OPPORTUNITY NYC | FAMILY REWARDS

Executive Summary

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Early Findings from New York City's Conditional Cash Transfer Program

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Overview

In 2007, New York City's Center for Economic Opportunity launched Opportunity NYC–Family Rewards, an experimental, privately funded, conditional cash transfer (CCT) program to help families break the cycle of poverty. CCT programs offer cash assistance to reduce immediate hardship, but condition these transfers on families' efforts to build up their "human capital," often by developing the education and skills that may reduce their poverty over the longer term. Family Rewards is the first comprehensive CCT program in a developed country.

Aimed at low-income families in six of New York City's highest-poverty communities, Family Rewards ties cash rewards to pre-specified activities and outcomes in children's education, families' preventive health care, and parents' employment. The three-year program is being operated by Seedco — a private, nonprofit intermediary organization — in partnership with six community-based organizations. It is being evaluated by MDRC through 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. This report presents initial findings during the program's early operating period.

Key Findings

Despite initial challenges in understanding the program's large number of incentives and related payment requirements, nearly all families eventually earned rewards — more than $6,000, on average, over the first two years. In addition, effects from Family Rewards varied across a wide range of outcome measures — for example, the program:

- Reduced current poverty and hardship, including hunger and some housing and health care hardships
- Increased savings and the likelihood that parents would have bank accounts, and reduced the use of alternative banking institutions (such as check cashers)
- Did not improve school outcomes overall for elementary or middle school students, but *did* increase school attendance, course credits, grade advancement, and standardized test results among better-prepared high school students
- Somewhat increased families' continuous use of health insurance coverage, reduced their reliance on hospital emergency rooms for routine care, and increased their receipt of medical care
- Substantially increased families' receipt of preventive dental care
- Increased employment in jobs that are not covered by the unemployment insurance (UI) system but reduced employment in UI-covered jobs

Because only the first 12 to 24 months of the program are covered — including a "start-up" phase during which operational "kinks" were being worked out — it is too soon to draw firm conclusions about the full potential of Family Rewards. Future reports will present longer-term findings, eventually covering all three years of program operations plus two additional years after the cash incentives are no longer offered.

Preface

Is it inevitable that poverty will be handed down from parent to child? Or is it possible to create an opportunity for parents to offer the next generation a better inheritance? In New York City, the experimental antipoverty program called Opportunity NYC–Family Rewards is trying to answer those questions by helping to reduce families' poverty and hardship today while simultaneously helping them to develop their "human capital" — that is, the skills and capacities that will allow parents and their children to escape poverty over the longer term and break the cycle of intergenerational poverty.

Not an easy task — particularly in a city as large and diverse as New York. But efforts have been made in that direction elsewhere — perhaps most famously, in Mexico's highly successful Oportunidades program, which is a conditional cash transfer (CCT) program and was one of the main inspirations for Family Rewards. CCT programs offer cash incentives to help families reduce their poverty in the short term if they take certain steps to improve their and their children's futures. Oportunidades provides direct cash payments to very poor families, which it initially offered in rural areas and later expanded to urban areas, that are conditioned in part on children's continued school enrollment, families' use of preventive health care, and good child nutrition practices.

But while CCT programs have shown some promise in Mexico and in other poor and middle-income countries, they have not been attempted on a large, broad-ranging scale in any developed country. In 2006, mindful of the differences between Mexico's rural poor (where the most evidence had been amassed) and the urban poor in this country, but impressed by the success of Oportunidades and other countries' CCT programs, Mayor Michael Bloomberg's Center for Economic Opportunity (CEO) began to explore whether a CCT program could be adapted for use in New York City's poorest neighborhoods. By 2007, Opportunity NYC–Family Rewards had been born. Aware that a CCT program would be controversial, CEO sought and obtained private funding for the initiative in the hope that, if it were successful, the federal government would provide additional support to expand the program to cities nationwide.

Despite much consternation on both the right and the left about the advisability and feasibility (and even the morality) of using conditional cash transfers, especially for educational outcomes, no hard data on the use of a comprehensive CCT program in an American city have been available to either refute or substantiate their objections — just theories and beliefs. Now, data collection and analysis have begun for Family Rewards, with the goal of hastening the time when ideology meets evidence.

It was the vision of CEO and its philanthropic partners for this initiative that Opportunity NYC–Family Rewards had the potential to help low-income New Yorkers while also building evidence on a poverty reduction strategy that could have national and international importance. It is MDRC's hope that the findings from this program will inform efforts both here and abroad not only to reduce poverty in the short term but to prevent its ongoing recurrence in the future.

Gordon Berlin
President

Acknowledgments

This report reflects contributions from many people. We are especially grateful to the families participating in the Opportunity NYC–Family Rewards program and the members of the control group who have allowed us to learn firsthand from their experiences. We also appreciate the assistance of the many staff members at Seedco and the Neighborhood Partner Organizations (NPOs) for the hours they spent helping us understand their pioneering efforts in operating the program and in supplying us with essential data on families' participation, and for reviewing drafts of the report. At Seedco, we would especially like to acknowledge the contributions of Rebecca Ross, Naomi Zuk-Fisher, Juan Pinzon, Meenakshi Bhatt, Julie Shapiro, Christopher Allison, and former staff member Andrea Phillips. Among NPO staff, we particularly thank Harvey Lawrence, Colette Pean, Delores Owens, and Nicole Clark of the Brownsville Multi-Service Center; Carolyn McLaughlin, John Weed, Jacqueline Best, and Maggie Diaz of BronxWorks; Beatriz Diaz Taveras, Talia Lockspeiser, Mustafa Tabakovic, Eileen De La Cruz, and Letticia Batista of Catholic Charities; Richard Buery, Erica Ahdoot, Rosanna Cruz, Candice Perkins, and Crystal Alston of Groundwork, Inc.; David Nocenti, Ellen Simon, Linda Cato, Mildred Maneiro, and Irma Lambert of Union Settlement Association; and Paloma Hernandez, Rosa Agosto, Eileen Leach, Jose Gonzalez, and Clara Londono of Urban Health Plan.

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We appreciate the continuing support of all the funders of the demonstration. These 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. We are especially grateful to Judith Rodin, Darren Walker, and Margot Brandenburg of the Rockefeller Foundation and to Michael Weinstein of the Robin

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At MDRC, Donna Wharton-Fields assisted in the overall management of the demonstration while also serving as a liaison to Seedco and the NPOs and contributing valuable observations and insights about the operation of the program. Gordon Berlin, Dan Bloom, Howard Bloom, William Corrin, Richard Hendra, John Hutchins, Sue Kim, Charles Michalopoulos, and Pei Zhu provided valuable feedback on report drafts. Jared Smith and Gilda Azurdia led the processing of the vast amount of quantitative data used in the analysis, with expert assistance from Edith Yang, Nefera Croom, Victoria Deitch, Anne Warren, Natasha Piatnitskaia, Sonya Williams, Jeffrey Berman, Andrew Colopy, and Chris Rodriguez. Jo Anna Hunter helped manage the survey of parents, which was administered by Decision Information Resources (DIR), Inc. Denise Polit helped design the survey instrument. Alissa Gardenhire-Crooks conducted field research, contributed to qualitative analyses, and helped with formative feedback. Shelley Rappaport and Angie Torres conducted in-depth interviews. Nancy Rosas also conducted in-depth interviews, in addition to helping with enrollment activities and project management. Courtney Abrams assisted in the qualitative analysis. Tojuana Riley coordinated the production of the report and, with Carolyn Fraker, contributed general research support. Diane Singer and Crystal Ganges-Reid helped with the production of the exhibits and, with Christina Saenz and Daniel Schlaff, assisted with fact-checking. Alice Tufel and Robert Weber edited the report, Margaret Bald managed the final stages of production, and Stephanie Cowell prepared it for publication.

The Authors

Executive Summary

In 2007, New York City launched Opportunity NYC–Family Rewards, an experimental, privately funded, conditional cash transfer (CCT) program to help families break the cycle of intergenerational 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" (typically, children's educational achievement and family health) in the hope of reducing their poverty over the longer term. Such programs have grown rapidly across lower- and middle-income countries, and evaluations have found some important successes. Family Rewards is the first comprehensive CCT program in a developed country.

Aimed at low-income families in six of New York City's highest-poverty communities, Family Rewards ties cash rewards to a pre-specified set of activities and outcomes in the areas of children's education, family preventive health care, and parents' employment. The program is available to 2,400 families for three years. Inspired by Mexico's pioneering Oportunidades program, Family Rewards' program effects are being measured via a randomized control trial.

The Family Rewards demonstration is one of 40 initiatives sponsored by New York City's Center for Economic Opportunity (CEO), a unit within the Office of Mayor Michael R. Bloomberg that is responsible for testing innovative strategies to reduce the number of New Yorkers who are living in poverty. Two national, New York-based nonprofit organizations — MDRC, a nonpartisan social policy research firm, and Seedco, a workforce and economic development organization — worked in close partnership with CEO to design the demonstration. Seedco, together with a small network of local community-based organizations, is operating Family Rewards, and MDRC is conducting the evaluation and managing the overall demonstration. A consortium of private funders is supporting the project.[1]

This report presents the initial findings from an ongoing and comprehensive evaluation of Family Rewards. It examines the program's implementation in the field and families' responses to it during the first two of its three years of operations. This evaluation period, 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 also presents early findings on the program's effects, or "impacts," 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. The evaluation findings are based on

[1]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.

analyses of a wide variety of administrative records data, responses to a survey of parents that was administered about 18 months after random assignment, and qualitative in-depth interviews with program staff and families.

Overall, this study shows that, despite an extraordinarily rapid start-up and early challenges, the program was operating largely as intended by its second year. Although many families struggled with the complexity of the program, most were substantially engaged with it and received a large amount of money for meeting the conditions it established. During the period covered by the report, Family Rewards reduced current poverty (its main short-term goal) and produced a range of effects on a variety of outcomes across all three program domains (children's education, family health care, and parents' work and training).

The Program Model

All CCT programs condition immediate poverty relief on families' investments in human capital, especially in children. In adopting this core principle, the designers of Family Rewards understood that the model and its delivery structure would have to be adapted to suit a vastly different social, economic, and policy context. The nature of poverty and its underlying causes are not the same in New York City as in Mexico or other middle-income and lower-income countries. The focus of Family Rewards on parents' work and children's academic achievement (not just school attendance), its delivery by not-for-profit organizations, and the way it complements existing social welfare programs and services are among the features that distinguish New York City's program from many other CCT programs.

Types of Rewards

New York City's program includes an extensive set of rewards with 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 parents' engagement with their children's education

- **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 participation in approved education or job training activities

The program offered a set of 22 different incentives during its first two years, ranging in value from $20 to $600. (See Table ES.1 for a detailed list.) By rewarding a wide range of activities, the program 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.[2]

The program allows families to receive cash rewards totaling several thousand dollars per year over a three-year period. The actual amount that families receive depends on the particular rewards they earn (some carry higher payments than others) and the number of rewards they earn. In addition, larger families can earn higher payments because each child's actions can earn education and health rewards. In general, payments are made directly to the parents. However, some education-related payments for high school students are paid directly to the students; depending on the reward, the entire payment is made to the student (for example, for passing a Regents exam) or split with the parents (for example, for meeting the attendance standard).

Like all CCT programs, Family Rewards is based on the assumption that, for a variety of reasons, families may underinvest in their own human capital development. That lack of investment — while certainly not the only reason for their financial hardship — can make it difficult for parents and their children to escape poverty. The cash payments, in addition to being a short-term *income supplement* to reduce hardship immediately, are intended to function as *enabling resources* and as *inducements*. As enabling resources, the extra money families earn, as it begins to accumulate, may make it more feasible for them to support and promote their children's educational progress, obtain preventive health care, and pursue employment opportunities; as inducements, the rewards may encourage families to make extra investments of time and energy for those purposes. To maximize the potential incentive value of the rewards, the program imposes no restrictions on how families can spend the money.

As noted above, the Family Rewards model differs in important ways from CCT approaches in other countries. In many countries, CCT programs function as the main government-sponsored safety net, or as an important component of it, and they most commonly tie the payments only to children's school enrollment and attendance and to routine health checkups.

[2]The discontinued incentives include the attendance reward for elementary and middle school students, the rewards to parents for discussing their children's annual English language arts (ELA) and math test results with teachers, rewards for obtaining library cards, all health insurance rewards, and the rewards for making doctor-recommended follow-up visits.

The Opportunity NYC Demonstration: Family Rewards

Table ES.1

Schedule of Rewards

Activity	Reward Amount
<u>Education incentives</u>	
Elementary and middle school students	
Attends 95% of scheduled school days *(discontinued after Year 2)*	\$25 per month
Scores at proficiency level (or improves) on annual math and English language arts (ELA) tests	
Elementary school students	\$300 per math test; \$300 per ELA test
Middle school students	\$350 per math test; \$350 per ELA test
Parent reviews low-stakes interim tests *(discontinued after Year 1)*	\$25 for parents to download, print, and review results (up to 5 times per year)
Parent discusses annual math and ELA test results with teachers *(discontinued after Year 2)*	\$25 (up to 2 tests per year)
High school students	
Attends 95% of scheduled school days	\$50 per month
Accumulates 11 course credits per year	\$600
Passes Regents exams	\$600 per exam passed (up to 5 exams)
Takes PSAT test	\$50 for taking the test (up to 2 times)
Graduates from high school	\$400 bonus
All grades	
Parent attends parent-teacher conferences	\$25 per conference (up to 2 times per year)
Child obtains library card (*discontinued after Year 2)*	\$50 once during program
<u>Health incentives</u>	
Maintaining public or private health insurance *(discontinued after Year 2)*	
For each parent covered	Per month: \$20 (public); \$50 (private)
If all children are covered	Per month: \$20 (public); \$50 (private)
Annual medical checkup	\$200 per family member (once per year)
Doctor-recommended follow-up visit *(discontinued after Year 2)*	\$100 per family member (once per year)
Early-intervention evaluation for child under 30 months old, if advised by pediatrician	\$200 per child (once per year)
Preventive dental care (cleaning/checkup)	\$100 per family member (once per year for children 1-5 years old; twice per year for family members 6 years of age or older)
<u>Workforce incentives</u>	
Sustained full-time employment	\$150 per month
Education and training while employed at least 10 hours per week *(employment requirement discontinued after Year 2)*	Amount varies by length of course, up to a maximum of \$3,000 over three years

Family Rewards includes many more conditions and rewards. In the education domain, it is unusual in rewarding children's school *achievement*, including test score results, not just school enrollment and attendance. Its work-related component for parents is also distinctive. And as a short-term intervention layered on top of an already well-developed social safety net, Family Rewards serves as a supplemental program rather than as the core welfare system, as in Mexico and a number of other countries. It is also unusual in being operated by private, nonprofit agencies rather than by the government.

The Delivery Structure

Seedco, the main implementing agency, assembled a network of local organizations in the designated community districts to assist in implementing Family Rewards. Called "Neighborhood Partner Organizations" (NPOs), these agencies recruited and enrolled eligible families into the research sample and now serve as the face of the program in the communities.[3] They provide ongoing customer service to participants who request assistance, such as in making claims for the rewards or for information about other services in the community. NPOs also conduct informational workshops on how to earn and claim rewards in each of the domains in which the incentives are offered. Seedco maintains a telephone helpline and Web site to provide additional information and assistance to families.

Once Seedco verifies that families have earned rewards (which it does using a combination of automated data from city agencies and special "coupon book" forms submitted directly by participants), it initiates a process of transferring payments electronically into participants' newly opened or existing bank accounts or, if they prefer, onto stored value cards (prepaid cards, like gift cards or prepaid phone cards, that are not connected to any individual account holder). To provide families with a safe banking option, New York City officials worked with several banks and credit unions to develop special "Opportunity NYC accounts" that carry no fees and come with debit cards that are impossible to overdraw. The reward payments are made every two months, and families can access the money at any time through any automatic teller machine (ATM).

Envisioned as an "incentives-only" intervention, the program model does not provide social services or case management. For example, it makes no provision for staff to work with families to develop personalized action plans for pursuing education, health care, or employment goals, and staff members do not provide ongoing counseling to families to address personal problems that make it difficult for them to take full advantage of the program. The pro-

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[3]These organizations are Urban Health Plan and BronxWorks (formerly Citizens Advice Bureau) in the Bronx; Brownsville Multi-Service Center and Groundwork, Inc., in Brooklyn; and Catholic Charities and Union Settlement Association in Manhattan.

gram also does not provide any direct services, such as tutoring, test preparation, job search classes, or skills training. However, it does include an information-and-referral component wherein the implementing agencies (Seedco and the NPOs) refer families (upon request) to other agencies in the community that provide relevant services.

The Study Sample and the Recruitment Process

Family Rewards is being evaluated through a randomized control trial involving approximately 4,800 families and 11,000 children who applied to the program. The program could not serve all applicants, and the selection of participants was determined on a random basis. Through a lottery-like process, half of the applicant families were picked for Family Rewards and offered the incentives and half were assigned to a control group that was not offered the incentives. Using such a random process to allocate sample members to one group or the other helps ensure that the program effects estimated by the evaluation are truly a result of the intervention.

Family Rewards was targeted toward families who lived in selected community districts and who had incomes at or below 130 percent of the federal poverty level. Eligible families had to have at least one child in the fourth, seventh, or ninth grade. These grades were selected because they are at or near the start of critical transition points in education. Once a family volunteered for the study, *all* children in the family who were school age or younger were eligible for the program. However, the parents as well as the children had to be legal residents of the United States in order to be eligible.

Following an initial design and fundraising effort that concluded in the spring of 2007, an intensive effort was quickly launched in the summer of 2007 to begin building the program infrastructure, recruit families, and implement the random assignment process in time for program operations to begin with the start of the new school year in September 2007. To ensure that the program reached a broad cross-section of children, not just the most motivated and active, potentially eligible families living in the targeted communities were identified from school lists maintained by the New York City Department of Education. Seedco and the NPOs then attempted to recruit a representative group of those families through mailings, phone calls, and home visits, inviting them to apply to be in the study. Those who agreed were randomly assigned to the program or control group. Several analyses comparing families who entered the sample with those who were not in the study suggest that, despite its voluntary nature, the recruited sample is not a distinctively more advantaged or less advantaged subset of the broader target population.

As it turned out, the challenges of recruiting so many families so quickly — particularly in light of the fact that much of the contact information that was available to the recruiters was out of date — meant that it took longer than had been hoped to recruit the full sample, so the enrollment period was extended through December 2007. Thus, some families did not enter the program until a few months after it began (which is one reason why the first program year is considered a start-up phase).

A majority of the families (81 percent) who enrolled in Family Rewards were one-parent families at the time of random assignment, but they have a diverse set of background characteristics. For example, over half of all families (57 percent) had only one or two children, but 43 percent had three or more. About 47 percent of the families were Hispanic/Latino, while most others (51 percent) were black, non-Hispanic/Latino. Just over half of the parents (53 percent) were employed, with about 37 percent working full time. About a third (32 percent) had only a high school diploma or General Educational Development (GED) certificate, and about 18 percent had an associate's or bachelor's degree, while 50 percent had not completed high school and did not have a GED certificate. About 83 percent were U.S. citizens, while the rest (17 percent) were legal permanent residents.

Implementation and Reward Receipt

As the first comprehensive CCT program in the United States, Family Rewards was breaking new ground, and given the model's many facets and its many operational demands — recruiting, informing, verifying, and paying participants on a trial basis — its operational feasibility and success could not be taken for granted. The experience to date indicates that the model is feasible — though challenging — to operate.

- **The organizations operating Family Rewards succeeded in implementing all the major program systems and procedures that the model requires, although it took until the second year for the program to operate as envisioned.**

The rapid launch precluded a pilot phase to work out operational problems. Consequently, the first year of the program was one in which procedures for engaging families, educating them about the rewards, verifying claims, and making payments were still being refined, all while some sample members were still being enrolled into the study. Not surprisingly, some aspects of program delivery suffered as a result, especially in initial efforts to orient and explain the complex set of rewards to families. However, as the program matured and staff developed more experience in operating it, many of these early challenges were overcome, and, by the time the 18-month survey was conducted, participants gave high ratings to the assistance they received from the program.

By the second year of implementation, program operations were much improved and the model was being operated in a way that was generally consistent with its designers' vision. Over the first two program years, more than $14 million in rewards had been paid to families. Further improvements in operating procedures were being planned as the program entered its third and final year.

- **Parents understood the program's general offer and purposes but many were initially confused about some of the details, requiring the providers to make ongoing efforts to educate families about the specific rewards and how to claim them.**

Survey and in-depth qualitative data reveal that parents possessed a good general awareness of the incentives, but their understanding was fuzzy in some places. For example, they tended to view more school-related activities and behavior as qualifying for incentives than was actually the case. This may indicate that participants believed that positive behavior in general would be rewarded. Such a misperception may have positive effects on families, but it shows that knowledge of the program offer was imprecise.

Qualitative data suggest wide variation in the level of understanding that children and youth who were enrolled in the program may have had about the rewards. While some parents discussed the program in detail with their elementary or middle school-age children and viewed the rewards as another tool to motivate their children, others provided only limited information, not wanting to emphasize money as a reason for achievement. High school students, who could receive some incentives directly, were the target of independent marketing efforts, although these efforts were not undertaken until the second year of operations as it became clear that many of the participating high school students did not fully understand — or believe — that they could earn money for their school attendance and performance.

- **Overall, families were substantially engaged with the program, earning reward payments of more than $6,000, on average, in the first two years.**

Nearly all families (98 percent) earned at least some rewards in both program years, and 65 percent earned payments in every period in which rewards were available. Payments averaged more than $6,000 during the first two program years combined, with 78 percent earning at least $3,000, and 37 percent earning $7,000 or more. Families receiving the highest amounts of money included parents who, at the time of entering the study, were more educated, more likely to be working full time, and more likely to be married or in a legal domestic partnership than parents in other families. The higher-reward earners also had more children and were less likely to be receiving government safety net benefits. They also had greater levels of contact with the NPOs and Seedco and less difficulty keeping track of their claims for rewards.

Families' overall reward earnings came largely from meeting conditions in the education and health domains: 44 percent for meeting education conditions, 38 percent for meeting health-related conditions, and 18 percent for meeting work-related conditions.

- **Parents used the money earned from Family Rewards to provide for basic family needs and to celebrate their children's achievements.**

Family Rewards imposed no restrictions on families' access to their reward money or how they could spend it, and families used the extra money in a variety of ways. Common uses included paying for basic living expenses, paying off bills, paying for school-related supplies or activities, saving for the future, buying electronic goods, and covering special recreational outings for the family, sometimes as a reward for school accomplishments. For many families, celebration of accomplishments took the form of spending time together on leisure activities, like eating out, going on a trip, or seeing a movie that would otherwise have been prohibitively expensive, especially for larger families with limited means. Many parents also used the money for children's allowances.

Interim Impacts

Findings on the program's impacts — that is, the differences in outcomes for the Family Rewards program group and the control group — are available on a wide variety of measures covering one to two years after each family's time of entry into the study, depending on the data source. Thus, 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.

- **Family Rewards had a wide range of effects across a number of domains and outcome measures.**

The overall pattern of impacts is noteworthy for its broad scope: early positive impacts on current poverty,[4] small or modest impacts on some measures of human capital, and no effect on a number of other important outcomes of interest. (See Tables ES.2 and ES.3.)

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[4]In this study, poverty estimates were computed by comparing parents' cash income (excluding tax credits) and food stamps with the federal poverty levels for families of various sizes.

The Opportunity NYC Demonstration: Family Rewards

Table ES.2

Impacts on Selected Outcomes Measuring Poverty, Hardship, Health, and Work

Outcome	Program Group	Control Group	Difference (Impact)	Change (%)
Poverty and hardship (%)				
Household income at or below the federal poverty level	58.9	70.0	-11.1 ***	-15.8
Household income below 50% of the federal poverty level	16.7	30.0	-13.2 ***	-44.1
Family "sometimes" or "often" does not have enough food to eat	14.8	22.1	-7.3 ***	-32.9
Family usually did not have enough money to make ends meet at end of month	34.1	41.8	-7.8 ***	-18.5
Banking and savings				
Parent agrees "strongly" or "somewhat" that current financial situation is "better than last year" (%)	62.7	44.5	18.3 ***	41.1
Parent currently has bank account (%)	73.3	51.8	21.5 ***	41.4
Parent cashes check at check casher at least once a month (%)	29.2	36.5	-7.3 ***	-19.9
Family's average savings ($)	575	354	221 **	62.6
Parent's use of health services and parent's health status (%)				
Had a period with no health insurance coverage since random assignment	16.1	19.4	-3.3 **	-17.0
Has a personal doctor or health care provider	94.4	93.4	1.0	--
Has a usual source of health care	94.9	91.4	3.5 ***	3.8
Uses hospital emergency room for routine health care	3.3	5.3	-2.0 ***	-38.1
Saw a personal doctor in the past 12 months	86.1	82.3	3.8 ***	4.6
Had a health checkup since random assignment	93.2	91.7	1.5	--
Currently being treated for any medical condition	47.2	44.4	2.8 *	6.3
Self-rated health is "excellent"	15.8	13.5	2.3 *	17.3
Had a dental visit since random assignment				
At least 1 visit	86.0	83.0	3.0 **	3.6
At least 2 visits	67.4	57.9	9.5 ***	16.3

(continued)

Table ES.2 (continued)

Outcome	Program Group	Control Group	Difference (Impact)	Change (%)
High school student's use of health services (%)				
Had health checkup or got shots in past 12 months	96.1	95.8	0.3	--
Has usual source of care when sick	96.1	96.0	0.1	--
Hospital emergency room	9.8	15.9	-6.1 ***	-38.4
Other place	86.3	80.1	6.2 **	7.8
Had a dental visit since random assignment				
At least 1 visit	92.7	89.6	3.1	--
At least 2 visits	70.3	57.2	13.1 ***	23.0
Employment				
Employment status, UI records[a]				
Ever employed, Year 1 (%)	56.2	58.6	-2.4 ***	-4.1
Average quarterly employment (%)	48.9	50.3	-1.4 *	-2.8
Average earnings, Year 1 ($)	12,091	12,377	-286	--
Employment status, survey (%)				
Currently working	59.9	54.3	5.6 ***	10.4
Worked full time (at least 30 hours per week)	48.6	43.0	5.6 ***	12.9
Parent's education and training (%)				
Ever participated in an education, training, or employment activity	37.3	39.6	-2.3	--
Has any trade license or training certification	54.2	51.2	3.0 *	5.9
Highest degree or diploma				
Associate's degree	10.2	7.7	2.5 **	32.1
Bachelor's degree	8.4	8.3	0.1	--
Sample size (total = 3,082)	1,574	1,508		

SOURCES: MDRC calculations using data from the Family Rewards 18-Month Survey and New York State unemployment insurance (UI) wage records.

NOTES: See tables in the complete report for further details on the data in this table.

Statistical significance levels are indicated as: *** = 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 two-tailed t-test was applied to differences between outcomes for the program and control groups.

[a]Dollar averages include zero values for sample members who were not employed.

The Opportunity NYC Demonstration: Family Rewards

Table ES.3

Impacts on Selected Education Outcomes

Outcome (%)	Program Group	Control Group	Difference (Impact)	Change (%)
4th-grade cohort				
Had attendance rate of 95% or higher, Year 2	44.5	41.6	2.9	--
Proficient on math test, Year 2	80.3	78.6	1.7	--
Proficient on English language arts (ELA) test, Year 2	67.6	68.1	-0.4	--
7th-grade cohort				
Had attendance rate of 95% or higher, Year 2	36.6	34.9	1.6	--
Proficient on math test, Year 2	61.9	63.5	-1.6	--
Proficient on English language Arts (ELA) test, Year 2	46.5	46.0	0.5	--
9th-grade cohort				
Had attendance rate of 95% or higher, Year 2	28.8	23.7	5.2 ***	21.8
Remained in 9th grade	16.3	18.0	-1.8	--
Passed at least 2 Regents exams, Years 1-2	38.2	37.6	0.7	--
Earned 22 or more credits, Years 1-2	41.0	41.1	-0.1	--
9th-grade cohort, by proficiency level on 8th-grade standardized math test[a]				
Had attendance rate of 95% or higher, Year 2			†††	
More proficient subgroup	51.1	36.2	14.9 ***	41.2
Less proficient subgroup	21.8	19.3	2.5	--
Remained in 9th grade, Year 2			†	
More proficient subgroup	3.0	8.8	-5.8 ***	-66.3
Less proficient subgroup	22.1	21.8	0.3	--
Earned 22 credits, Years 1-2			††	
More proficient subgroup	72.7	64.5	8.1 **	12.6
Less proficient subgroup	38.1	40.1	-2.0	--
Passed at least 2 Regents exams, Years 1-2			†	
More proficient subgroup	77.6	71.7	5.9 *	8.2
Less proficient subgroup	22.9	25.2	-2.3	--

SOURCE: MDRC calculations using data from New York City Department of Education administrative records.

NOTES: 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 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 family or sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to the differences between outcomes for the program and control groups.

Years 1 and 2 cover the 2007-2008 and 2008-2009 school years, respectively

[a]Proficiency levels are based on performance on the annual New York State math test administered in the eighth grade, prior to the student's entering the Family Rewards sample. In New York State, students who score at a level of 3 or higher on a 4-point scale are deemed "proficient." Similar results were attained when proficiency was defined in terms of performance on the annual ELA test.

Poverty and Hardship

- **Family Rewards reduced current poverty and economic hardship, including reductions in difficulties securing enough food for the family and some housing and health care hardships.**

The reduction of current poverty and hardship is a key short-term objective of Family Rewards, as it is for all CCT programs. In this area, Family Rewards substantially improved families' economic position in its first two years. Counting the value of the reward payments, it boosted average monthly income for the program group by $338, or about 21 percent relative to the control group's income. As shown in Table ES.2, it reduced the proportion of families with household income at or below the federal poverty level by 11 percentage points and cut "severe poverty" (defined as having income less than 50 percent of the federal poverty level) by nearly half, reducing it from 30 percent of the control group to 17 percent among the program group. (All impacts discussed in this summary are statistically significant unless otherwise noted, thus indicating a high degree of confidence that the observed differences between program and control groups are most likely a result of the program rather than of chance.)

The extra income helped families reduce a variety of material hardships. For example, the proportion of families who suffered from "food insecurity" (as indicated by parents responding on the 18-month survey that their families "sometimes" or "often times" did not have enough to eat) dropped from 22 percent in the control group to 15 percent in the program group, a reduction of 7 percentage points (or 33 percent).[5] Relative to the control group, program group families were also less likely to report that they had to forgo medical care or avoid purchasing needed medicines because they could not afford them (not shown in table). They were more likely to report that they had enough money to "make ends meet" and that their financial situation had improved over the prior year.

- **Family Rewards increased the likelihood that parents would have bank accounts and that they would increase their savings. It also reduced the use of alternative banking institutions (such as check cashers).**

The families in Family Rewards were 9 percentage points more likely than those in the control group to have any savings (25 percent compared with 16 percent, respectively). Average savings for the program group (counting those with no savings) increased by $221 (a gain of 63 percent against a control group mean of $354). The program also increased the likelihood that parents would have bank accounts at the time of the survey by 22 percentage points. At the same time, it reduced parents' reliance on alternative financial institutions, such as neighborhood check-cashing outlets, by 7 percentage points.

[5] Slight discrepancies in percentages are a result of rounding.

Education

- **Family Rewards did not improve school outcomes for elementary or middle school students.**

The analysis examined the effects of Family Rewards on school attendance rates and on annual standardized test scores in math and English language arts (ELA) during the first two years of the program. Among elementary and middle school students, it found few statistically significant differences on these measures between students in the program group and those in the control group. (For selected measures, see Table ES.3.) The absence of effects on attendance measures is not surprising because, although there was still room for improvement, attendance rates were fairly high for the control group, averaging about 90 percent. Data from the parent survey indicate that Family Rewards increased the likelihood that 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. However, there is no indication so far that these extra efforts have translated into higher academic achievement in school.

- **Family Rewards substantially improved the educational achievement of high school students who were better prepared for high school at the time they entered the program.**

The program had few effects on school outcomes for high school students overall. However, it had impressive effects for a subgroup of high school students who entered high school better prepared academically and may have been in a better position to take advantage of the incentives offer. For example, among ninth-graders who had scored at or above the basic proficiency level on their eighth-grade standardized tests prior to random assignment (a subgroup that made up about a third of the overall sample of ninth-graders), the program had substantial positive effects across a range of school outcomes. These include a 6 percentage point reduction in the proportion of students who repeated the ninth grade, a 15 percentage point increase in the likelihood of having a 95 percent or better attendance rate (in Year 2), an 8 percentage point increase in the likelihood of earning at least 22 credits (11 credits per year are needed to remain on track for on-time graduation), and an increase of 6 percentage points in the likelihood of passing at least two Regents exams.[6] These effects are noteworthy because they occurred without any changes in the schools themselves or in teachers' instructional practices. Moreover, they were observed among sample members who attended lower-performing schools and those who attended higher-performing schools. No statistically significant effects of these

[6]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.

kinds were observed for ninth-graders who had scored below the proficiency threshold on the eighth-grade standardized exams prior to random assignment, although there was evidence that these students were more likely than their control group counterparts to take a Regents exam.

Given that families were left largely on their own to find ways to earn the incentives in Family Rewards, it is understandable that the achievement gains would be larger for the more proficient subgroup. These students were staying afloat academically and probably had the personal and other resources necessary to take advantage of the incentives that were offered. The incentives offer may have provided enough inducement for many of them to expend the extra effort to meet educational benchmarks. In contrast, the less proficient students may have faced too many barriers, both academic and otherwise, and were too distant from educational benchmarks for the incentives to make a difference.

Some critics of educational incentives worry that these external rewards will reduce children's intrinsic motivation to learn, especially after the incentives end, thus harming their educational outcomes. So far, there is no indication that the Family Rewards incentives have caused any such negative effects, but a credible assessment of that risk can only be made after the rewards end and once longer-term data are available.

Health

- **By small to modest amounts, Family Rewards increased families' consistent maintenance of health insurance coverage, reduced their reliance on hospital emergency rooms for routine care, and increased their receipt of medical care. It produced substantial increases in their receipt of preventive dental care.**

The health-related incentives of the Family Rewards program were designed to encourage low-income families 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. The State's and City's success limited the program's ability to improve some health practices and behavior further for this sample.

Nonetheless, the analysis found that Family Rewards has had a number of promising impacts to date on some important health-related indicators. For example, as shown in Table ES.2, it reduced the likelihood that parents or their children would experience an interruption in health insurance coverage by 3 percentage points, and it increased the likelihood that parents and high school students got the recommended two dental checkups/cleanings per year by 10 percentage points or more. The program also reduced reliance on emergency rooms for care for routine illnesses among parents and high school students by 2 percentage points and 6 percentage points, respectively. It also caused small improvements in parents' self-ratings of their health and their likelihood of currently being treated for any medical condition.

Employment

- **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 the 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 (see Table ES.2). However, the program also led to a small *reduction* in average quarterly employment rates (by 1.4 percentage points) in *UI-covered* jobs over a 12-month follow-up period, according to administrative records data. The effect on average annual earnings in UI-covered jobs (a decline of $286) was not statistically significant.

It is important to recall that some jobs are not covered by the UI system, such as self-employment, federal government employment, and domestic work. In addition, 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 UI-covered jobs.

It is also not clear why the program did not lead to larger increases in all types of employment (UI-covered and not), a finding that stands in contrast to previous work incentives programs. Perhaps during the first year, families were not focused on the work rewards — which were not heavily marketed by the program until Year 2. For example, some of the early messaging from the community-based organizations that recruited and explained the program to participants emphasized completing the paperwork to get rewards for activities in which family members were *already engaged*, rather than stressing the value of new activities, like taking a job. In addition, to engage participants and gain their trust, the organizations initially conveyed a strong sense that the program was primarily about their children's education and health. If participants concluded that it was their job to make sure their children were attending and doing well in school, they may have been less focused on the program's employment incentives. In addition, the added income that families received from the education and health rewards may have offset the program's work incentive for some participants. Longer-term follow up will be important for assessing how the increased marketing of the workforce rewards in Year 2, coupled with the worsening of the economy at that time, affect these results.

Family Composition

- **Family Rewards increased by a small amount the proportion of parents who married, as well as the proportion who divorced.**

According to self-reported data from the 18-month survey, the proportion of parents who were married and living with their spouses increased by almost 4 percentage points above the control group mean of 16 percent. At the same time, the proportion saying that they were divorced was 3 percentage points higher than the 12 percent rate among the controls. Although the reasons for these effects are not clear, one possibility is that the increased financial stability that some parents experienced made them feel better positioned to change their marital status.

Conclusion

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 concept is feasible to implement and can make a difference in the lives of poor families in a developed country. More generally, they provide supporting evidence that the CCT approach can both reduce immediate poverty and material hardship and promote at least some improvements in human capital investment across the domains of children's education, family health care, and parents' employment. Importantly, these effects on poverty did not lead to major unintended consequences.

Still, the effects that have been observed so far are generally not large, and, so far, the program has not improved educational outcomes for elementary and middle school children. Given the start-up issues that the program confronted and the fact that the third and final year of operation is still under way, it is too soon to draw firm conclusions about the program's potential. The available impact findings largely reflect the effects of the program during its launch year (for some outcome measures) or not long afterward (for other measures). Thus, most of the story of Family Rewards remains to be written, and it will be important to assess whether the program's effects grow over time as families' exposure to it increases. Ultimately, the consistency and magnitude of the program's impacts over the longer term will determine the relevance of a comprehensive CCT approach for government antipoverty policy in an American context.

The third and final year of the Family Rewards program began in September 2009 and will end in August 2010. Although the decision to discontinue some rewards in order to reduce the program's operating complexity and costs will reduce the maximum amount of money families can earn, the simplification of the model — combined with ongoing improvements in program marketing and delivery — may help families focus on high-priority rewards that have a better chance of increasing their human capital. It remains to be seen whether these operational improvements, and the additional time that a third year provides for families to respond to the incentives, increase the magnitude of the impacts that have been observed so far.

Further evaluation reports, to be issued periodically over the next few years, will present longer-term findings on the program's operations, families' reactions and experiences, the program's impacts, and its economic costs and benefits. The research team will 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, or perhaps even turn negative for education or other outcomes, after the incentives end. The final evaluation report is slated to be completed in 2013.

About MDRC

MDRC is a nonprofit, nonpartisan social 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 Child Development
- Improving Public Education
- Promoting Successful Transitions to Adulthood
- 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.