OPPORTUNITY NYC | WORK REWARDS

Executive Summary

BUILDING SELF-SUFFICIENCY FOR HOUSING VOUCHER RECIPIENTS

Interim Findings from the Work Rewards Demonstration in New York City

Stephen Nuñez
Nandita Verma
Edith Yang

June 2015

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BUILDING KNOWLEDGE TO IMPROVE SOCIAL POLICY

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Overview

In 2007, New York City's Center for Economic Opportunity launched Opportunity NYC–Work Rewards to test three ways of increasing employment and earnings for families who receive rental assistance under the federal Housing Choice Vouchers Program. 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. FSS, which is administered by local public housing authorities, offers participants case management to connect them to employment and social services, as well as a vehicle for building their assets through an escrow savings account. As a family's income increases, so does its share of the rent. Families in FSS pay that increased rent to the landlord, and the housing authority credits the family's escrow account based on the increases in earned income during the term of the FSS contract. Escrow accruals are paid to participants when they complete the program, which could take up to five years.

The Work Rewards demonstration is evaluating the effectiveness of the FSS program alone ("FSS-only") as well as an enhanced version of the program that offered all the components of FSS plus special cash work incentives ("FSS+incentives") conditioned on reaching specific education- and employment-related benchmarks. Work Rewards also tests an offer of those same incentives alone, *without* FSS, to determine whether this administratively simpler and potentially less costly approach could be effective. The demonstration used an experimental design, with program and control groups for the different studies. This report presents results over four years.

Key Findings

- FSS-only and FSS+incentives increased enrollment in educational courses, but this did not lead to an increase in degree or certificate receipt. Both FSS programs also increased the number of participants connected to mainstream banking, reduced the use of check cashers, and increased the number of people reporting any savings — all measures of financial management.
- FSS+incentives had a small impact on employment when averaged over the four-year study period. However, that impact appears to have been driven by large and statistically significant increases in employment and earnings (a gain of 47 percent over the control group) for participants who were not working at study enrollment.
- Neither FSS program reduced poverty or the incidence of material hardship, even for the subgroup of FSS+incentives participants with large gains in employment and earnings.
- FSS+incentives produced some late-occurring reductions in the receipt of Temporary Assistance for Needy Families and food stamp benefits.
- The incentives alone produced no consistent overall effects.
- None of the models so far has shown effects on those who were employed at enrollment.

The final report will include an analysis of FSS graduation rates and a benefit-cost analysis. A national evaluation of the FSS program that was commissioned by the Department of Housing and Urban Development, which MDRC is leading, will provide insight into which program experiences and impacts are generalizable to the national program and which may be specific to Work Rewards.

Preface

Recipients of government rental assistance face numerous barriers to becoming economically self-sufficient. In an effort to address this problem, policymakers have long sought to improve the employment outcomes for these low-income tenants. For decades, the U.S. Department of Housing and Urban Development (HUD) has made significant investments in various programs designed to help achieve that goal. Among those federal efforts is Family Self-Sufficiency (FSS), a voluntary program operated by public housing authorities in cities across the country. FSS offers case management, job-related services, and an asset-building component (via an escrow account that is set up for participants) to help recipients of housing vouchers — subsidies for renting in the private market — build their savings.

The study that is described in this report is the first randomized controlled trial of a local implementation of FSS. Called the Opportunity NYC−Work Rewards demonstration and sponsored by New York City's Center for Economic Opportunity, the study is testing the effectiveness of three programs: FSS alone, FSS plus special cash work incentives, and the special incentives alone. The incentives were offered as a way to test whether attaching more immediate cash rewards to work-related activities (compared with the more distant reward of escrow savings) produces positive labor market and other effects. An earlier report concluded that in its first two and a half years, FSS yielded benefits for some participants but not for others. Longer-term follow-up from Work Rewards for the first four years of the study, which is presented in this second, interim report, corroborates the findings from that first report. Overall, the study found no sustained effects for the full samples in any of the three programs. But it did identify positive effects for a certain subgroup: FSS combined with the special work incentives produced large increases in employment and earnings for participants who were not working at study entry. Those gains did not, however, translate into reduced poverty or reduced reliance on public benefits, suggesting, perhaps, that more must be done to help this population advance once they find jobs. These findings can serve as the foundation for building stronger self-sufficiency programs in New York and other cities.

While FSS by itself, at least as implemented in New York City, does not so far appear to be effective overall, those findings reflect only one program. In 2012, MDRC began a national evaluation of FSS, commissioned by HUD. The national evaluation is testing local programs operated by 18 housing authorities across the country to provide evidence on the effectiveness of FSS beyond New York City. The lessons learned from the Work Rewards demonstration to date have been invaluable in informing the design of the national evaluation and have shown that there is a need for interventions that can generate larger effects to help participants take significant steps toward becoming self-sufficient. The final report on Work Rewards, to be released in 2016, will cover five years of follow-up data and will yield a solid base of evidence that can be used to help strengthen self-sufficiency program models going forward.

Gordon L. Berlin
President, MDRC

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This report would have been impossible without the generous contributions and support of many people. We are especially grateful to the individuals participating in the Work Rewards demonstration — both those who enrolled in the programs and the members of the control group, who have allowed us to learn from their experiences. The community-based organizations (CBOs) that operated the different program models and supplied us with essential data on families' participation were invaluable in helping us understand their efforts. We also appreciate the dedication of the many staff members, past and present, at the CBOs that were involved with different stages of the demonstration.

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. We thank HPD Commissioner Vicki Been for reviewing the draft and providing insightful feedback. Thanks go to Nicole Levin, formerly at HPD, for her contributions to the design of the FSS study, its learning agenda, and the ongoing management of the program, and to Dinsiri Fikru at HPD, who also offered helpful suggestions. At NYCHA, Sideya Sherman provided insightful comments on the inclusion of NYCHA voucher holders in the demonstration. We appreciate that this collaboration has continued under Mayor Bill de Blasio.

We owe special gratitude to former Mayor Michael Bloomberg for his support for the project, and to former Deputy Mayor Linda Gibbs and staff of the New York City Center for Economic Opportunity, especially Kate Dempsey and former Executive Director Veronica White. 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.

The continuing support of the Mayor's Fund to Advance New York City and the funders of the demonstration has been crucial. Those funders include Bloomberg Philanthropies, The Rockefeller Foundation, The Starr Foundation, The Open Society Foundations, the Robin Hood Foundation, the Tiger Foundation, The Annie E. Casey Foundation, American International Group, the John D. and Catherine T. MacArthur Foundation, and New York Community Trust.

At MDRC, James Riccio, the Principal Investigator on the Work Rewards project, provided important guidance on shaping this report. Gordon Berlin, David Greenberg, Richard Hendra, Cynthia Miller, and Betsy Tessler provided valuable feedback on report drafts. Gilda Azurdia and Jared Smith managed the acquisition and processing of all quantitative data.

Victoria Deitch, Zakia Barnes, Leila Kerimova, Mercy Emelike, and Chris Rodrigues processed and analyzed the vast amount of quantitative data used in this report. Crystal Ganges-Reid coordinated the production of the report and helped with the creation of the exhibits. Diane Singer, Emma Saltzberg, Hannah Dalporto, Keith Olejniczak, Rebecca Trupin, and Jennifer Uribe 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 ways of improving employment, earnings, and quality-of-life outcomes for households receiving rental assistance under the federal Housing Choice Vouchers (HCV) Program (also known as "Section 8," after Section 8 of the Housing Act of 1937).

The federal Department of Housing and Urban Development (HUD) administers the HCV Program through agreements with local public housing authorities. The vouchers, issued to over two million low-income households nationwide, allow recipients to live in privately owned rental properties. 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.

Policymakers have long sought to improve voucher holders' labor market outcomes. Toward that end, HUD funds the Family Self-Sufficiency (FSS) program, providing public housing authorities with modest resources to hire case managers, who work with participants to develop plans for becoming self-sufficient and to connect them with services in their communities. HUD also funds a special program component to help families build their savings through interest-bearing escrow accounts, which are maintained by the housing authority. FSS participants still pay an increased rent to the landlord when their earnings rise, but the housing authority credits the family's escrow account with an amount that is based on the increases in earned income during the term of the participant's FSS contract. The escrow accruals are paid to participants once they complete the self-sufficiency plans they agreed to with the housing authority, usually within five years, and are not receiving any cash welfare payments through Temporary Assistance for Needy Families (TANF) or the state-run Safety Net Assistance (SNA) program. Thus, the escrow account functions as a kind of forced savings and may also provide a financial incentive for tenants to increase their work effort.

Nationally, because of limited funding, FSS reaches a very small proportion of all public housing and voucher households (about 5 percent).[1] Overall, no strong evidence exists showing whether or not the FSS program actually achieves the goals it is designed to produce. Nor is there very extensive information about the program's operation.

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[1]Barbara Sard, *The Family Self-Sufficiency Program: HUD's Best-Kept Secret for Promising Employment and Asset Growth* (Washington, DC: The Center on Budget and Policy Priorities, 2001).

The New York City Department of Housing Preservation and Development (HPD), which operates one of the largest FSS programs in the country,[2] agreed to subject its program, which it was beginning to modify in 2007, to a test as part of the Work Rewards demonstration. It also agreed to test new work-related incentives alongside its FSS program. The special incentives included cash bonuses, called "reward payments," that were designed to encourage voucher holders to work full time and complete approved education and training activities. Participants could earn $300 for each two-month "activity period" — up to $1,800 a year — by remaining employed for an average of 30 hours per week for six out of every eight weeks (or about 75 percent of the duration of an activity period). Participants who completed approved education and training activities could earn $300, $400, or $600 for a course, depending on its length, up to a total of $3,000 for the duration over two years.

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, agreed to test the same financial incentives for its voucher holders, but without an FSS program.[3] Both experiments targeted voucher holders with household incomes at or below 130 percent of the federal poverty level, a segment of the voucher population that is poorer than others served by these housing authorities.

In sum, the Work Rewards demonstration encompasses tests of three distinct strategies: (1) FSS alone, (2) FSS *plus* special work incentives, and (3) the special work incentives alone. The first two of these tests ("FSS-only" and "FSS+incentives") are both part of the "FSS study" in this report, and they involve households with vouchers obtained through HPD. The third test (without FSS), referred to as the "incentives-only" study in this report, involves households with vouchers obtained through NYCHA. Using two parallel, randomized controlled trials (RCTs), 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.[4]

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[2]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.

[3]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).

[4]RCTs employ an experimental design that compares the outcomes of a program group, whose members are eligible to participate in the intervention, with those of a control group, whose members do not participate in the intervention; the RCT is designed to ensure that the populations in the program and control groups are similar at the start of the study. (RCTs can also compare two different program groups with each other, as in this study.) Differences between the program and control groups' outcomes reflect the program's "impacts." Statistically significant differences indicate that the impacts can be attributed with a high degree of confidence

(continued)

New York City's Center for Economic Opportunity (CEO), a unit within the Office of the Mayor, 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 two housing authorities (HPD and NYCHA), for directly engaging families in each intervention. MDRC, a nonpartisan social policy research organization, collaborated with CEO, the housing authorities, Seedco, and the community organizations on the design and implementation of the interventions and is conducting the evaluation. A consortium of private funders paid for the special financial incentives and is covering the evaluation costs,[5] while CEO and HUD supported HPD's FSS program with public dollars.

A prior MDRC report examined the first two and a half years of program operations in depth.[6] The current report updates participants' experiences over the first four years following the end of random assignment. The report also presents longer-term findings on the program's impacts on employment and earnings, the receipt of food stamps (now distributed through the Supplemental Nutrition Assistance Program, or SNAP), cash welfare payments, and housing assistance,[7] plus results from a 42-month survey of voucher holders.

The findings show that the FSS+incentives intervention produced large and statistically significant impacts on employment and earnings for voucher holders who were not already working when they entered the program. It also appears to be producing some later-occurring reductions in the receipt of TANF and food stamps for the core (that is, nonelderly and non-

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to the intervention rather than to chance. All impacts discussed here are statistically significant unless otherwise noted.

[5]The private funders 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.

[6]Nandita Verma, Betsy Tessler, Cynthia Miller, James Riccio, Zawadi Rucks, and Edith Yang, *Working Toward Self-Sufficiency: Early Findings from a Program for Housing Voucher Recipients in New York City* (New York: MDRC, 2012).

[7]The current report focuses on nonelderly and nondisabled sample members — the usual focus of self-sufficiency programs — who are referred to here as the "core sample." The full report includes an appendix showing findings for the entire random assignment samples (the "full sample"), including elderly and disabled individuals, for all three studies (FSS-only, FSS+incentives, and incentives-only); see Stephen Nuñez, Nandita Verma, and Edith Yang, *Building Self-Sufficiency for Housing Voucher Recipients: Interim Findings from the Work Rewards Demonstration, Appendixes F and G: Supplementary Tables* (New York: MDRC, 2015), available at www.mdrc.org. The full sample also includes individuals from Hasidic communities in Brooklyn, represented mostly in the incentives-only study sample. Because this group's orientation toward the labor market distinguishes it from the populations normally served by housing voucher programs nationally, findings for this group are being analyzed separately and will be included in the final report. (See Verma et al., 2012, for an early analysis of this group's experiences in Work Rewards.)

disabled) sample, though no reductions in housing subsidies. The FSS-only and incentives-only interventions did not produce a consistent pattern of statistically significant impacts on employment and earnings overall or for the employment subgroups, but FSS-only appears to have contributed to reductions in food stamp receipt for the group that was not working at the time of random assignment.

The FSS Study

At the time the demonstration was launched, the FSS program was operated collectively by HPD, several CBOs contracted to HPD, and Seedco, which provided technical assistance to the CBOs and served as the overall program manager through the end of 2010, when CEO funding ended.

Through intensive recruitment, which began in January 2008, the CBOs 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 are black or Hispanic. However, their other background characteristics vary widely, including prior work experience, education levels, and how long they had held their vouchers. Qualitative data suggest that many enrollees would not have joined the FSS study without the possibility of receiving the special work incentives. Individuals could remain enrolled in FSS for five years (and about half the sample members had completed that term as of 2013, although some may have been granted contract extensions, which the program allows).

Program Participation, Reward Receipt, and Escrow

Participants in the Work Rewards FSS program could meet with their FSS case managers on an as-needed basis. Within the overall rubric of the three FSS components — workforce development, asset building (through the escrow account), and case management — the CBOs had a lot of freedom to deliver a mix of services that would move people toward self-sufficiency. The only services that CBO staff were required to provide to every client, in addition to orienting them, were conducting a needs assessment and completing a career plan. Beyond that, there were no expectations for the frequency of client contact or a specified order of services that staff were expected to provide. However, in order to be paid by HPD in accordance with their contracts, which were 100 percent performance-based, the services provided by CBO staff had to fit within a set of 13 "milestones" that marked either a specific service provided or an achievement of the client as a result of the services provided. Milestones were geared toward a broad range of employment, financial, and supportive services that were expected to help address important family needs and contribute to employment results over the longer term. The CBOs were expected to use their expertise and resources to find ways to help their clients achieve these milestones.

FSS-Only

- **About 60 percent of the participants in the FSS-only intervention met with a CBO case manager at least once over the four years of follow-up. However, interactions with the CBO case managers were more frequent in the first two years than in later years.**

As noted earlier, FSS participants can take up to five years to work toward their self-sufficiency goals. The Work Rewards program data show that about 60 percent of the participants met with a CBO case manager at least once over the four years of follow-up — about half of these respondents (or 30 percent of the program group) had met with a case manager just once or twice since program enrollment; about 14 percent maintained more frequent contact with case managers, meeting with them five times or more. While the FSS program did reach a majority of those enrolled, nearly 40 percent of program group members had not interacted with a CBO case manager at the end of four years. Only about a third of the FSS-only households had received any service (as defined by the service milestones established for the CBOs) after Year 2 of the program. These estimates do not include participants' interactions with HPD case managers, which usually focused on issues related to the housing voucher, escrow balances, and home ownership.

Sample members who stayed connected to the program over the long term (that is, they received FSS services in Years 3 and 4) were more likely to have been employed at the time of random assignment than were those who did not participate during Years 3 and 4. However, as noted above, longer-term participation rates for both employed and unemployed sample members were extremely low.

- **More respondents reported receiving services related to asset building than to the work-related milestones.**

Despite the program's focus on work, less than half of the respondents reported that they had received any direct work-related support from the FSS program (for example, help finding a job, increasing wages or hours, or maintaining a job for specified time periods). In fact, more respondents were likely to report receiving services related to asset building than services related to the payment milestones. This finding can be explained partly by the needs of the clients and partly by the way HPD structured the performance-based contracts: CBOs earned milestone payments by providing help with accessing public benefits, building assets, or building human capital, needs that members of this population generally shared regardless of their work status.

- **Four years into the program, about 50 percent of the households had accumulated some savings in their FSS escrow accounts. Almost a third had more than $5,000 credited to their escrow accounts.**

The proportion of sample members in the FSS-only program group who had an escrow balance grew substantially, from less than 30 percent at 18 months to about 50 percent in Year 4. Among those who had escrow balances, the average balance was around $4,000, and almost a third of those with balances had more than $5,000 credited to their accounts. Those who were working at study entry were more likely to have an escrow balance by the end of Year 4 than those who were not working, but among participants with any escrow credits, those not working at study entry had higher escrow balances on average than those who were working. Escrow accrues only when earnings increase for the household, which is why the data show higher escrow balances for those who started working after they enrolled in the program. (While those who were working at enrollment might have had subsequent earnings gains, those gains were generally modest compared with the gains experienced by those who were not working at enrollment and subsequently found a job.) These escrow balances are not available to program participants until they graduate from FSS, but the savings can continue to grow until graduation.

FSS+Incentives

The special work incentives were available to the FSS+incentives group for two years (that is, through mid-2010) and rewards were paid out every two months, starting in September 2008. Participants had to complete and submit specially created coupons for claiming these rewards. Seedco also administered the reward payments system.

The incentives served to attract potential participants during the enrollment period, and compared with FSS-only, more FSS+incentives participants were likely to stay connected to the program at first. However, once the special work incentives ended in mid-2010, both the FSS-only and FSS+incentives groups showed about the same level of contact with the CBO case managers. On average, the FSS+incentives participants were more likely to report that they had received services from their CBO or another service provider. This pattern is evident across services related to benefits receipt, asset building, employment, and home-ownership counseling.

Related to escrow, the proportion of sample members in the FSS-only and FSS+incentives groups who had an escrow balance grew equally, to about 50 percent in Year 4. Among those who had escrow balances, the average balance was around $4,400 for the FSS+incentives group — a little higher than in the FSS-only group.

- **About 40 percent of FSS+incentives participants earned at least one reward payment, in most cases for full-time employment. Very few earned the education and training reward.**

When the special incentives ended after two years, 39 percent of the FSS+incentives group had earned at least one reward: 36 percent earned rewards for full-time work and 7 percent earned rewards for education and training. Individuals who earned any reward earned an average of $2,063 in incentive payments over the two-year period. Overall, most participants who earned rewards in Year 2 had also earned them in Year 1.

The receipt of the rewards for education and training remained low over the two years during which the rewards were offered. Since most of the rewards earned were for full-time work, it is not surprising that those who were employed full time at the start of the study were most likely to earn rewards from the program; 67 percent of adults who were working full time at random assignment had earned at least one reward. Those who were employed part time at random assignment were a little less likely to earn any rewards (41 percent), and those who were not working were least likely to earn rewards (24 percent).

Interim Impacts: Education, Employment, and Benefits

FSS-Only

Findings on the program's impacts are available on a wide variety of outcome measures covering about four years after families enrolled in the study.

- **The FSS-only intervention led to an increase in enrollment in education and training classes over the control group experience. However, this increase did not lead to an increase in participants' receipt of degrees or certificates during the four-year follow-up period.**

The FSS program offered clients help identifying and enrolling in education and training programs such as General Educational Development (GED) or English as a Second Language (ESL), as well as vocational training. Overall, the responses to the 42-month survey show that FSS-only increased participation in Adult Basic Education, GED, or high school classes during this period — from 9 percent for the FSS-only control group to 13.1 percent for the program group, a statistically significant difference. Increased enrollment in education and training did not, however, lead to increases in licensing, certification, or degree/diploma conferral.

- **Over the four years of follow-up, the FSS-only program had little effect on employment rates or average earnings for the core sample.**

Employment and earnings outcomes were measured using administrative records data from the New York State unemployment insurance (UI) system, which captures employer-reported wage data. As shown in Table ES.1, although a majority of sample members (69 percent of the control group) worked at some point during the follow-up period, many struggled to work steadily. In fact, only about 43 percent of control group members worked during an average follow-up quarter. The rates for those outcomes are only somewhat higher for the program group, and the differences are not statistically significant. Average earnings also differed little across the FSS-only program and control groups. Overall, the FSS program produced few statistically significant labor market impacts for the core sample.

- **During the first four years of follow-up, there is no evidence that the FSS-only intervention decreased receipt of Section 8 housing assistance.**

While leaving Section 8 housing assistance is not an FSS requirement, the program's employment and self-sufficiency focus could play a role in helping families give up voucher assistance or reduce their reliance on the housing subsidy, which could also free up vouchers and resources for other families and enable housing authorities to serve a larger population. HPD records show that about 90 percent of participants in each study group continued to receive housing assistance four years after they enrolled in the evaluation. (See Table ES.2.) There is little evidence that the FSS program by itself, four years into the study, had reduced housing assistance receipt or subsidy value. However, as noted above, the intervention did not produce earnings gains for the program groups as a whole, so this finding is not surprising.

- **Similarly, there is no consistent evidence that the FSS-only program decreased receipt of cash assistance (TANF/SNA).**

Successful completion of FSS requires participants and other household members on the voucher to be free of cash assistance (TANF/SNA) for a full 12 months before program graduation. Four years of follow-up data show no evidence that the program consistently reduced TANF/SNA receipt. There is some evidence that food stamp receipt may have decreased for those in the FSS-only group who were not working at the time of random assignment. The FSS program does not require participants to stop receiving food stamps as a condition of graduation, so it is not clear why this impact would emerge.

- **Forty-two months after random assignment, there was no evidence that FSS alone reduced poverty or the incidence of material hardship.**

Measures of poverty and material well-being are derived from responses to the 42-month survey, capturing dimensions of economic and material well-being while participants were still enrolled in FSS. Given that the interventions produced limited effects on income sources, such as earnings, it is not surprising to see the lack of effects on household income,

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Table ES.1

Four-Year Impacts on Employment and Earnings, FSS Study, Core Sample

	FSS-Only					FSS+Incentives				
Outcome	Program Group	Control Group	Difference (Impact)	Sig.	Change (%)	Program Group	Control Group	Difference (Impact)	Sig.	Change (%)
Core sample										
Ever employed (%)	72.4	69.4	3.0	NA	4.3	73.3	69.4	4.0 *	NA	5.7
Average quarterly employment (%)	45.2	42.6	2.6	NA	6.1	46.2	42.6	3.6 *	NA	8.5
Average earnings ($)	30,526	29,309	1,217	NA	4.2	30,962	29,309	1,653	NA	5.6
Sample size (total = 1,603)	546	534				523	534			
Not working at random assignment										
Ever employed (%)	60.2	55.6	4.6		8.3	65.6	55.6	10.0 ***	†††	18.1
Average quarterly employment (%)	27.6	23.9	3.7		15.6	31.7	23.9	7.8 ***	††	32.9
Average earnings ($)	14,900	12,269	2,631		21.4	17,995	12,269	5,726 ***	††	46.7
Sample size (total = 814)	270	273				271	273			
Working at random assignment										
Ever employed (%)	84.4	85.1	-0.7		-0.8	82.2	85.1	-2.8	†††	-3.4
Average quarterly employment (%)	63.1	63.0	0.1		0.1	62.8	63.0	-0.1	††	-0.2
Average earnings ($)	46,952	47,245	-292		-0.6	45,265	47,245	-1,980	††	-4.2
Sample size (total = 771)	271	254				246	254			

SOURCE: MDRC calculations using administrative records data from New York State unemployment insurance (UI) wage records and Work Rewards Baseline Information Form (BIF) data.

NOTES: The core sample includes housing voucher recipients who were randomly assigned between January 1, 2008, and January 16, 2009, and excludes elderly and disabled individuals.

Estimates were regression-adjusted using ordinary least squares, controlling for sample members' pre-random assignment characteristics. 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 are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent. Differences across subgroup impacts were tested for statistical significance. Statistical significance levels for differences in impacts across subgroups (Sig.) are indicated as follows: ††† = 1 percent; †† = 5 percent; † = 10 percent.

Rounding may cause slight discrepancies in calculating sums and differences.

Sample sizes may vary across measures because of missing values.

NA indicates "not applicable."

The Opportunity NYC Demonstration: Work Rewards

Table ES.2

Impacts on Selected Outcomes Measuring Benefits Receipt, Material Hardship, and Banking, FSS Study, Core Sample

	FSS-Only				FSS+Incentives			
Outcome	Program Group	Control Group	Difference (Impact)	Change (%)	Program Group	Control Group	Difference (Impact)	Change (%)
TANF/SNA receipt								
Received TANF/SNA, Years 1-4 (%)	52.0	55.7	-3.7	-6.6	50.6	55.7	-5.1 *	-9.2
Amount received, Years 1-4 ($)	5,302	5,915	-613	-10.4	5,441	5,915	-474	-8.0
Food stamp receipt								
Received food stamps, Years 1-4 (%)	89.2	90.0	-0.9	-0.9	88.4	90.0	-1.6	-1.8
Amount received, Years 1-4 ($)	13,013	13,040	-27	-0.2	12,531	13,040	-509	-3.9
Section 8 housing								
Received Section 8 housing subsidy, Year 4 (%)	90.5	90.9	-0.3	-0.4	89.5	90.9	-1.4	-1.5
Total Section 8 housing subsidy, Years 1-4[a]($)	41,092	39,699	1,392	3.5	39,241	39,699	-458	-1.2
Sample size (total = 1,455)	492	487			476	487		
Material hardship (%)								
Household did not pay full rent or mortgage in past year	41.8	42.7	-0.9	-2.1	40.5	42.7	-2.2	-5.2
Household did not pay full utility bill in past year[b]	40.3	38.4	1.9	4.9	36.9	38.4	-1.5	-3.9
Household usually did not have enough money to make ends meet at end of month	51.1	51.7	-0.6	-1.0	50.9	51.7	-0.8	-1.5
Banking and savings (%)								
Respondent currently has any bank account	51.6	42.9	8.7 **	20.3	56.0	42.9	13.1 ***	30.5
Household has any savings	16.0	11.8	4.2	35.9	19.1	11.8	7.3 ***	62.1
Sample size (total = 1,152)	385	381			386	381		

(continued)

Table ES.2 (continued)

SOURCE: MDRC calculations using data from the New York City Human Resources Administration (HRA), the New York City Department of Housing Preservation and Development (HPD), and the Work Rewards 42-Month Survey. The benefit receipt data cover the period through June 30, 2013.

NOTES: The core sample includes housing voucher recipients who were randomly assigned between January 1, 2008, and January 16, 2009, and excludes elderly and disabled individuals. A two-tailed t-test was applied to differences between outcomes for the program and control groups. Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent. Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of families or sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

[a]Calculated subsidy amounts are Housing Assistance Payments (HAP) to landlords and do not include utility allowance payments.

[b]Utilities include gas, oil, and electricity.

poverty, and other dimensions of material well-being (shown in Table ES.2). Analysis of impacts on poverty and material hardship by employment status also revealed no differential impacts for this subgroup of study participants. The broader finding seems to be consistent with other research showing that some types of workforce interventions are able to improve employment and earnings but not enough to move families out of poverty.[8]

- **FSS increased the likelihood that voucher holders would be connected to mainstream banking and would have savings, and it reduced their use of check cashers.**

FSS encourages and helps clients to improve their credit, connect to mainstream banking, learn how to manage their finances, and build savings. Low-income households typically lack access to mainstream banking and credit services and rely on expensive alternatives like check cashers, who charge fees. Therefore, services in this domain could lead to improvements in financial well-being even in the absence of employment and earnings effects.

Four years into the study, 51.6 percent of the FSS-only group had a bank account compared with 42.9 percent of the control group (a statistically significant difference of 8.7 percentage points). With more FSS participants connected to mainstream banking, 28.7 percent of program group respondents, compared with 38 percent of control group respondents, reported using check-cashing establishments at least once a month (not shown), a statistically significant difference of 9.3 percentage points.

[8]See, for example, 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).

While FSS-only increased savings somewhat among those in the program group, the 4.2 percentage point difference between the program and control groups was not statistically significant.[9] This slight gain in savings did not translate into reduction in debt or a change in the composition of debt (for example, car loans, student loans, or medical bills).

FSS+Incentives

Looking at the same types of outcomes, the longer-term data show generally similar patterns of effects for the FSS-only and FSS+incentives interventions. Like FSS-only, the FSS+incentives program increased enrollment in education and training activities relative to the control group, but it did not increase participants' receipt of degrees or certificates during the follow-up period. And while FSS+incentives (unlike FSS-only) did produce a small, statistically significant increase in employment rates, it did not improve average earnings for the core sample. However, unlike FSS-only, FSS+incentives produced large and sustained effects on employment and earnings for the subgroup of participants who were not working when they enrolled in the study. However, these earnings gains do not yet appear to have translated into reductions in housing subsidies or improvements in family well-being. Key findings from this intervention are highlighted here.

- **The FSS+incentives intervention produced large and sustained 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.**

Among participants who were *not working* at study entry, FSS+incentives increased the program group's average quarterly employment rate over the 48-month follow-up period by 7.8 percentage points relative to the control group rate of 23.9 percent, as shown in Table ES.1. It also increased the nonworking program subgroup's average total earnings by $5,726 — a gain of 47 percent over the control group average. 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 engagement in the labor force at the time of study enrollment: it clearly benefited those who entered the program needing jobs, but not those who were already working.

[9]Respondents were explicitly instructed not to include escrow balances as savings for the purpose of this question.

Early field observations and interviews with program participants indicated that already-employed individuals juggled multiple priorities, making it difficult to incorporate the FSS component of the intervention into their 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 initiatives for low-income, employed 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.[10]

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 employment and earnings impacts of the FSS+incentives program are consistently statistically significant for the unemployed subgroup and they are consistently larger for the FSS+incentives group than they are for the FSS-only group, the *differences in impacts* across the two interventions (perhaps because of small sample sizes) are not themselves statistically significant (not shown).

Four years after random assignment, and similar to FSS-only, there is little evidence that FSS+incentives reduced reliance on housing subsidies for the core sample. Despite the gains in employment and earnings for those who were not working at random assignment, there is no clear associated drop in Section 8 voucher receipt or value during the follow-up period.

- **There is some evidence that participants in the FSS+incentives program are beginning to give up cash assistance (TANF/SNA) and food stamps.**

In the FSS+incentives group, 21.7 percent of participants received TANF/SNA in the last quarter of follow-up (not shown), which represents a statistically significant drop from the control group value of 27.5 percent (–5.8 percentage points). Although FSS+incentives did not increase earnings or employment for participants overall, TANF/SNA receipt may be dropping for this group because of program graduation requirements. In order to graduate and receive escrow funds, participants must be free of cash welfare assistance for 12 consecutive months leading up to graduation. As FSS is designed to be a five-year program, participants might be expected to leave this assistance around the four-year mark.

[10]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* (Leeds, UK: Department for Work and Pensions, 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).

Unlike FSS-only, there is some evidence that FSS+incentives reduced the percentage of households receiving food stamps in the last quarter covered by available data. Among FSS+incentives program group members, 69.4 percent reported receiving food stamps in the last quarter of Year 4, compared with 77.1 percent of control group members. The –7.7 percentage point difference is statistically significant, suggesting that FSS+incentives reduced food stamp receipt. As mentioned earlier, the FSS program does not require participants to forgo food stamps to graduate. Given the lack of earnings gains for the FSS+incentives group overall, the impact is somewhat surprising, but there is no evidence that these impacts were pronounced in the nonworking subgroup, which experienced the noted gains in employment and earnings.

Given that FSS+incentives did not produce overall impacts on UI-reported earnings or receipt of public benefits, it is not surprising to see the program's lack of effects on income, poverty, and other dimensions of material well-being (shown in Table ES.2). Analysis of impacts on poverty and material hardship by employment status at random assignment also revealed no differential impacts for this subgroup of study participants. Given the earnings gains experienced by the group that was not working at study enrollment, it is somewhat puzzling why those gains did not translate into broader effects on well-being. However, as already noted, this finding is generally consistent with other studies showing that workforce interventions with positive earnings effects have not produced substantial reductions in material hardship or improvements in reported well-being.[11] It may be that the earnings gains need to be larger in order to have appreciable consequences for poverty and well-being.

- **Similar to FSS-only, FSS+incentives appears to have had positive effects on some aspects of participants' financial behaviors.**

Four years after study entry, 56.0 percent of the FSS+incentives program group reported having a bank account compared with 42.9 percent in the control group (a statistically significant difference of 13.1 percentage points). Those in the FSS+incentives program group were also more likely to have a checking account in particular (50.7 percent versus 38.2 percent, a difference of 12.4 percentage points). While program participants needed to have bank accounts for their incentive payments, they maintained their connections to mainstream banking long after they stopped receiving those payments.

There is also some evidence that the program reduced the use of check cashers and increased savings. Among those in the FSS+incentives program group, 19.1 percent reported having "any savings," versus 11.8 percent in the control group, a statistically significant difference of 7.3 percentage points. Similarly, the gains in savings did not translate into a reduction in debt or a change in the composition of debt.

[11]See, for example, Michalopoulos (2005).

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, but it did not include any of the FSS components. Underlying this design is the assumption that many services already exist in the community that can help participants find work or obtain further training. The incentives-only model tests whether the cash reward offer by itself motivates participants to take the extra steps to pursue workforce goals on their own.

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. The outcomes for this study sample were tracked using administrative records alone.

Seedco and a network of four CBOs operated the incentives-only program from mid-2008 to mid-2010. NYCHA helped design the demonstration but it did not have a direct role in program operations once the study sample had been enrolled. 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 samples, these individuals are a diverse group in terms of measured background characteristics, and generally reflect the characteristics of all NYCHA voucher holders with household incomes at or below 130 percent of the federal poverty level. They are also broadly similar to HPD voucher holders in the FSS study sample.

- **By the time the incentives offer ended in mid-2010, nearly half of the incentives-only program group had earned at least one reward payment, in most cases for full-time employment. Few earned rewards for completing approved education or training activities.**

About 49 percent of the participants earned an incentive payment in the 24 months that the incentives were offered: 49 percent earned at least one reward for sustaining full-time employment, while only about 6 percent earned rewards for education or training. On average, participants who qualified for any rewards earned $2,213. Those who were more likely to earn rewards had better labor market prospects when they entered the program. For example, they had more education, were less likely to have health-related barriers to work, and were much more likely to be working already.

- **The incentives-only program did not produce statistically significant impacts on employment or earnings over 3.5 years of follow-up.**

Nearly 75 percent of the incentives-only program group worked at some point during the follow-up period, which is only slightly higher than the 74 percent rate for the control group (and not statistically significant). Employment was not steady for either group, with just over 48 percent working in an average quarter. Although voucher holders who were enrolled in the incentives-only program group had somewhat higher earnings than did those in the control group, the difference was not statistically significant.

- **The incentives-only program did, however, increase household income (which includes earnings, public benefit amounts, and the program's reward payments) in Years 1 and 2, while households in the program group could earn reward payments.**

Looking across various income sources, the longer-term findings show that offering work incentives increased total household income (which includes earnings, TANF/SNA, food stamps, and, for the incentives-only program group, reward payments) in the first two years of the program but did not produce impacts on each income source separately. This finding suggests that the income gains were driven by the reward payments during the program period. The incentives-only program reduced the dollar amount of food stamp benefits received over the follow-up period. In the absence of the program's impact on earnings, the source of this effect is unclear. As in the case of the FSS+incentives intervention, it may be a result of the program's effect on other, nonenrolled family members' earnings, which may have reduced the amount of food stamps received. The final report will continue to explore this pattern.

Conclusion

Work Rewards is part of a growing portfolio of evidence on strategies to promote self-sufficiency among populations who receive housing assistance. The interim findings so far suggest that FSS by itself, at least as implemented in New York City, is not effective in improving employment, earnings, or the material well-being of participants. However, while the Work Rewards experience offers important insights, these lessons are only for one program. Housing authorities across the country operate FSS, and MDRC is currently leading a national evaluation of the program, commissioned by HUD, that is very important for drawing conclusions about the effectiveness of FSS for populations beyond New York City. Additionally, while the Work Rewards demonstration is yielding evidence about the potential value of a new strategy that involves direct financial work incentives offered outside the existing rent structure — incentives combined with FSS and offered alone — the evidence so far shows that the resulting gains in employment and earnings were not sufficient to raise participants out of poverty or to consistently reduce their reliance on public benefits, suggesting that more must be done to help this population advance in employment once it is secured. There is a need for interventions that can generate bigger effects — that is, that can help people with varying levels of education and work readiness to make significant steps toward becoming self-sufficient. The lessons generated by the Work Rewards demonstration provide a foundation on which to build a stronger model.

The Work Rewards evaluation will continue to monitor key outcomes for another 12 months, providing a full five years of follow-up on sample members. The final report, scheduled for release in 2016, will indicate whether participants graduate from FSS and receive escrow, and whether the patterns of impacts on employment, earnings, and benefits receipt persist or change as the participants approach program completion. The final report will also include a benefit-cost analysis.

EARLIER MDRC PUBLICATIONS ON THE OPPORTUNITY NYC–WORK REWARDS DEMONSTRATION

Working Toward Self-Sufficiency: Early Findings from a Program for Housing Voucher Recipients in New York City
2012. Nandita Verma, Betsy Tessler, Cynthia Miller, James A. Riccio, Zawadi Rucks, Edith Yang.

NOTE: A complete publications list is available from MDRC and on its website (www.mdrc.org), from which copies of reports can also be downloaded.

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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.