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James A. Riccio, MDRC researcher and program director, presented a seminar at IRP in spring 2010 called "NYC's Conditional Cash Transfer Program—How Well Did It Work?" as part of the Institute's "Reorganization of Social Policy in a Recession" seminar series. Riccio directs an ongoing evaluation of the New York City program. This issue of Fast Focus *is based on his March 2010 evaluation report on early findings. Support for* Fast Focus *and IRP's seminar series is provided by the Office of the Assistant Secretary for Planning and Evaluation in the U.S. Department of Health and Human Services.*

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Early findings from 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[1] 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" (typically, children's educational achievement and family health) in the hope of reducing their poverty over the longer term. 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 is the first comprehensive CCT program in a developed country.

The program was targeted toward families who lived in selected community districts and who had incomes at or below 130 percent of the federal poverty level. It ties cash rewards to prespecified activities and outcomes in children's education, families' preventive health care, and parents' employment. 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 intervention. Seedco, together with a small network of local community-based organizations, is operating Family Rewards, and MDRC is conducting a comprehensive evaluation and managing the overall demonstration. MDRC recently released its first report on the program's operations and early effects.[2]

Overall, MDRC's 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 early period covered by the report, Family Rewards reduced current poverty (its main short-term goal) and produced a range of positive effects on a variety of outcomes across all three human capital domains (children's education, family health care, and parents' work and training).

Types of rewards

The program includes an extensive set of rewards, most of which are available for three years, with the following conditions:

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- **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 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 *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.

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. 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.

Early results

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

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.

Effects on poverty and hardship

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. 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.)

The extra income helped families reduce a variety of material hardships. For example, the proportion of families who suffered from "food insufficiency" (as indicated by parents responding on the eighteen-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). 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. 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.

Effects on banking and savings behaviors

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 (including 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.

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 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. 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. Whether this extra engagement in school activities translates into higher academic achievement in the future remains to be seen.

Education effects for high school students

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 somewhat 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.[3] These effects are noteworthy because, normally, many "proficient" students still struggle in high school and fail to graduate. Moreover, the positive effects occurred without any changes in the schools themselves or in teachers' instructional practices. 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.

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.

Effects on health care practices and health status

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. The state's and city's success limited the program's ability to improve some health practices and behavior further for this sample.

Although the high rates of insurance coverage leave 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. For example, within the initial eighteen-month follow-up period, 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.

Effects on employment and earnings

According to the eighteen-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 *unemployment insurance (UI)-covered* jobs over a twelve-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.

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.

Longer-term follow up will be important for assessing how the program's marketing of the workforce rewards, which was intensified in Years 2 and 3, coupled with the worsening of the economy at that time, affect these results. Still, it is noteworthy that despite transferring substantial amounts of cash to families, the program has not lead to any appreciable reduction in work effort.

Conclusion

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.

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. The third and final year of the Family Rewards program began in September 2009 and will end in August 2010. 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. But at this juncture, the early one- to two-year effects of this three-year program seem promising for a variety of outcomes.■

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[1]A consortium of private funders is supporting the project. 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.

[2]Riccio, James, Nadine Dechausay, David Greenberg, Cynthia Miller, Zawadi Rucks, and Nandita 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/publications/549/overview.html.

[3]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.

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