

Poverty Research Insights

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Why did poverty rise in 2004? A preliminary analysis of the U.S. Census Bureau's poverty report

By Brian C. Cadena and James M. Sallee, *The University of Michigan*¹

In August 2005 the Census Bureau reported that the official poverty rate rose from 12.5 to 12.7 percent between 2003 and 2004.² In 2004, 37 million Americans lived in families with incomes below the poverty line, 1.13 million more than in 2003. Both the poverty rate and the number of poor have risen each year since 2001.

The rise in poverty was largest in the Midwest, the only geographic region where median annual earnings did not keep pace with inflation. The increased poverty was concentrated among native-born non-Hispanic white Americans between the ages of 18 and 64, and reflected an increase in the number of working poor.

Who are the poor?

The Census Bureau defines the poverty line as a threshold level of total money income received by all family members during the calendar year; a family or individual with income below this line is considered poor.³ This cutoff varies with the number of adults and children in a family. In 2004, a family of four with two children needed \$19,157 to be above the poverty line. An adult with two children needed income above \$15,219 to escape poverty. A single elderly person needed \$9,060. Money income includes any cash income such as wages and salaries, self-employment income, interest income,

social security and welfare benefits, alimony or unemployment compensation. It does not include resources received "in-kind," such as food stamps, housing subsidies, Medicare, Medicaid or employer-provided health insurance coverage. Total income does not account for taxes paid or tax credits received.⁴

Table 1 lists the poverty rates for several demographic groups in 2003 and 2004 as well as the change in poverty they experienced. In 2004, 12.7 percent of all persons lived in families with incomes below the poverty line, up from 12.5 percent in 2003. These percentages translate to 37 million people in 2004 and 35.8 million people in 2003. Over a third of the poor are children, while nearly 10 percent are over the age of 65. A third of the poor live in families headed by an unmarried woman. Among all people living in families with unmarried female heads, 30 percent are poor. **Figure 1** shows the trends in poverty rates for children, the elderly, and people in single female-headed households, from 1959 to 2004.

The incidence of poverty varies greatly across racial and ethnic groups. In 2004, less than 10 percent of non-Hispanic whites and Asians were poor. In contrast, nearly one quarter of black Americans and more than one fifth of people of Hispanic origin lived below the poverty line. Of all those living in

poverty, about 45 percent are non-Hispanic whites. About one quarter of the poor are black and another quarter are of Hispanic origin.

For whom did poverty increase?

The increase in poverty from 2003 to 2004 was not distributed equally across geographic regions or racial and ethnic groups. Only the Midwest experienced a statistically significant increase in poverty; other regions saw no statistically discernible change. More non-Hispanic whites fell below the poverty line in 2004, although fewer Asians were in poverty. There was no discernible change for blacks or Hispanics.

About 1 million more native-born U.S. citizens were poor in 2004 than in 2003, but there was no statistically significant rise in the number of foreign-born people living in poverty. The number of children and elderly in poverty did not change significantly.

The rise in national poverty, therefore, was concentrated among non-Hispanic white, native-born Americans between the ages of 18 and 64. Many of the heads of these families have full-time jobs, and more than half of the national increase results in an increase in poverty from families in the Midwest.

Over one-half million more workers were in poverty in 2004 than in 2003. This increase includes over one-quarter million full-time year-round workers. About half of the total increase of 1.13 million poor results from a rise in the number of working-age Americans who, despite having a job, failed to escape poverty.

Figure 1: Poverty rates of various groups (1959 - 2004)

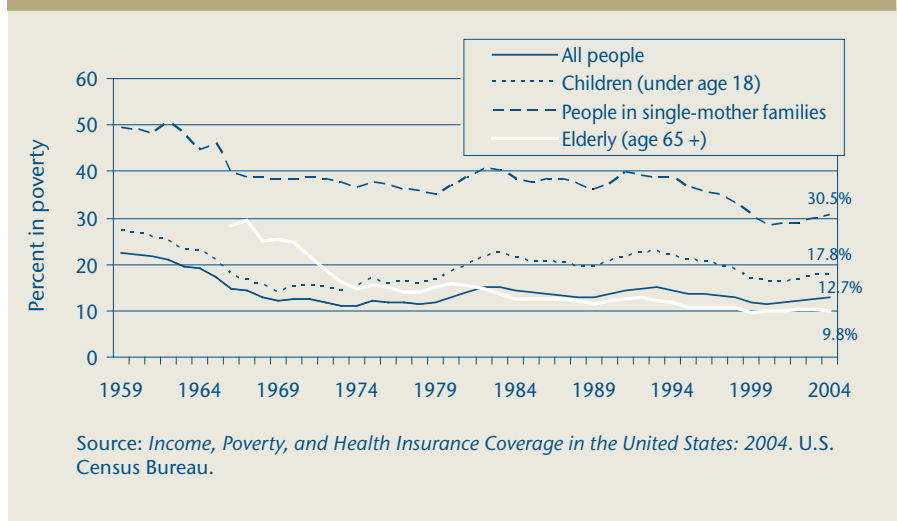


Table 1: Percentage and number of people living in poverty

Group	Percentage			Number (in thousands)		
	2003	2004	Annual Change	2003	2004	Annual Change
All People	12.5	12.7	0.2*	35,861	36,997	1,136*
Age						
Children (under 18)	17.6	17.8	0.2	12,866	13,027	161
Adults (18 to 64)	10.8	11.3	0.5*	19,443	20,514	1,071*
Elderly (65 and older)	10.2	9.8	-0.4*	3,552	3,457	-95*
Race & Ethnicity						
White, non-Hispanic	8.2	8.6	0.5*	15,902	16,870	968*
Asian	11.8	9.8	-2.0*	1,401	1,209	-192*
Black (alone)	24.4	24.7	0.3	8,781	9,000	219
Hispanic (any race)	22.5	21.9	-0.6	9,051	9,132	81
Family Structure						
Female-headed households	30.0	30.5	0.5	12,413	12,823	410**
Nation of Origin						
U.S. born	11.8	12.1	0.3*	29,965	30,991	1,027*
Foreign born	17.2	17.1	-0.1	5,897	6,006	109
Employment Status						
Worked at least one week	5.8	6.1	0.3*	8,820	9,383	563*
Did not work during the year	21.5	21.7	0.2	15,446	15,845	400

*indicates that the change was statistically significant at the 0.10 level.
 **the Census report does not report the significance level for this change.

Source: *Income, Poverty, and Health Insurance Coverage in the United States: 2004*. U.S. Census Bureau.

Why did poverty rise?

Between 2003 and 2004, the national unemployment rate fell from 6.0 to 5.5 percent and the fraction of the population who were employed remained unchanged at 62.3 percent. The economy, as measured by GDP, grew by 4.2 percent. Given the improvement in the economy, many analysts expected that poverty would fall in 2004.

Why did poverty rise? While more people who wanted to work had jobs in 2004 than in 2003, many earned less after adjusting for inflation. The median earnings of women who work full-time year-round fell by 1.0 percent, while male full-time year-round earnings fell by 2.3 percent. In the Midwest in particular, median real household income fell by 2.8 percent. (See **Table 2** for details.)

The fall in inflation-adjusted annual earnings and the proportion of the poverty

Table 2: Median real earnings and household income

	Earnings		% Change
	2003	2004	
Gender			
Men	41,761	40,798	-2.3*
Women	31,550	31,223	-1.0*
	Household income		% Change
	2003	2004	
Region			
Northeast	47,998	47,994	0
Midwest	45,934	44,657	-2.8*
South	40,893	40,773	-0.3
West	48,078	47,680	-0.8

*indicates that the change was statistically significant at the 0.10 level.

Source: *Income, Poverty, and Health Insurance Coverage in the United States: 2004*. U.S. Census Bureau.

increase that is concentrated in the Midwest suggest that much of the national increase in poverty may be due to the changing composition of the Midwestern economy and its failure to recover from the recession of 2001 as rapidly as other regions. **Table 3** shows how many Midwesterners are employed in major industrial categories and how wages vary between industries. Throughout the Midwest, employment fell significantly in

Table 3: Change in employment and median wages in the Midwest by industry

Industry	Change in Total Employment, 2003 to 2004	Median Hourly Wages (2004)
Manufacturing	-148,709	16.00
Education and Health Services	-70,430	15.00
Other Services (repair and maintenance, etc.)	-66,861	12.00
Information (media, telecommunications)	-44,290	16.50
Public Administration	-10,949	18.13
Mining	-9,214	18.40
Agriculture, Forestry and Fishing	-5,314	9.00
Transportation and Utilities	-3,428	16.83
Construction	44,899	16.67
Professional and Business Services	45,003	15.00
Wholesale and Retail Trade	66,423	11.54
Financial Activities	81,154	16.00
Leisure and Hospitality (food service)	120,296	8.00
Total	-1,420	14.29

Sources: Authors' calculations from the 2003 and 2004 Current Population Survey Outgoing Rotation Group.

manufacturing and education and health services between 2003 and 2004. At the same time, many jobs were created in food service and financial services.

Wages in the Midwest tend to be higher in the sectors that shrank, and lower in the sectors that grew. Focusing on the extremes, we see that many jobs were lost in the manufacturing sector, which tends to have high wages. The industry with the lowest wages, leisure and hospitality (including food service jobs), experienced the fastest growth. Thus, a preliminary look at the data supports the notion that the increases in poverty among the employed, especially in the Midwest, might be tied to a change in the composition of economic activity. Nevertheless, the question of why poverty increased despite strong economic growth and falling unemployment warrants further research.

Endnotes

¹The authors are Ph.D. students in the department of economics at the University of Michigan.

²*Income, Poverty, and Health Insurance Coverage in the United States: 2004* available at <http://www.census.gov/hhes/www/poverty/poverty04.html>.

³According to the Census Bureau, "While the thresholds in some sense represent

families' needs, the official poverty measure should be interpreted as a statistical yardstick rather than as a complete description of what people and families need to live." *Income, Poverty, and Health Insurance Coverage in the United States: 2004*, p. 45.

⁴Although this methodology determines the official level of poverty, the Census Bureau publishes a series of alternative poverty measures that attempt to capture a broader definition of resources available to families. Some of these measures include the value of resources received in-kind and also take into account taxes paid and tax credits received. Although the alternative measures tend to show fewer people in poverty, the changes in the poverty rates over time are quite similar to changes in the official measures. It is reasonable to expect, therefore, that the alternative measures of poverty for 2004 will also show an increase over 2003. For further information, see *Alternative Poverty Estimates in the United States: 2003* at <http://www.census.gov/hhes/www/poverty/altpovest03/altpovestrpt.html>. ■

Poverty and low-wage work 40 years after the declaration of the war on poverty

By Sheldon Danziger, Henry J. Meyer
Distinguished University Professor of Public Policy and Co-Director, National Poverty Center, Gerald R. Ford School of Public Policy, The University of Michigan.

An historical perspective on poverty¹

Each year the U.S. Bureau of the Census releases a report that presents the poverty rate for the most recent year and compares the current year's poverty rate with that of the previous year. The report generates much discussion about the short-run trend in poverty and how poverty differs across subgroups of the population. In this brief report, I place the annual data in historical perspective.

Following World War II, the American economy experienced a long period of sustained economic growth, rising real wages, and low unemployment rates. The benefits of prosperity were widely shared among most of the poor, the middle class and the

wealthy. Poverty had been falling in the late 1940s and early 1950s, but concerns were raised in the mid-1960s about those who were being left behind. As President Johnson's economic advisors took up his mandate to plan the War on Poverty, they concluded that economic growth on its own would not be sufficient to eliminate poverty within a generation. In the transmittal letter to Congress that accompanied the January 1964 Economic Report of the President, the President declared,

We cannot and need not wait for the gradual growth of the economy to lift this forgotten fifth of our nation above the poverty line. We know what must be done, and this Nation of abundance can surely afford to do it. Today, as in the past, higher employment and speedier economic growth are the cornerstones of a concerted attack on poverty...But general prosperity and growth leave untouched many of the roots of human poverty (p.15.)

These words remain relevant more than 40 years later, primarily because the post-World War II era of rising wages for most workers and rising incomes for most families ended in the early 1970s. The last quarter of the 20th Century was a period during which growth in inflation-adjusted earnings was slow on average for all workers and in which wages fell for many workers, especially men who had completed no schooling beyond high school.

Long-run trends in earnings

Consider the trend in the average inflation-adjusted weekly earnings of all private sector, nonfarm, non-supervisory production workers shown in **Figure 1** for the period from 1964 to 2004. Average weekly earnings in 2004 constant dollars increased from \$594 in 1964 to \$650 in 1973, continuing the steady growth that characterized the post-war years.

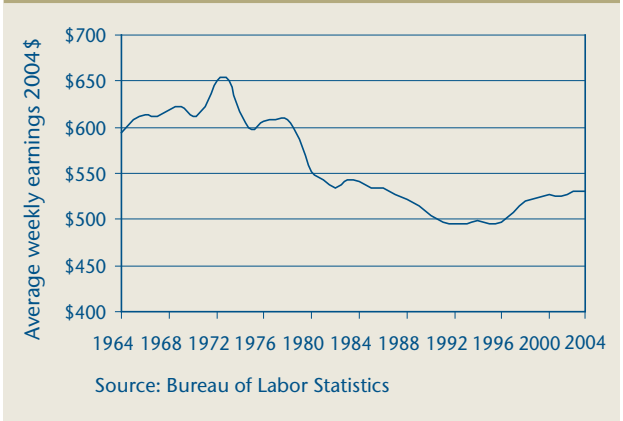
The War on Poverty planners expected that real earnings would virtually double over the next two decades as it had in the

two decades following World War II. Instead, the economy experienced two decades that featured high inflation in the late 1970s and early 1980s and high unemployment rates and industrial restructuring over many of the years from the mid 1970s to the early 1990s. As a result, real weekly earnings in 1993 were \$495, 24 percent lower than in 1973. Real earnings did increase for a sustained period during the late 1990s as the unemployment rate fell to levels not seen since the 1960s. However, at \$529 in 2004, the average weekly earnings of production workers were still about 19 percent below the 1973 level (data available from the U.S. Bureau of Labor Statistics, www.bls.gov).

Figure 2 presents computations from the micro-data files of the Census Bureau's March Current Population Surveys. Mean annual earnings in 2003 constant dollars are presented for male and female workers between the ages of 22 and 54 at three points in the distribution of earnings. The lowest fifth of male workers earned about 24 percent less in 2003 than the lowest fifth earned in 1973 (\$12,461 vs. \$16,301). Over these three decades the mean annual earnings of the middle 20 percent of workers declined by 15 percent and the mean of the highest fifth of earners increased by 33 percent. In 1973, the top 20 percent earned 5.4 times that of the lowest 20 percent (\$88,368/

The last quarter of the 20th Century was a period during which growth in inflation-adjusted earnings was slow on average for all workers and in which wages fell for many workers, especially men who had completed no schooling beyond high school.

Figure 1: Average weekly earnings (production or non-supervisory workers, private nonfarm)



\$16,301); by 2003, they earned 9.4 times as much (\$117,622/\$12,461). While “a rising tide did lift all boats” in the quarter century following World War II, the last three decades was, in contrast, an era of growing inequality.

Women workers fared better than male workers in the changing labor market, in part because they tended not to work in the shrinking manufacturing sector, and in part because they increased their average annual work hours over these decades. Real annual earnings for women workers increased across the entire distribution. Although the mean earnings of the middle fifth of male workers declined by 15 percent, that for the middle fifth of women workers increased by 45 percent.

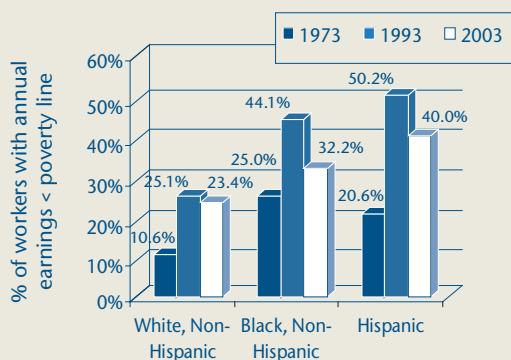
Women have made significant gains in the labor market relative to men, but they still earn substantially less than men. In 1973, the ratio of the median earnings of women who were full-time year-round workers to male full-time year-round workers was 0.57 percent; by 2003, this ratio had increased to 0.76.² The increased earnings of wives kept the official poverty rate, which is based on family income, from rising in response to the falling real earnings of men.

Over the last three decades, labor-saving technological changes and the globalization of markets have reduced employer

demand for production workers in the U.S. and institutional changes - such as a decline in the inflation-adjusted value of the minimum wage and shrinking unionization rates - have eroded the bargaining power of workers. The slow growth of real wage rates and the rising inequality of annual earnings increased the percentage of men who earn too little during any year to support a family of four at the poverty line (\$18,810 in 2003).

This is shown in **Figure 3**, which is based on computations from the March Current Population Surveys. The focus is on those workers who have been most negatively affected by labor market changes—men with a high school degree or less between the ages of 25 and 54. In 1973, 10.6 per cent of these white non-Hispanic male workers earned less than this poverty line; by 2003, this had risen to 23.4 per cent. For African American workers in this age/education category, the percentage who failed to earn enough to support a family of four at the poverty line increased from 25.0 to 32.3 per cent between 1973 and 2003; for Hispanics, the increase was from 20.6 to 40.0 percent, in part because of the rapid increase in immigrants in this group over this quarter century.³

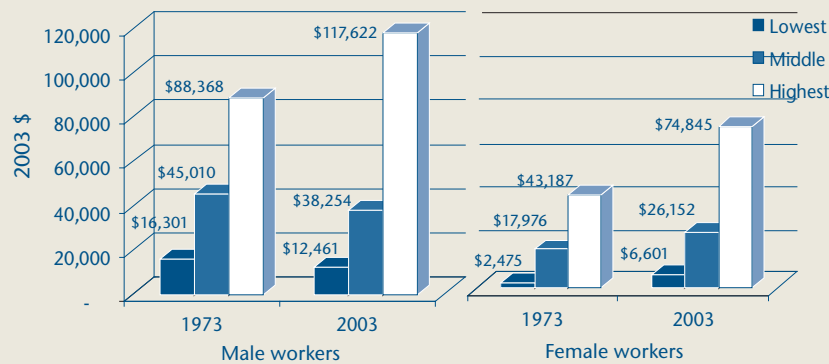
Figure 3: Male workers with earnings < poverty line (high school degrees or less, ages 25-54)



Note: Men with zero earnings are excluded. The poverty line is for a family of four: \$18,810 in 2003.

Source: Calculations from 1974, 1994, and 2004 March Current Population Surveys

Figure 2: Mean annual earnings (from wages and salaries) by quintile, men and women ages 25-54



Source: Calculations from March 1974 and March 2004 Current Population Surveys

The economic boom of the 1990s did benefit male workers with a high school degree or less. The extent of low earnings fell between 1993 and 2003 for each of the three race/ethnic groups, with the most rapid declines for minority workers. However, as was the case for average weekly earnings in Figure 1, the gains of the 1990s were not big enough to offset the negative effects of the previous two decades.

Simply put, the economic expansion of the 1990s restored the unemployment rate and the official poverty rate to about where they stood in the early 1970s. As the 1964 Economic Report of the President noted, economic growth is a pre-requisite for poverty reduction, but economic growth on

its own does little to reach many of the poor. America has never been wealthier as a nation, as real per capita income today is about twice that of the early 1970s, but millions of workers still have difficulty earning enough to support their families.

Poverty and the public policy agenda

During the decade following the declaration of the War on Poverty, Americans believed that government could combine scientific

thinking and public resources to solve pressing national problems. Poverty was officially defined and measured, the best minds were gathered to develop proposals to address it, and a legislative agenda was prepared. Over the next decade, numerous laws were enacted that dramatically transformed the federal budget and the

scope of social welfare policies. Many new programs were introduced (e.g., Medicare, Medicaid, Head Start, Food Stamps, Basic Educational Opportunity Grants, Low Income Energy Assistance Program) and benefit levels were increased in others (e.g., Social Security, welfare.)⁴

The most important antipoverty outcome of the War on Poverty was a set of changes in social security, especially the indexation of benefits for inflation, and the introduction of Supplemental Security Income program and Medicare and Medicaid, that dramatically reduced the poverty rate among the elderly from 28.5 to 15.0 percent between 1966 and 1976. Today, the poverty rate for the elderly is below the rate for all persons.

The official poverty rate in 2004 is not much different than it was in the late 1960s and early 1970s, not because of a failure of antipoverty programs to provide benefits to intended beneficiaries, but because of a failure of the economy to deliver the benefits of prosperity to all workers. As shown above, the typical worker earned less in 2003 than in 1973.

In addition, at the same time that the labor market generated more hardship, politicians and the public lost faith in the ability of the federal government to take on bold social policy initiatives. While almost all

Presidents since Lyndon Johnson gave major addresses devoted to proposals to reform welfare, none have made similar addresses devoted to antipoverty proposals. Since the Nixon Administration, poverty has fallen from the top of the public's agenda to the periphery of social problems.⁵

Despite a continuing national commitment to providing equal opportunities, the U.S. has in place a less-effective safety net than that of most other industrialized nations. For example, a 2001 survey sponsored by the Henry J. Kaiser Family Foundation found that only about 10 percent of the population considered poverty, welfare or something similar as one of the top two issues government should address, whereas about 20 percent or more mentioned health care, education, and tax reform

In contrast to the U.S. experience, U.K. Prime Minister Tony Blair made a Johnson-esque "War on Poverty" pledge in 1999—"Our historic aim will be for ours to be the first generation to end child poverty, and it will take a generation. It is a 20 year mission but I believe it can be done." The anti-poverty policies put into place by the Blair government are based to a significant extent on American poverty policy research. The broad categories in which significant new programs have been set up and in which funding in existing programs has been increased are designed to promote work—"work for those who can, security for those who cannot," and to increase investments in children and expand opportunity and intergenerational mobility. In response to these new initiatives, child poverty in the U.K. fell dramatically after the Blair proposals were implemented.⁶

Over the last three decades, economic changes have contributed to lower average earnings, increased earnings inequality and an increase in the percentage of men who cannot support a family on their own earnings. Nonetheless, as the recent U.K. experience demonstrates, if there is a political

will to commit public resources to anti-poverty programs, there are many public policies that could be put in place to achieve President Johnson's 1964 goal—the elimination of income poverty in the U.S. within a generation.

Endnotes

¹See Sheldon Danziger and Peter Gottschalk, 2005, "Diverging Fortunes: Trends in Poverty and Inequality," in R. Farley and J. Haaga, eds., *The American People: Census 2000*. NY: Russell Sage Foundation.

²U.S. Census Bureau. *Income, Poverty, and Health Insurance Coverage in the United States: 2004*. P60-229, August 2005, Table A-2, p.38. <http://www.census.gov/prod/2005pubs/p60-229.pdf>

³George Borjas, 2005, "Wage Trends Among Disadvantaged Minorities, National Poverty Center, University of Michigan, http://www.npc.umich.edu/publications/workingpaper05/paper12/Borjas_WageTrends.pdf

⁴Because the official poverty measure is based on money income, noncash benefits like Food Stamps, Medicare, and Medicaid raise living standards but do not reduce measured poverty.

⁵This report was prepared shortly after Hurricane Katrina focused attention on concentrated urban poverty. It is too early to tell whether policy makers and the public will consider a comprehensive antipoverty agenda.

⁶John Hills and Jane Waldfogel, 2004, "Welfare Reform in the UK: Are There Lessons for the U.S.?" *Journal of Policy Analysis and Management*. 23/4:765-788. ■

Promoting Work in Public Housing: The Effectiveness of Jobs-Plus

By Howard S. Bloom, James A. Riccio, and Nandita Verma, with Johanna Walter, MDRC.

Executive summary

Can a multicomponent employment initiative that is located in public housing developments help residents work, earn more money, and improve their quality of life? The Jobs-Plus Community Revitalization Initiative for Public Housing Families (Jobs-Plus, for short) sought to achieve these

ambitious goals in difficult environments. Operated as a demonstration project in selected housing developments in six cities, Jobs-Plus was sponsored by a consortium of public and private funders led by the U.S. Department of Housing and Urban Development and The Rockefeller Foundation. MDRC, a nonprofit social policy research firm, managed the demonstration and evaluated the program.

This final MDRC report assesses the program's success in achieving key outcomes for residents and their housing developments. It analyzes the program's impacts on residents' employment rates, average earnings, and welfare receipt by comparing the outcomes for residents of the Jobs-Plus developments with the outcomes for their counterparts in similar "comparison" developments that did not implement the program. The report also examines changes in social and material conditions at the developments.

In summary, the findings show that:

- For all sites combined, Jobs-Plus produced positive impacts on residents' earnings, whether or not the residents continued living in their developments.
- These overall effects were driven primarily by large and sustained impacts in three sites (in Dayton, Los Angeles, and St. Paul) where the implementation of Jobs-Plus was stronger and more complete. A fourth site (Seattle) had strong early earnings effects that ended when residents were displaced by a federal Hope VI renovation project. The program had no earnings effects in two sites (Baltimore and Chattanooga) that did not fully implement Jobs-Plus.
- These impacts were more likely to translate into higher earnings in the housing development as a whole in sites where fewer residents moved out. However, the program's effects did not spark changes in broader social conditions.
- In the stronger implementation sites, Jobs-Plus had positive earnings impacts for many

different types of residents, striking earnings effects for immigrant men, positive but smaller impacts on residents' employment rates, and no impact on residents' welfare receipt (because rates were dropping precipitously among all welfare recipients).

These findings offer lessons to policymakers and program administrators about a number of important issues, including the considerable willingness and ability of public housing residents to enter the labor market, the importance of rent-based financial incentives as a program "hook" and a driver of the positive earnings impacts, and the critical role of housing authority leadership in the implementation of a "place-based" self-sufficiency initiative in public housing. They also show the promise of one approach to achieving the employment and self-sufficiency objectives of the 1998 federal housing law (the Quality Housing and Work Responsibility Act, or QHWRA).

What is Jobs-Plus?

Jobs-Plus attempted to deliver an employment and training program within public housing developments to all working-age, nondisabled residents. The initiative had three core components:

- Employment-related services and activities to help residents secure and retain employment, including job search assistance, education programs, vocational training, and such support services as child care and transportation assistance.
- Financial incentives to work, consisting of changes in public housing rent rules that helped make work "pay" by reducing the extent to which increases in earnings were offset by increased rents.
- Community support for work, which sought to strengthen social ties among residents in ways that would help support their job preparation and work efforts — for instance, by fostering neighbor-to-neighbor exchanges of information about job opportunities or employment services.

The program was delivered by local collaboratives comprising — at a minimum — the public housing authority, resident representatives, the welfare department, and the workforce development system. MDRC provided extensive technical assistance to facilitate program implementation in the six cities that were chosen through a national competition to be Job-Plus study sites: Baltimore, Maryland; Chattanooga, Tennessee; Dayton, Ohio; Los Angeles, California; St. Paul, Minnesota; and Seattle, Washington.

How was Jobs-Plus evaluated?

Random Assignment of Housing Developments

At each site, one housing development was randomly selected (through a type of lottery) to operate Jobs-Plus from a matched pair or triplet of eligible public housing developments nominated by the local public housing authority. The other one or two developments were assigned to a comparison group. Each development had at least 250 units occupied by families with a working-age adult. No more than 30 percent of these families could have an employed member, and at least 40 percent had to be receiving welfare. The random assignment to the program and comparison groups greatly reduced the risk of bias in the selection of housing developments to participate in Jobs-Plus. Surprisingly good matches between the program developments and their comparison developments were obtained for all sites combined as well as within each site.

Long-Term Trend Data on Residents

Data on residents' work and welfare receipt in both the Jobs-Plus and the comparison developments were used to examine the program's impacts on residents and on their housing developments. These data were obtained from administrative records of government agencies for up to six years before and six years after Jobs-Plus was launched in 1998. In addition, two resident

surveys were conducted (in 1998 and 2003) in three sites to assess whether the general quality of life within the housing developments had changed in terms of economic and material well-being, social conditions, personal safety, residential satisfaction, and child well-being.

How well was Jobs-Plus implemented — and in what context?

Before the Jobs-Plus initiative was launched, living conditions were difficult in both the Jobs-Plus and the comparison developments.

Many public housing residents in the study sites faced challenges to employment, including limited education, lack of adequate child care, health or medical problems, and worry about crime and safety. Nevertheless, while residents expressed concern about problems in their housing development, three-quarters rated their development as at least a "good" place to live. Across sites, there was considerable demographic diversity — for example, while three sites were predominantly African-American, the others had a more varied ethnic and racial mix (including Southeast Asian and East African immigrants); in one site, as many as 22 different languages were spoken.

The Jobs-Plus model was ambitious and took over two years to implement. Four of the six sites overcame numerous obstacles and operated programs of reasonable quality.

Jobs-Plus's multicomponent approach — which was aimed at all working-age, nondisabled residents and which included new rent rules to help make low-wage work "pay" — made the program one of the most comprehensive efforts ever attempted to improve work and welfare outcomes for public housing residents. The challenges of implementation were magnified by focusing the intervention on high-poverty housing developments within high-poverty communities and involving multiple public agencies and residents. To meet these chal-

allenges, the sites had to enlist the active support of senior officials in the public housing authorities and other agencies; overcome cumbersome personnel and procurement policies of local housing authorities; create a new culture of collaboration among housing authorities, residents, and welfare, workforce, and social service agencies; deal with issues of safety, substance abuse, and other family crises; and, in some sites, adapt the services to suit a mix of immigrant and native-born residents or to respond to high move-out rates.

In addition, the programs encountered some skepticism among residents, a situation that was not helped when, due to federal funding problems, the centerpiece of the program — the rent-based financial work incentives — was delayed for nearly two years. Furthermore, in one site (Seattle), Jobs-Plus also had to contend with a federal HOPE VI “tear down and rebuild” renovation initiative that displaced many residents soon after Jobs-Plus was fully in place.

Nonetheless, four of the six sites (Dayton, Los Angeles, St. Paul, and Seattle) were able to build coherent programs of reasonable quality, making the demonstration a “fair test” of the Jobs-Plus model. Although the program was voluntary, many residents made use of its services and rent-based work incentives, and, by a number of measures, Jobs-Plus informally reached many others in the developments as well.

The implementation of Jobs-Plus came at a time of momentous changes in welfare, workforce, and housing policy — and in the national economy. These changes expanded work opportunities for

public housing residents even in the absence of Jobs-Plus.

As a consequence of the booming national economy and, perhaps, of the broad range of federal policy reforms, employment and earnings rose dramatically for residents both of the Jobs-Plus developments and of the comparison developments during the baseline period before the start of Jobs-Plus. When the program was launched in 1998, employment rates were higher than had been anticipated, and welfare receipt rates were lower, so that the margin for Jobs-Plus to “make a difference” was smaller

than originally envisioned. Nonetheless, Jobs-Plus still had room to improve these outcomes further. In addition, rent-based work incentives for all public housing residents were increasing due to reforms in federal housing law, and some work-related services were expanding. Nevertheless, the concerted effort by Jobs-Plus to provide additional services and incentives to residents of the program’s developments beyond those available to residents of the comparison developments was successful.

Did Jobs-Plus make a difference?

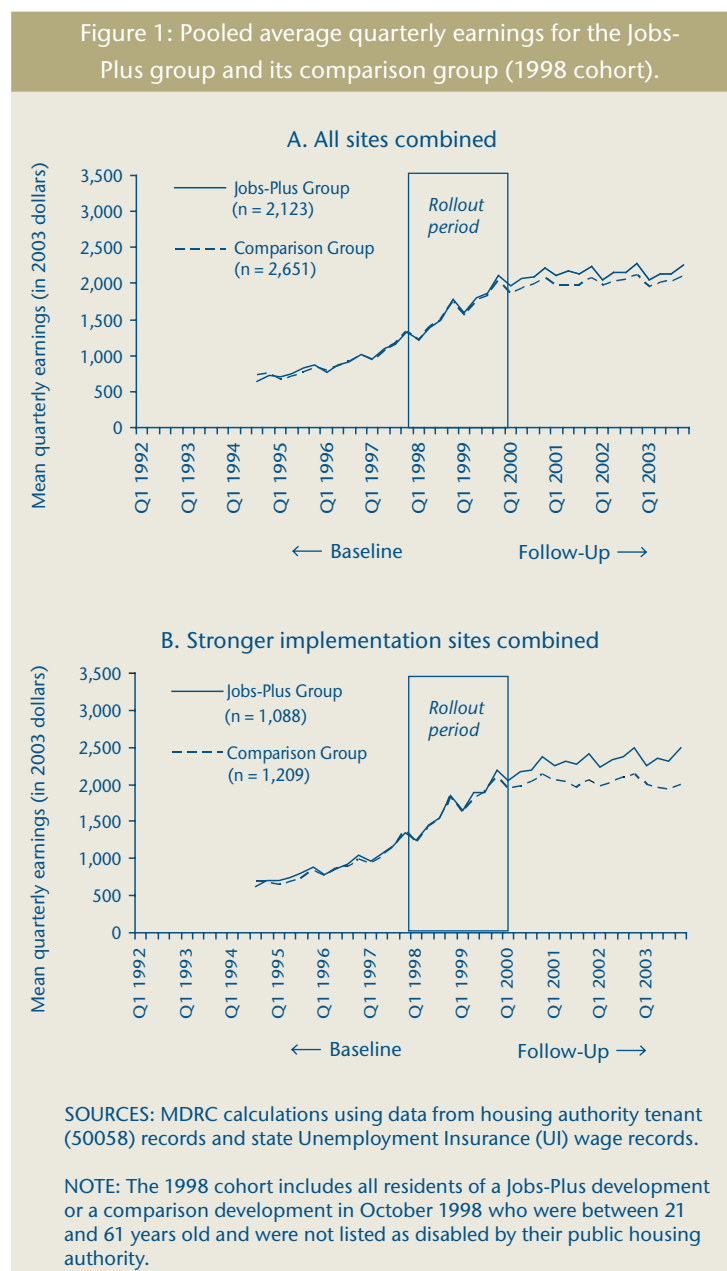
MDRC looked at the impacts of Jobs-Plus from two perspectives: (1) the levels of work and welfare receipt among individuals (whether or not they continued living in their developments) and (2) the levels of work and welfare receipt in the developments overall. It also examined changes in a variety of community outcomes within the developments. The findings described below represent effects for residents and developments that had access to Jobs-Plus relative to outcomes for residents and developments that did not have access to the program.

1. Work and welfare impacts on individuals

Across all six sites combined, once Jobs-Plus was in place, the program increased residents’ average annual earnings by 8.4 percent beyond what they would have been without the program.

Panel A of Figure 1 illustrates, for all six sites combined, the earnings of residents living in the Jobs-Plus or comparison

Figure 1: Pooled average quarterly earnings for the Jobs-Plus group and its comparison group (1998 cohort).



developments in 1998 (a group of residents that is referred to as the “1998 cohort”). During the baseline period before the program began (from 1994 to 1997), earnings for both groups were extremely similar and rose rapidly in response to the booming economy and changes in federal policies. Their earnings remained similar during most of the program rollout period (1998 and 1999). From 2000 through 2003, when the program was most fully implemented, earnings for the Jobs-Plus group pulled well ahead of those for the comparison group. This difference illustrates the effect of Jobs-Plus on earnings for the 1998 cohort, which includes all targeted residents, whether they stayed in their original development or moved away. The estimated impact of Job-Plus on residents’ earnings averaged \$694 per person per year over the four years after the rollout period. This means that, across all sites, the residents of the Jobs-Plus developments earned an average of \$694 more per year than they would have earned in the absence of the program.

In three sites that built programs of reasonable quality, Jobs-Plus had an earnings effect that averaged 14 percent per year — and nearly 20 percent in the fourth year.

The all-site averages hide important findings at the site level. Panel B of Figure 1 illustrates the impacts of Jobs-Plus on residents’ earnings in the three stronger implementation sites (Dayton, Los Angeles, and St. Paul) combined. There the annual impacts averaged \$1,141 once the full program was in place. The impacts in these sites grew larger over time. By the last year of follow-up, they had

reached \$1,540, which is nearly 20 percent higher they otherwise would have been. These impacts, which totaled \$4,564 over four years, are noteworthy both because they persisted even after the onset of a national economic recession and because they represent “value added” by the program over and above any effects produced by concurrent reforms in the welfare, workforce, and public housing systems.

The earnings impacts for the fourth strong site, Seattle, also grew larger over time, but

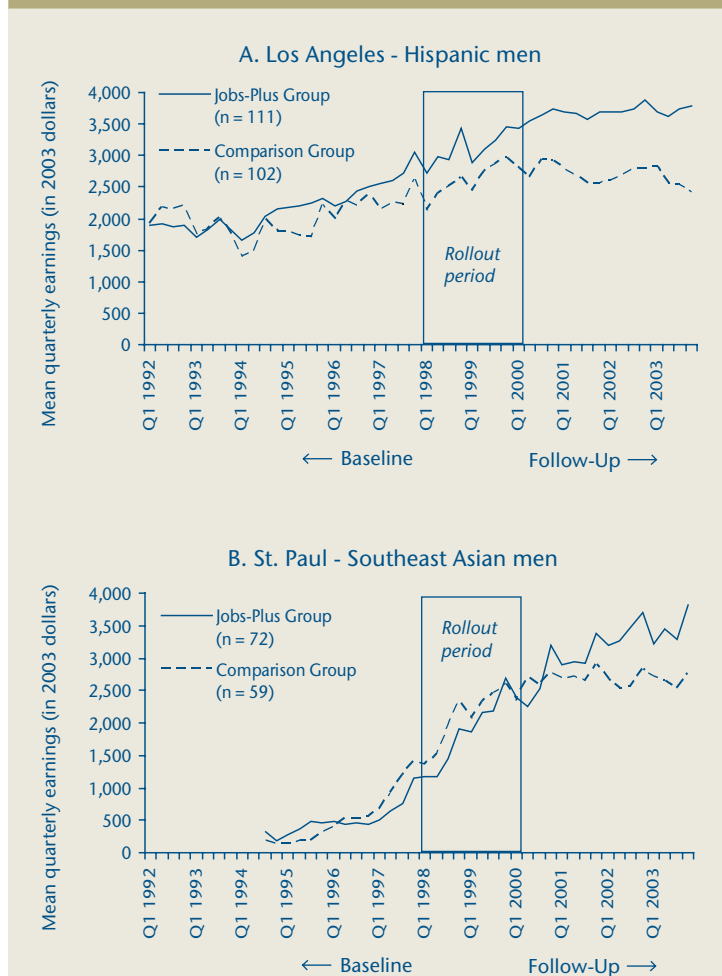
then disappeared when its residents were relocated by a federal HOPE VI renovation initiative. In Baltimore and Chattanooga — sites that did not fully implement the program — Jobs-Plus had no earnings impacts.

Where it was implemented well, Jobs-Plus’s effects on employment rates were also positive, but they were smaller, less consistent, and less frequently statistically significant.

For the three stronger implementation sites combined, Jobs-Plus increased the average percentage of residents employed per quarter from 2000 through 2003 by an estimated 4.6 percentage points (or by over 9 percent relative to what this rate would have been without the program). Because this finding is not statistically significant, there is considerable uncertainty about it. Nevertheless, large and statistically significant effects on employment rates were observed for key subgroups at these sites.

Roughly two-thirds of the program’s effects on earnings were due to an increase in the number of persons employed. The remaining one-third was due to an increase in the amount earned per person employed, which represents a mix of increased employment stability, hours worked per week, and hourly wage rates. However, there was no single simple relationship between the program’s estimated effects on employment rates and earnings. For some subgroups, almost all of the earnings gains produced by Jobs-Plus were due to an increase in the number of persons employed. For other subgroups, almost all

Figure 2: Average quarterly earnings for the Jobs-Plus group and its comparison group, for men in the largest demographic subgroups in the stronger implementation sites (1998 cohort).



SOURCES: MDRC calculations using data from housing authority tenant (50058) records and state Unemployment Insurance (UI) wage records.

NOTE: The 1998 cohort includes all residents of a Jobs-Plus development or a comparison development in October 1998 who were between 21 and 61 years old and were not listed as disabled by their public housing authority.

of the program-induced earnings gains were due to an increase in the amount earned per person employed.

Where it was implemented well, Jobs-Plus was effective for many different types of public housing residents.

In the stronger implementation sites, Jobs-Plus had large positive earnings effects for many subgroups. For example, it caused earnings to increase for men as well as for women, for residents who were receiving welfare when the program began and for those who were not, and for residents from different racial and ethnic groups. It also worked for subgroups of residents defined in terms of age, past employment, past duration of residence, and future residential mobility.

In the two sites with sizable populations of men, Jobs-Plus's earnings impacts were exceptionally large for immigrant men.

Jobs-Plus increased the average annual earnings of Hispanic men in Los Angeles by \$3,248 (or 28 percent) and of Southeast Asian men in St. Paul by \$2,129 (or 21 percent). Almost all these men were immigrants and members of two-parent families. The impacts are illustrated in Figure 2. During the baseline period, the earnings of the Jobs-Plus group and comparison group within each of these two subgroups were quite similar. After full implementation, the earnings of the Jobs-Plus group greatly surpassed those of the comparison group. By 2003, they reached \$3,828 (a 35 percent gain) in Los Angeles and \$3,366 (a 32 percent gain) in St. Paul.

Although Jobs-Plus was effective in boosting earnings both for welfare recipients and non-recipients, it was much more effective for non-recipients.

In the three stronger implementation sites, the program increased the average annual earnings of welfare recipients during

(The results) show the promise of one approach to achieving the employment and self-sufficiency objectives of the 1998 federal housing law.

each of the last four years of the study period by \$761 (or almost 11 percent) and those of non-recipients by \$1,654 (or 18 percent). This difference may reflect the fact that welfare recipients in comparison developments experienced a “push” toward work and had access to services and financial incentives through existing mandatory welfare-to-work programs, time limits on benefits, and other features of welfare reform. In contrast, non-recipients would not have been affected by these policies (although they were free to seek any other services they wanted). Thus, for the non-recipients, Jobs-Plus may have represented a bigger additional (or net) intervention in their lives than it did for recipients.

Welfare receipt by residents dropped precipitously after Jobs-Plus was launched, but this decline was not related to Jobs-Plus.

Instead, the drop in residents' reliance on welfare was more likely due to forces such as a booming economy, welfare reform, and increases in the generosity of the Earned Income Tax Credit. These factors are viewed by many as causing the dramatic declines in welfare rolls that occurred throughout the U.S. at the time.

2. Work and welfare impacts on public housing developments

This study also sought to determine whether housing authorities would see an increase in the overall levels of employment and earnings and a reduction in welfare receipt among residents living in the Jobs-Plus housing developments at any given time

— recognizing that people move in and out of these developments. For example, would the people who were helped by Jobs-Plus quickly move away, leaving no overall improvement in earnings or employment rates within the developments themselves? The findings suggest that:

- When no impacts were produced on the sample of residents who were followed over time (that is, the 1998 cohort, some of whom moved away), no year-by-year changes in outcome levels were observed within the developments.
- When positive impacts were produced for the sample of residents followed over time, they yielded improvements in outcomes within the developments — but by an amount that was inversely related to residents' mobility. In other words, the more stable the resident population was, the greater the degree to which individual-level impacts were reflected by development-level impacts. Therefore, earnings gains for developments were largest in the two stronger implementation sites (Los Angeles and St. Paul) where move-out rates were lowest.

3. Changes in other community indicators

There is no evidence that the impact of Jobs-Plus on earnings for public housing developments (which were sometimes large but not transformative) produced spillover effects on other community outcomes.

Drawing on resident surveys in three of the six sites, the study found no indication that Jobs-Plus improved prevailing social conditions and the quality of life within the housing developments themselves, including economic and material well-being, personal safety, residential satisfaction, and child well-being. (The study did not measure quality-of-life changes among residents who moved away.)

What are the implications for public policy?

The Jobs-Plus demonstration shows that an

employment-focused intervention that is based in public housing developments can work. Although Jobs-Plus proved challenging to implement, it eventually succeeded at four of the six sites in increasing public housing residents' earnings relative to what they would otherwise have been. Hence, this initiative offers one promising approach for helping to achieve the self-sufficiency objectives espoused by QHWRA, the 1998 federal housing reform law.

Among the most striking findings are that, even in some of the nation's poorest housing developments in tough urban environments, residents were more attached to the formal labor force than had been expected and that many more of them than were anticipated responded to the expanding employment opportunities driven by the booming economy of the 1990s.

This study suggests important implications for policymakers to consider, including:

Jobs-Plus's effects compare favorably with those of other successful employment interventions. When properly implemented, Jobs-Plus created earnings impacts at the high end of those found among many employment interventions that have been tested rigorously. This is particularly encouraging, given the limited evidence of effectiveness of self-sufficiency interventions in the housing and community development fields.

The success of Jobs-Plus in increasing the earnings of public housing residents was widespread across many subgroups. Programs can be effective for men as well as women and for native-born residents as well as for immigrants.

Improving Jobs-Plus's impacts on employment rates might require additional efforts. The substantial pre-program rise in residents' employment levels left Jobs-Plus with less room than anticipated to produce dramatic further improvement. However, a

minority of residents remained largely out of the formal labor market. Thus, efforts to replicate the program should consider ways of reaching such harder-to-employ residents.

The rent breaks offered by Jobs-Plus encouraged residents to participate in the program and helped them increase their work efforts and earnings. The more modest rent incentives that currently exist under the 1998 federal housing law should be fully implemented and aggressively marketed to residents, and perhaps expanded. (Normally, public housing residents' rent is raised as their earnings increase; in Jobs-Plus, rent was held stable or rose less quickly than usual.)

Jobs-Plus can improve the earnings of residents who are welfare recipients — even though the program had much larger effects on the earnings of nonrecipients.

Jobs-Plus has the potential to work in a variety of settings. Implementing the program was a difficult task that required sustained attention and concentrated resources over an extended period of time. However, as further experience is gained with such initiatives and more is learned about implementing them, this process should become less difficult and time-consuming.

Strong housing authority leadership is vital. Successful replication of Jobs-Plus requires the sustained commitment of local public housing authorities to lead local collaboratives, to ensure that housing managers co-operate with the day-to-day operation of the program, to hold the program managers accountable for high performance, and to involve resident representatives in planning and operations.

Resident mobility matters. Resident move-out rates greatly influence how earnings effects for individuals can translate into development-level effects. Thus, high rates of resident mobility would make the goal

of substantially improving the income mix within public housing developments difficult to achieve through programs like Jobs-Plus alone.

Finally, Jobs-Plus offers many practical lessons for constructing and operating labor market interventions, even outside public housing. In particular, the experiences of the six study sites speak directly to the challenges and opportunities of using "places" as the platform for a work-promoting intervention. They also point to productive strategies for building partnerships among multiple local agencies to address the employment needs of low-income populations and for involving local residents in that process. ■

Call for applications: NPC Visiting Scholars program

Each year, the NPC hosts a small number of faculty, researchers, and policy analysts through our Visiting Scholar Program. We provide visiting scholars with office space, access to computers, and opportunities to collaborate with NPC affiliates and attend events on the University of Michigan campus.

Applications are now being accepted for visitors during Summer 2006 or Academic Year 2006-2007. We will consider requests to visit for periods as short as one week to as long as one year. Faculty who are on sabbatical from their home universities are encouraged to apply.

Application deadlines: February 15, 2006 for Summer 2006, April 1 for Academic Year 2006-2007. Details: <http://www.npc.umich.edu/opportunities/visiting/>. ■

Call for papers: “Income Volatility and Implications for Food Assistance Programs”

The NPC and the Economic Research Service (ERS), U.S. Department of Agriculture (USDA), will sponsor a research conference in Washington, DC, on November 16-17, 2006. The program, to be organized by Rebecca Blank and Sheldon Danziger on behalf of the NPC, and Dean Jolliffe and David Smallwood on behalf of ERS, will consist of eight to ten papers, with one discussant per paper. Selected conference papers are likely to appear in a conference volume or special issue of a journal.

The National Poverty Center will cover travel and local expenses for authors presenting papers, and anticipates providing an honorarium of \$2,000 - \$3,000.

Application deadline: November 18, 2005.
Details: <http://www.npc.umich.edu/news/events/USDA/> ■

RFP: poverty research grants

The NPC's 2006 Poverty Research Grants program will fund research that will broaden and/or deepen our understanding of the relationships among family structure, family transitions, child or adult well-being, and poverty.

We anticipate funding up to 5 proposals, up to a maximum of \$20,000 per award. Drafts of funded research will be presented at a conference in Ann Arbor in the winter of 2007.

Preference will be given to non-tenured researchers with full-time academic appointments and researchers using new approaches and innovative methods.

Application deadline: February 1, 2006. Details: http://www.npc.umich.edu/opportunities/research_grants/2006_poverty_grants/ ■

The National Poverty Center

About the NPC

The National Poverty Center is charged with promoting high-quality research on the causes and consequences of poverty, evaluating and analyzing policies to alleviate poverty, and training the next generation of poverty researchers.

Rebecca M. Blank and Sheldon H. Danziger, Co-Directors

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

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Poverty Research Insights

A newsletter featuring recent research findings on poverty and policy from the National Poverty Center

Laura K. Lee, Editor

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Gerald R. Ford School of Public Policy
University of Michigan
1015 E. Huron Street
Ann Arbor, MI 48104-1689