

Executive Summary

The Welfare to Work Voucher (WtWV) program was initiated in Fiscal Year 1999 when Congress appropriated \$283 million for tenant-based housing vouchers to help families make the transition from welfare to work. This appropriation (P.L. 105-276) funded 50,000 new vouchers. The assistance was awarded initially to 129 local and state housing agencies that presented reasonable plans for helping eligible families find available housing and for coordinating these efforts with existing welfare reform and welfare-to-work efforts.

Congress also mandated a comprehensive evaluation of the WtWV program to assess the results of rental assistance through housing vouchers in promoting the self-sufficiency of welfare families. Vouchers might help families through improving their housing locations or stabilizing their living arrangements, better enabling them to obtain and retain employment and thereby reduce their dependency on welfare. The U.S. Department of Housing and Urban Development's (HUD) Office of Policy Development and Research is sponsoring the evaluation using a multi-site experimental design. Under this design, random assignment was used to assign program-eligible applicants at each site to either the treatment group, who received a WtW voucher and any accompanying employment- and housing-related services offered by the site, and a control group, who did not receive a WtW voucher or services but were returned to (or placed on) a waiting list for tenant-based rental assistance under the regular Housing Choice Voucher (HCV) program. Starting in 1999, HUD contracted with Abt Associates to implement random assignment and to conduct the quantitative and qualitative research to assess the effects of the WtWV program on participant outcomes.

This research offers powerful new evidence concerning the effects of tenant-based rental assistance on self-sufficiency. The experimental design enables one to draw rigorous inferences about the effects of housing vouchers on family well being, independent of all other factors affecting the lives of program participants. Random assignment serves to assure that the treatment and control groups are well matched on both observed and unobserved characteristics at the time of their entry into the study. It thus establishes the strongest possible foundation for understanding whether housing vouchers can assist welfare families in achieving greater financial independence or otherwise improving their lives.

This study is especially timely in light of federal and state changes in welfare policies over the past decade, reducing the numbers of families eligible for public assistance and limiting the time period over which they can receive benefits. Housing vouchers may help low-income families become employed and may also help them meet financial needs as they transition from welfare.

The current report presents interim findings as to the impact of the WtWV program on the quality of a family's residential location, on employment and earnings, and on receipt of public assistance. The analysis, based on a six-site research sample of 8,732 families, makes use of outcome measures derived from tract-level Census data and person-level administrative data. The impact estimates in this report encompass a follow-up period that is five quarters in duration for all sites, and longer for some sites, reflecting the timing of random assignment and the availability of outcome measures.

The aim of this continuing evaluation is to understand the effects of tenant-based rental assistance on the economic self-sufficiency and well being of low-income families. Current plans call for a survey of participants in their fourth follow-up year (2004) and an extension of the current analysis of outcomes derived from Census data and administrative sources. A longer-term assessment will be highly informative, as the typical length of stay in vouchers is three years, and many families receive assistance for longer periods. Some effects may be slow to emerge. The study, in its entirety, will provide Congress and other policy-makers with evidence of the extent to which tenant-based rental assistance enables low-income families not only to better meet their immediate housing needs but also, over the long term, to better avail themselves of job opportunities. In addition, the experimental sample can be used to examine other potential effects of housing assistance, such as improvements in child well being, food security, and participation in education and training.

Evaluation Sites and Program Implementation

The WtWV evaluation has been conducted in six sites that were selected in early 2000 and makes use of a total research sample of 8,732 families that were randomly assigned during 2000 and 2001. The sites (and their sample sizes, including both treatment and control groups) are as follows:

- Atlanta, Georgia (1,134)
- Augusta, Georgia (759)
- Fresno, California (2,622)
- Houston, Texas (2,021)
- Los Angeles, California (1,047)
- Spokane, Washington (1,149)

Random assignment began in April 2000 (in Fresno and Houston, the first-enrolled sites) and ended in May 2001 (in Los Angeles, the last-enrolled site).

The implementation of the WtWV program was monitored in each site to clearly establish the nature of the WtWV program intervention. Specific attention was given to whether (in addition to the voucher itself) the site provided any services to treatment group members that were not also received by control group members. In most sites, any employment-related services offered in conjunction with the voucher were modest and similar to those available to the control group through the TANF agency. In Fresno, where specialized case management and employment services were developed for WtWV recipients, the timing of these services was such that they were not likely to have been provided to treatment group members during the first 12 to 18 months following random assignment. In Augusta, a case manager was added to the housing agency's staff in 2002 to provide specialized services to WtW voucher participants, but this occurred nearly two years after enrollment of the research sample, making it unlikely that they received these services. We have concluded, therefore, that in assessing the interim effects of the WtWV program for this report, the intervention being tested is the voucher itself.

Data Sources

The following data sources have been used to measure the impacts of the WtWV program on the participating families:

- **Baseline survey**—To obtain basic descriptive, identifying, and locating information on the research sample upon entry into the demonstration, we administered a baseline survey to all sample members immediately prior to random assignment, covering employment status, satisfaction with the housing unit and neighborhood, receipt of public assistance, household composition, and information on contact persons.
- **Unemployment insurance wage records**—To measure the effects of the WtWV program on the employment and earnings of participants, we collected quarterly employer-reported earnings records from the employment security agencies of the four states participating in the WtWV evaluation, for the period January-March 1999 (i.e., at least one year prior to random assignment) through July-September 2002.
- **TANF data files**—To measure the effects of the WtWV program on public assistance, we collected information from state or local welfare agencies on the receipt of Temporary Assistance for Needy Families (TANF) and food stamp benefits, for a time period beginning at least one year prior to random assignment and extending through September 2002.
- **MTCS data files**—To monitor the receipt of housing assistance through the Housing Choice Voucher and public housing programs by sample members, data from HUD's Multifamily Tenant Characteristics System (MTCS) were collected in three extracts (May and December 2001 and September 2002).
- **TRACS data files**—To identify sample members who had received project-based assistance, we obtained a September 2002 data extract from HUD's Tenant Rental Assistance Certification System (TRACS) containing information reported to HUD by property owners under the project-based Section 8 program.
- **Participant tracking**—To obtain current address information on sample members, we implemented a series of active tracking measures (i.e., periodic mail outs to sample members requesting updated address and telephone information on sample members and contact persons) and passive tracking measures (i.e., periodic extracts from administrative and commercial databases to obtain updated address and telephone information).
- **2000 Census data**—To construct measures of neighborhood quality, data from the Census Bureau's Summary File 3 were assembled for the census tracts in which participants resided during the follow up period, by geocoding the addresses collected at the time of random assignment and the updated addresses gathered from MTCS, TRACS, and TANF data, and from the participant tracking efforts.

- **Local housing and employment data**—We obtained data for the cities and metropolitan areas in which the study sites are located from demographic profiles available from Bureau of the Census and Bureau of Labor Statistics on total population, incidence of poverty, median household incomes, housing vacancy rates, and labor market conditions.
- **Interviews with program staff and service providers**—To monitor the implementation and operations of the WtWV programs in the research sites, we conducted on-site interviews with staff from the local HAs, TANF agencies, and other partner organizations in October-December 2001 and in February-March 2003.
- **Interviews with participants**—To obtain detailed information about the employment and housing experiences of a small group of WtWV participants, we conducted in-person interviews with 75 individuals across the six sites during February-March 2002.

Sample Characteristics, Lease-up Patterns, and Impact Measures

Baseline survey data were obtained for 8,573 of the 8,732 individuals randomly assigned across the six evaluation sites. The sample is predominantly female, never married, and between the ages of 18 and 44, with an average age of 30.7 years. Nearly half the sample members are non-Hispanic black, while 21 percent are Hispanic, and 20 percent are non-Hispanic white. Over one-half of sample members (nearly 57 percent) either graduated from high school or had a GED, and at the time of random assignment 16 percent were enrolled in some type of school or training program. The average household included four persons. Comparison of the baseline characteristics between the treatment and control cases indicates that random assignment succeeded in providing two well matched groups.

Through the 15th month after random assignment, 57 percent of treatment group members across all sites had leased with a WtW voucher. Among all control group members, 14 percent had leased with a voucher issued to them under the regular HCV program. The 15th-month lease-up rates in the treatment group varied from a low of 34 percent in Los Angeles, to a high of 75 percent in Augusta. Among control group members, lease-up rates at Month 15 ranged from a low of 6 percent in Los Angeles to a high of 22 percent in Augusta.

In estimating the effects of the WtWV program, it was important to take account of the fact that some treatment group members failed to lease up with their WtW voucher (i.e., treatment-group nonparticipation), while some controls received, and leased up with, a voucher from the regular HCV program (i.e., control-group crossover). In all of the tables presenting impact estimates in this report, we present two sets of estimates, as follows:

- **Intent-to-Treat (ITT) estimates.** The ITT estimates measure the impact of the treatment on the entire treatment group, relative to the entire control group, adjusting only for a standard set of baseline participant characteristics. These estimates are called “Intent to Treat” estimates because they describe the impact of the treatment on the entire group, which the program *intended* to assist, regardless of whether individual members of the

treatment group *actually* received the treatment (and whether control group members may have received the treatment).

- ***Treatment-on-Treated (TOT) estimates.*** The TOT estimates represent the impact of the treatment on *those treatment group members who were actually treated* – in other words, those treatment group members who received a voucher and successfully leased up. The TOT impacts thus adjust both for treatment group nonparticipation in the program and for the fact that some control group members came off the HCV waiting list to receive a voucher and did lease up (control group crossover). The TOT impacts estimated in this report take advantage of the fact that we know exactly when each treatment or control group member leased up; we thus can make an econometric adjustment that accounts for the amount of time any given control group member was a crossover.

The findings noted below all pertain to the TOT estimates.

Impacts of WtW Vouchers on Where Families Live

Receipt of housing assistance in the form of a voucher should allow recipients to access housing in a wider range of neighborhoods (including their existing residence) than without the voucher. If a unit in a higher-quality neighborhood becomes affordable with the voucher, the family can move to that unit. Additionally, the voucher may enable the family to “lease in place” (in their current unit), possibly avoiding a move to a neighborhood of lesser quality. *An impact on neighborhood quality* in this report refers to the net result of the pattern of “moves and stays” for treatment group members, versus the pattern for the control group. In this context, leasing in place may offer locational advantages as well as stability to a family’s life.

Approximately 53 percent of the treatment group who had leased up by the 15th month following random assignment had leased up within their baseline Census tract, with the bulk of these lease-ups (45 of the 53 percent) representing leases in place. Nevertheless, the voucher was found to have a large and statistically significant impact on the probability of an out-of-tract move by the 5th quarter. This was a highly systematic effect, estimated as large in magnitude and statistically significant (at the 0.05 level) for all major subgroups (e.g., groups defined by demographic characteristics), as well as for the full research sample.

In conjunction with the higher rate of out-of-tract mobility among treatment cases, the evidence indicates that treatment cases came to reside in somewhat better neighborhoods than the control group, using available tract-level indicators of neighborhood quality from the 2000 Census. (Note that the impact estimates reflect only the effects of moving to different tracts, not whether the characteristics of the neighborhoods themselves were changing.) At the fifth quarter after random assignment, impact estimates for the full research sample indicated that the WtWV treatment was associated with residence in neighborhoods with higher adult employment (percentage of persons employed, among those 16 or older in the labor force). This effect was statistically significant (at the 0.10 level) but very small in magnitude (an increase of less than 0.5 percent, with the control group mean at 87 percent). For several subgroups, favorable impacts were found on multiple indicators of neighborhood quality. The subgroup impacts noted below were all statistically significant (at the 0.10

level or better), but were very small in magnitude. Specifically, for those residing in public or assisted housing at baseline, the voucher users came to reside in neighborhoods with a higher adult employment rate, lower poverty rate (percentage of persons with incomes below 100 percent of the poverty level), higher “above-twice-poverty” rate (percentage of persons with incomes above 200 percent of the poverty level), and lower minority concentration (percentage of persons of non-white race and/or Hispanic ethnicity) in one’s fifth-quarter neighborhood. For those younger than 24 at random assignment, the treatment was associated with a higher adult employment rate, lower poverty rate, and higher above-twice-poverty rate in one’s Census tract. For the black (non-Hispanic) subgroup, the treatment was associated with a higher adult employment rate and lower poverty rate.

In sum, the WtW voucher program resulted in small but statistically significant improvements in neighborhood quality, for particular subgroups in difficult housing arrangements (residing in public or assisted housing), facing disadvantages in the labor market (the black non-Hispanic subgroup), or having weaker barriers to mobility (younger persons). Future analysis will reveal whether these small but statistically significant short-term effects lead to favorable impacts on outcomes that are plausibly related to neighborhood quality, such as the health and social and educational development of children and the development of social networks tying individuals to communities.

Impacts of WtW Vouchers on Employment and Earnings

Although the WtW Voucher program was intended to improve labor market outcomes for participants, the program in fact created both positive and negative incentives to work. In the short term, one can expect that receipt of income-tested rental assistance (where no relocation is required) might *reduce* work incentives. The rent subsidy has two effects that might be expected to reduce work effort. First, the subsidy increases the family’s unearned income, thereby reducing the need to work to maintain a given level of consumption. Second, because the subsidy amount declines as earnings rise, the net return to work is reduced. The favorable effects of the rental assistance on employment and earnings would come through individuals using their vouchers to relocate (or remain) closer to jobs and in neighborhoods where social norms are more supportive of employment. As noted above, the neighborhood effects observed among WtWV program participants were quite modest; therefore, we should not be surprised to find that the indirect positive effects of voucher receipt on employment and earnings are small. In fact, the short-term evidence here indicates that program participation tended to reduce employment rates and earnings amounts. Thus, it appears that on balance the negative effects of program participation on work incentives outweighed the positive effects, for the five- to seven-quarter follow-up periods observed to date.

We found that participants in the WtW Voucher have experienced statistically significant, if modest, reductions in rates of employment and amounts of earnings. Among treatment group members who leased up (versus non-crossover controls), the amount of time spent employed over the followup period was 7 to 8 percent less; the amount of earnings was 12 to 14 percent lower.

These results are not inconsistent with our expectations, given that more than half of treatment-group voucher users remained within their baseline Census tract. It seems probable that the potentially favorable employment impacts of the program – many of which operate through the beneficial effects of residing in a better neighborhood and in closer proximity to employment – were outweighed by the

economic disincentives to work (added income and lower returns to work) and by the transitional disruptions associated with moving. One must recognize, however, that the benefits of greater residential stability – in terms of enhancing one’s ability to get and keep a job – may take time to emerge.

Although some of the employment-lowering effects associated with the program will last for the duration of voucher receipt (such as the economic disincentive effects), others are short-term. For example, moving poses only a temporary disruption to job search, employment, and social networks. In contrast, *all* of the program mechanisms favorable to employment are long-term, and all are likely to take considerable time before they have a significant impact on behavior. For example, easier access to employment is likely to produce a more intensified and more productive job-search; but an intensified job-search takes time before it translates into employment and earnings. For persons already employed, the beneficial effects of moving – in particular, access to better jobs – may well take even longer to appear, as the economic pressure to change jobs is substantially weaker than the economic pressure to find a job in the face of unemployment. It seems likely, therefore, that the positive mechanisms associated the WtW Voucher program will continue to influence participant behavior over time, while some of the transitory negative mechanisms will cease to be important.

Impacts of WtW Vouchers on Cash Assistance and Food Stamps

Consistent with the finding of negative program impacts for employment and earnings, we found no evidence that the WtWV program decreases the use of TANF and Food Stamps (based on all sites except Fresno, where food stamp data were not available). To the contrary, we found substantial evidence that the amounts of both TANF and Food Stamp benefits received over the follow-up period were significantly higher for the treatment group than for the control group. These findings are not surprising, as lower employment rates and earnings are expected to produce higher welfare receipt.

As discussed above in relation to the effects on employment, it is possible that the positive mechanisms of the WtWV program will gain strength over time, as program participants who have relocated gain increased exposure to their new neighborhood environments and the longer-term positive effects of improved family stability begin to appear, while some of the negative mechanisms of the WtWV program (such as the transitional disruptions to employment and to social networks) decline in importance.

Concluding Assessment

The evaluation findings presented in this report encompass a short-term follow-up period: five calendar quarters for the estimated effects that make use of the full research sample. The adverse effects on employment and earnings, along with those on public assistance, could shift over a longer-term follow-up interval. Based on qualitative interviews with families participating in the study and the behavior of other low-income families, one can expect that treatment group and control group members will make successive moves over the course of time. Even for those who do not move, the economic and social benefits derived from stability and locational advantage may take time to emerge. A key empirical question, to be addressed in the upcoming research, is whether the short-

term favorable effects on neighborhood location will translate into increased earnings and reduced public assistance for the treatment group over the longer term.

The plans for the next phase of this evaluation call for a follow-up survey of a subset of the research sample, to occur in the fourth follow-up year of the demonstration. Continued collection of administrative data on earnings and public assistance of all sample members is also anticipated. Further locational tracking of the sample will also be conducted through a combination of active and passive tracking methods. These tracking efforts will enable us not only to achieve a high survey response rate but also to extend forward the geocoded address histories of sample members and thus to attach tract-level indicators of neighborhood quality over a longer follow-up interval. The survey will address questions regarding the uses of discretionary income (e.g., to increase food security), the uses of nonlabor hours (e.g., for education and training activities, parental supervision), issues of job search and job quality, and the characteristics of sample members' housing unit and neighborhood environment. This upcoming data collection will thus support a much more comprehensive analysis of the effects of housing vouchers on welfare families.