifying compliance with the rewards criteria, authorizing payments, and contracting with a financial institution to transfer payments electronically to participants' bank accounts. To claim the reward payments, which were offered to each participant for two years, participants had to provide documentation showing that they had met the conditions for the reward that they were claiming (for example, evidence of having worked an average of 30 hours per week). Payments were made every two months and eligible participants could access their rewards at any time after deposits were made into their bank accounts.

Overall, the implementation of FSS was a complex endeavor. It involved a complicated management structure among the partners operating the program; a set of contracts with the community organizations that were 100 percent performance-based, meaning that the CBOs got paid only for meeting specific milestones (or "payment points") for prespecified numbers of participants (which constrained the CBOs' flexibility and may have weakened the attention they placed on work outcomes); and constant uncertainty about how much funding would be available from HUD to operate the program in subsequent years. Despite these challenges, HPD, Seedco, and the community organizations were able to deliver the essential components of the FSS program, although not as robustly as originally hoped.

- **Through an intensive recruitment campaign, the community organizations enrolled a diverse group of very low-income voucher holders, not just those who were most eager to join a program. The special cash work incentives were a major attraction.**

By design, and unlike other FSS programs in the country, the Work Rewards FSS program exclusively targeted voucher holders with household incomes at or below 130 percent of the federal poverty level, in an effort to test the program on those families who might need it the most. In addition, the community organizations were required to adopt a particularly persistent approach in trying to reach and enroll specific voucher holders who were randomly selected for inclusion on recruitment lists prepared by MDRC. The goal was to try to enroll a reasonably representative sample of targeted households in order to test the effectiveness of the program for a broad group of economically disadvantaged tenants, not just those who were most eager to volunteer for a self-sufficiency program. Thus, the community organizations purposely did not screen for voucher holders' motivation to pursue self-sufficiency goals, which HUD rules permit.

Through their intensive recruitment efforts, which began in January 2008, the community organizations enrolled 1,603 nonelderly and nondisabled voucher holders into the study within approximately one year. The majority of households (66 percent) were headed by a single adult, and most were black or Hispanic. However, they varied widely on other background characteristics, including prior work experience, education levels, and how long they had held their vouchers. Qualitative data suggest that many enrollees would not have come forward to join FSS alone, without the possibility of receiving the special work incentives.

- **The special work incentives increased participation in FSS.**

CBOs made considerable efforts to get individuals who were randomly assigned to the FSS-only or FSS+incentives groups to participate in initial FSS orientation sessions. This proved to be challenging, especially for the FSS-only group. For example, only 42 percent of tenants who were assigned to the FSS-only group attended an FSS orientation, compared with 71 percent of those who were assigned to the FSS+incentives group, suggesting that the work incentives were an important inducement. Qualitative data suggest that some individuals who signed up for the study and had hoped to get into the FSS+incentives group chose not to participate once they learned that they were assigned to the FSS-only group. That may also help explain why fewer tenants in the FSS-only group (45 percent) had more than one interaction with the FSS program, compared with those in the FSS+incentives group (54 percent). Participants in the FSS+incentives group also completed more program milestones.

Some staff believed that engagement in FSS activities was lower than had been anticipated (with or without the special work incentives) because the program was voluntary and, among welfare recipients, preexisting requirements to participate in the City's mandatory welfare-to-work programs competed for their time and attention. Additionally, scheduling conflicts, transportation and language barriers, and some concerns about the value of what FSS offered may have kept some individuals from taking full advantage of the program. Finally, some staff believed that some tenants feared losing Section 8 assistance because of higher earnings, which may have discouraged participation.

- **By 18 months after enrollment in FSS, about 29 percent of the households had accumulated some savings in FSS escrow savings accounts.**

Early in the program, some staff of the community agencies found the workings of the escrow savings account challenging to communicate to participants. As a result, in interactions with participants, program staff did not prompt discussions about the escrow account and how families could accumulate savings as much as the program designers had intended. In addition, the agencies' contracts with the housing authority did not include any provisions relating to escrow accounts among the many milestones in their performance-based contracts. In an effort to increase participants' awareness of the escrow component, Seedco devised new marketing strategies, which included special mailings and automated phone calls. However, program staff mostly continued to wait for queries, and they referred participants who contacted them to housing authority case managers at HPD for more specific information.

The FSS-only and FSS+incentives groups accumulated about the same escrow savings. Among households with any escrow savings, those in the FSS-only group saved an average of $1,112 within 18 months, and those in the FSS+incentives group accrued $1,312. A number of participants who were interviewed said that they appreciated the escrow component because it "forced" them to save money for the future. These savings can continue to grow until participants complete the FSS program, which can take five years or longer.

- **One-third of the FSS+incentives group earned at least one reward payment, in most cases for full-time employment. Very few earned rewards for completing approved education and training activities.**

About 34 percent of the participants earned any reward payments within the first 18 months of the program. About 31 percent earned at least one reward for sustaining full-time employment, while only about 5 percent earned rewards for completing an education or training activity. On average, participants who qualified for any rewards earned almost $1,700 over 18 months. Understandably, those who were more likely to earn rewards had better labor-market prospects when they entered the program: they were more highly educated, less likely to have health-related barriers to work, and much more likely to have been working already.

- **About two-thirds of all sample members worked during the 30-month follow-up period, but not steadily. Neither FSS-only nor FSS+incentives had much effect on employment rates or average earnings for the full sample.**

Employment and earnings outcomes were measured using administrative records data from the New York State unemployment insurance (UI) system. These data show that although a majority of participants worked at some point during the follow-up period, many struggled to work steadily. For example, as shown in the second panel of Table ES.1, only about 46 percent of the FSS-only and the FSS+incentives program groups worked during an average follow-up quarter. These rates are only somewhat higher than the control group's rate, although the increase is statistically significant for the FSS+incentives group. Average earnings differed little across the groups. (The earnings measure includes only employer-reported wage payments; it does not include the special work incentive payments.)

- **The FSS+incentives strategy produced large gains in employment and earnings for participants who were *not employed* when they entered the program. It did not improve earnings for participants who were already employed.**

When preparing the study's analysis plan, the researchers expected that the effects of the interventions might differ according to participants' work history. Among participants who were *not working* at the time of random assignment (that is, at baseline), FSS+incentives increased the program group's average quarterly employment rate over the 30-month follow-up period by 6.9 percentage points relative to the control group rate of 22.9 percent. It also increased the nonworking program subgroup's average total earnings by $3,102 — a gain of 45 percent over the control group average. These impacts are statistically significant, meaning that the probability that they occurred by chance (rather than as a result of the intervention) is low. In contrast, the FSS+incentives strategy had no positive effects on employment or earnings for individuals who were *already working* when they entered the program. (The differences in impacts across these two subgroup categories are also statistically significant, as indicated by the daggers in the table.) Thus, it appears that the intervention had dramatically different results depending on a participant's initial engagement in the labor force: it clearly benefited those who entered the program needing jobs, but not those who were already working.

The Opportunity NYC Demonstration: Work Rewards

Table ES.1

30-Month Impacts on Employment and Earnings, FSS Study Sample

	FSS Only				FSS+Incentives			
Outcome and Subgroup	Program Group	Control Group	Difference (Impact)	Change (%)	Program Group	Control Group	Difference (Impact)	Change (%)
Ever employed, full period (%)								
Full sample	67.4	65.0	2.3	3.6	68.3	65.0	3.2	5.0
Not working at baseline	52.8	49.4	3.3	6.7	57.0	49.4	7.6 *	15.4
Working at baseline	82.8	82.1	0.6	0.8	80.9	82.1	-1.2	-1.5
							†	
Food stamp recipient at baseline	64.7	62.0	2.7	4.3	65.2	62.0	3.2	5.1
Not receiving food stamps	72.1	71.2	0.9	1.2	74.0	71.2	2.8	3.9
Average quarterly employment (%)								
Full sample	46.0	43.1	2.9	6.7	46.5	43.1	3.4 *	7.9
Not working at baseline	27.4	22.9	4.5 *	19.5	29.8	22.9	6.9 ***	30.1
Working at baseline	65.2	64.9	0.3	0.5	65.1	64.9	0.3	0.4
							†	
Food stamp recipient at baseline	42.3	38.4	3.9 *	10.1	42.0	38.4	3.6	9.5
Not receiving food stamps	52.8	53.1	-0.3	-0.5	55.0	53.1	2.0	3.7
Average earnings, full period ($)								
Full sample	18,517	18,014	503	2.8	18,564	18,014	551	3.1
Not working at baseline	8,485	6,827	1,658	24.3	9,929	6,827	3,102 **	45.4
Working at baseline	29,140	29,846	-706	-2.4	27,906	29,846	-1,940	-6.5
							††	
Food stamp recipient at baseline	15,551	13,495	2,056 *	15.2	14,756	13,495	1,261	9.3
Not receiving food stamps	24,743	26,870	-2,127	-7.9	26,167	26,870	-704	-2.6
			†					
Sample size (total = 1,603)	546	534			523	534		

(continued)

Table ES.1 (continued)

SOURCE: MDRC calculations using administrative records data from New York State unemployment insurance (UI) wage records.

NOTES: The core sample includes housing voucher recipients who were randomly assigned between January 1, 2008, and January 16, 2009, and excludes elderly individuals, disabled individuals, and individuals who likely belong to the Hasidic community. The outcome data cover employment and earnings through September 30, 2011.

Subgroups are based on self-reported employment status at the time of random assignment (baseline). See the full report for subgroup sample sizes.

Estimates were regression-adjusted using ordinary least squares, controlling for sample members' pre-random assignment charactertistics. A two-tailed t-test was applied to the differences between program and control group outcomes. The p-value indicates the likelihood that the difference arose by chance.

Statistical significance levels for impacts for each intervention are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent. Statistical significance levels for differences in impacts across subgroups are shown beneath subgroup pairs and are indicated as follows: ††† = 1 percent; †† = 5 percent; † = 10 percent.

Rounding may cause slight discrepancies in calculating sums and differences. Dollar averages include zero values for nonworking sample members.

Field observations and interviews with program participants indicate that already-employed individuals juggled multiple priorities, making it difficult to incorporate the FSS component of the intervention into their busy lives along with work and family responsibilities. In addition, many viewed the services that FSS offered as largely focused on work-readiness and job search, and not likely to help them with employment advancement. Other studies that have carefully tested much more intensive postemployment initiatives for low-income populations underscore the difficulty of helping working participants advance, suggesting, more generally, that it may be worthwhile to reexamine how FSS programs approach this challenge.[8]

- **FSS *without* the special financial incentives produced a similar pattern of results for the employed and unemployed subgroups, although the effects were smaller than they were for FSS+incentives and were not statistically significant.**

Without the addition of the special work incentives, the FSS program produced few statistically significant labor market impacts for the full sample or for the employed and unemployed subgroups. The pattern of impact estimates might suggest that even for FSS alone it may be easier to improve employment outcomes for participants who are not already working, but this is not certain. The ongoing evaluation will determine whether these differences across subgroups grow over time and eventually become statistically significant.

It is also not possible to conclude with confidence that adding the financial incentives component to the main FSS program resulted in a more effective strategy than FSS alone for the unemployed subgroup. Although the impacts for the unemployed subgroup are consistently statistically significant and larger for the FSS+incentives group than they are for the FSS-only group, the *differences in impacts* across the two interventions are not themselves statistically significant. The ongoing evaluation will show whether those differences increase and become more certain statistically over time.

- **FSS by itself produced statistically significant gains in employment and earnings for participants who were receiving food stamps at baseline.**

A long-standing concern with certain government income subsidy programs is that they might dampen work effort among some recipients of those benefits. For this reason, among others, the evaluation plan considered whether voucher holders' responses to the Work Rewards interventions would differ depending on whether or not they were also receiving food stamps at

[8]Hendra et al. (2011); Cynthia Miller, Mark van Dok, Betsy L. Tessler, and Alexandra Pennington, *Strategies to Help Low-Wage Workers Advance: Implementation and Final Impacts of the Work Advancement and Support Center (WASC) Demonstration* (New York: MDRC, 2012).

the time of random assignment. The analysis found that among food stamp recipients, those in the FSS-only group were more likely than their control group counterparts to work in a given quarter (3.9 percentage points, or 10 percent, higher than the control group average of 38.4 percent). They also experienced an earnings impact of $2,056, a gain of 15 percent above the control group mean. These effects were statistically significantly greater than the impacts for sample members who were *not* receiving food stamps at the time of random assignment.

This same general pattern of effects is evident among the FSS+incentives group, although the estimates are smaller and not statistically significant. More important, as the next section shows, the incentives-only approach (for NYCHA voucher holders) follows the same pattern (and, for that sample, the differences in impacts across the two subgroup categories are statistically significant). A possible reason for this general pattern across the HPD and NYCHA samples is discussed below.

Findings from the Incentives-Only Study

The third intervention that was tested as part of the Work Rewards demonstration offered voucher holders the same set of special work incentives as those offered to the FSS+incentives group (rewards for sustaining full-time employment and for completing approved education or training activities, as described in Box ES.1), but it did not include the FSS employment services, case management, or asset-building component (that is, the escrow account). This incentives-only intervention targeted NYCHA voucher holders with household incomes at or below 130 percent of the federal poverty level. The households that were recruited for this study were randomly assigned to one of two groups: a program group that was offered the special incentives and a control group that was not offered the incentives.

Seedco and a network of four community organizations operated the program from mid-2008 to mid-2010. NYCHA helped design the demonstration but did not have a direct role in program operations once the study sample had been enrolled. The community organizations, under subcontract to Seedco, conducted program orientations, distributed the coupon books needed for claiming the rewards, and helped participants complete and submit the coupons. Seedco also trained and provided technical assistance to the staff of those agencies. Because participants in the incentives-only group were not offered other services, their interactions with program staff were structured largely around program orientation sessions, referrals to services upon request, and guidance on program rules.

The sample for assessing the effectiveness of the incentives-only strategy includes 1,318 nonelderly and nondisabled individuals who were enrolled between January and October 2008. As was true for the FSS sample, these individuals were a diverse group in terms of measured background characteristics, and generally reflected the characteristics of all NYCHA voucher holders with household incomes at or below 130 percent of the federal poverty level. They were also broadly similar to HPD voucher holders in the FSS study sample.

- **Nearly half of the incentives-only group earned at least one reward payment, in most cases for full-time employment. Very few earned rewards for completing approved education or training activities.**

About 47 percent of the participants earned a reward payment within the first 18 months of the program. About 45 percent earned at least one reward for sustaining full-time employment, while only about 5 percent earned rewards for education or training. On average, participants who qualified for any rewards earned $1,721. Those who were more likely to earn rewards were poised to have better labor market prospects when they entered the program. For example, they were more highly educated, less likely to have health-related barriers to work, and much more likely to be working already.

- **For the full sample, the incentives-only intervention increased the likelihood of ever working, but not the likelihood of working continuously. It had positive but inconsistent effects on earnings.**

As shown in Table ES.2, 71.9 percent of the incentives-only program group worked at some point during the 30-month follow-up period, which is a statistically significant 3.9 percentage points higher than the control group's rate of 68 percent. The program group's estimated earnings over the entire 30-month follow-up period are also higher than the control group's earnings by $1,452. This 8 percent increase over the control group average is just shy of statistical significance.[9] The quarter-by-quarter earnings impacts vary widely, reaching statistical significance in 4 out of 10 quarters, including a quarter late in the follow-up period.

Table ES.2 also shows that the quarterly employment rates for the program and control groups remained similar to each other, and at more or less the same levels, over the 30-month follow-up period (47.8 percent for the program group, compared with 46.6 percent for the control group). This suggests that if the program's main incentives, which were conditioned on full-time work, did increase earnings, they may have done so primarily by encouraging those who would have worked anyway to work full time.

- **The incentives-only intervention produced a large increase in earnings for individuals who were already receiving food stamps when they entered the study.**

[9]This impact estimate has a p-value (the probability that the estimated difference between the groups occurred by chance) of 0.101. This is just slightly higher than the threshold level of statistical significance used in this study (p-value = 0.10).

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Table ES.2

30-Month Impacts on Employment and Earnings, Incentives-Only Study Sample

Outcome and Subgroup	Program Group	Control Group	Difference (Impact)	Change (%)
Ever employed, full period (%)				
Full sample	71.9	68.0	3.9 **	5.7
Not working at baseline	59.2	53.9	5.3	9.9
Working at baseline	82.8	80.2	2.6	3.2
Food stamp recipient at baseline	71.0	66.4	4.6 *	6.9
Not receiving food stamps	74.4	72.1	2.3	3.2
Average quarterly employment (%)				
Full sample	47.8	46.6	1.2	2.5
Not working at baseline	29.7	26.6	3.1	11.7
Working at baseline	62.9	64.2	-1.3	-1.9
Food stamp recipient at baseline	46.2	42.8	3.4 *	7.9
Not receiving food stamps	51.2	55.7	-4.5	-8.1
			††	
Average earnings, full period ($)				
Full sample	19,013	17,560	1,452	8.3
Not working at baseline	9,412	8,036	1,375	17.1
Working at baseline	26,970	26,042	928	3.6
Food stamp recipient at baseline	17,230	14,519	2,711 ***	18.7
Not receiving food stamps	22,540	24,727	-2,186	-8.8
			††	
Sample size (total = 1,318)	652	666		

SOURCE: MDRC calculations using administrative records data from New York State unemployment insurance (UI) wage records.

NOTES: The core sample includes housing voucher recipients who were randomly assigned between January 1, 2008, and January 16, 2009, and excludes elderly individuals, disabled individuals, and individuals who likely belong to the Hasidic community. The outcome data cover employment and earnings through September 30, 2011.

Subgroups are based on self-reported food stamps status at the time of random assignment (baseline). See the full report for subgroup sample sizes.

Estimates were regression-adjusted using ordinary least squares, controlling for sample members' pre-random assignment charactertistics. A two-tailed t-test was applied to the differences between program and control group outcomes. The p-value indicates the likelihood that the difference arose by chance.

Statistical significance levels for impacts for each intervention are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent. Statistical significance levels for differences in impacts across subgroups are shown beneath subgroup pairs and are indicated as follows: ††† = 1 percent; †† = 5 percent; † = 10 percent.

Rounding may cause slight discrepancies in calculating sums and differences. Dollar averages include zero values for nonworking sample members.

Among food stamp recipients, the incentives-only strategy increased average total earnings over the 30-month follow-up period (not counting the reward payments) by a statistically significant $2,711, a gain equal to 19 percent of the control group average. The findings also suggest it may have caused a *reduction* in earnings for voucher holders who were not receiving food stamps when they entered the study. However, the estimated 9 percent reduction in earnings is not statistically significant. (The difference in impacts across the two subgroup categories is statistically significant.)

As noted earlier, a similar pattern of effects was observed for the FSS+incentives and FSS-only tests: the estimated impacts on earnings are positive for food stamp recipients and not for nonrecipients. The emergence of the same general pattern of impacts for two entirely independent samples lends some weight to the hypothesis that work-focused interventions may be more effective at improving work outcomes for voucher holders who are food stamp recipients.

Why might this be the case? One possibility is that the extra financial incentives to work might have offset possible work disincentives resulting from the receipt of food stamps on top of a housing subsidy. For example, voucher holders who were receiving food stamps might normally have worked somewhat less than they would have worked had they not been receiving food stamps. When offered the Work Rewards incentives, which could help compensate for food stamp reductions that would result from greater earnings, some participants may have considered it worth their while to increase their work effort. Similarly, the FSS program's case management and escrow account may have encouraged some voucher holders who were receiving food stamps to reassess the likely economic payoff from working more.

Looking Ahead

Before Work Rewards, little evidence was available on the effectiveness of FSS or employment-focused financial incentives for housing voucher recipients. The early findings from the demonstration suggest that the set of strategies tested in New York City holds some promise for certain subgroups of participants, but might not be a good investment for other subgroups. The ongoing evaluation will determine whether patterns observed so far hold up over time. These findings should also inform future research on FSS, particularly a new national evaluation of FSS that MDRC is conducting for HUD. The findings observed in New York City will take on much more importance if they are replicated in that national randomized trial.

The Work Rewards demonstration's special work incentives ended in mid-2010. However, FSS alone, which is a five-year program, continues to operate for HPD voucher holders. Further evaluation reports will examine longer-term findings for all three Work Rewards strategies (FSS-only, FSS+incentives, and incentives-only), eventually covering up to five years of follow-up.

About MDRC

MDRC is a nonprofit, nonpartisan social and education policy research organization dedicated to learning what works to improve the well-being of low-income people. Through its research and the active communication of its findings, MDRC seeks to enhance the effectiveness of social and education policies and programs.

Founded in 1974 and located in New York City and Oakland, California, MDRC is best known for mounting rigorous, large-scale, real-world tests of new and existing policies and programs. Its projects are a mix of demonstrations (field tests of promising new program approaches) and evaluations of ongoing government and community initiatives. MDRC's staff bring an unusual combination of research and organizational experience to their work, providing expertise on the latest in qualitative and quantitative methods and on program design, development, implementation, and management. MDRC seeks to learn not just whether a program is effective but also how and why the program's effects occur. In addition, it tries to place each project's findings in the broader context of related research — in order to build knowledge about what works across the social and education policy fields. MDRC's findings, lessons, and best practices are proactively shared with a broad audience in the policy and practitioner community as well as with the general public and the media.

Over the years, MDRC has brought its unique approach to an ever-growing range of policy areas and target populations. Once known primarily for evaluations of state welfare-to-work programs, today MDRC is also studying public school reforms, employment programs for ex-offenders and people with disabilities, and programs to help low-income students succeed in college. MDRC's projects are organized into five areas:

- Promoting Family Well-Being and Children's Development
- Improving Public Education
- Raising Academic Achievement and Persistence in College
- Supporting Low-Wage Workers and Communities
- Overcoming Barriers to Employment

Working in almost every state, all of the nation's largest cities, and Canada and the United Kingdom, MDRC conducts its projects in partnership with national, state, and local governments, public school systems, community organizations, and numerous private philanthropies.