

# Evidence and the Evolution of Financial Work Incentives

**NAWRS**

**August 2013**

**James A. Riccio**

# Today's presentation

---

**MDRC: Nonprofit, nonpartisan research organization**

**Designed/evaluated work incentives over nearly 20 years**

**Try to apply lessons from each study in designing subsequent approaches/evaluations**

## **Today's presentation**

- What's been tested
- What the evidence shows
- How the evidence has informed subsequent efforts (*though not a completely linear process*)

# Some history

---

## **Welfare-to-work programs of 1980s to mid-1990s**

- Increased employment and reduced welfare
- Did not improve overall income
- Low-wage jobs left many former recipients poor

## **“Make work pay” strategies emerged as one response**

- Created stronger incentives to work
- Sought to increase income/reduce poverty through extra cash transfers tied to work (like EITC)

**Rich body of evidence has kept the idea alive, but nuances in findings complicate the application to policy**

## **Work incentives in welfare reform and related experiments**

### **“First-generation” tests**

- **Minnesota Family Investment Program (MFIP)**
- **Canada’s Self Sufficiency Program (SSP and SSP Plus)**
- **Connecticut’s Jobs First Program**
- **Milwaukee’s New Hope Program**

# Programs and features

*Minnesota MFIP*

## **Incentives + mandatory welfare-to-work program**

- **Earnings disregard** + child care, mandatory work prep

*Canada SSP*

## **Incentives as an alternative to welfare**

- **Earnings supplement** if leave welfare and work 30+ hours

*Canada SSP Plus*

## **Incentives + services**

- **Earnings supplement** + help finding and staying employed

*Connecticut Jobs First*

## **Incentives + mandates, services, time limit**

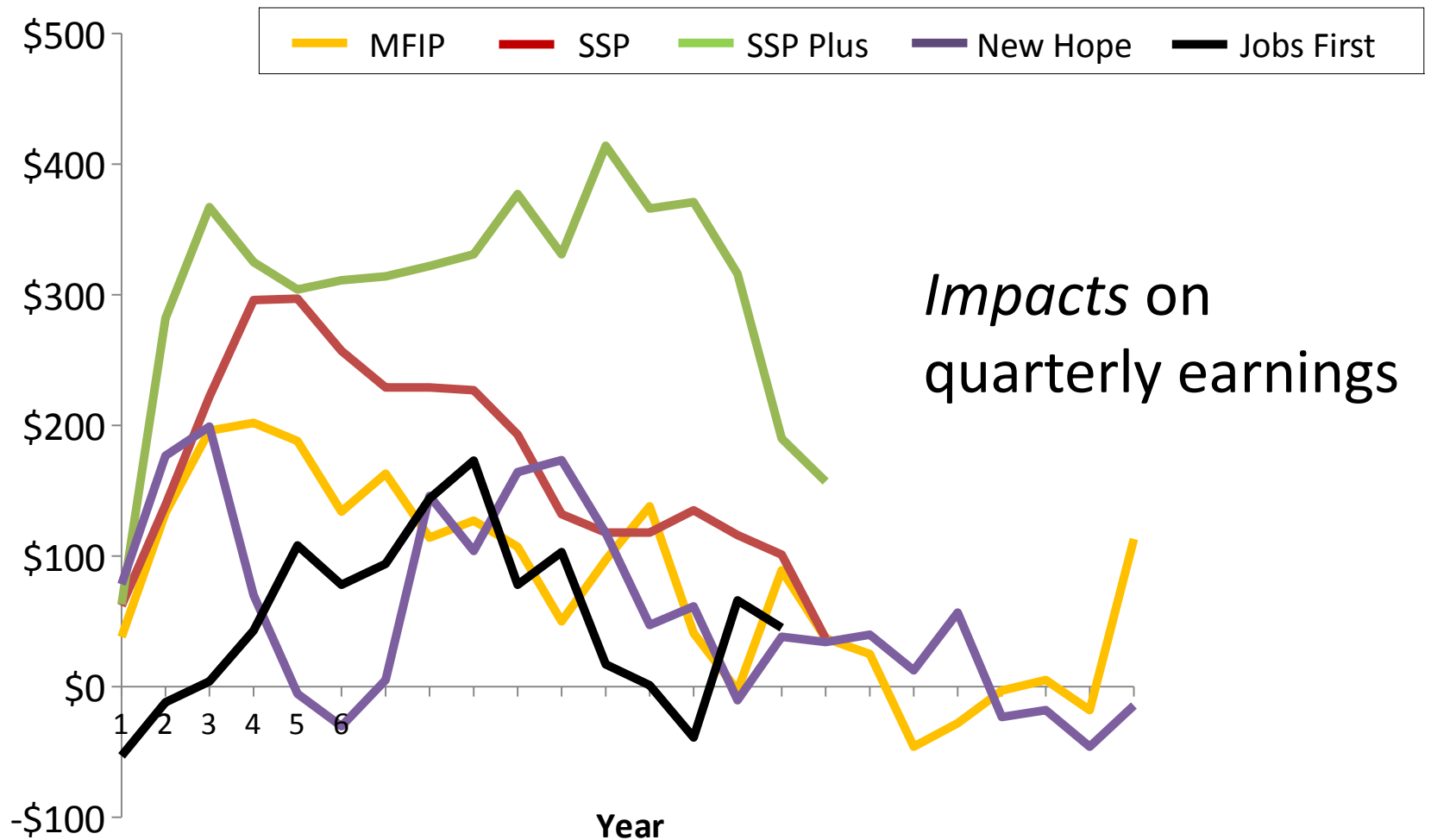
- **Earnings disregard** + mandatory work prep, 21-month time limit

*Milwaukee New Hope*

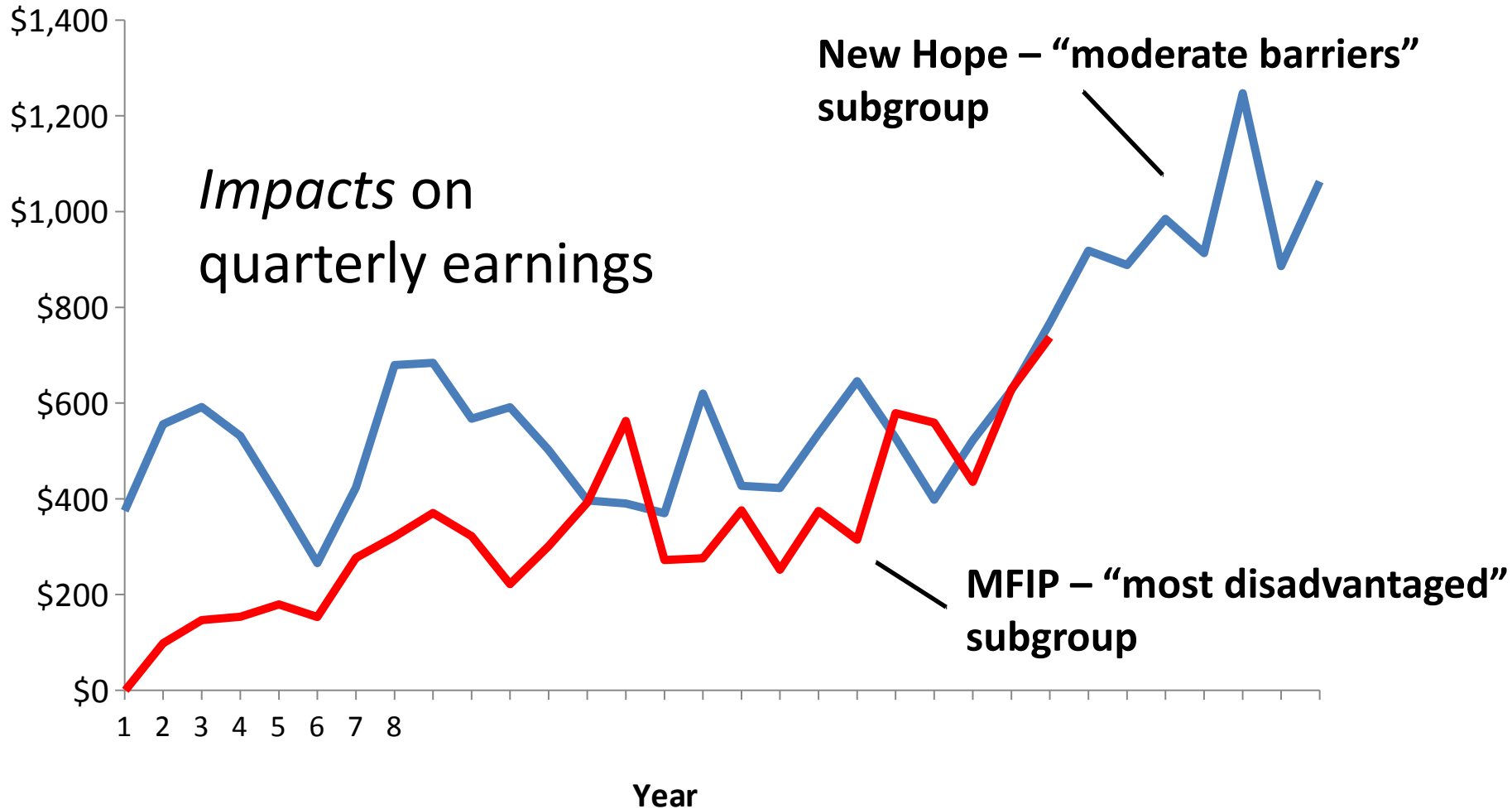
## **Incentives + other work supports and CSJ**

- **Earnings supplement** + child care, low-cost health insurance, community service job (if work 30+ hours) *(For broader low-income population)*

# Positive impacts on earnings, but effects generally faded over time (*control catch-up*)



# Effects persisted for some subgroups



# **Work incentives in post-employment experiments**

- **Employment Retention and Advancement (ERA)**
- **UK Employment Retention and Advancement (UK ERA)**




# Employment Retention and Advancement Demonstration (ERA)

---

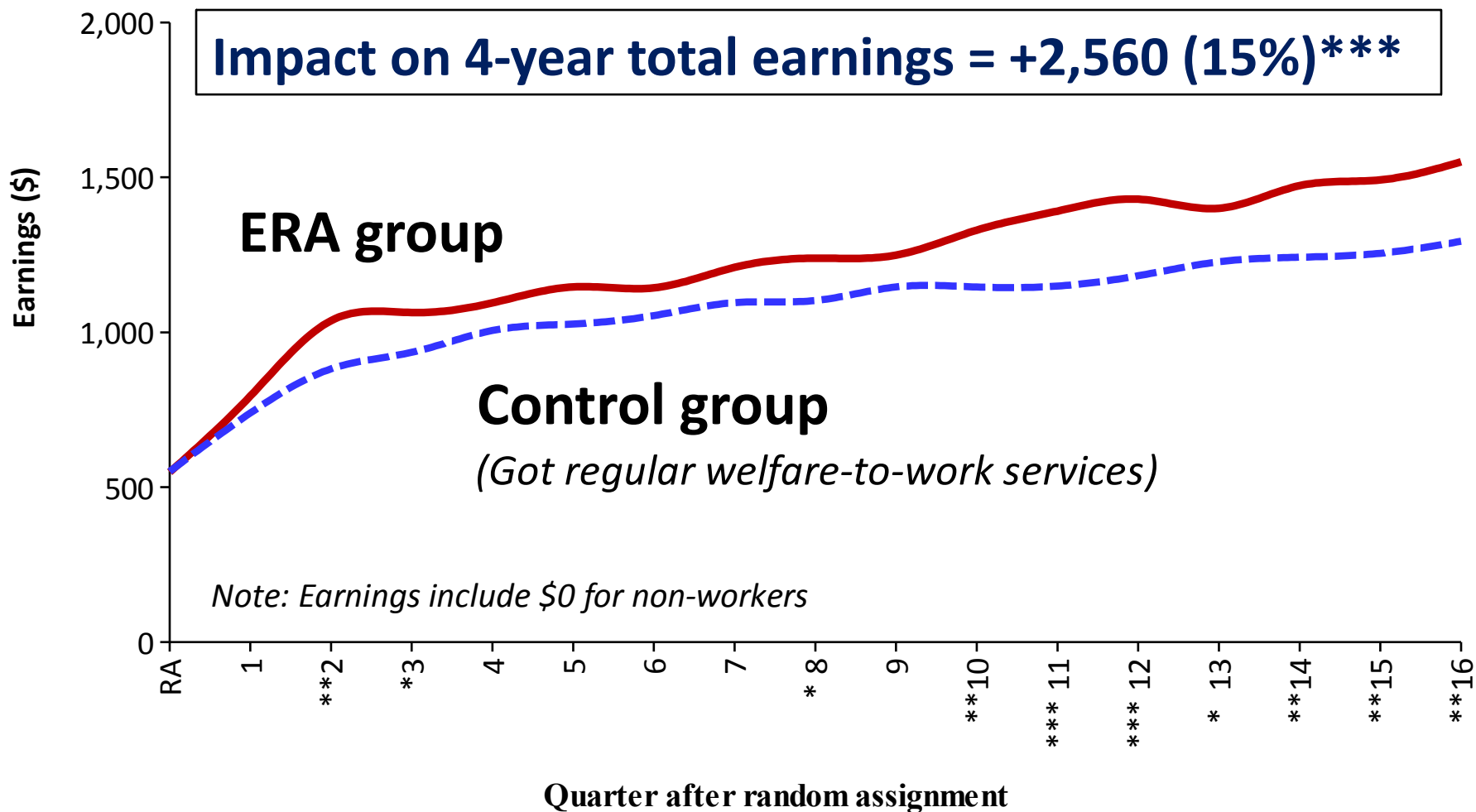
**Test of 12 post-employment intervention  
models in 6 states (HHS-funded)**

## **Texas site:**

- Targeted unemployed TANF recipients
- Offered:
  - **Monthly stipend (\$200) for full-time work** 
  - Continued job coaching while working
  - Required monthly participation in employment-related activities

# Corpus Christi ERA program

## Impacts on earnings (TANF recipients)



# A British attempt: UK ERA

## Operated within selected Jobcentre Plus agencies

- 6 regions of UK

## 33-month program

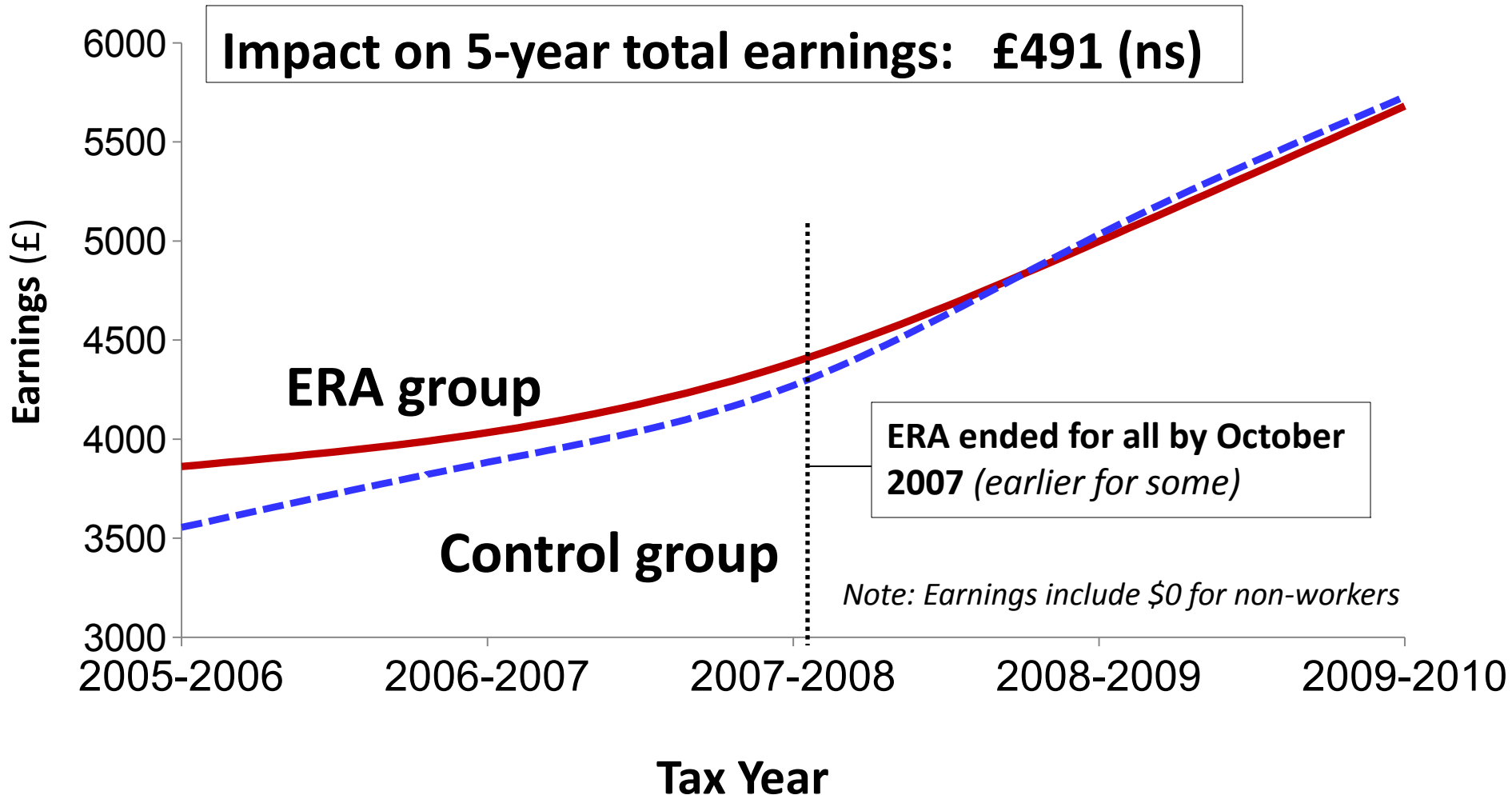
- If unemployed at intake: Got job search help through New Deal welfare-to-work program (*Similar to control group*)
- Once working: Got 24+ months of “in-work” advancement coaching/support

## 24 months of financial incentives



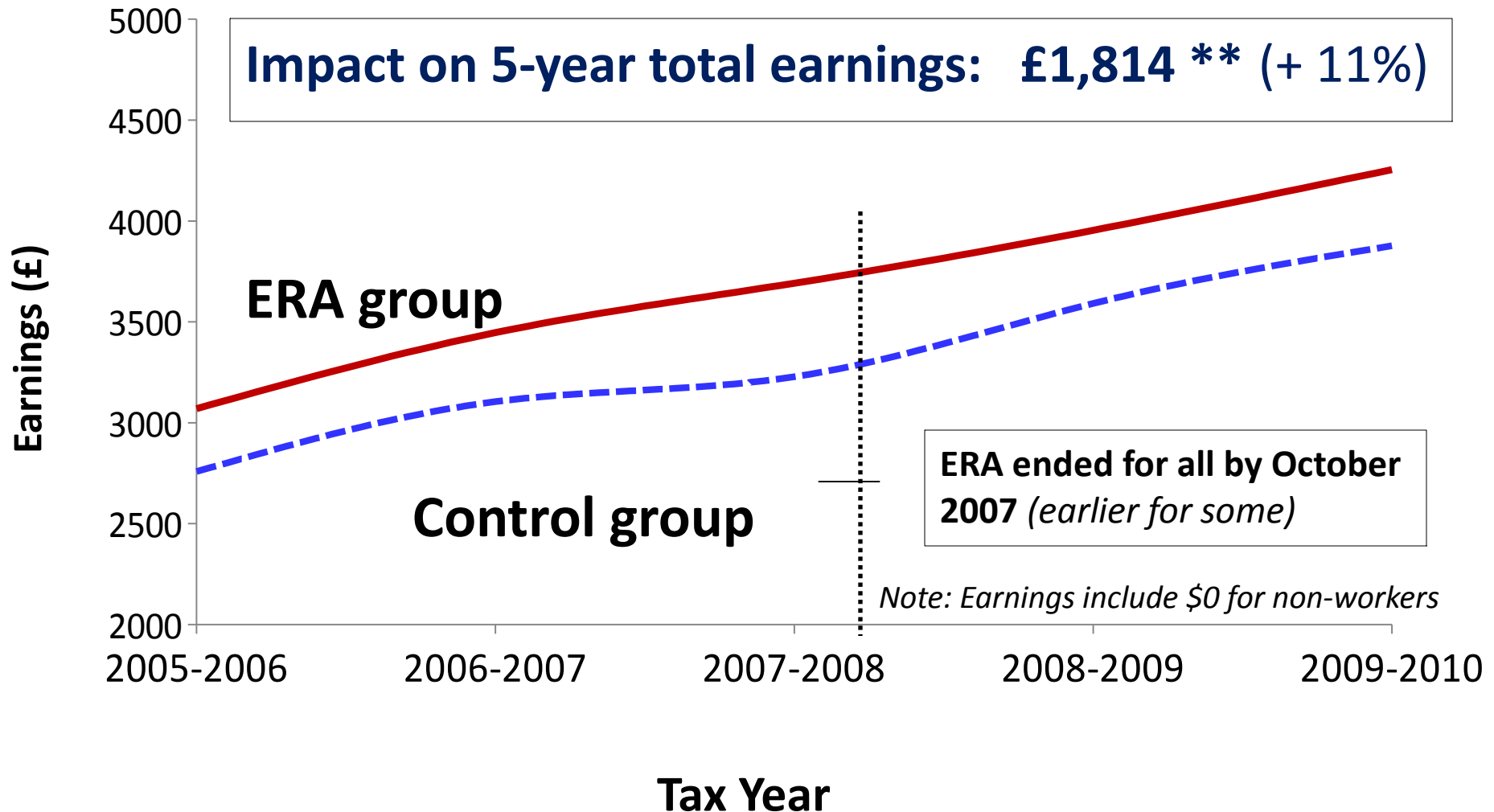
- For sustained FT employment: £400 (or \$700-\$800 at time of study) 3x per year
- For completing training while employed

# Impact on earnings (£)



ND25+: Long-term unemployed (mostly men)

## Impacts on earnings (£)



# Work incentives and housing subsidies

- **Jobs-Plus**
- **NYC Work Rewards Demonstration**
- **New HUD Rent Reform Demonstration**

# Jobs-Plus in Public Housing

---

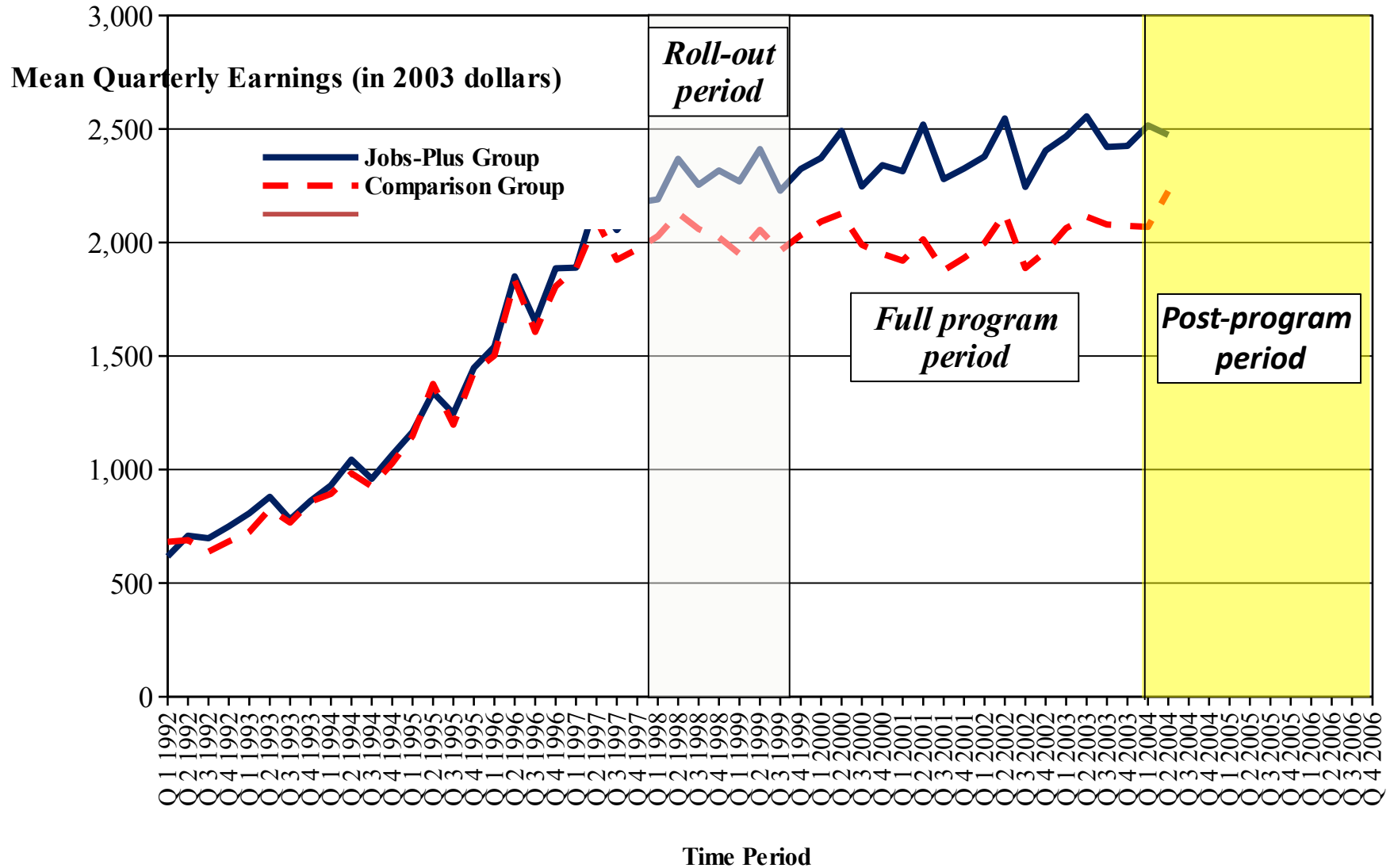
## Making work “pay” for everyone through new rent rules

- With traditional “30-percent-of-income” rule, earnings are implicitly “taxed” at 30%
- New rent rules: “Flat/fixed” rents (*with income-based rents as “safety net” if lose job*)

## Combined with other program features

- On-site employment services
- Community support for work (*neighbor-to-neighbor strategy*)

# Pooled average quarterly earnings for the 1998 cohort (full implementation sites)





# NYC Work Rewards Demonstration

---

## Testing 3 employment interventions for recipients of Section 8 Housing Choice Vouchers

- FSS only (Family Self-Sufficiency: services + escrow)
- FSS + Incentives
- Incentives only

*Incentives modeled on UK ERA; **external** to rent rules (in contrast to Jobs-Plus)*

## Separate samples from 2 NYC housing agencies

- **HPD**: Dept. of Housing Preservation and Development
- **NYCHA**: NYC Housing Authority

# Impacts on earnings by subgroups, 30 months

*Percent change relative to control group earnings*

	(HPD) FSS-Only	(HPD) FSS + Incentives	(NYCHA) Incentives- Only
<b>Full sample</b>	+3% <sup>†</sup>	+3%	+8% <sup>††</sup>
<b>SNAP subgroups</b>		††	
<b>Receiving at baseline</b>	<b>+15*</b>	<b>+9</b>	<b>+19***</b>
Not receiving	-8	-3	-9
<b>Employment subgroups</b>			

# New HUD Rent Reform Demonstration

---

## **What if *only* change the rent rules (*i.e.*, increase work incentive; no services)**

- New demo getting underway for Section 8 housing voucher holders
- Designing alternative to current 30% rent rule
- 5-8 Moving to Work (MTW) housing authorities
- Randomized trial to assess impacts on work and self-sufficiency, and housing authority costs

# **Work incentives in a comprehensive “conditional cash transfer” (CCT) program**

- **Opportunity NYC—Family Rewards**
- **Family Rewards 2.0 (Social Innovation Fund)**

# Opportunity NYC—Family Rewards

## The offer: Rewards in 3 domains

---

### 1. Children's education

- High attendance (95%)
- Performance on standardized tests
- Parents discuss test results with school
- High school credits and graduation
- Parent-teacher conferences; PSATs; library cards

### 2. Family preventive health care

- Maintaining health insurance
- Preventive medical and dental check-ups

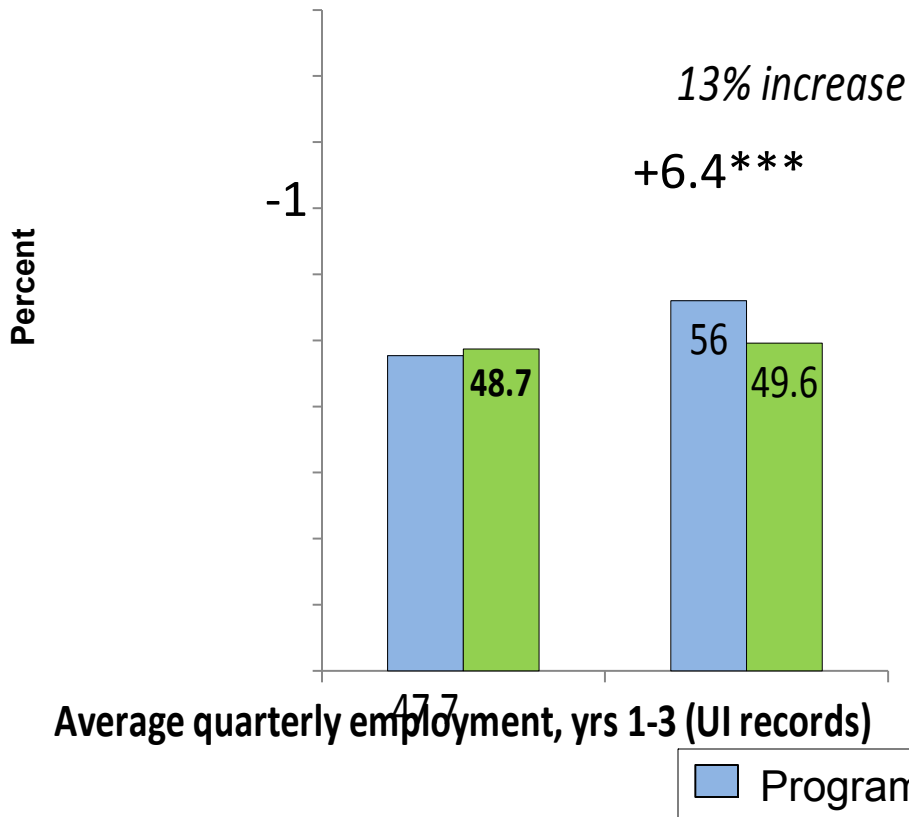
### 3. Parents' work and training



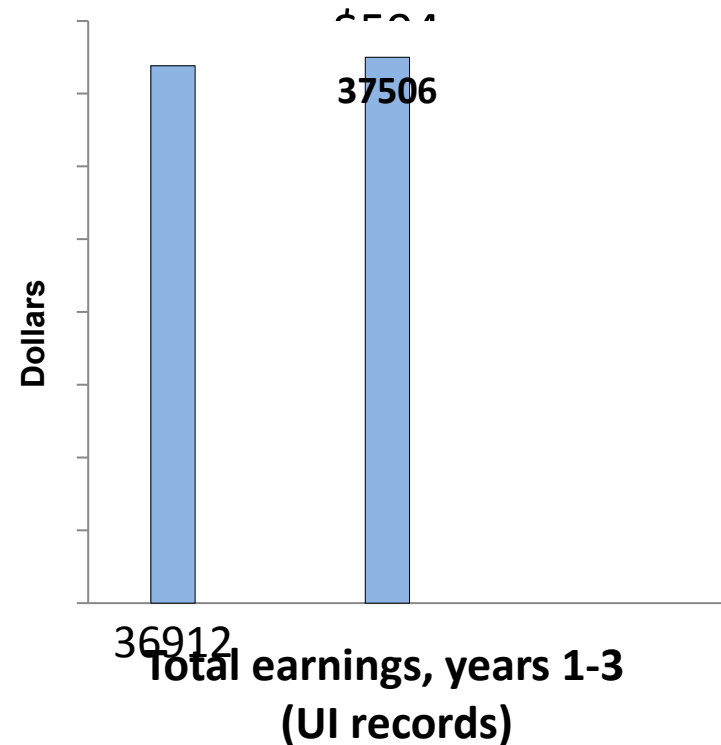
- Sustained full-time work
- Completion of education/training while employed

# Effects on employment and earnings

## Employment



## UI Earnings



# Negative effects for less-educated subgroup

Subgroup and Outcome	Program	Control	Impact
<b><u>HS diploma/GED at baseline</u></b>			
Average quarterly employment, Years 1-3 (%)	56.3	55.8	0.4
Average earnings, Years 1-3 (\$)	48,320	48,406	†† -86
<b><u>No HS diploma/GED at baseline</u></b>			
Average quarterly employment, Years 1-3 (%)	36.2	39.2	-3.1 ** ††
Average earnings, Y1-Y3 (\$)	20,730	22,519	-1,790 *

# New CCT Demonstration: “Family Rewards 2.0”

---

- Being tested in NYC and Memphis as a Social Innovation Fund (SIF) project
- Streamlined/modified incentives in same 3 domains
- Now has a family guidance component, *including guidance on employment*
  - Including guidance on employment (“incentives + services”)



# **Work incentives through an expanded EITC in New York City**

- A new Center for Economic Opportunity (CEO) experiment**
- For single adults without children (or custody)**

# Expanded EITC Experiment in NYC

## Current (2012) maximum EITC

- \$5,891 with three or more qualifying children
- **\$475 with no qualifying children**

## NYC test: Expanded EITC for single, childless adults

- Max of up to **\$2,000/year** if no qualifying children
- **Sample recruitment: fall 2013**
- **First RCT to test EITC impacts**
- **Will this version of “incentives-only” work?**
- **If it leads to substantial income transfers without effects on work, is that also “success”?**

# Conclusions

# Lessons and reflections

---

**General concept (wage supplementation) takes on even more importance in a future of so many low-wage jobs**

**Can't always isolate effects of incentives per se**

**Programs with incentives have history of positive impacts, but uneven**

- Can increase employment, earnings, and income
- But effects don't always persist (control group catch up)
- Bigger and more persistent effects for some subgroups, but not consistent from project to project
- Usually do not lead to higher *wage rates*
- May be more effective when combined with services

# Lessons and reflections *(continued)*

---

**Too successful to ignore, but complicated patterns make application to policy difficult**

**Important to use evidence to improve design and implementation of incentives, and to continue testing**

- **Size and frequency** of payments
- **Targeting** (if goal is impact on work effort)
- **Incentives-only vs. incentives + services**
- **Marketing**; applying behavioral economics principles
- How they work with different **structures and platforms**
  - TANF, housing subsidies, tax system (EITC), etc.
  - Change benefit rules vs. external bonuses

**For more information**

[www.mdrc.org](http://www.mdrc.org)

[james\\_riccio@mdrc.org](mailto:james_riccio@mdrc.org)