



*The Earned Income Tax Credit (EITC) and Temporary Assistance for Needy Families (TANF) are long-standing policies that link cash assistance to low-income families to work effort. A new policy being tested in New York City adopts this “conditional cash transfer” principle and extends it to a broader set of family efforts to build their human capital. Inspired by an innovative program in Mexico and supported by a consortium of private funders, Opportunity NYC—Family Rewards sought to boost family income in the short-term while building families’ capacity to avoid poverty in the long-term without increasing their reliance on government assistance. This comprehensive, two-generation approach thus conditioned cash transfers on children’s educational progress, family preventive health care practices, and parents’ workforce efforts. Family Rewards was designed by city and nongovernmental agencies in collaboration with MDRC, and is the subject of an ongoing long-term evaluation by MDRC researchers. In this issue of Fast Focus, project leader James Riccio summarizes recently published random assignment evaluation results. The program had more modest effects than had been hoped for, but results also suggest the potential for greater success with program adjustments.*

December 2013

## New findings on New York City’s conditional cash transfer program

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In 2007, New York City’s Center for Economic Opportunity (CEO) launched *Opportunity NYC - Family Rewards*, an experimental, privately funded<sup>1</sup> conditional cash transfer (CCT) program to help families break the cycle of poverty. The operational phase of that three-year pilot program concluded in 2010, as planned. MDRC, a nonprofit, nonpartisan social policy research organization that helped develop the model and is studying its effects, recently released new findings from its ongoing long-term evaluation.<sup>2</sup> This issue of *Fast Focus* summarizes those findings.<sup>3</sup>

CCT programs offer cash assistance to reduce immediate hardship and poverty, but they condition this assistance—or cash transfers—on families’ efforts to improve their “human capital” (typically, children’s educational achievement and family preventive health care) in the hope of reducing their poverty over the longer term. Inspired by Mexico’s pioneering *Oportunidades* program, CCT 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 higher-income country.

The program was targeted toward families who lived in selected high-poverty community districts and who had incomes at or below 130 percent of the federal poverty level. It tied cash rewards to pre-specified activities and outcomes in children’s education, families’ preventive health care, and parents’ employment. Seedco, a workforce and economic development organization, together with a small network of local community-based organizations, operated Family Rewards.

Overall, the interim findings show that nearly all participating families received payments from Family Rewards. The program transferred substantial amounts of cash—over \$8,700 per family, on average, over the three-year period, with many families receiving considerably more. It succeeded in reducing current poverty and material hardship (its main short-term goal). However, those effects weakened after the cash transfers ended. Family Rewards also produced some positive effects on some human capital outcomes across all three program domains (children’s education, family health care, and parents’ work and training). For example, it produced noteworthy positive effects on education outcomes (including on-time graduation) for certain better-

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**Table 1**  
**Family Rewards Demonstration: Schedule of Rewards**

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

prepared high school students. At the same time, it left many other important outcomes unchanged.

In the face of early findings pointing toward a mix of results, CEO and MDRC sought to develop a stronger version of the model that would build on the promise of the original approach and address what the early research was suggesting were important limitations. This effort led to the creation of a next generation prototype—dubbed “Family Rewards 2.0”—which is now being tested in a separate demonstration project in the Bronx, New York, and Memphis, Tennessee, while the evaluation of the original model continues.

## Types of rewards

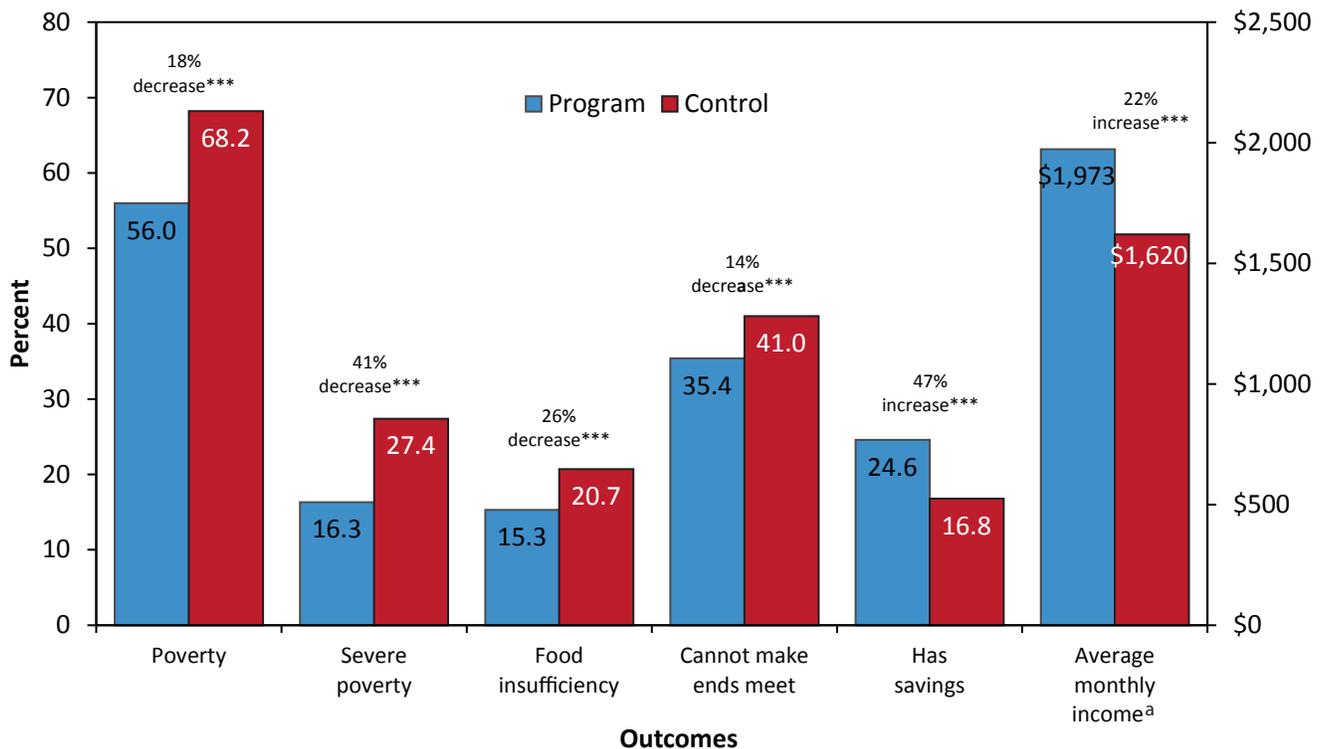
The program included an extensive set of rewards (see Table 1), most of which were available for three years, with the following conditions:

- **Education-focused conditions**, which included 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 included maintaining health insurance coverage for parents and their children, as well as obtaining age-appropriate preventive medical and dental checkups for each family member; and

- **Workforce-focused conditions**, aimed at parents, which include sustaining full-time work and completing approved education or job training activities.

Overall, the program offered twenty-two different incentives during its first two years, ranging in value from \$20 to \$600. 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.

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 a *stimulus* to action. 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 a stimulus, the



**Figure 1. Material well-being outcomes.**

**Source:** MDRC calculations using data from the Family Rewards 42-month survey and New York State Unemployment Insurance records.

**Notes:** Sample sizes may vary because of missing values. Poverty denotes income at or below the federal poverty level. Deep poverty denotes income less than half of the federal poverty level. Food insufficiency = “sometimes/often” did not have enough to eat.

<sup>a</sup>Household income during Year 3.

Statistical significance levels: \*\*\* = 1%; \*\* = 5%; \* = 10%.

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.

Overall, 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, and about \$2,700 in the third year (when some rewards were eliminated). The top 20 percent of families earned more than \$13,000 in reward money over the three-year period.

### Interim results

The evaluation uses a randomized control trial involving approximately 4,800 families and 11,000 children, half of whom could receive the cash incentives if they met the required conditions, and half of whom were assigned to a control group that could not receive the incentives. The new findings cover three to four years after families entered the study, depending on the data source. Thus, impact findings cover the program’s effects through the entire period during which the program was operating and incentives were available and, for some measures, through the early post-program period. The evaluation findings are based on analyses of a

wide variety of administrative records data, responses to a survey of parents that was administered at about three and a half years after random assignment, and qualitative in-depth interviews with program staff and families. Longer-term data will capture program effects later into the post-program period.

### Effects on poverty and hardship

Family Rewards substantially improved families’ economic position while the program was operating, as shown in Figure 1. For example, counting the value of the reward payments, it boosted average self-reported monthly income for the program group by \$353 in Year 3, which is an increase of 22 percent relative to the control group’s income. Family Rewards also reduced the proportion of families with household income at or below the federal poverty level by 12 percentage points, and it cut “severe poverty” (defined as having income less than 50 percent of the federal poverty level) by 11 percentage points. (All impacts discussed in this summary are statistically significant unless otherwise noted.) During the early post-program period, these effects dissipated. Poverty rates climbed back up for the program group, indicating that families did not find sufficient alternative sources of income once the incentive payments ended.

Students in 9th grade when study began who were proficient on 8th grade English test

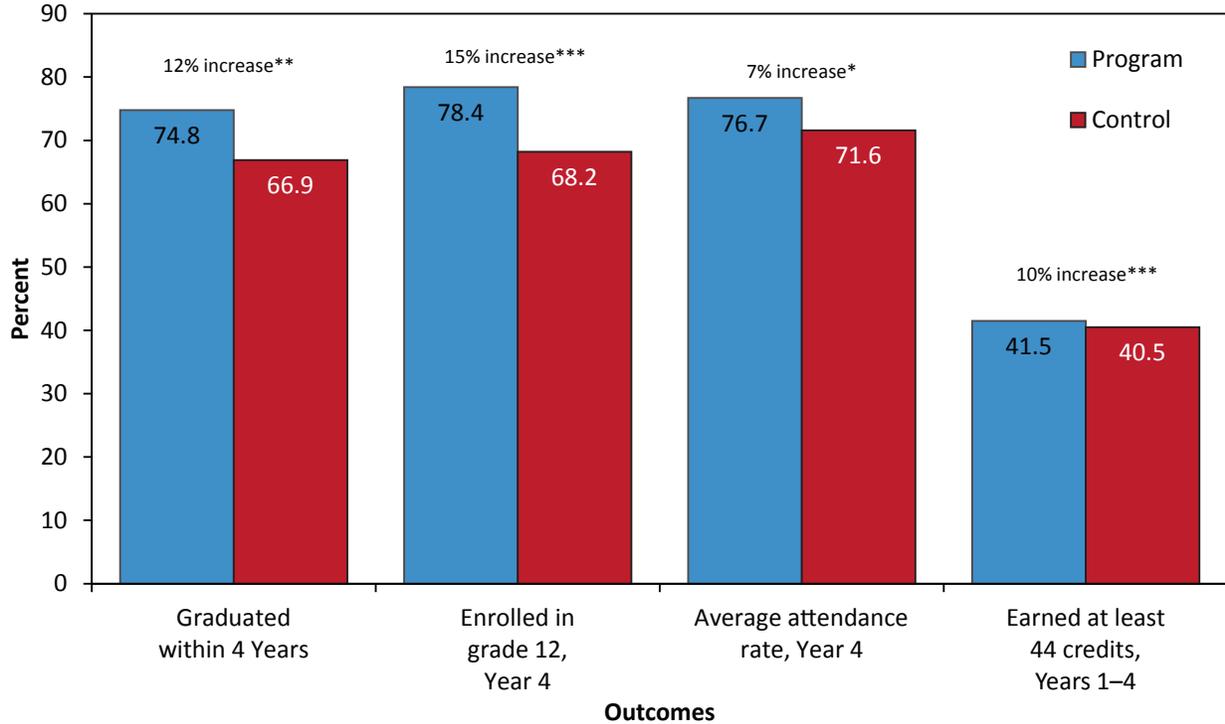


Figure 2. High school students’ education outcomes.

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

Notes: Sample sizes may vary because of missing values. Students must earn at least 44 credits to graduate.

Statistical significance levels are indicated as follows: \*\*\* = 1%; \*\* = 5%; \* = 10%.

No restrictions were placed on how families could use their reward money, and many used at least some of that money to cover daily living expenses. Consequently, the extra income helped families reduce a variety of material hardships. However, understandably, the effects on these outcomes attenuated after the program ended, but they did not completely disappear. For example, midway through the program, the proportion of families who suffered from “food insufficiency” (as indicated by parents responding on the 18-month survey that their families “sometimes” or “often-times” did not have enough to eat) was reduced 7 percentage points, from 22 percent in the control group to 15 percent in the program group. By the 42-month survey, this impact was 5 percentage points. Other effects also persisted, even if at a reduced level. For example, relative to the control group, parents in the Family Rewards group were less likely to report being unable to pay their rent in the past year and more likely to report that their financial situation had improved over the prior year.

These hardship reductions were largely concentrated among families who were living in severe poverty at the time they entered the program. Among that group, the program caused a 9 percentage point reduction (relative to the control group rate) in the likelihood of reporting food insufficiency after the program ended, and about an 11 percentage point reduction in the likelihood of not paying their full rent in the past year.

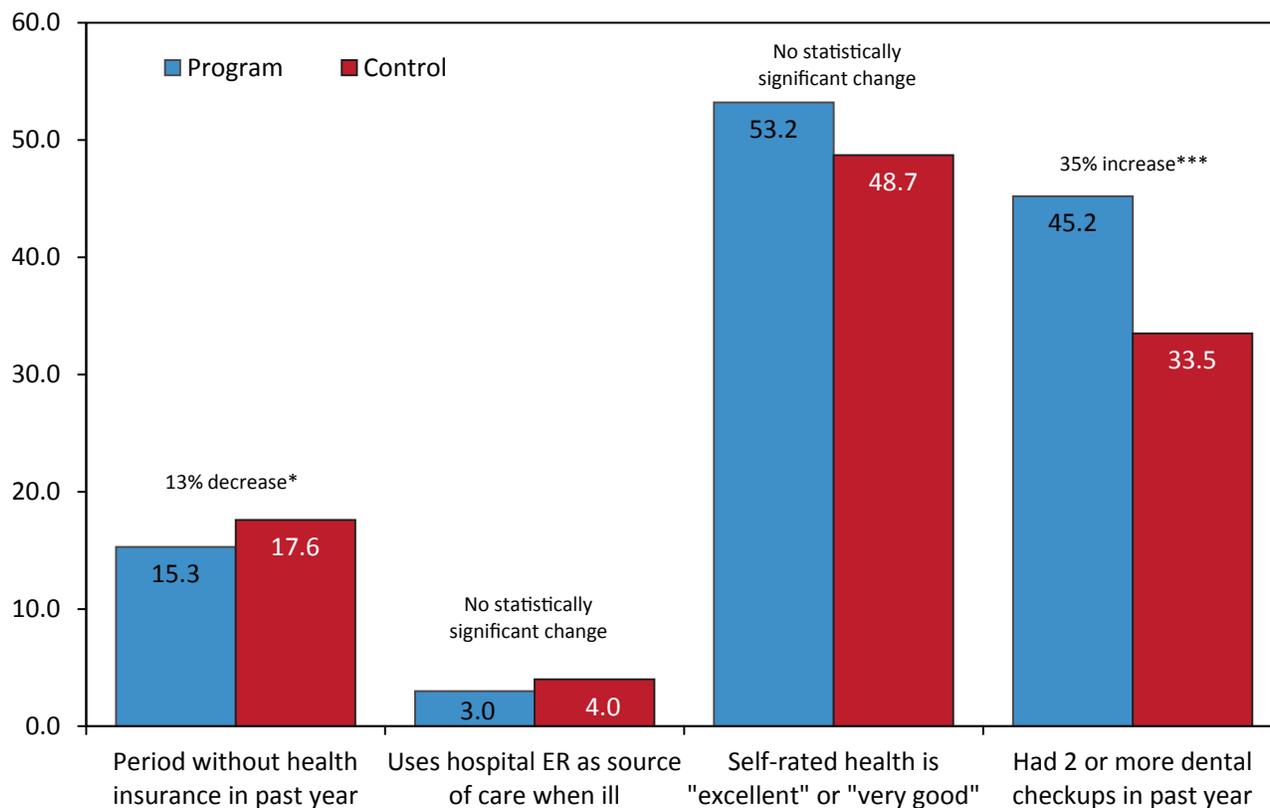
### Effects on banking and savings behaviors

In the early post-program period, the families in Family Rewards were 8 percentage points more likely than those in the control group to have any savings. They were also 18 percentage points more likely to have bank accounts and less likely, by 5 percentage points, to borrow cash from families and friends. Thus, some effects on these indicators of financial security were persisting.

### Education effects for elementary and 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 among elementary and middle school students through four complete school years after entering the program. Thus, for those who were entering fourth grade at the start of the program, the data cover school progress through the time they should have completed 7<sup>th</sup> grade. And for children in the 7<sup>th</sup> grade cohort, the data cover their progress through the time they should have completed 10<sup>th</sup> grade.

For elementary and middle school students, the analysis found few positive effects on attendance rates, scores on standardized tests, or other school outcomes during the



**Figure 3. Health care practices and health outcomes.**

Source: MDRC calculations using data from the Family Rewards 42-month survey.

Statistical significance levels are indicated as follows: \*\*\* = 1%; \*\* = 5%; \* = 10%.

three-year program period or by the end of Year 4. In addition, subgroup analyses did not reveal any consistent patterns of positive effects for particular types of students in those grades. Perhaps the model's limited approach for these children — of rewarding only attendance (which was already high during the program period, leaving little room for improvement) and standardized test scores (rather than more immediate performance indicators, such as good report card grades) — might explain in part why Family Rewards did not have an educational payoff for this group.

### Education effects for high school students

Family Rewards had few effects on school outcomes for high school students overall, and particularly for students who were already behind educationally when they entered Family Rewards. However, the program substantially increased various educational outcomes, including graduation rates, for students who were already stronger readers when they entered as new ninth graders.

Family Rewards had particularly strong effects on students in the ninth-grade cohort who had scored at or above the basic proficiency level on their eighth-grade standardized English language arts (ELA) test (which primarily tests reading skills) before random assignment (see Figure 2). For this subgroup, which made up almost one-third of the

overall sample of ninth-graders, Family Rewards appears to have improved a range of school outcomes. These include an 8 percentage point increase in the likelihood of graduating from high school within four years (a gain of 12 percent above the 67 percent graduation rate among control group students who were ELA-proficient at the beginning of the study).

The program also produced a 10 percentage point increase in the proportion of ELA-proficient students who were enrolled in grade 12 in Year 4, indicating that they were progressing through high school at the expected rate. In addition, Family Rewards increased their likelihood of earning at least 44 credits (the amount needed to graduate) by 9.6 percentage points, and the likelihood of passing at least five New York State Regents exams<sup>4</sup> by 9.5 percentage points. These effects are particularly noteworthy because they occurred without any changes in the schools themselves or in teachers' instructional practices.

For the ninth-graders who were proficient on their eighth-grade math test, Family Rewards produced positive effects on various educational outcomes during the program phase only. For example, it improved their attendance rates and credit accumulation while they were in the program. However, these positive effects did not persist into Year 4, when the incentives were no longer available. In addition, the

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math-proficient subgroup did not experience an increase in on-time graduation.

No statistically significant effects of these kinds were observed for ninth-graders who had scored below the proficiency threshold on the eighth-grade standardized exams prior to random assignment. It may be that this group was too far behind educationally and too disengaged in school for incentives alone to make a difference for them.

## Effects on health care practices and health status

The health-related incentives of Family Rewards 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 practiced 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 further improve health practices and behavior for this sample.

Although Family Rewards did not lead to improvements on a range of parents' health outcomes, or on health outcomes that parents reported for their children, one noteworthy subgroup pattern emerged. Parents who indicated at the time of random assignment that they were in "fair" or "poor" health (about 20 percent of the sample) were 6.2 percentage points more likely than the control group (or almost twice as likely) to report that they were in "very good" or "excellent" health at the time of the 42-month survey. They also reported lower rates of asthma. Although there is some statistical uncertainty associated with these subgroup effects, they may be worthy of further exploration in future studies.

The biggest health-related effects of Family Rewards concerned dental care, where control group levels of care left considerable room for improvement. Family Rewards increased dental care for parents and children alike. For example, parents in the program group were 10 percentage points more likely than control group parents (85 percent versus 75 percent) to report having seen a dentist for any reason in the prior year, and about 12 percentage points more likely (45 percent versus 33 percent) to have had two or more dental checkups in the past year (see Figure 3).

## Effects on employment and earnings

According to the 42-month survey of parents, the program increased the likelihood of working at the time of the interview by 6 percentage points above the control group rate of 50 percent. This difference was driven by an increase in full-time work (which the program rewarded). However, the

program had no statistically significant impact on the average quarterly employment rate in jobs covered by the Unemployment Insurance (UI) system over a three-year follow-up period, according to administrative records data.

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. Perhaps for some parents, non-UI jobs were easier to get in a weak economy, particularly those that offered the full-time hours necessary to qualify for the program's workforce rewards.

It is also not clear why the program did not lead to larger increases in all types of employment (including UI-covered jobs), a finding that stands in contrast to previous evaluations of programs that included work incentives. It may be that the added income that families received in Family Rewards from the education and health components offset the program's work incentives for some participants, especially those who would have the most difficult time finding jobs in a tough economy. Indeed, subgroup analyses found that the program had a statistically significant negative effect on labor market outcomes for parents who entered the program with lower education levels and other disadvantages; in other words, they worked and earned somewhat less than they would have in the absence of the program, according to UI records. For example, those without a high school diploma or General Educational Development (GED) certificate had an average quarterly employment rate in Year 3 that was 3 percentage points lower than that of their counterparts in the control group, and they earned an average of \$1,790 less (a reduction of almost 8 percent).

## Conclusion

The evidence that is available so far on Family Rewards shows that a CCT approach in one large city in a higher-income country can reduce immediate poverty and material hardship and promote at least some improvements in some forms of human capital investment, especially for certain subgroups. At the same time, the specific model tested in New York City left many important outcomes unchanged. The evaluation of Family Rewards is continuing and the final story remains to be written. Further evidence will be available in the next evaluation report, scheduled for late 2014, which will present findings on the program's effects over five to six years after random assignment.

After the initial evaluation results were in, CEO and MDRC joined forces again to design and test a "next generation" version of Family Rewards that would potentially achieve more consistent and stronger effects. The new model, referred to as "Family Rewards 2.0," builds on the lessons of the original New York City demonstration and incorporates several important modifications. It was launched in the Bronx, New York, and Memphis, Tennessee, in the summer of 2011 for

low-income families with high school students in grades 9 or 10, all of whom were TANF or SNAP recipients. It includes a streamlined set of financial rewards, more frequent payments, and a new family guidance component to try to help more parents and students meet the conditions that enable them to earn rewards. It is hoped that these refinements to the model will make it a more effective intervention. The project is an initiative of the federal Social Innovation Fund, sponsored by the Corporation for National and Community Service. Like the original model, “Family Rewards 2.0” is being carefully tested using a randomized control trial. An initial report on the project is scheduled for 2014. ■

<sup>1</sup>A consortium of private funders is supporting a portfolio of incentives strategies that includes Family Rewards. These are 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.

<sup>2</sup>J. Riccio, N. Dechausay, C. Miller, S. Nunez, N. Verma, and E. Yang, *Conditional Cash Transfers in New York City: The Continuing Story of the Opportunity NYC—Family Rewards Demonstration*, MDRC, New York, NY, 2013. Available online at [http://www.mdrc.org/sites/default/files/Conditional\\_Cash\\_Transfers\\_FR\\_0.pdf](http://www.mdrc.org/sites/default/files/Conditional_Cash_Transfers_FR_0.pdf).

<sup>3</sup>For more detail on the origins of the project and early findings, see J. Riccio, N. Dechausay, D. Greenberg, C. Miller, Z. Rucks, and N. Verma, *Toward Reduced Poverty Across Generations: Early Findings from New York City’s Conditional Cash Transfer Program*, MDRC, New York, NY, 2010. Available online at [http://www.mdrc.org/sites/default/files/full\\_588.pdf](http://www.mdrc.org/sites/default/files/full_588.pdf).

<sup>4</sup>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 Regents, which sets standards and regulations for all public schools.

*Fast Focus* is a single-topic brief put out several times a year and distributed electronically (only) by the

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*Fast Focus* is free of charge, although contributions to the UW Foundation–IRP General Fund sent to the above address in support of *Fast Focus* are encouraged.

Edited by Deborah Johnson.

This publication was supported by Grant Number AE00102 from the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation (ASPE), and awarded by the Substance Abuse and Mental Health Services Administration (SAMHSA). Its contents are solely the responsibility of the authors and do not necessarily represent the official views of ASPE or SAMHSA.

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