

# **Explaining the Minnesota Family Investment Program's Impacts by Housing Status**

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## INTRODUCTION

After its first 18 months, the Minnesota Family Investment Program (MFIP) produced substantial effects on the employment and earnings of single-parent, long-term recipients in urban areas (Miller, et al. 1997). Subsequent analyses revealed that the program had notably different effects on recipients who were in public or subsidized housing at program entry compared with those who were not. Specifically, MFIP's impacts on employment and earnings were larger for the former group. This paper presents MFIP's 18-month impacts by housing status and examines several possible reasons for the pattern of impacts.

The results indicate that public and subsidized housing does provide benefits, such as residential stability, that may encourage employment, but that these benefits are unlikely to account for the pattern of MFIP's impacts. The weight of the evidence, although indirect, suggests that another aspect of public and subsidized housing may be important. The work disincentive created by the rent rule may have led to a situation in which many residents in public and subsidized housing were especially responsive to MFIP's employment incentives. The evidence on this issue is only suggestive, however, highlighting the need for further research on the interaction between public housing and welfare reform.

## MFIP'S IMPACTS

Tables 1 and 2 present MFIP's impacts on employment, earnings, and welfare receipt for single-parent, long-term recipients in urban areas. These data were presented in the 1997 interim report. Recall that the impact of the program is measured as the difference in outcomes between the research groups. The full MFIP program produced fairly substantial increases in employment and earnings (shown in column 4 of [Table 1](#)). MFIP's financial incentives alone (column 6) also increased employment rates somewhat but not earnings. MFIP also increased welfare receipt ([Table 2](#)). In the last quarter of follow-up, for example, 80.6 percent of the MFIP group received welfare, compared with 76.9 percent of the AFDC group.

Tables 3 through 6 present impacts for this sample estimated separately by housing status at random assignment. Recipients who reported at program entry that they were living in "public" or "subsidized" housing are referred to as the assisted housing group, and all other recipients are referred to as the unassisted housing group.<sup>1</sup> Using these responses, 40 percent of the recipients are in assisted housing and 60 percent are not. In addition, the majority of recipients in assisted housing (80 percent) reported that they were in subsidized housing, most likely meaning that they were receiving Section 8 vouchers, rather than living in a public housing project.

[Tables 3](#) and [4](#) present employment and earnings impacts for the two groups. Comparing the impacts of the full program (columns 4) shows that MFIP's effects on employment and earnings were substantially larger for those in assisted housing. In quarter 7, for example, employment rates for those in unassisted housing were 47.1 percent for the MFIP group and 38.5 percent for the AFDC group, for an impact of 8.7 percentage points ([Table 4](#)). In contrast, for

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<sup>1</sup> The question on the Background Information Form read "What is your current housing status," and possible responses were "Public Housing," "Subsidized Housing," "Emergency/Temporary Shelter," and "None of the Above." Among those not in assisted housing, 95 percent reported "None of the Above."

those in assisted housing, 36.1 percent of the recipients in the AFDC group were employed, compared with 60.1 percent of the MFIP group, for an impact of 23.9 percentage points (Table 3). The earnings impacts also differ. MFIP's impact on earnings in the last quarter is a statistically significant \$453 for those in assisted housing (\$1,363 for the MFIP group versus \$910 for the AFDC group), compared with a statistically insignificant \$87 for those in the unassisted housing (\$910 for the MFIP group versus \$823 for the AFDC group). Most of the quarterly differences in impacts between the two housing groups and both of the differences for the summary measures (covering quarters 2 through 7) are statistically significant.

The differences in the effects of the full program appear to be driven by two factors - the employment impacts of financial incentives alone and the earnings impacts of adding mandatory services to the incentives. First, comparing column 6 in both tables shows that MFIP's financial incentives alone have virtually no effect on the employment rates of the unassisted group but large effects for the assisted group. Among those in assisted housing, for example, employment rates in quarter 5 were 47.1 percent for the MFIP Incentives Only group, compared with 30.9 percent for the AFDC group, for an impact of 16.2 percentage points (Table 3). The corresponding impact for the unassisted group is a statistically insignificant 2.2 percentage points. Second, comparing column 8 in both tables shows that the earnings impacts of adding mandatory services to the incentives are very different for the two groups. Over the entire follow-up period, for example, the impact on average earnings of adding services to incentives was an insignificant \$387 for the unassisted group and a significant \$1,507 for the assisted group.<sup>2</sup>

Tables 5 and 6 present impacts on welfare receipt. In contrast to the effects on employment, MFIP's effects on welfare receipt are fairly similar for the two groups. The most notable difference between the two groups is the higher rates of welfare receipt for those in assisted housing, among both the MFIP and AFDC groups. For example, among those in unassisted housing (Table 6), 73.7 percent of the AFDC group received welfare in quarter 7. For those in assisted housing, 81.6 percent of the AFDC group received welfare in quarter 7.

Since the employment and earnings impacts were larger for those in assisted housing, one might have expected that the increases in welfare receipt would be smaller for this group. Two factors may account for why they are not. First, as illustrated in the 1997 interim report, the difference in benefit levels between MFIP and AFDC occurs only if the recipient works, so more of the assisted group would be eligible for MFIP's higher benefits because more of them went to work. Related to this, MFIP's incentives are relatively greater for part-time work. The fact that MFIP's incentives alone increased employment rates for the assisted group but had no significant effect on earnings (see Table 3) suggests that many of those who went to work were working part-time, a level at which their MFIP benefits were still fairly large. Second, although MFIP produced a bigger impact on average earnings during the follow-up period for the assisted group (\$2,041) compared with the unassisted group (\$429), this amounts to a difference of less than \$100 only monthly basis. Thus, the difference in impacts on welfare dollar amounts would not be very large.

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<sup>2</sup> Impacts were estimated separately for public versus subsidized housing recipients. The pattern of results was similar for both groups, although fewer of the impacts were statistically significant for those in public housing, owing to small sample sizes.

Based on conversations with officials in Minnesota and findings from research on assisted housing, this paper examines several possible explanations for the differences between groups in the program's impacts on employment and earnings. First, recipients in assisted housing may differ in many ways from those not in assisted housing, and the ways in which they differ may be related to their ability to respond to MFIP by getting and keeping a job. For example, the process of applying for and obtaining housing benefits may require a certain degree of motivation and persistence. Second, assisted housing may provide benefits to recipients that aid in their ability to hold a job, such as residential stability and the ability to weather changes in income due to temporary job loss. Third, those in assisted housing, specifically those receiving vouchers, may live in areas closer to jobs, increasing their ability to take advantage of MFIP's incentives and services. Finally, the rent rules for assisted housing alter residents' incentives to work, which may have implications for the effects of MFIP's incentives.

One possible explanation to note up front is that employment rates are lower for the control group in assisted housing, compared with the control group not in assisted housing. In quarter 5, for example, 30.9 percent of the assisted group worked (Table 3), compared with 35.9 percent of the unassisted group (Table 4). In this case, MFIP might produce bigger impacts for the assisted group not because of a difference in the effect of the program per se, but because the control group had lower employment rates, making gains easier to achieve. However, this factor probably explains only a small part of the impact difference, since employment rates for the MFIP groups in assisted housing are higher at the end of follow-up than those for the MFIP groups not in assisted housing.

Finally, it is worth noting that at least one other program has been found to have varying effects by housing status. As part of the national JOBS evaluation, preliminary estimates indicate that the program's impacts at the Atlanta, Georgia site on employment and earnings were larger for recipients living in public housing, compared with those not living in public housing (Riccio 1998). Research is currently being conducted to examine possible explanations for this difference.

## **ANALYSIS**

The Department of Housing and Urban Development (HUD) provides rental assistance to nearly five million low-income families. Assistance is typically provided either in the form of residence in a government owned public housing development or in the form of (Section 8) vouchers or certificates, which residents use to subsidize rent on housing in the private market. Over time, the percentage of those receiving assistance through residence in a public housing project has fallen, and they now represent less than a third of the assisted caseload (Kingsley 1998). Like welfare, eligibility for assisted housing is income-based. Unlike welfare, however, not all households who apply receive subsidies. Most local housing authorities have waiting lists, and the wait can range from months to years.

The benefit provided by assisted housing derives from the fact that a tenant's rent payment is based on her income: typically, rent plus utility payments are not to exceed 30 percent of the household's income, where income includes earnings and welfare payments. In subsidized housing, the tenant pays 30 percent of her income, and the voucher covers the rest of the rent up

to a fair market value determined by the local housing authority. In public housing, the government owns the unit and collects the tenant's portion of the rent.

It is important to note that the MFIP housing subgroups are defined using self-reported housing status. Shroder and Martin (1996) use HUD administrative data to test the accuracy of responses on the American Housing Survey and find that many families misreport their housing status. For example, they find that 11 percent of respondents who are in assisted housing do not report themselves as such, and 20 percent of those who report they are in assisted housing are not.

The potential for misreporting should be kept in mind when interpreting the results, although it is not likely to be a serious problem for our sample. First, our sample consists of long-term welfare recipients, who arguably are more aware than non-welfare families of the different housing programs and the distinctions between them. In informal interviews with several housing staff in Minnesota, most felt that recipients would accurately report their housing status. Second, the differences in impacts for the two groups suggest that they represent two distinct groups. If a substantial number of recipients were responding incorrectly, this would attenuate the differences in impacts.

### ***Characteristics***

The first hypothesis does not stem from research on housing, but from general research on the employment effects of any type of program, such as AFDC, that is voluntary. For almost any program in which individuals choose whether to apply or participate, there are likely to be important differences in the types of people who enroll compared with those who do not. This may be especially true for assisted housing. Applying for a housing voucher and finding a landlord willing to accept it may require a certain degree of motivation and persistence that does not exist among recipients in private housing. The participation decision is also made, to some extent, by program administrators and landlords, since they often screen applicants for their desirability as stable tenants. Thus, if members of the assisted group are more motivated or job-ready than the unassisted group, then these differences, both observable and unobservable, may account for MFIP's differential effects.

Table 7 presents demographic characteristics of the two groups when they entered the program. A smaller percentage of the assisted group lives in Hennepin County (73.7 percent versus 84.0 percent). Recipients in assisted housing are somewhat older than those in private housing, fewer are black, and fewer have never been married. In addition, those in assisted housing have older children; 31.7 percent of the assisted group had children under age 3 when they entered the program, compared with 39.4 percent of the unassisted group. Being somewhat older and having older children are both factors that may make the assisted group more able to work, or more employable. Another factor in their favor is education. A higher fraction of those in assisted housing have at least a high school degree or GED, 71.7 percent of the assisted group, compared with 62.9 percent of the unassisted group.

There are not big differences in recent employment history between the two groups, as

shown in the rows entitled “Labor Force Status,” with the exception of average hours worked.<sup>3</sup> Among those working when they entered the program, 46.5 percent of those in assisted housing were working fewer than 20 hours per week, compared with 34.9 percent of the unassisted group. Those in assisted housing are also more likely to have been currently enrolled, or enrolled in the previous year, in education and training activities. For example, 28.1 percent of the assisted group was enrolled in education or training at random assignment, compared with 17.8 percent of the unassisted group. This difference in enrollment is due primarily to the assisted group’s higher participation in post-secondary education. Finally, the assisted housing group had been receiving welfare for a longer period of time when they entered the program; 59 percent of the assisted group had received welfare for five or more years, compared with 50 percent of the unassisted group.

In addition to demographic characteristics, respondents also filled out a Private Opinion Survey when they entered the program, providing information on their attitudes and opinions about welfare and work. [Table 8](#) presents selected responses for the two groups.<sup>4</sup> The first section of the table presents reasons provided for not working either part- or full-time. Recipients in assisted housing are less likely to cite “no way to get there every day” and more likely to cite “too much to do during the day” as reasons for not working part-time. They are also more likely to cite “too many family problems” as a reason for not working full-time.

In terms of employment expectations, those in assisted housing seem to be less likely to take a job offered under different circumstances. As shown under “Client-reported employment expectations,” fewer of the assisted group agreed that they would take a job that offered somewhat higher income than welfare but consisted of work they did not like or required occasional work at night. For example, only 38.5 percent of recipients in the assisted group would take the job if it involved work they did not like, compared with 49.4 percent of those in the unassisted group. In addition, those in assisted housing have somewhat higher reservation wages (the minimum wage at which they would take a job). Finally, fewer of those in assisted housing expected to be working and more expected to still be receiving welfare one year after entering the program.

The data show that the assisted group is somewhat older, somewhat more educated, and has older children than the unassisted group. Although these factors would seem to suggest that they are more employable, there is no notable difference in employment, with the exception of more part-time work among those employed. In fact, the assisted group seems to be somewhat less work oriented, expressing less of a preference for work and higher reservation wages. This apparently inconsistent pattern of differences is discussed in a later section. Here we consider whether any of the observed differences can account for MFIP’s different impacts. If those in the assisted group are more employable, for example, they may be more able to respond to MFIP by going to work.

As indicated in the interim report, all impacts are regression-adjusted to control for

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<sup>3</sup> Data on prior employment and earnings from the Unemployment Insurance administrative records also showed little difference in prior employment.

<sup>4</sup> Due to nonresponse, the sample sizes for the Private Opinion Survey are smaller than for the demographic data. The extent of nonresponse does not differ between the two housing groups.

random differences in background characteristics between the MFIP and AFDC groups. For our purposes, testing for the effects of differences in characteristics between the two housing groups requires augmenting the regression adjustment equation. Specifically, the procedure involves adding interaction variables to the model to account for the possibility that the program affected subgroups differently. For example, if the bigger impacts for the assisted housing group derive from the fact that they are somewhat more educated, coupled with the fact that the program had bigger impacts for more educated recipients, then once we account for this possibility there should be no differences by assisted housing status. The regression model was expanded to include interactions with each of the variables for which there were notable differences between the groups: county of residence, race, age, education, the presence of children under age 3, marital status, and prior welfare receipt.

Table 9 presents the results. The first column of the table shows the *difference* in the impacts of the full program for the assisted and unassisted groups. In other words, if MFIP's impact on the percent employed in a given quarter is 5 percentage points for the unassisted group and 12 percentage points for the assisted group, then the difference in impacts between the groups is 7 percentage points. The first column shows that the impacts are consistently larger for the assisted group. In quarter 3, for example, MFIP's impact on the percent employed was 11.7 percentage points bigger for the assisted group, and this difference is statistically significant. The second column shows how this difference changes when we control for the above-mentioned characteristics. Reading across the rows shows that controlling for differences in characteristics between the two groups does not change the basic story. For example, the difference in impacts on the percent employed during quarters 2 through 7 changes from 12.8 percentage points to 11.7 percentage points.<sup>5</sup> The results were similar when we also controlled for two differences from the Private Opinion Survey measuring attitudes towards employment (not reported).

The results suggest that the different impacts are not due the fact that recipients in assisted housing differ from their unassisted counterparts. This conclusion must be qualified, however, given that we are not able to control for differences in “unobservable” characteristics, which are probably important. In fact, nonexperimental research on the effects of program participation generally finds that characteristics observable to the analyst do not capture all of the differences between those who chose to participate and those who did not.

## **Stability**

Assisted housing also provides benefits that may affect a recipient's efforts to find and keep a job. For example, since rent is tied to income, those in assisted housing are less likely to face the threat of eviction if they suffer an unexpected job or income loss. In addition, in an effort to attract landlords to the program, many voucher programs require that recipients sign long-term leases. Although there is no empirical evidence on this issue, it seems reasonable that residential stability would encourage employment stability. Assisted housing may also offer stability in a broader sense, allowing residents to weather unexpected changes in income.

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<sup>5</sup> Similar results were obtained for the effects of the financial incentives alone and of adding mandatory services to the incentives. The differences reported in table 9 differ slightly from the differences obtained from tables 3 and 4, because the latter were estimated using split samples, and the former were estimated using a combined sample.

Although it is difficult to measure general life stability, [Table 10](#) presents data on residential stability. The first few rows present the number of times recipients reported moving during the two years prior to program entry. The differences by housing status are striking. One quarter of recipients in the unassisted group moved three or more times during the two-year period, compared with 8 percent of the assisted group. Recall that housing status is defined as of the baseline survey, and we have no information on how long recipients had been in assisted housing prior to random assignment. Thus, the differences in stability may not be entirely due to assisted housing.<sup>6</sup>

Information on mobility after random assignment is also available from the 12- and 36-month surveys. These data are shown for the control groups only, in order to present the effects of assisted housing that are separate from any effects MFIP might have on mobility. As shown in the table, the post-program differences correspond with the pre-program differences. Fewer of those in assisted housing at random assignment moved during the subsequent year. In addition, the movers seem to have moved for different reasons. For the assisted group, a slight majority (52.9 percent) of the movers gave “got improved housing” as the reason for moving, compared with 34.1 percent of the unassisted group. There were no notable differences in the percent of both groups that cited eviction as the reason.

Data from the 36-month survey also show differences in mobility, although not as dramatic. The 36-month survey was administered to a subset of the full evaluation sample. More information about the survey sample will be presented in the final report.<sup>7</sup> For both groups, mobility after three years is fairly high; 63.2 percent of the assisted group reported moving, compared with 76.7 percent of the unassisted group. It is important to note, however, that only 67 percent of those who reported living in assisted housing at random assignment were still living there three years later.

Accounting for differences in mobility is similar to the method used to account for differences in characteristics — including these variables in the regression-adjustment equation. Mobility prior to random assignment was included in the model for [Table 9](#). As the table showed, the differences in impacts between the assisted and unassisted groups remained after accounting for background characteristics and mobility, indicating that prior mobility does not explain the pattern of impacts.

Accounting for post-random assignment mobility is more difficult, because MFIP itself may have affected it. If MFIP affects mobility, and if mobility is associated with post-random assignment employment and earnings, then including mobility in the regression-adjustment model will give misleading, or biased, estimates of the effect of MFIP, for both housing groups. Separate analyses revealed that both of these conditions hold. MFIP increased mobility somewhat, and higher earnings during the follow-up period was associated with an increased probability of moving. Thus, it is not possible to test whether mobility after random assignment

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<sup>6</sup> Of course, it is also possible that more stable individuals apply for and get assisted housing, so that lower mobility is not due to assisted housing per se.

<sup>7</sup> All analyses using the 36-month sample use appropriate weighting procedures to adjust for the oversampling of families eligible for the child outcomes section of the survey, i.e., those with at least one child whose age falls within a certain range.



accounts for MFIP's differential effects by housing status.

### ***Other Potential Benefits from Assisted Housing***

Because vouchers allow tenants to rent units that they might not afford otherwise, housing and neighborhood quality may differ for those in assisted housing. If recipients in assisted housing have a higher standard of living, they may be more able to make the transition to work in response to MFIP's incentives and services. Much of the research on housing quality looks at differences between public housing and voucher housing among low-income families, rather than the difference between assisted and unassisted housing among welfare recipients. Nonetheless, it is informative. Newman and Schnare (1993) find that families in public housing, compared with families receiving vouchers, were more likely to live in central city areas and in areas with lower neighborhood quality (as rated by the families). In addition, the quality of the housing itself was higher for the voucher families. A recent study focused specifically on public housing. Currie and Yelowitz (1997) find that families in public housing projects suffer from less overcrowding than otherwise similar families who are not in public housing and that their children are less likely to have repeated a grade. Thus, public housing allows families to occupy higher quality units they would be likely to afford on the private market.

Table 11 presents data on potential benefits from assisted housing as measured from the 36-month survey. To focus on the potential effects of housing per se, housing status is defined as of the three-year mark, rather than at random assignment. Recipients who were in assisted housing at the time of the survey had considerably lower monthly housing costs than their unassisted counterparts (\$210 versus \$517). Also, the assisted group appears to be materially better off, according to some survey measures, although worse off according to others. For example, 22.8 percent of the assisted group reported that they missed a rent payment within the last 12 months, compared with 35.4 percent of the unassisted group. In contrast, 55.2 percent of the assisted group reported that they often do not have enough money to make ends meet at the end of the month, compared with 45.9 percent of the unassisted group.<sup>8</sup> Finally, contrary to findings from other research, those in assisted housing rate their neighborhoods as lower quality than do those in unassisted housing; 33.3 percent of the assisted group rated their neighborhoods as excellent or very good, compared with 39.5 percent of the unassisted group.

Thus, although the pattern is not consistent, assisted housing appears to provide some benefits that may be conducive to employment. As with mobility during the follow-up period, however, we are not able to test whether these differences account for the program's pattern of impacts, since they are correlated with both the program and with employment and earnings outcomes.

### ***Location***

Related to the ability to rent higher quality housing, assisted housing may provide the ability to move to suburban areas or areas with more job opportunities. It is well known that employment opportunities for less-skilled workers in inner city areas have deteriorated over the

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<sup>8</sup> These contradictory findings indicate that these two questions may not be measuring the same factor, or that housing status affects perceptions of well-being.

past two decades as employers have moved to the suburbs. Results from a recent housing experiment suggest that the ability to move to the suburbs has positive effects on families. Rosenbaum (1995) presents findings from the Gautreaux experiment in Chicago, in which families living in public housing projects were given vouchers. One group was allowed to use the vouchers to move to suburban areas and the other could use them to move to other areas within the city. Parents who moved to the suburbs, compared with those who moved elsewhere in the city, had higher employment rates, and their children had better schooling outcomes.

We are able to examine the effects of location using address information collected for the 36-month survey indicating where recipients lived at random assignment. [Figure 1](#) presents a mapping for the three urban counties of the residential location of recipients by housing status. [Figure 2](#) presents this mapping in more detail for Hennepin County. The boundaries delineated within each county represent census tracts.<sup>9</sup> Neither figure suggests that there are large differences in location between the groups.

To test the effects of location, we match tract-level data from the 1990 Census to the census tract in which the recipient lives in order to determine the percent of families in poverty and percent of adults employed in the tract. If recipients in assisted housing live in areas closer to jobs or areas that provide better access to jobs, for example, through better transportation, this should be reflected in lower poverty rates and higher employment rates in their immediate neighborhoods. These two factors are accounted for by including them in the regression adjustment equation, in the same manner in which we accounted for mobility and demographic characteristics. If MFIP's effects are bigger for the assisted housing group because they live in areas with better access to jobs and can more easily respond to MFIP by working, then the assisted-unassisted differential should diminish once these tract-level characteristics are accounted for.

The results (not shown) indicate that these factors do not explain the differential impacts by housing status. As with the results shown in Table 9, the impact difference remains after the adjustment. It is worth mentioning, however, that recipients were more likely to have worked during follow-up if more of their neighbors were working and that MFIP's effects on recipients' employment were larger in areas with higher overall employment rates. Thus, although location does not explain the pattern of impacts by housing status, it is important.<sup>10</sup>

### **Work Incentives**

The final hypothesis relates to the work disincentive created by assisted housing and how it may affect recipients' responsiveness to MFIP's incentives. Although there has not been much empirical research on the effects of housing assistance on labor supply, a recent paper by Gary Painter (1997) finds that it does reduce labor force participation rates among low-income single mothers. He estimates, using nationally representative data, that adding housing benefits to the entire welfare package (AFDC, Food Stamps and Medicaid) reduces labor force participation by

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<sup>9</sup> A census tract is a small subdivision of a county created to include several thousand people.

<sup>10</sup> As with mobility, however, it is important to consider that more employable individuals may choose to live in higher employment/lower poverty areas, in which case the bigger impacts of the program in higher employment areas are not due to location per se, but to differences across individuals.

an additional 34 percent over the effect of the welfare package alone.

Two aspects of assisted housing create a disincentive to work. First, rent increases as earnings increase, so the payoff to work is less for those in assisted housing. Second, the housing subsidy, or the difference between the fair market rent and what the tenant actually pays, alters the incentive to work because the tenant has more income after rent payments than she would if she were renting a comparable unit on the private market. This “income effect” reduces the incentive to work because the recipient of the subsidy can work less and still maintain the same standard of living. [Figure 3](#) illustrates by showing monthly net income available to a single mother with two children at different hours of work per week. Net income is the sum of earnings, AFDC and Food Stamps benefits, income from federal and state earned income tax credits, less rent payments and federal and state taxes. In the first case (left panel), she does not live in assisted housing and is assumed to pay \$500 per month in rent. In the second case (right panel), she lives in assisted housing and pays one third of her income in rent. The fact that net income is always higher for the recipient in assisted housing illustrates the potential for an income effect on work hours. For example, because of the subsidy, the recipient in assisted housing could work zero hours and have more net income (\$547) than if she were living in private housing (\$269). In addition, she would have higher net income working part-time and living in assisted housing (\$890) than working full-time while living in unassisted housing (\$841).

The work disincentives created by the rent rule are illustrated by the change in income that results from working more hours. For example, for a recipient in unassisted housing, the gain from moving from no work to part-time work is \$439 (\$708-\$269) and the gain from moving to full-time work is \$572 (\$841-\$269). In contrast, for a recipient in assisted housing the gains are smaller: \$343 for part-time work and \$397 for full-time work. Thus, the payoff to work is smaller for those in assisted housing: 22 percent smaller for part-time work and 30 percent smaller for full-time work.

The calculations shown in the figure do not account for two aspects of the housing program that may also affect work incentives. First, the net income figures are based on the assumption that rent is adjusted monthly in response to income changes, when it is actually adjusted yearly. In practice, then, since a resident could work for several months before her rent is increased to match her higher earnings, the work disincentives created by assisted housing may be less than [figure 3](#) would suggest. However, a second factor suggests that the disincentives might be greater than those shown in the figure. In most urban areas, there are lengthy waiting lists for assisted housing, and interviews with housing staff indicate that Minnesota is no different. Housing markets in the urban counties are very tight, and waiting lists range from six months to two years. The possibility of losing housing benefits and facing a lengthy waiting list may make some recipients reluctant to work.<sup>11</sup> Although federal law requires that residents be given a six-month grace period after losing benefits, during which they can be immediately reinstated if they lose their job, some residents may not be aware of this entitlement.

The second issue surrounding the incentives of housing is how they interact with MFIP's incentives. [Figure 4](#) shows monthly net income under MFIP and AFDC, illustrating that MFIP's

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<sup>11</sup> The probability of losing all benefits may be low, since it requires fairly high monthly income. At a fair market rent of \$666, for example, housing benefits become zero if the recipient's monthly income exceeds \$2,220.

incentives are smaller for recipients in assisted housing. For example, the extra income obtainable under MFIP, relative to AFDC, from moving to part-time work is \$112 (\$820-\$708) for those not in assisted housing, compared with \$77 (\$967-\$890) in assisted housing. The same pattern holds for moving to full-time work. MFIP's incentives are smaller for those in assisted housing because rent payments are based on earnings plus welfare benefits. Rent will therefore be somewhat higher for MFIP families since their benefit level is higher.

Assisted housing affects incentives to work in ways that are more complicated than shown in a simple graph. Nonetheless, it is probably safe to say that, on net, assisted housing reduces the incentive to work. This is consistent with Painter's empirical findings, mentioned earlier, and with interviews with some housing staff indicating that the common perception among recipients in assisted housing is that working is risky and does not pay.

The incentives created by housing are relevant for the following reason. Because of the work disincentive, at program entry we might expect the assisted housing group to contain a group of relatively employable recipients who are not working but would be had they not been in assisted housing. Recipients in this group might be especially sensitive to an incentive like MFIP and might be more able to take advantage of it by finding a job on their own. This is consistent with data shown earlier, where the group in assisted housing looked more employable at program entry, according to certain demographic characteristics, but did not have higher employment rates and expressed less of a preference for work. This might explain the larger employment effects of MFIP's incentives. Working in the opposite direction is the fact that MFIP's incentives, relative to AFDC, are smaller for recipients in assisted housing, suggesting that MFIP's effects should have been smaller for this group. This is an important point to keep in mind, but it does not explain the pattern of impacts. In addition, the difference in MFIP's incentives for the two groups (Figure 4) is considerably smaller than the difference in work incentives created by assisted housing itself (Figure 3), suggesting that the initial work disincentive effect of housing may be a more powerful determinant of how individuals respond to MFIP than the size of MFIP's incentives.

This hypothesis cannot be tested directly with the data used for the evaluation. As a rough test, however, we can examine the pattern of impacts for subgroups. The incentives hypothesis is that MFIP's impacts are bigger for the assisted group because it contains a group of employable recipients who are not working and who might be especially sensitive to MFIP's incentives. Thus, the difference in MFIP's impacts by housing status should be more pronounced for more employable recipients. Although it is difficult to define employability, one aspect of it is education level. [Table 12](#) presents the difference in impacts between the assisted and unassisted groups. The left column shows this difference for recipients without a high school diploma or GED, and the right column shows the difference for those with at least a diploma or GED. In general, the differences are bigger and more consistent for the more educated group.<sup>12</sup> For example, among those without a diploma, MFIP's impact on the percent employed in quarter 6 was 3.2 percentage points higher for the assisted group, compared with the unassisted group.

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<sup>12</sup> Note that this finding is not inconsistent with the fact that education level did not explain the pattern of impacts, as shown in the section on characteristics. That test asked whether MFIP affected more educated recipients differently and whether that explained why MFIP affected assisted housing recipients differently. The test in this section, on the other hand, asks whether the effects of MFIP for those in assisted housing, compared with those not in assisted housing, are different for the more educated.

Among those with a diploma, MFIP's impact was 15.3 percentage points higher for the assisted group. Thus, MFIP's impacts for the assisted housing group are larger for the more employable subgroup, which is consistent with the work incentives hypothesis. These results are only suggestive, however, since education level is just one aspect of employability.

## **DISCUSSION**

This paper has raised several hypotheses to explain MFIP's larger impacts for recipients in assisted housing. Some of them were testable with these data and some were not. While we could rule out differences in observable characteristics and residential location across the groups, what we could not test with these data are the effects of unobservable differences between the groups and the effects of the general sense of stability and other potential benefits provided by assisted housing. Each of these factors may play a role. However, if the assisted group overall was really more motivated or persistent than the unassisted group, or if housing provided stability that was conducive to employment, then those in assisted housing should have had higher employment rates prior to random assignment. Yet they did not.

One factor that could explain this pattern is the work disincentives of assisted housing. Theory suggests, and empirical research finds, that assisted housing creates a disincentive to work. In this case, assisted housing might consist of more persistent individuals or it might provide stability that encourages employment at the same time that it discourages work because of its rent rules. On net, then, employment rates would be no higher, and maybe even lower, for the assisted group, and the assisted group might be particularly likely to respond to MFIP's incentives and marketing.

The story behind the differences by housing status is most likely a complicated one, involving multiple factors acting in different ways. It remains possible that the effects of housing may not be due to the benefits of assisted housing, but to unobservable differences in the types of people across groups and to the fact that the work disincentive may have created a situation in which many in the assisted group were especially responsive to MFIP's employment incentives.

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**Table 1**  
**Impacts on Employment and Earnings for MFIP, MFIP Incentives Only, and AFDC Long-Term Recipients, in Urban Counties**

Outcome	Average Outcome Levels			MFIP vs. AFDC		MFIP Incentives Only vs. AFDC		MFIP vs. MFIP Incentives Only	
	MFIP (1)	MFIP Incentives Only (2)	AFDC (3)	Impacts of Financial Incentives, Mandatory Services, and Reinforced Incentive Messages (4)	Percentage Change (5)	Impacts of Financial Incentives Alone (6)	Percentage Change (7)	Added Impacts of Mandatory Services and Reinforced Incentive Messages (8)	Percentage Change (9)
Ever employed (%)									
Quarters 2-7	76.0	66.8	59.0	17.0 ***	28.8	7.8 ***	13.1	9.3 ***	13.9
Quarter 1	33.3	32.9	29.3	4.0 **	13.6	3.6 *	12.2	0.4	1.2
Quarter 2	41.4	39.0	31.8	9.6 ***	30.1	7.1 ***	22.4	2.5	6.3
Quarter 3	46.5	40.3	35.3	11.2 ***	31.7	5.0 **	14.2	6.2 **	15.3
Quarter 4	44.1	42.1	32.4	11.7 ***	36.1	9.7 ***	29.9	2.0	4.7
Quarter 5	49.5	41.6	34.5	15.0 ***	43.6	7.1 ***	20.6	7.9 ***	19.1
Quarter 6	53.5	42.4	36.1	17.4 ***	48.2	6.4 **	17.6	11.0 ***	26.0
Quarter 7	52.1	41.9	37.6	14.5 ***	38.7	4.3 *	11.4	10.2 ***	24.4
Average earnings (\$)									
Quarters 2-7	4,912	4,029	3,871	1,041 ***	26.9	158	4.1	882 ***	21.9
Quarter 1	342	375	329	13	3.9	46	13.9	-33	-8.7
Quarter 2	484	479	428	55	12.9	50	11.8	5	1.0
Quarter 3	657	592	554	103 *	18.6	38	6.8	65	11.0
Quarter 4	734	665	584	150 **	25.8	82	14.0	69	10.3
Quarter 5	916	731	681	235 ***	34.4	49	7.2	186 ***	25.4
Quarter 6	1,028	769	764	264 ***	34.6	4	0.6	260 ***	33.8
Quarter 7	1,093	794	859	233 ***	27.1	-65	-7.6	298 ***	37.6
Sample size (total = 2,044)	676	681	687						

(continued)

**Table 1 (continued)**

SOURCE: MDRC calculations using data from Minnesota Unemployment Insurance earnings records.

NOTES: The sample includes members randomly assigned from April 1, 1994 to December, 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

Dollar averages include zero values for members not employed.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as \*\*\*=1 percent; \*\*=5 percent; \*=10 percent.

Rounding may cause slight discrepancies in sums and differences



**Table 2**  
**Impacts on Welfare Receipt for MFIP, MFIP Incentives Only, and**  
**AFDC Long-Term Recipients, in Urban Counties**

Outcome	Average Outcome Levels			MFIP vs. AFDC		MFIP Incentives Only vs. AFDC		MFIP vs. MFIP Incentives Only	
	MFIP (1)	MFIP Incentives Only (2)	AFDC (3)	Impacts of Financial Incentives, Mandatory Services, and Reinforced Incentive Messages (4)	Percentage Change (5)	Impacts of Financial Incentives Alone (6)	Percentage Change (7)	Added Impacts of Mandatory Services and Reinforced Incentive Messages (8)	Percentage Change (9)
Ever received welfare (%)									
Quarters 2-7	98.2	97.6	97.5	0.7	0.8	0.1	0.1	0.6	0.7
Quarter 1	97.2	97.9	97.1	0.2	0.2	0.9	0.9	-0.7	-0.7
Quarter 2	96.6	97.1	96.5	0.1	0.1	0.6	0.6	-0.5	-0.5
Quarter 3	93.6	94.6	92.3	1.3	1.4	2.3 *	2.5	-1.0	-1.0
Quarter 4	90.3	91.1	88.5	1.8	2.0	2.6 *	2.9	-0.8	-0.9
Quarter 5	87.4	88.9	83.9	3.4 *	4.1	5.0 ***	5.9	-1.5	-1.7
Quarter 6	82.7	86.9	78.3	4.4 **	5.6	8.6 ***	11.0	-4.2 **	-4.8
Quarter 7	80.6	84.6	76.9	3.7 *	4.8	7.7 ***	10.0	-4.0 *	-4.7
Welfare payments (\$)									
Quarters 2-7	11,074	11,728	10,256	818 ***	8.0	1,472 ***	14.4	-654 ***	-5.6
Quarter 1	1,997	1,968	1,883	114 ***	6.0	85 ***	4.5	29	1.5
Quarter 2	2,152	2,159	1,951	201 ***	10.3	208 ***	10.7	-7	-0.3
Quarter 3	1,993	2,029	1,857	136 ***	7.3	172 ***	9.3	-36	-1.8
Quarter 4	1,864	1,965	1,753	111 ***	6.4	213 ***	12.1	-101 **	-5.2
Quarter 5	1,769	1,889	1,628	141 ***	8.7	261 ***	16.0	-120 **	-6.4
Quarter 6	1,691	1,859	1,553	138 ***	8.9	307 ***	19.8	-168 ***	-9.1
Quarter 7	1,605	1,827	1,516	90 *	5.9	311 ***	20.5	-222 ***	-12.1
Sample size (total = 2,044)	676	681	687						

(continued)

**Table 2 (continued)**

SOURCE: MDRC calculations using data from Minnesota public assistance benefit records.

NOTES: The sample includes members randomly assigned from April 1, 1994 to December 31, 1994, excluding the small percentage who were receiving or applying only for Food Stamps at random assignment.

Welfare receipt is defined as receipt of either Food Stamp coupons or cash benefits from AFDC, FGA, or MFIP. Average welfare payments are the sum of benefits from any of these sources in the follow-up quarter.

Dollar averages include zero values for members not receiving welfare.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as \*\*\*=1 percent; \*\*=5 percent; \*=10 percent.

Rounding may cause slight discrepancies in sums and differences.

**Table 3**  
**Impacts on Employment and Earnings for MFIP, MFIP Incentives Only**  
**and AFDC Long-Term Recipients in Public/Subsidized Housing in Urban Counties**

Outcome	Average Outcome Levels			MFIP vs. AFDC		MFIP Incentives Only vs. AFDC		MFIP vs. MFIP Incentives Only	
	MFIP	MFIP Incentives Only	AFDC	Impacts of Financial Incentives, Mandatory Services, and Reinforced Incentive Messages	Percentage Change	Impacts of Financial Incentives Alone	Percentage Change	Added Impacts of Mandatory Services and Reinforced Incentive Messages	Percentage Change
Ever employed (%)									
Quarters 2-7	79.5	68.7	53.2	26.3 ***	49.5	15.5 ***	29.2	10.8 ***	15.7
Quarter 1	35.2	31.1	27.9	7.3 **	26.3	3.3	11.7	4.1	13.0
Quarter 2	41.4	42.0	28.2	13.2 ***	46.6	13.8 ***	49.0	-0.7	-1.6
Quarter 3	48.5	42.9	29.6	18.9 ***	63.8	13.2 ***	44.6	5.7	13.3
Quarter 4	51.3	47.4	27.4	23.9 ***	87.5	20.1 ***	73.5	3.8	8.1
Quarter 5	57.8	47.1	30.9	26.9 ***	86.8	16.2 ***	52.3	10.7 ***	22.6
Quarter 6	60.1	47.5	33.9	26.2 ***	77.3	13.6 ***	40.3	12.5 ***	26.4
Quarter 7	60.1	46.8	36.1	23.9 ***	66.3	10.6 ***	29.5	13.3 ***	28.4
Average earnings (\$)									
Quarters 2-7	5,965	4,457	3,924	2,041 ***	52.0	534	13.6	1,507 ***	33.8
Quarter 1	378	355	310	68	21.9	45	14.6	23	6.4
Quarter 2	512	490	443	69	15.6	46	10.5	23	4.6
Quarter 3	765	631	552	213 **	38.5	79	14.3	134	21.2
Quarter 4	900	773	562	338 ***	60.2	211 **	37.6	127	16.4
Quarter 5	1,140	858	689	451 ***	65.4	169	24.5	282 **	32.9
Quarter 6	1,285	843	767	518 ***	67.5	75	9.8	442 ***	52.5
Quarter 7	1,363	864	910	453 ***	49.8	-46	-5.1	499 ***	57.8
Sample size (total = 820)	261	285	274						

SOURCE: MDRC calculations using data from Minnesota Unemployment Insurance earnings records.

NOTES: The sample includes members randomly assigned between April and December 1994, excluding the small percentage who were receiving or applying for Food Stamps only at random assignment.

Dollar averages include zero values for members not employed.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as \*\*\*=1 percent; \*\*=5 percent; \*=10 percent.

**Table 4**  
**Impacts on Employment and Earnings for MFIP, MFIP Incentives Only**  
**and AFDC Long-Term Recipients Not in Public/Subsidized Housing in Urban Counties**

Outcome	Average Outcome Levels			MFIP vs. AFDC		MFIP Incentives Only vs. AFDC		MFIP vs. MFIP Incentives Only	
	MFIP	MFIP Incentives Only	AFDC	Impacts of Financial Incentives, Mandatory Services, and Reinforced Incentive Messages	Percentage Change	Impacts of Financial Incentives Alone	Percentage Change	Added Impacts of Mandatory Services and Reinforced Incentive Messages	Percentage Change
Ever employed (%)									
Quarters 2-7	74.1	65.7	62.3	11.8 ***	18.9	3.3	5.3	8.5 ***	12.9
Quarter 1	32.2	34.0	30.2	2.0	6.6	3.8	12.5	-1.8	-5.2
Quarter 2	41.2	37.1	34.1	7.1 **	20.8	3.0	8.7	4.1	11.1
Quarter 3	45.3	39.0	38.7	6.6 **	17.2	0.3	0.8	6.3 **	16.3
Quarter 4	40.0	38.7	34.7	5.3 *	15.3	4.0	11.5	1.3	3.4
Quarter 5	44.7	38.1	35.9	8.8 ***	24.5	2.2	6.2	6.6 **	17.2
Quarter 6	49.3	39.1	37.2	12.0 ***	32.4	1.8	5.0	10.2 ***	26.1
Quarter 7	47.1	38.5	38.5	8.7 ***	22.5	0.0	0.1	8.6 **	22.4
Average earnings (\$)									
Quarters 2-7	4,209	3,822	3,780	429	11.3	42	1.1	387	10.1
Quarter 1	320	388	343	-23	-6.7	45	13.3	-68 *	-17.6
Quarter 2	459	477	420	39	9.3	57	13.7	-18	-3.8
Quarter 3	589	571	547	42	7.7	24	4.4	18	3.1
Quarter 4	628	612	577	50	8.7	35	6.1	15	2.5
Quarter 5	773	655	663	109	16.5	-8	-1.2	118	18.0
Quarter 6	850	746	749	101	13.4	-3	-0.4	104	13.9
Quarter 7	910	760	823	87	10.5	-63	-7.7	150	19.7
Sample size (total = 1,224)	415	396	413						

SOURCE: MDRC calculations using data from Minnesota Unemployment Insurance earnings records.

NOTES: The sample includes members randomly assigned between April and December 1994, excluding the small percentage who were receiving or applying for Food Stamps only at random assignment.

Dollar averages include zero values for members not employed.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as \*\*\*=1 percent; \*\*=5 percent; \*=10 percent.

**Table 5**  
**Impacts on Welfare for MFIP, MFIP Incentives Only, and**  
**AFDC Long-Term Recipients in Public/Subsidized Housing in Urban Counties**

Outcome	Average Outcome Levels			MFIP vs. AFDC		MFIP Incentives Only vs. AFDC		MFIP vs. MFIP Incentives Only	
	MFIP	MFIP Incentives Only	AFDC	Impacts of Financial Incentives, Mandatory Services, and Reinforced Incentive Messages	Percentage Change	Impacts of Financial Incentives Alone	Percentage Change	Added Impacts of Mandatory Services and Reinforced Incentive Messages	Percentage Change
Ever received welfare (%)									
Quarters 2-7	99.8	98.7	97.8	2.0 **	2.0	0.9	0.9	1.1	1.1
Received welfare (%)									
Quarter 1	98.7	99.4	98.6	0.1	0.1	0.8	0.8	-0.7	-0.7
Quarter 2	99.1	98.4	97.1	2.0 *	2.1	1.3	1.3	0.7	0.7
Quarter 3	96.6	96.3	93.5	3.1 *	3.3	2.8	3.0	0.3	0.3
Quarter 4	94.6	94.5	91.8	2.8	3.1	2.7	2.9	0.1	0.1
Quarter 5	92.3	93.6	86.6	5.7 **	6.5	6.9 ***	8.0	-1.3	-1.4
Quarter 6	87.3	91.0	83.5	3.8	4.6	7.6 ***	9.0	-3.8	-4.1
Quarter 7	84.8	88.8	81.6	3.1	3.8	7.2 **	8.8	-4.0	-4.5
Welfare amount (\$)									
Quarters 2-7	11,402	12,072	10,563	839 ***	7.9	1,509 ***	14.3	-670 **	-5.6
Quarter 1	2,115	2,096	2,034	81 ***	4.0	62 ***	3.1	18	0.9
Quarter 2	2,179	2,172	1,957	222 ***	11.3	214 ***	11.0	7	0.3
Quarter 3	2,054	2,076	1,873	181 ***	9.7	203 ***	10.8	-21	-1.0
Quarter 4	1,933	2,049	1,816	117 *	6.4	233 ***	12.8	-116 *	-5.7
Quarter 5	1,851	1,963	1,703	148 **	8.7	260 ***	15.3	-112 *	-5.7
Quarter 6	1,733	1,922	1,637	96	5.9	285 ***	17.4	-189 **	-9.9
Quarter 7	1,652	1,890	1,576	75	4.8	314 ***	19.9	-238 ***	-12.6
Sample size (total = 820)	261	285	274						

SOURCE: MDRC calculations using data from Minnesota public assistance benefit records.

NOTES: The sample includes members randomly assigned between April and December 1994, excluding the small percentage who were receiving or applying for Food Stamps only at random assignment.

Welfare receipt is defined as receipt of either Food Stamps coupons or cash benefits from AFDC, FGA, or MFIP. Average welfare payments are the sum of benefits from any of these sources in the follow-up quarter.

Dollar averages include zero values for members not receiving welfare.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as \*\*\*=1 percent: \*\*=5 percent: \*=10 percent.

**Table 6**  
**Impacts on Welfare for MFIP, MFIP Incentives Only, and**  
**AFDC Long-Term Recipients Not in Public/Subsidized Housing in Urban Counties**

Outcome	Average Outcome Levels			MFIP vs. AFDC		MFIP Incentives Only vs. AFDC		MFIP vs. MFIP Incentives Only	
	MFIP	MFIP Incentives Only	AFDC	Impacts of Financial Incentives, Mandatory Services, and Reinforced Incentive Messages	Percentage Change	Impacts of Financial Incentives Alone	Percentage Change	Added Impacts of Mandatory Services and Reinforced Incentive Messages	Percentage Change
Ever received welfare (%)									
Quarters 2-7	97.3	96.9	97.0	0.3	0.3	0.0	0.0	0.4	0.4
Received welfare (%)									
Quarter 1	96.4	97.0	95.8	0.5	0.6	1.2	1.3	-0.7	-0.7
Quarter 2	95.2	96.3	95.8	-0.6	-0.6	0.6	0.6	-1.2	-1.2
Quarter 3	91.9	93.6	91.0	0.9	1.0	2.6	2.8	-1.7	-1.8
Quarter 4	87.6	88.8	85.9	1.8	2.1	2.9	3.4	-1.2	-1.3
Quarter 5	84.4	85.7	81.9	2.4	3.0	3.8	4.6	-1.3	-1.6
Quarter 6	80.1	83.6	74.9	5.2 *	6.9	8.7 ***	11.6	-3.5	-4.2
Quarter 7	78.2	81.4	73.7	4.5	6.1	7.7 ***	10.4	-3.2	-4.0
Welfare amount (\$)									
Quarters 2-7	10,901	11,501	10,001	900 ***	9.0	1,500 ***	15.0	-600 **	-5.2
Quarter 1	1,924	1,889	1,770	154 ***	8.7	119 ***	6.7	35	1.9
Quarter 2	2,139	2,159	1,935	204 ***	10.6	224 ***	11.6	-20	-0.9
Quarter 3	1,959	2,003	1,836	123 **	6.7	167 ***	9.1	-44	-2.2
Quarter 4	1,822	1,911	1,702	120 **	7.0	209 ***	12.3	-89	-4.7
Quarter 5	1,721	1,840	1,568	153 **	9.8	272 ***	17.4	-119 *	-6.5
Quarter 6	1,674	1,813	1,488	186 ***	12.5	324 ***	21.8	-139 **	-7.6
Quarter 7	1,586	1,775	1,472	114	7.8	303 ***	20.6	-189 ***	-10.6
Sample size (total = 1,224)	415	396	413						

SOURCE: MDRC calculations using data from Minnesota public assistance benefit records.

NOTES: The sample includes members randomly assigned between April and December 1994, excluding the small percentage who were receiving or applying for Food Stamps only at random assignment.

Welfare receipt is defined as receipt of either Food Stamps coupons or cash benefits from AFDC, FGA, or MFIP. Average welfare payments are the sum of benefits from any of these sources in the follow-up quarter.

Dollar averages include zero values for members not receiving welfare.

A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as \*\*\*=1 percent; \*\*=5 percent; \*=10 percent.

**Table 7**  
**Selected Characteristics of Single-Parent Long-Term Recipients**  
**from Urban Counties, by Housing Status**

Characteristic	Public or Subsidized Housing	Other Housing
<b><u>Demographic characteristics</u></b>		
Geographic area (%)		
Hennepin County (Minneapolis)	73.7	84.0
Anoka/Dakota Counties	26.3	16.0
Gender/sex (%)		
Female	98.3	97.7
Male	1.7	2.3
Age (%)		
Under 20	2.8	7.7
20-24	19.5	24.0
25-34	47.6	46.1
35-44	25.4	19.4
45 and over	4.8	2.9
Average age (years)	31.3	29.5
Ethnicity (%)		
White, non-Hispanic	49.1	41.2
Black, non-Hispanic	38.2	45.2
Hispanic	2.1	2.4
Native American/Alaskan Native	6.5	8.9
Asian/Pacific Islander	4.1	2.4
<b><u>Family status</u></b>		
Marital status (%)		
Never married	66.5	70.6
Married, living with spouse	0.5	0.4
Married, living apart	6.7	8.9
Separated	2.2	2.1
Divorced	22.4	17.2
Widowed	1.7	0.9
Age of youngest child (%)		
Under 3, or client pregnant at the time of random assignment	31.7	39.4
3-5	28.7	30.0
6-18	39.7	30.6
<b><u>Labor force status</u></b>		
Worked full-time for 6 months or more for one employer (%)	56.2	49.4

(continued)

**Table 7 (continued)**

Characteristic	Public or Subsidized Housing	Other Housing
Any earnings in past 12 months (%)	28.0	30.1
Currently employed (%)	14.7	11.3
Average hourly wage (\$) <sup>1</sup>	6.26	6.10
Average hours worked per week (%) <sup>2</sup>		
1-19	46.5	34.9
20-29	30.7	32.6
30 or more	22.8	32.6
Never worked (%)	10.8	14.3
<b><u>Education status</u></b>		
Highest credential earned (%)		
GED <sup>3</sup>	17.1	18.1
High school diploma	40.2	37.4
Technical/2-year college degree	12.9	6.7
4-year college degree or higher	1.6	0.8
None of the above	28.3	37.1
Highest grade completed in school (average)	11.4	11.3
<b><u>Prior welfare receipt</u></b>		
Total prior AFDC receipt <sup>4</sup> (%)		
None	2.3	1.1
Less than 4 months	0.6	1.5
4 months or more but less than 1 year	0.8	1.9
1 year or more but less than 2 years	1.8	3.2
2 years or more but less than 5 years	35.9	42.4
5 years or more but less than 10 years	34.4	30.2
10 years or more	24.3	19.8
Resided as a child in a household receiving AFDC (%)		
Yes, aid received 5 years or more	20.5	22.1
Yes, aid received less than 5 years	10.5	11.0
No	60.2	57.1
Don't know	8.8	9.8

(continued)



**Table 7 (continued)**

Characteristic	Public or Subsidized Housing	Other Housing
<b><u>Housing status</u></b>		
Number of moves in the past 2 years (%)		
None	41.2	23.6
1 or 2	50.8	51.3
3 or more	8.0	25.1
<b><u>Current and recent education and training activities</u></b>		
Currently enrolled in education or training <sup>5</sup> (%)		
Any type	28.1	17.8
GED preparation	5.2	4.6
English as a Second Language	0.5	0.3
Adult Basic Education	1.2	0.9
Vocational education/skills training	5.8	4.0
Post-secondary education	12.8	5.8
Job search/job club	2.1	1.2
Work experience	1.0	0.8
High school	0.9	1.0
If enrolled, program is part of a STRIDE plan	64.4	45.5
Enrolled in education or training during the previous 12 months <sup>5</sup> (%)		
Any type	30.9	23.9
GED preparation	4.6	6.8
English as a Second Language	0.6	0.4
Adult Basic Education	1.6	1.7
Vocational education/skills training	8.5	6.0
Post-secondary education	13.3	6.7
Job search/job club	1.9	1.8
Work experience	1.4	1.2
High school	1.1	1.3
If enrolled, program was part of a STRIDE plan	62.3	41.2
Sample size	820	1,235

(continued)

## Table 7 (continued)

SOURCE: MDRC calculations from Background Information Forms.

NOTES: The sample includes AFDC, MFIP, and MFIP/Voluntary Services group members who were randomly assigned from April 1, 1994, to December 31, 1994, excluding the small percentage who were receiving or applying for only Food Stamps when randomly assigned. Members of the AFDC group are potentially eligible for any programs that MFIP was designed to replace: AFDC; Minnesota's JOBS program, STRIDE; Family General Assistance (FGA); or Food Stamps.

Distributions may not add to 100.0 percent because of rounding.

<sup>1</sup> Percentages are calculated for those employed at the time of random assignment who reported an hourly wage.

<sup>2</sup> Percentages are calculated for those employed at the time of random assignment.

<sup>3</sup> The General Educational Development (GED) certificate is given to those who pass the GED test and is intended to signify knowledge of basic high school subjects.

<sup>4</sup> This refers to the total number of months an individual or her spouse has spent on AFDC at one or more periods of time as an adult. It does not include AFDC receipt under a parent's name.

<sup>5</sup> Because some sample members may be in more than one category, totals may not equal all categories summed.

**Table 8**  
**Attitudes and Opinions of Single-Parent Long-Term Recipients**  
**from Urban Counties, by Housing Status**

Attitude or Opinion	Public or Subsidized Housing	Other Housing
<b><u>Client-reported barriers to employment</u></b>		
Among those not currently employed, the percent who agreed or agreed a lot that they could not work part-time right now for the following reasons: <sup>1</sup>		
No way to get there every day	46.5	52.4
Cannot arrange for child care	58.7	55.9
A health or emotional problem, or a family member with a health or emotional problem	27.2	25.0
Too many family problems	26.2	28.8
Already have too much to do during the day	26.9	21.7
Any of the above five reasons	84.0	80.4
Among those currently working less than 30 hours a week the percent who agreed or agreed a lot that they could not work full-time right now for the following reasons: <sup>2</sup>		
Cannot arrange for child care	38.3	39.0
A health or emotional problem, or a family member with a health or emotional problem	15.0	16.9
Too many family problems	23.0	16.4
Any of the above three reasons	58.3	54.2
<b><u>Client-reported preferred activities</u></b>		
Given the following choices, percent expressing a consistent preference for one activity:		
Preferred activity: <sup>3</sup>		
Staying home to take care of family	9.9	7.9
Going to school to learn a job skill	39.2	40.3
Going to school to study basic reading and math	5.2	4.2
Getting a part-time job	8.5	8.0
Getting a full-time job	30.1	33.2
Percent who agreed or agreed a lot that they:		
Prefer not to work so they can take care of their families full-time	30.0	26.0
Do not want a job because they would miss their children too much	12.4	12.1
Like going to school	78.5	76.6

(continued)

**Table 8 (continued)**

Attitude or Opinion	Public or Subsidized Housing	Other Housing
Cannot go to school or job training program right now because they are afraid to leave children in day care or with a babysitter	17.2	19.3
Percent who agreed or agreed a lot that children who go to day care or preschool learn more than children who stay home with their mothers.	53.6	55.1
Percent who, if they had a choice, would prefer to work at a :		
Part-time job	33.2	32.0
Full-time job	66.8	68.0
<b><u>Client-reported employment expectations</u></b>		
If someone offered client a job that could support her family a little better than welfare, percent who would likely or very likely take the job if:		
Client didn't like the work	38.5	49.4
Client had to work at night once in a while	57.5	65.0
The job was in a fast-food restaurant like McDonald's	18.7	25.4
It took more than an hour to get there	24.3	32.9
If someone offered client a full-time job with no medical benefits, minimum amount per hour at which the client would take the job: (%)		
\$ 4	0.2	0.1
\$ 5	1.4	3.2
\$ 6	4.6	7.0
\$ 7	7.5	11.9
\$ 8	18.9	23.6
\$10	15.6	14.4
\$12	14.9	11.9
\$15	13.1	11.2
\$20 or more	23.8	16.7
Median (\$)	12.00	10.00
Mode (\$)	20.00	8.00
Mean (\$)	12.46	11.19

(continued)

**Table 8 (continued)**

Attitude or Opinion	Public or Subsidized Housing	Other Housing
If someone offered client a full-time job with full medical benefits, minimum amount per hour at which the client would take the job: (%)		
\$ 4	0.0	0.1
\$ 5	2.6	4.8
\$ 6	8.7	14.6
\$ 7	15.3	18.3
\$ 8	27.9	25.3
\$10	24.5	17.3
\$12	11.3	9.1
\$15	7.0	5.3
\$20 or more	2.6	5.3
Median (\$)	8.00	8.00
Mode (\$)	8.00	8.00
Mean (\$)	9.34	9.09
If someone offered client a full-time job with full medical benefits, and the welfare department would let client continue to get most of the welfare check, minimum amount per hour at which the client would take the job: (%)		
\$ 4	1.5	3.1
\$ 5	11.4	17.3
\$ 6	18.4	20.9
\$ 7	19.2	16.7
\$ 8	24.1	17.4
\$10	13.7	13.5
\$12	4.7	4.3
\$15	4.2	3.2
\$20 or more	2.9	3.7
Median (\$)	7.00	7.00
Mode (\$)	8.00	6.00
Mean (\$)	8.13	7.88
Approximate average worth of employer-provided medical benefits per hour (\$)	3.11	2.17
If client could get \$800 a month, plus Medicaid and free child care, percent who would prefer:		
Getting all the money by working 40 hours a week	50.9	52.5
Getting half from welfare and half by working 20 hours a week	49.1	47.5

(continued)

**Table 8 (continued)**

Attitude or Opinion	Public or Subsidized Housing	Other Housing
If client could keep most of the welfare check and also keep any money earned from a \$6-an-hour job, number of hours they would want to work: (%)		
0	5.3	3.1
5 or 10	5.8	7.6
15 or 20	15.6	12.3
25 or 30	20.9	19.1
over 30	52.4	58.0
Percent who agreed or agreed a lot that:		
It will probably take them more than a year to get a full-time job and get off welfare	75.5	68.3
They would take a full-time job today, even if the job paid less than welfare	9.6	14.5
If they got a job, they could find someone they trusted to take care of their children	70.7	77.4
A year from now they expect to be working	72.4	79.7
A year from now they expect to be receiving welfare	46.3	38.3
<b><u>Client employment-related activities</u></b>		
How much have you been able to look for a job during the past three months? (%)		
Not at all	49.6	47.0
Some/a little	30.6	34.1
A moderate amount	13.8	11.2
A great deal	6.0	7.7
In the past 4 weeks, about how many employers, if any, did you contact (by telephone, mail, or in person) in order to apply for a job or ask about job openings? (%)		
None	63.8	63.5
1 - 2	20.4	16.6
3 - 5	10.6	12.8
6 - 10	3.5	4.1
More than 10	1.8	3.0

(continued)

**Table 8 (continued)**

Attitude or Opinion	Public or Subsidized Housing	Other Housing
Percent planning to be in school or training program in the next few months	53.3	49.7
<b><u>Client-reported attitudes toward welfare</u></b>		
Percent who agreed or agreed a lot with the following statements:		
I feel that people look down on me for being on welfare	67.5	58.8
I am ashamed to admit to people that I am on welfare	59.3	51.5
Right now, being on welfare provides for my family better than I could by working	62.0	57.1
I think it is better for my family that I stay on welfare than work at a job	20.7	16.2
<b><u>Client-reported social support network</u></b>		
Percent who agreed or agreed a lot with the following statements:		
Among my family, friends, and neighbors, I am one of the only people who is on welfare	32.1	33.5
When I have trouble or need help, I have someone to talk to	78.1	70.1
<b><u>Client-reported sense of efficacy</u></b>		
Percent who agreed or agreed a lot with the following statements:		
I have little control over the things that happen to me	21.9	21.7
I often feel angry that people like me never have a chance to succeed	49.1	47.9
Sometimes I feel that I'm being pushed around in life	43.8	43.9
There is little I can do to change many of the important things in my life	30.9	34.7
All of the above	8.3	7.7
None of the above	30.6	27.4
Sample size (total = 1,493)	587	906

(continued)

### Table 8 (continued)

SOURCES: MDRC calculations from Private Opinion Survey data.

Notes: The sample includes AFDC, MFIP, and MFIP/Voluntary Services group members who were randomly assigned from April 1, 1994 to December 31, 1994, excluding the small percentage who were receiving or applying for only Food Stamps when randomly assigned. Members of the AFDC group are potentially eligible for any programs that MFIP was designed to replace: AFDC; Minnesota's JOBS program; STRIDE; Family General Assistance (FGA); or Food Stamps.

In most categories, individuals could agree or agree a lot with more than one statement. Multiple responses were not possible in the following item groupings: client-reported preferred activities, client-reported employment-related activities, and client-reported acceptable wages.

<sup>1</sup> Part-time is defined as a minimum of 10 hours per week.

<sup>2</sup> Full-time is defined as 40 hours per week.

<sup>3</sup> Distributions do not add to 100.0 percent because some individuals did not indicate a consistent preference.

Multiple responses were not possible for this item.



**Table 9**  
**The Difference in MFIP's Impacts Between Recipients in Assisted and Unassisted Housing**

<b>Difference in the Impact of the Full MFIP Program</b>		
(MFIP group vs AFDC group)		
	Prior to controlling for differences in characteristics	After controlling for differences in characteristics
Ever employed (%)		
Quarters 2-7	12.8 ***	11.7 **
Quarter 1	5.4	5.7
Quarter 2	5.9	7.2
Quarter 3	11.7 **	11.8 **
Quarter 4	16.7 ***	17.7 ***
Quarter 5	15.8 ***	17.1 ***
Quarter 6	12.0 **	10.0 *
Quarter 7	13.2 **	13.5 **
Average earnings (\$)		
Quarters 2-7	1458.9 **	1492.6 **
Quarter 1	84.4	109.1 *
Quarter 2	20.7	61.2
Quarter 3	157.0	189.4
Quarter 4	261.9 **	253.5 *
Quarter 5	300.8 **	295.5 *
Quarter 6	377.0 **	364.1 **
Quarter 7	341.4 **	328.9 *
Sample size = 1363		

SOURCE: MDRC calculations using data from Minnesota Unemployment Insurance earnings records.

NOTES: The sample includes single-parent, long-term recipients in urban areas randomly assigned between April and December 1994.

Dollar averages include zero values for members not employed.

The differences in impacts between the two housing groups are tested for statistical significance. A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as \*\*\*=1 percent; \*\*=5 percent; \*=10 percent.

**Table 10**  
**Residential Stability, by Housing Status**

	Assisted	Unassisted
<b>From Background Information Form</b> (MFIP and AFDC groups combined)		
Number of moves in two year prior to random assignment		
none	41.2	23.6
1-2	50.8	51.3
3+	8.0	25.1
Sample size	820	1235
<b>From 12-month survey</b> (AFDC group only)		
Still in same house as at random assignment (%)	69.6	45.7
If not, reason:		
Got improved housing	52.9	34.1
Evicted	5.9	6.8
Rent increased; needed smaller place; wanted to be closer to job	0	2.3
Other	41.2	56.9
Sample size	56	81
<b>From 36-month survey</b> (AFDC group only)		
Moved since random assignment (%)	63.2	76.7
If so, number of times:		
1	52.8	34.1
2	23.9	27.1
3+	23.3	38.8
Sample size	154	200

SOURCE: MDRC calculations using data from Background Information Forms, the 12-month client survey, and the 36-month client survey.

NOTES: The sample includes single-parent, long-term recipients in urban areas randomly assigned between April and December 1994.

**Table 11**  
**Other Potential Benefits from Assisted Housing**  
**AFDC Group Only**

	Assisted	Unassisted
<b>Monthly Housing Costs<sup>1,2</sup></b>	\$210	\$517
<b>Selected Measures of Material Hardship</b>		
In past 12 months, any time when:		
Didn't pay full rent/mortgage <sup>1</sup>	22.8	35.4
Gas/oil/electric shut off	7.5	9.2
Telephone disconnected	24.1	24.4
Someone in household needed to see a doctor but couldn't afford to go	11.4	19.2
What best describes food eaten in prior month:		
Sometimes or often not enough to eat	29.4	18
In general, how do finances work out at the end of the month:		
Not enough money to makes ends meet	55.2	45.9
How often have you borrowed money from friends/family to pay bill during the last year?		
Not at all/a little	60.2	65.9
Some/a lot	39.8	34.1
<b>Rating of Neighborhood Quality</b>		
As a place to live or raise children, would you say your neighborhood is:		
Excellent or very good	33.3	39.5
Good	40.7	37.1
Not too good/awful	26	23.4
Sample size	145	209

SOURCE: MDRC calculations using data from the 36-month client survey.

NOTES: The sample includes single-parent, long-term recipients in urban areas randomly assigned between April and December 1994.

Housing status is defined as of the 36-month survey.

<sup>1</sup>Calculated only for non-homeowners.

<sup>2</sup>The sample size for Monthly Housing Costs is less than the full sample size because this questions was only asked of respondents with at least one child between the ages of 5 and 12.

**Table 12**

**The Difference in MFIP's Impacts Between Recipients in Assisted and Unassisted Housing,  
by Educational Attainment**

<b>Difference in the Impact of the Full MFIP Program</b> (MFIP group vs AFDC group)		
	For sample with no High School degree or GED	For sample with at least High School degree or GED
Ever employed (%)		
Quarters 2-7	11.7	12.8 **
Quarter 1	7.9	4.8
Quarter 2	6.0	5.8
Quarter 3	13.8	10.4 *
Quarter 4	15.6	17.3 ***
Quarter 5	1.5	22.4 ***
Quarter 6	3.2	15.3 **
Quarter 7	-0.1	20.3 ***
Average earnings (\$)		
Quarters 2-7	615.0	1855.8 **
Quarter 1	131.1 *	59.3
Quarter 2	3.6	35.9
Quarter 3	53.5	197.1
Quarter 4	211.3	284.1
Quarter 5	131.2	379.3 *
Quarter 6	114.2	500.4 **
Quarter 7	101.3	459.1 *
Sample size	453	910

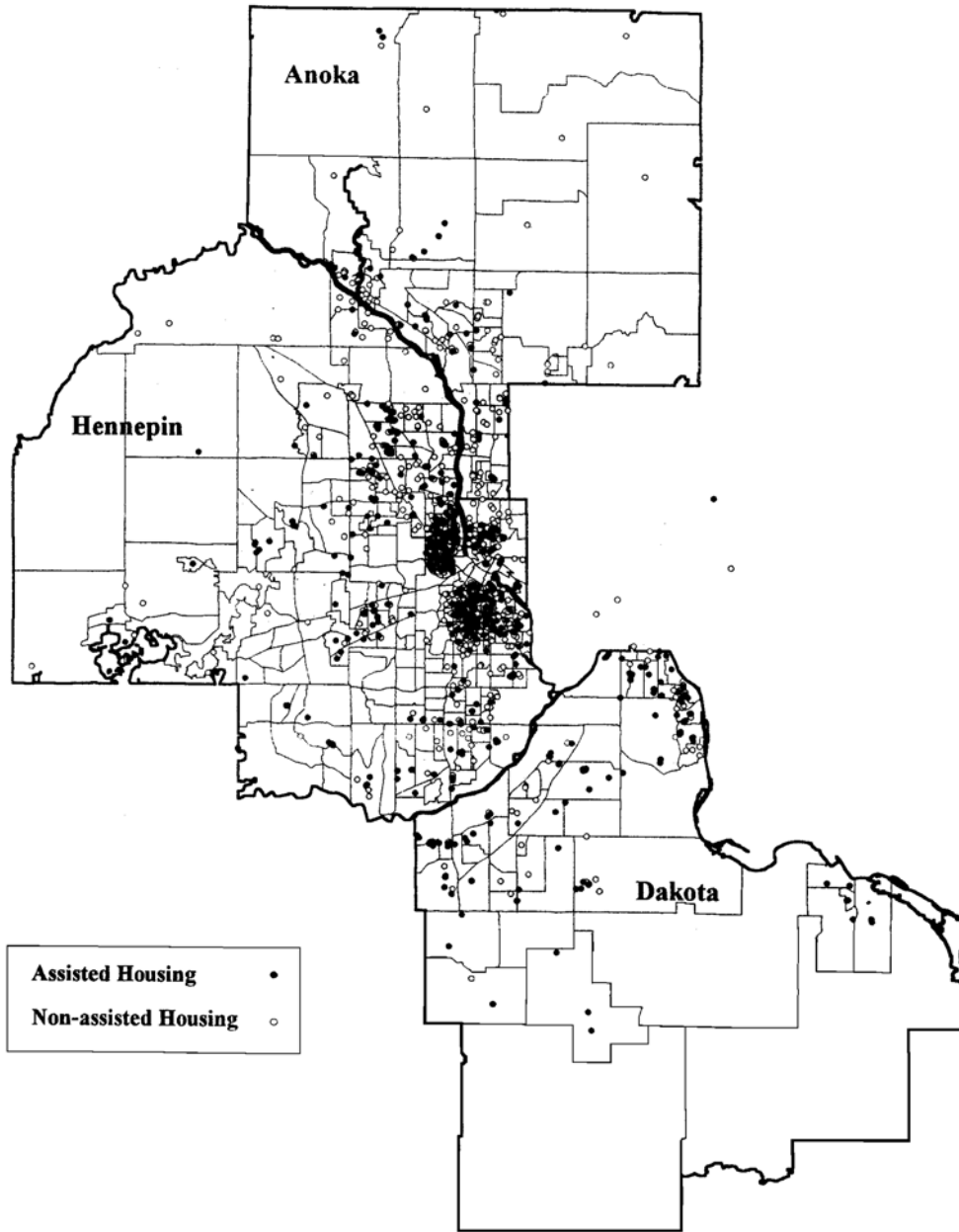
SOURCE: MDRC calculations using data from Minnesota Unemployment Insurance earnings records.

NOTES: The sample includes single-parent, long-term recipients in urban areas randomly assigned between April and December 1994.

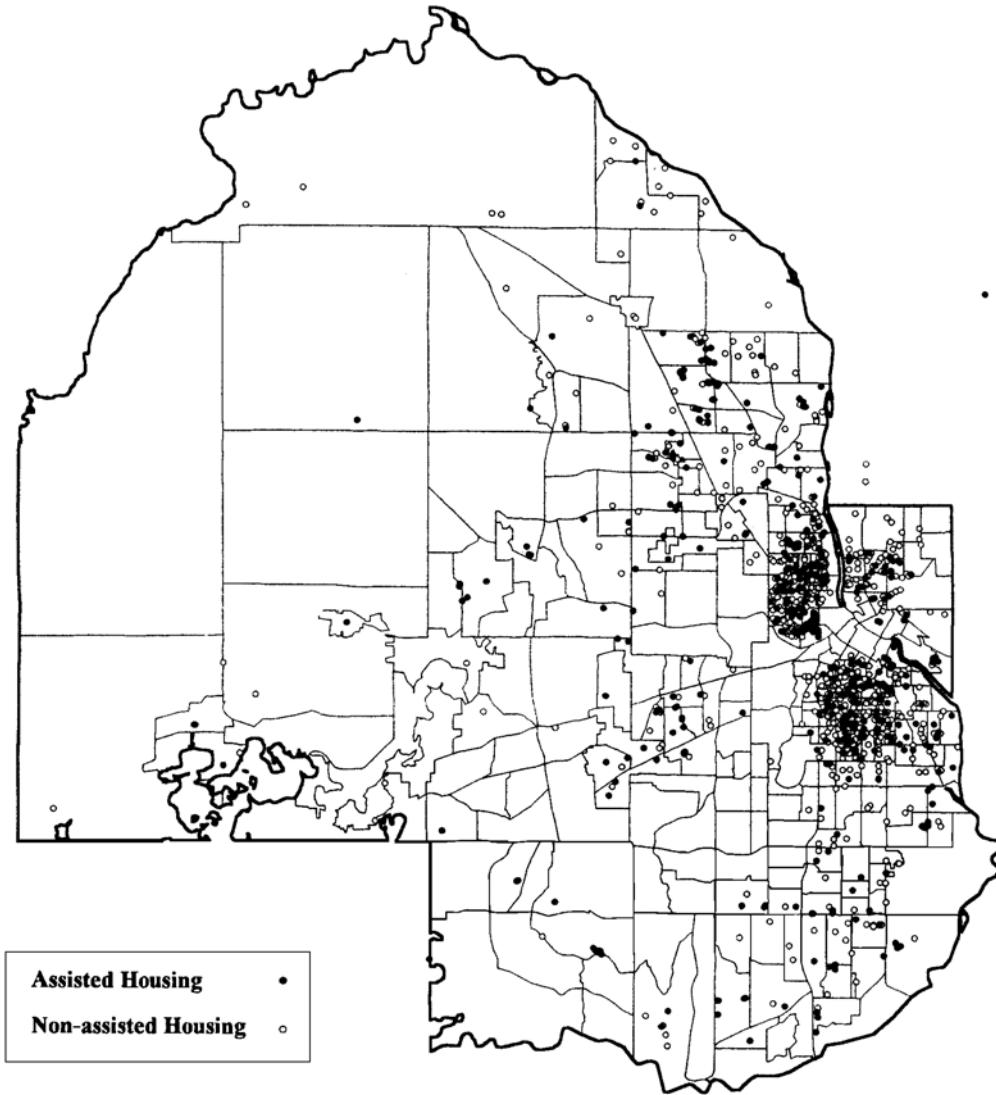
Dollar averages include zero values for members not employed.

The differences in impacts between the two housing groups are tested for statistical significance. A two-tailed t-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as \*\*\*=1 percent: \*\*=5 percent: \*=10 percent.

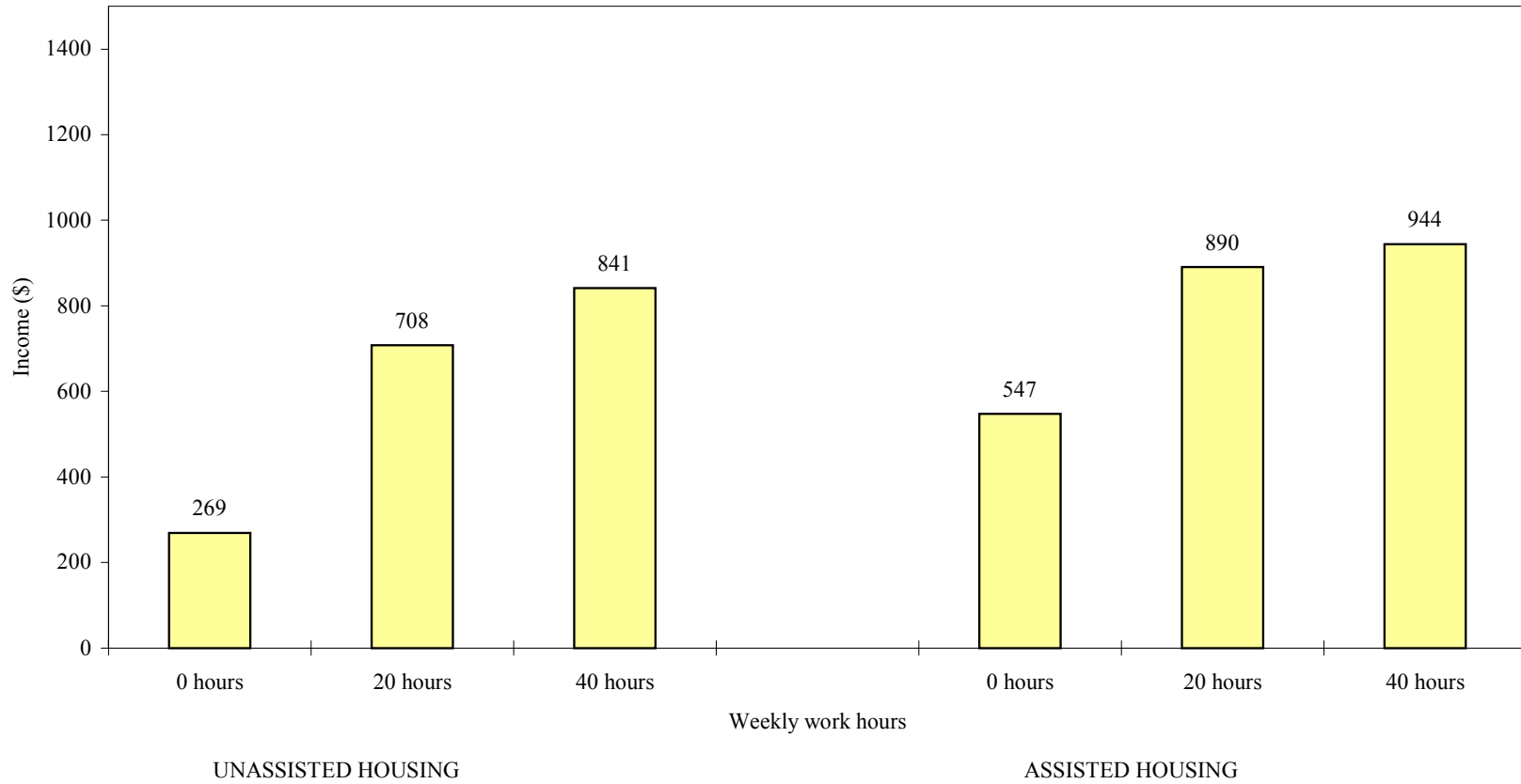
**Figure 1**  
**Location of MFIP and AFDC Recipients in Three Counties, by Housing Type**



**Figure 2**  
**Location of MFIP and AFDC Recipients in Hennepin County, by Housing Type**

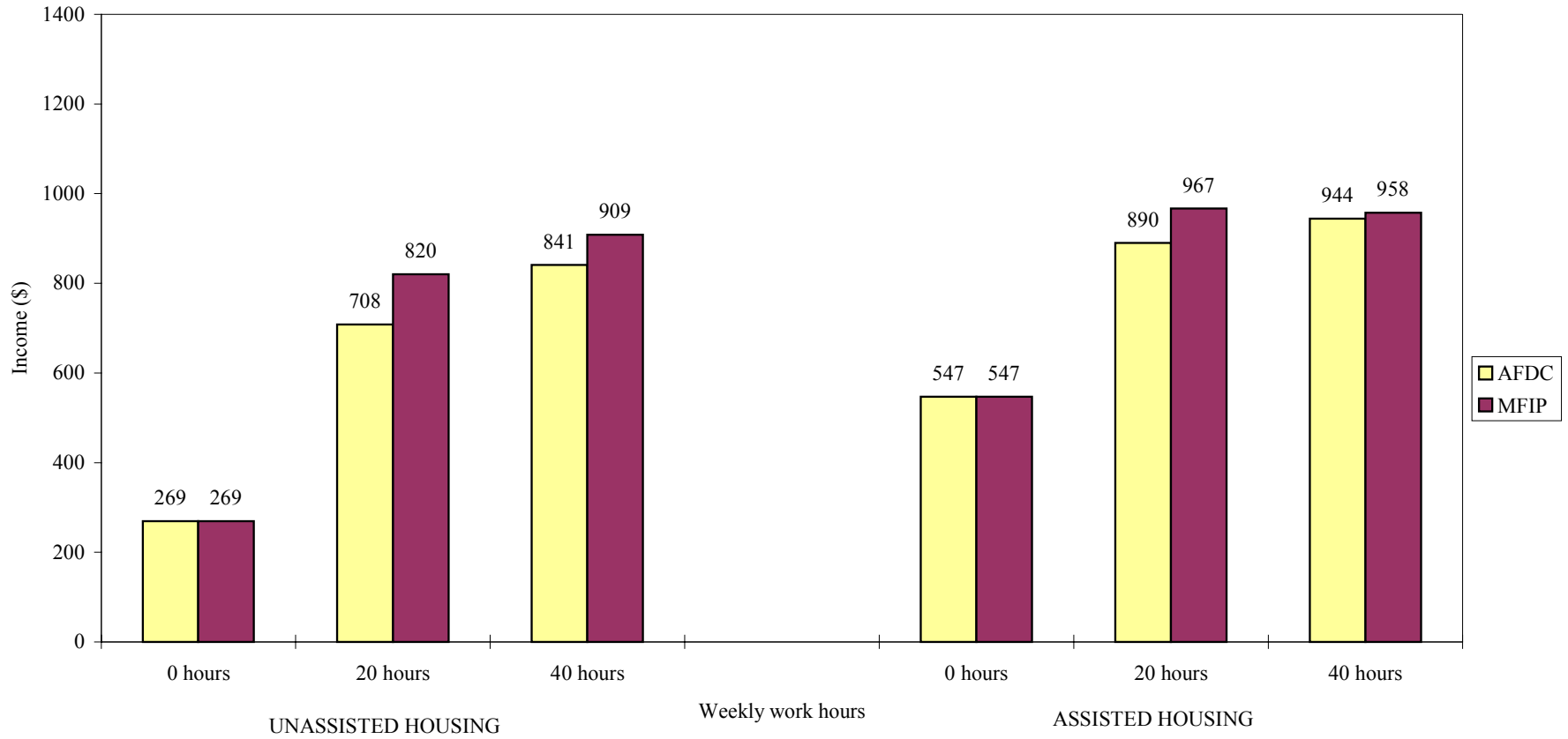


**Figure 3: Monthly Net Income for AFDC Recipients**



Estimated for a single-mother with 2 children. Monthly rent is assumed to be \$500 for those not in assisted housing.

**Figure 4: Monthly Net Income Under MFIP vs AFDC**



Estimated for a single-mother with 2 children. Monthly rent is assumed to be \$500 for those not in assisted housing.