

# Policy Brief #22, September 2010

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In January 2010, the National Poverty
Center sponsored a preview briefing of early
results from MDRC's study of Opportunity
NYC: Family Rewards, New York City's
bold demonstration and evaluation of a
conditional cash transfer (CCT) program
to help families break the cycle of poverty.

CCT programs offer cash assistance to reduce immediate hardship and poverty, but condition this assistance—or cash transfers—on families' efforts to improve their "human capital" in an effort to reduce intergenerational poverty. Inspired by Mexico's pioneering Oportunidades program, such programs have grown rapidly across lower- and middle-income countries, and evaluations have found some important successes. Family Rewards, though, is the first comprehensive CCT program in a developed country. As such, it has been the focus of much attention domestically and internationally.

In March 2010, MDRC released a report of findings from its evaluation of the first two years of the three-year Family Rewards demonstration. This brief provides an overview of the full MDRC report, which

# Sharing Lessons from the First Conditional Cash Transfer Program in the United States

By James Riccio

found that Family Rewards substantially reduced poverty and material hardship and had a range of effects on education, health-related, and work-related outcomes. The third and final year of the program concluded on August 31, 2010.

#### What Is Opportunity NYC: Family Rewards?

Opportunity NYC: Family Rewards was launched by New York City's Center for Economic Opportunity in 2007 as an experimental, privately funded temporary program to help families in six of the city's highest-poverty communities break the cycle of intergenerational poverty. The program offers cash assistance to reduce immediate hardship and poverty, but conditions this assistance on efforts to improve children's school performance, obtain family preventive health care, and augment parents' work and training—in

the hope of reducing poverty over the longer term.

An incentives-only program (with no social services or case management component), Family Rewards is coordinated by a private, nonprofit intermediary organization, Seedco, in partnership with six community-based organizations. It is being evaluated by MDRC, which helped design the initiative, through a randomized control trial.

The program includes an extensive set of financial rewards, most of which are available for three years, that are provided to participants who meet the following conditions:

 Education-focused conditions, which include meeting goals for children's attendance in school, achievement levels on standardized tests, and other school progress markers, as well as meeting goals for parental engagement with children's education

I. These funders include Bloomberg Philanthropies, The Rockefeller Foundation, The Starr Foundation, the Open Society Institute, 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.

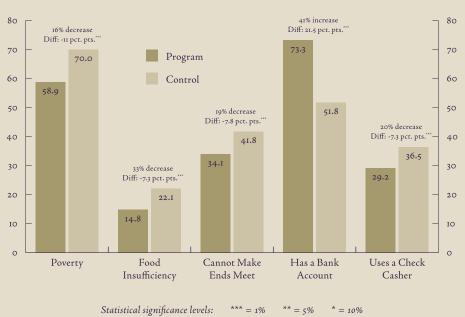
- Health-focused conditions, which include maintaining health insurance coverage for parents and their children, as well as obtaining age-appropriate preventive medical and dental checkups for each family member
- Workforce-focused conditions, aimed at parents, which include sustaining full-time work and completing approved education or job training activities

The program offered 22 different incentives during its first two years, ranging in value from \$20 to \$600. The program designers purposely chose to test a wide variety of rewards to see where incentives would and would not-work in the very different U.S. context. By rewarding a wide range of activities, the program also gave families many different ways in which to earn money, and it was able to avoid attaching overly large amounts of money to any one activity or outcome. Based on assessments of the program's early operational experiences, including the complexity of administering so many different rewards, along with preliminary impact evidence, a number of rewards were discontinued for the third year. This was done to simplify the program, lower its costs, and make it easier to replicate should it prove to be successful.

#### How Well Was the Program Implemented?

Overall, the rapidly launched program was successfully implemented after a first year in which operational kinks were being worked out. Participating families were substantially engaged with the program, earning reward payments of more than \$3,000 per year, on average, during each of the first two years. Nearly all families (98%) earned at least some rewards in both program years (mostly in the education and health domains), and 65% earned payments in every period in which rewards were available.





#### How Was the Evaluation Conducted?

The ongoing evaluation uses a randomized control trial involving approximately 4,800 families and 11,000 children, half of whom can receive the cash incentives if they meet the required conditions, and half who have been assigned to a control group that cannot receive the incentives. The period covered in the report, beginning in September 2007 and ending in August 2009, encompasses a start-up phase as well as a stage when the program was beginning to mature. The report presents early findings on the program's effects on a wide range of outcome measures. For some measures, the results cover only the first program year, while for others they also cover part or all of the second year. No data are available yet on the third year of the program, which ended on August 31, 2010.

The results reported here provide only an early indication of the program's effects. Given the nature of the model, it is reasonable to expect that, if Family Rewards is successful, its effects in

the short-term will be most evident for measures of poverty and material hardship, which can be directly influenced by transferring resources. Its impacts on human capital outcomes, which require changes in how family members spend their time and energy, and, in some cases, necessitate learning new skills, may take longer to emerge.

# What Were the Program's Effects on Reducing Material Hardship and Poverty?

The effects on material hardships and other economic outcomes were substantial. Family Rewards:

- Reduced measures of material hardship—which are often challenging to affect—including difficulty providing enough food for one's family (by 7 percentage points) and not being able to "make ends meet" (by 8 percentage points).
- Reduced the share of families living in poverty by 11 percentage points and

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cut "severe poverty" (defined as having income less than 50% of the federal poverty level) by nearly half, (from 30% of the control group to 17% of the program group).

Increased the likelihood that parents
had bank accounts by 22 percentage
points, increased their savings, and
reduced their use of alternative banking
institutions, such as check cashers by 7
percentage points.

## What Were the Program's Effects on Children's Education?

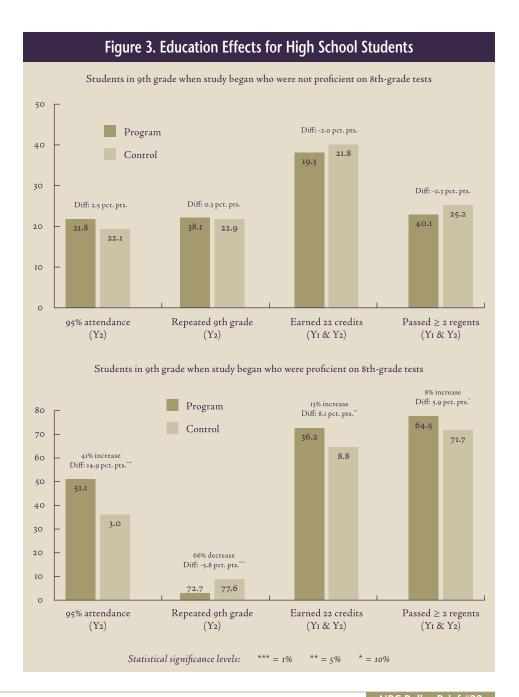
At the elementary and middle school levels, Family Rewards impacts were small. Family Rewards has not, to date, had an impact on elementary and middle school students' attendance or achievement. The absence of effects on attendance is not surprising, though, given the high rates

Figure 2. Effects on Younger Children's Activities Program Control Child participated in program to help with school work/homework 12% increase 14% increase 5.9 pct pts\* 5.7 pct pts 50 46.2 42.7 40 30 2.0 10 4th-graders 7th-graders Statistical significance levels: 

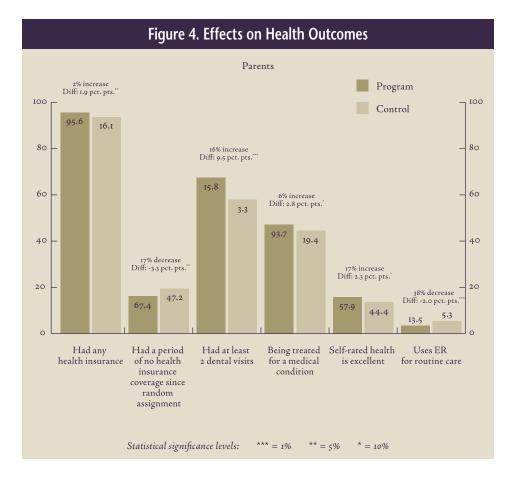
of school attendance (averaging about 90 percent), among younger students. However, a survey of parents indicates that Family Rewards increased the likelihood that participating middle school students were more likely than control group members to be involved in school-related activities, such as programs to help with schoolwork or homework, school clubs, school musical programs, and dance or art lessons. In addition, parents of elementary school students who participated in the Family Rewards program were somewhat

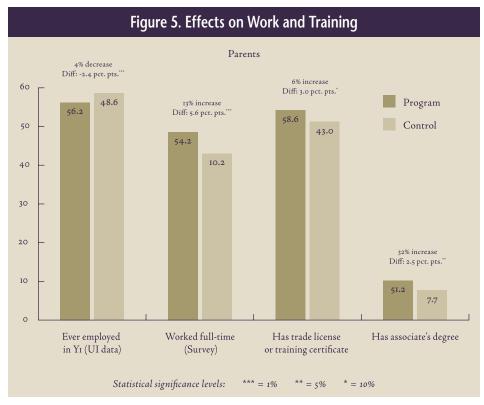
more likely than the control group to help their children with homework.

Family Rewards has been more successful at the high school level. While Family Rewards participation has not impacted overall student achievement at the high school level, to date, it has increased the proportion of high school students with a 95% attendance rate by 5 percentage points, which may, in the long term, impact student achievement. More dramatic gains were made among the subgroup



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2. Regents exams are administered to all public high school students in New York State. Students must pass at least five tests in specified subject areas in order to graduate with a diploma recognized by the New York State Board of Regents, which sets standards and regulations for all public schools.

of incoming ninth-graders who scored "proficient" in eighth grade—that is, the students who were better able to take advantage of the performance incentives (although many still end up struggling in high school)—there were positive impacts. For this audience, Family Rewards:

- Reduced the proportion of students who repeated the ninth grade by 6 percentage points.
- Increased the likelihood of having a 95% or better attendance rate in the second program year by 15 percentage points.
- Increased the likelihood of earning at least 22 credits (II credits per year are needed to remain on track for on-time graduation) by 8 percentage points.
- Increased the likelihood of passing at least two Regents exams<sup>2</sup> by 6 percentage points.

# What Were the Program's Effects on Family Preventive Health Care?

The health-related incentives of the Family Rewards program were designed to encourage low-income families to maintain insurance coverage and to adopt better preventive health care practices. It turned out that a higher proportion of families than the program's designers had expected were already receiving health insurance coverage and practicing preventive health care. This finding may reflect the success of efforts by New York State and New York City to expand access to health coverage in recent years. Although the high rates of insurance coverage left little room for improvement on this outcome, the analysis found that Family Rewards still had a number of promising impacts on a variety of health-related indicators (which are often difficult to move):

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- Increased families' consistency of health insurance coverage (by 2 to 3 percentage points).
- Reduced their reliance on hospital emergency rooms for routine care (by 2 percentage points) and increased their receipt of preventive medical care.
- Produced substantial increases in receipt of at least two preventive dental care visits by 10 percentage points.

# What Were the Program's Effects on Parents' Work and Training?

Family Rewards' early impacts on employment outcomes are mixed. The early findings point to gains in the likelihood of full-time employment and average earnings, but not in jobs covered by the unemployment insurance (UI) system. According to an 18-month survey of parents, the program increased the likelihood of working at the time of the interview (by 6 percentage points), driven by an increase in full-time work. At the same time, the program also led to a small reduction in average quarterly employment rates (by 1.4 percentage points) in UIcovered jobs over a 12-month follow-up period, according to administrative records data. However, the effect on average annual earnings from such jobs (a decline of \$286) was not statistically significant.

Some jobs are not covered by the state's UI system, such as self-employment, federal government employment, and out-of-state work. The UI system also misses informal (casual or irregular) jobs that are never reported to state agencies. It is not clear why the effects of the program would vary across types of employment. Perhaps for some parents, non-UI jobs were easier to get in today's economy, particularly those that offered the full-time hours

necessary to qualify for the program's work rewards. Such jobs may also have been more attractive options if they were more conveniently located, easier to obtain, or offered more flexible schedules than UIcovered jobs.

With regard to incentives for training, Family Rewards increased had a small but statistically significant impact (of 2 to 3 percentage points) on increasing the likelihood of receiving a training certificate or associate's degree by 2 to 3 percentage points.

During the second and third years of the Family Rewards program—the worst years of the recent economic recession—program administrators made extra efforts to market workforce rewards to participating families. However, because these marketing efforts were launched during the second program year, longer-term evaluation will be required to fully understand how they have impacted family outcomes. Still, it is noteworthy that despite transferring substantial amounts of cash to families, the program has not led to any appreciable reduction in work effort.

### National and International Interest in Opportunity NYC

Evaluations of CCT programs in other countries have convincingly shown that such programs can reduce poverty and improve the consumption of goods and services (for example, food consumption) among very poor families—their main short-term objective. CCT programs have also had some positive effects on human capital development outcomes (although the evidence here is more mixed).

Overall, the initial results from the New York City project show that the CCT concept is feasible to implement and can make a difference in the lives of poor families in a developed country. So far, it has reduced immediate poverty and material hardship and produced at least some improvements in human capital investment across the domains of children's education, family health care, and parents' employment. Importantly, the effects on poverty did not lead to major unintended consequences, such as substantial reductions in work effort. The magnitude of Family Rewards' effects is comparable to what has been found in evaluations of CCTs in other countries. In addition, Family Rewards is the first CCT to show any positive effects on workforce outcomes and student achievement.

### Ongoing Evaluation of the Family Rewards Program

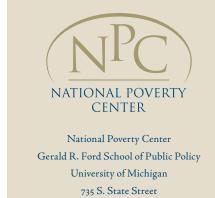
While the Family Rewards pilot officially ended on August 31, 2010, the MDRC research team will continue to follow program and control group families for a total of five years from the time they entered the study, allowing the evaluation to show whether any positive effects achieved during the three years in which the program operated persist or grow, even after the incentives end. The final evaluation report is slated to be completed in early 2014.

#### **About the Author**

James Riccio, Director of MDRC's Low-Wage Workers and Communities Policy Area, is the lead author of *Toward Reduced Poverty Across Generations: Early Findings from New York City's Conditional Cash Transfer Program*.

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Major funding for the National Poverty Center is provided by the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services.



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