

Experiments in 21st century antipoverty policy

New York City is testing a policy of 'Conditional Cash Transfers', pioneered in Latin America and designed to address both the reduction of income poverty and investment in children's human capital development. **Lawrence Aber** examines the welfare policy lessons the NYC experiment might contain for other industrialised countries

The United States, like the United Kingdom and other advanced economies of North America and Europe, has a complex array of policies designed to reduce income poverty for various populations. These include Temporary Assistance for Needy Families (TANF) for single parents with children, Social Security for the elderly, Supplemental Security Income for disabled people, Unemployment Insurance for the unemployed, and the Earned Income Tax Credit (EITC) for the working poor. Another set of policies aim to stimulate formation of human capital – the skills and knowledge gained through education and experience required for a person to generate earnings – especially among low-income children and young people; these include Head Start for preschool children, Title I for school-age children, Pell Grants for college-bound youth, and Youth Build for non-college-bound youth (Gershoff et al 2003).

But in the United States, there are few policy efforts designed to address both of these goals simultaneously and synergistically: both the reduction of income poverty in the short term and (parent) investment in children's human capital development in the intermediate and longer term.

New York City is experimenting with just such a policy, called 'Conditional Cash Transfers' (CCTs). The inspiration for this new initiative, labelled 'Opportunity New York City/Family Rewards' (ONYC/FR), are the CCTs that have been designed and tested over the last decade in the global South, especially Latin America. The New York City experiment has received a lot of press coverage in the US (Rosenberg 2008). Some hope – while some fear – that if successful, it will stimulate new national policy proposals in the US. And both those in the Labour and the Conservative camps in the UK have taken notice, too (Grimes 2008).

What is the history and status of the New York City experiment in CCTs? And how might the US under Obama and the UK under Brown respond to its success; or its failure?

The exportation of an antipoverty policy from South to North

For any import/export phenomenon to work, including the transfer of policy ideas, a domestic demand has to be able to be filled by a foreign supply. The 'demand' for new antipoverty ideas in New York City begins with the poverty rate's stubborn

resistance to the health and education reforms of the first term of Mayor Michael Bloomberg. Elected in the shadow of 9/11 as a very moderate (some would say 'Democratic') Republican, the financial information technology billionaire has become an activist, reformist mayor. He hired a tireless, creative Commissioner of Health, Tom Frieden, who championed numerous public health initiatives, against smoking and trans fats, for example, which appear to have improved most indices of health in New York City (except obesity).

Most visibly, Bloomberg sought and won from the State Legislature the authority to hire and fire New York City's Chancellor of Education. His designee, Joel Klein, is irascible and effective. Again, indicators of performance of the education system improved in Bloomberg's first term.

With such visible progress on the health and education fronts, the Democratic challenger for Mayor in 2005, Fernando Ferrer, was left to call out the one glaring example of lack of progress: the city poverty rate. Bloomberg responded in the campaign season by declaring his intention to appoint a Blue Ribbon Commission, to investigate the nature, causes and consequences of poverty in New York City and to identify promising and, ideally, evidence-based approaches to reduce poverty and expand economic opportunity. He also promised quick actions on the Commission's recommendations.

And that is exactly what came to pass. The Mayor won the election in November 2005, appointed the Commission on Economic Opportunity and Poverty Reduction (CEO) in February 2006, charged it to complete their analysis and recommendations by September of that year, and promised an action/implementation plan by November. Critically, he named a new Deputy Mayor for Health and Human Services, Linda Gibbs, to staff the CEO and head up the implementation of recommendations.

Notably, the CEO did *not* recommend Conditional Cash Transfers as part of its strategy. CCTs were raised by one member

of the Commission (me), but the idea just seemed too foreign for the majority of Commission members. But when investigated by Gibbs and her staff, they found CCTs intriguing and of great potential interest to the Mayor. What commanded attention was their innovation, evidence of effectiveness, value-orientation and their appeal to political leaders on the right and on the left of the political spectrum in both Mexico, where they began, and then throughout Latin America.

So despite the fact that they were not recommended by the Commission on Economic Opportunity, the Administration decided to adapt them to the needs of New York City and rigorously test them as a pilot. If proven efficacious, the plan was to bring them to scale in New York. In short, the local demand for ideologically balanced, evidence-based, antipoverty strategies could be supplied by the emerging movement for CCTs. And thus was born 'Opportunity NYC/Family Rewards'.

Adapting CCTs to New York City

In the South, CCTs provide poor families in poor communities with cash transfers that range from around 15 to 30 per cent of the average pre-transfer income of the poor. Unlike unconditional cash transfers, receipt of these transfers is *conditioned* on parents' investments in their children's human capital. Such conditions normally include: prenatal maternal health services; parents meeting immunization requirements, well-baby visits and nutritional regimens for their infants and youth children; and school-age children's enrolment in and attendance in schools. Parents must meet these conditions in order to continue to receive the cash transfers.

Of course, an antipoverty policy that emerged from middle- and low-income countries in Latin America could not be mounted in New York City without very significant adaptations. Some members of the NYC/CEO as well as the City Administration joined the Mayor and

Table 1. Opportunity NYC's CCT conditions and incentive payments

EDUCATION INCENTIVES:

Elementary and middle school

- Rewards for effort ('inputs')
 - High attendance (95 per cent) \$25 / month
 - Parent-teacher conferences \$25, 2x / year
 - Discuss annual test results with school \$50 / year
 - Library card \$50, 1x / programme

Rewards for achievement ('outcomes')

- Improved or sustained high performance on annual standardised tests English: \$300 / \$350; Maths: \$300 / \$350
 - All payments go to parents
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EDUCATION INCENTIVES:

High school

- Rewards for effort ('inputs')
 - High attendance (95 per cent) \$50 / month
 - Parent-teacher conferences \$25, 2x / year
 - Library card \$50, 1x / programme
 - Taking Preliminary SAT \$50 / test (2 max.)
 - Rewards for achievement ('outcomes')
 - Passing Regents Tests \$600 / test
 - Credit accumulation (11 per year) \$600/ year
 - Graduation \$400
 - Payments split between parents and children
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HEALTH INCENTIVES:

Preventive health practices ('inputs')

- Maintaining health insurance
 - For each parent \$20 / month
 - For all children \$20 / month
 - Preventive health care visits
 - Annual non-emergency check-ups \$200 / visit, 1x / year
 - Follow-up on recommendation \$100 / visit, 1x / year
 - Early developmental screening & follow-up, where appropriate \$150 / \$50
 - Preventive dental care
 - Ages 1-5 \$100 / visit 1x / year
 - Ages 6+ \$100 / visit 2x / year
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WORKFORCE INCENTIVES:

Employment retention and advancement

- Sustain full-time work \$150 / month
 - Working at least 30 hours / week
 - For 6 out of every 8 weeks (75 per cent of time)
 - Complete approved training or ed. courses while holding a job \$ varies with duration (\$3,000 programme max)
 - Occupational skills training
 - Community College
 - General Equivalency Diploma, English as a Second Language

Must be working at least 10 hours per week
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Deputy Mayor on a visit to Mexico to learn more about how Mexico's CCT, called *Oportunidades*, worked and to begin to identify exactly how their ideas might be modified for use in New York. In addition, because the Mayor determined from the start that he wished (a) to test New York's CCT via a rigorous experimental trial, and (b) to have policy implemented and operated by neighbourhood-based non-profit organisations (NBOs), executives from a policy research firm, MDRC, and SEEDCO, an organiser of NBOs, also joined the Mayoral delegation and the planning group.

On return from Mexico and over several months, the personnel from SEEDCO and MDRC and a network of policy consultants, primarily from Latin America, the World Bank and the US, crafted 'Opportunity NYC/Family Rewards'. It was guided by the same overarching goals of poverty reduction and incentives to invest in children's human capital, and the same principles of transparency, rigorous evaluation, and the willingness to experiment and revise. The conditions and incentive payments are outlined in Table 1.

Several adaptations were necessary to fit a policy created for rural communities in middle-income countries to use in urban communities in an advanced economy. The four major changes were:

1. Rather than one to two large payments if families met all conditions, ONYC was designed to provide families many smaller payments for meeting many smaller conditions.
2. Rather than focus all incentives on conditions to invest in children's health and education, ONYC includes incentives for parents to invest in their own health, education and *employment*, too.
3. Rather than incentivise primarily 'outputs' (efforts over school attendance, for example), ONYC incentivises 'final outcomes' (performance such as academic achievement), too.
4. Most importantly, rather than constitute the entire cash transfer for poor families

with children, ONYC was designed as a supplement to existing cash transfers (TANF, SSI) and tax credits (EITC) for poor families.

Each of these changes was thought by City policymakers, neighbourhood organisations and policy consultants as necessary to, first, fit a CCT to the existing system of benefits and services in the US (or at least in New York City); second, to make CCTs viable in the context of American society's views of antipoverty policy; and third, to increase the probability of positive discernible impact on income poverty and on human capital formation.

The experiment

As well as adapting the concept of CCTs to the reality of an urban metropolis, it needed to be designed and implemented in a manner that was able to be evaluated rigorously. The Mayor and Deputy Mayor insisted on a true experiment. At least since Donald T Campbell wrote *The Experimenting Society*, the US has been willing to submit not only medical and health interventions, but also social, welfare and education interventions to random assignment experiments for testing. Americans, at least in comparison with Europeans, are deeply serious about using the tools of science to learn 'what works' and what does not in the social policy realm. The US is at least as interested in evidence-based initiatives as in faith-based initiatives.

Bloomberg, the major funder to one of the best Schools of Public Health in the US, is committed to evidence-based approaches and the use of rigorous methods. So MDRC, in consultation with City officials and some external policy and research consultants (including this author) designed a study in which 4,800 income eligible families with children in fourth, seventh and ninth grades who lived in six of the poorest neighbourhoods were recruited to the project and, with informed consent, were randomly assigned to receive the normal existing services and benefits to which poor

New Yorkers are eligible (the 'control' group) or the Opportunity NYC/Family Rewards who were also eligible to receive Conditional Cash Transfers (the 'intervention' group). Families were recruited to the study from August to December 2007.

MDRC is collecting data from administrative records of public agencies, from a telephone interview of participating adults and from other sources at one, three and five years after the start of the study. Data collection one year after the start was completed in January 2009 and results will begin to become available from spring 2009 (based on some administrative data) to autumn 2009 (for the bulk of the survey data).

All we know to date from the evaluation is that intervention-group families are 'taking up' the programme to varying degrees. In the first year, families received an average of about \$3,000 in payments for meeting health, education and employment/training conditions. But payments varied greatly: 16 per cent earned less than \$1,000 and 15 per cent earned more than \$5,000. The key question will be: Does meeting the conditions and receiving CCTs lead to real, significant, short-term poverty reduction and to real significant improvements in the human capital of children (better health, increases in academic achievement) and their parents (improved health and improved employment/training)?

A word of caution

CCTs have generated a wide variety of political reactions. They have strong opponents, both in Latin America and now internationally (including in New York City), on both ends of the political spectrum. Critics on the right decry them as 'too generous' and 'welfare by another name'. Critics on the left accuse them of 'bribes for the poor', 'blaming the victims' and being 'paternalistic' in the extreme. But a large number of supporters in the middle of the spectrum claim they reduce the large and unfair opportunity costs poor families face when investing in their children's health

and education. So the early results of ONYC will be examined closely by friend and foe alike.

My own view is that the essential ideas underlying CCTs may be good, but its first incarnation may be imperfect enough to yield weak or no results. Why? Well, New York was building the aeroplane as it was flying it. Due to the political imperative of getting the initiative off the ground in time for some short-term results to be ready before Bloomberg left office after his second term, the process of preliminary research to inform the design and of piloting the intervention before it was evaluated was short-circuited. Some of the architects admit privately that ONYC is too complicated, the conditionalities and incentive payments were guesstimated, and the initiative was inexpertly marketed to poor communities and framed to poor families. Others note that where CCTs have worked in the South, they were implemented and evaluated as a community-saturated strategy (like in Progreso, Mexico). Entire villages were randomised into the experimental or control groups (rather than randomising individual families within the same poor communities into ONYC or the control group).

There are advantages *and* disadvantages to individual versus place-randomised trials of social experiments. What is important to note here is that the policies being tested in the two examples are actually different. One focuses on individual families and does not expect to benefit from peer or contagion effects. The other focuses on communities and therefore could be expected to change community norms and family social capital as well. These shortcomings were NOT the results of stupidity or carelessness: they were the product of rushing to design and mount the effort in real political time and facing real logistical and financial constraints.

For these reasons, my own hope is that policymakers, politicians, researchers, advocates and the press will all treat the results as those of a first pilot test. Perhaps the first year results will yield modest positive effects. It is more likely that significant posi-

tive effects will not begin to emerge until the second or third years, if at all. Recognising that this is the Northern Hemisphere's first effort to adapt a strategy developed over 15 years in the Southern Hemisphere should serve to moderate expectations, including joy (if the results are positive) and disappointment (if the results are nil). Instead of abandoning CCTs, if the results of the New York City experiment are not positive, other jurisdictions, the US and other countries in the North should learn from the results, redesign, re-test. Will they? That depends

The prospects for wider application in the United States

Prospects for the wider dissemination in the US of Conditional Cash Transfers like Opportunity NYC will hinge in part on the short-term (one to two year) results of the 'experiment'. It almost goes without saying that clear, positive results in short-term poverty reduction, and/or intermediate term improvements in health, education or employment outcomes will give the policy a real boost. But positive results will be no guarantee of policy take-up. The future history of CCTs in the US and other countries in the global North will undoubtedly be more complicated than that.

Even if CCTs are an empirical success, they could be scrapped for primarily political philosophical (read 'ideological') reasons. Many antipoverty advocates would rather see increases in other antipoverty strategies: Earned Income Tax Credit or revisions in the Unemployment Insurance system or increases in childcare funding, for instance. Alternatively, if the efforts of the Center for American Progress (see Podesta 2007) to galvanise a Cut Poverty in 'Half in Ten' Years campaign becomes a real focus of the Obama administration, CCTs may be considered one of the new tools in the national tool chest that could be used to reduce poverty and stimulate poor parents' investments in their own and their children's human capital. Elsewhere, I have argued

that CCTs may prove especially effective if targeted to the poorest communities in the US and to poor parents of the youngest children in the US (Aber 2008). The history of CCTs in the global South strongly suggests that clear and effective targeting on the poorest families and communities is critical to the success of the CCT initiative (Fizbein, Schady et al 2009).

It is still too early in the Obama administration to know how other factors will unfold that will influence the potential take-up of CCTs in the US. Will Obama appoint a 'Poverty Czar' to coordinate antipoverty policy across the multiple federal departments? Will the new Secretary of Health and Human Services (Kathleen Sebelius, former Governor of Kansas) have time for anything other than health care reform and so be able to focus on welfare policy? How will Obama's declared search for true bipartisan cooperation on the key issues facing the nation play out? (CCTs are well suited to help liberalise Republican views and moderate some Democratic views of antipoverty policy.) Less visibly, but quite importantly, will the research community step up to begin to fill the enormous knowledge gap in our scientific understanding of how financial incentives work to modify complex human behaviours, especially in health, education and workforce behaviours?

Perhaps most importantly, will government at all levels (federal, state, local) step up to improve the access to and quality of those supply-side services (health, education, employment/training) that a demand-side strategy like CCTs is designed to motivate poor families to take up at higher rates? One premise behind the CCT theory of change is that higher rates of engagement in health and education services will enhance the human capital of poor children (and their parents, if they too are included as targets of incentives). But that completely depends on the quality of the supply-side services.

In Mexico, CCTs have improved school attendance among older children who would otherwise begin to drop out. But it

has not improved academic achievement, probably because the schools are of insufficient quality. So in the end, if at some point in the future the Obama administration (or more modestly, the administration of particular Mayors or Governors with strong local or state antipoverty agendas) were to implement CCTs at scale, their success in enhancing human capital development will likely depend on the education and health care reforms that Obama made a central focus of his campaign and continues to pursue with vigour in the first months of his administration.

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