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**A REVIEW OF RECENT LITERATURE ON
HOUSING ASSISTANCE AND SELF-SUFFICIENCY**

By

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September 2007

These papers are preliminary
in nature: their purpose is to
stimulate discussion and
comment. Therefore, they are not
to be cited or quoted in any
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permission of the author.

UNIVERSITY OF CALIFORNIA, BERKELEY

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Summary

Standard economic theory on subsidies and labor supply raises an unappetizing prospect - that housing assistance may have a negative impact on self-sufficiency. Because of the rent structure in the public housing and Housing Choice Voucher programs, participants may treat program benefits as a substitute form of income and this may dampen their ambitions to increase their own earnings.

According to a comprehensive literature review by Mark Shroder (2002), the evidence for these disincentive effects has been quite mixed. Moreover, the rigor and precision of various research efforts have been somewhat lacking. This study updates Shroder's work by summarizing and critiquing a variety of recent additions to the literature on housing assistance and its effect upon residents' progress toward self-sufficiency. These additions include five careful studies which have found that traditional assistance reduces employment and slows income growth. However, countervailing research continues to appear, suggesting that housing assistance, coupled with self-sufficiency programs, can have a positive effect on financial independence.

So while it may be said that the totality of the evidence in this area remains mixed, those believing that public housing and vouchers have neutral or even positive effects on work and earnings now face a more onerous burden of proof. Existing research on the work disincentives of housing assistance hypothesized in standard labor-supply theory cannot easily be ignored.

Much more encouraging are programs like Family Self Sufficiency and Jobs-Plus, which supplement housing assistance with a range of supportive services that promote self-sufficiency among recipients. If the disincentive hypothesis is in fact true, it now appears that well-designed enhancements to traditional housing assistance can counteract inherent negative employment and income effects.

Introduction

Housing assistance is generally effective at improving the stability of shelter for recipient families. Most recipients see their residential conditions improved, whether the aid takes the form of placements in public housing, vouchers used in the private rental market, or other HUD-assisted units within the rental stock. The goal of making housing more affordable for lower-income families is still central to public housing programs. Few doubt that severe housing cost burdens threaten the poor's ability to provide high-quality nurturance and economic opportunity for their children (Harkness and Newman, 2005).

However, in the wake of welfare reform, social scientists have thrown fresh light on the ancillary impacts of HUD programs, such as effects upon employment, earnings, and financial independence. The focus of these researchers' efforts is understandable. The housing-assisted population was significantly affected by welfare reform. Further, our fundamental rethinking in welfare policy, and the transition from Aid to Families with Dependent Children (AFDC) to Temporary Assistance to Needy Families (TANF), has led to reform-minded scrutiny of other kinds of government assistance.

The rethinking is ongoing among social theorists, political leaders, policy analysts, and the research community. Their interest in applying the logic of welfare reform to housing assistance is spurred by research indicating low-income households can be quite responsive to work-incentives. A particular focus of policy and research has been the effort to locate housing assistance recipients in neighborhoods most conducive to employment and economic advancement (Goering, Haghghi et al., 1995). Further, in places where welfare-to-work programs have been well implemented, studies indicate that such programs can be successful in transitioning residents from public assistance to stable employment (Danziger, Heflin et al., 2002).

Of course, housing policy innovation in helping low-income families achieve self-sufficiency was underway well before welfare reform. Even prior to the passage of the Cranston-Gonzales National Affordable Housing Act in 1992, federal policy increasingly focused on promoting self-sufficiency for public housing residents and Section 8 families. For most of the 1990s, before Congress eliminated the requirement in 1998, local public housing authorities (PHAs) receiving new Section 8 vouchers were called upon to initiate financial self-sufficiency programs¹ with capacities roughly commensurate with the number of vouchers they receive (Anthony, 2005). Overall, federal policy has now moved from assisting housing units to assisting *people* (Green and Malpezzi, 2003:89). The national trend has been complemented by local efforts, often borne of fiscal necessity. At times when hardship-based benefits have been restricted, local PHAs themselves have experimented with public-housing admissions preferences assigning priority to households already employed or most likely to gain employment (Devine, Rubin, and Gray, 1999).

Despite these programmatic shifts, however, waiting lists for housing assistance in many regions remain large, and stays in public housing and the voucher system can extend for many years. Poverty persists at worrisome levels among the housing-assisted population, sometimes over generations. Critics of the current system suggest that government investment in rental vouchers and housing production may actually inhibit many recipients' movement toward self-sufficiency. As will be explained further below, low-income residents may tend to treat housing assistance as a substitute for income, thus weakening incentives to work and earn. Moreover, the income-based rent structure of these programs prevents participants from pocketing the full value of each additional dollar they gain from employment.

This paper reviews recent developments in research analyzing relationships among housing assistance, household economic attainment, and neighborhood improvement. Since the publication of Mark Shroder's influential 2002 literature survey in the *Journal of Housing Economics*, "Does Housing Assistance Perversely Affect Self-Sufficiency? A Review Essay," interesting new research has examined these issues. This review will assess what the newer

¹ As recently noted by Edgar Olsen and his coauthors (2005), there have been a number of attempts by HUD over the last quarter-century to link workforce participation with housing assistance. These include Project Self-Sufficiency (1984), Operation Bootstrap (1989), the Family Self-Sufficiency (FSS) program (1991), and Welfare to Work vouchers (1999).

studies add to existing work on the relationship between housing assistance and self-sufficiency. Recent literature will be examined to determine whether it strengthens or weakens arguments concerning the undesirable effects of housing assistance on employment and earnings. Critical gaps in our understanding of these linkages will be identified and discussed.

To summarize this review, the trend in recent literature is to strengthen the argument that housing assistance alone, while stabilizing residential conditions for recipients, may actually undo some of the economic pressure for these recipients to work. Some innovative and persuasive studies – like Olsen et al. (2005) and Susin (2005) - empirically support the existence of such work disincentives, as measured by outcomes like employment status and duration, income and earnings, and mobility toward more advantageous neighborhoods. At the same time, as housing policy is moving toward direct encouragement of self-sufficiency through rewards and incentives, new research evaluates such programs more comprehensively than in the past, and the findings are rather encouraging.

The Economics of Housing Assistance

The consumer-based impact of housing assistance has been widely studied since the 1970s and the Experimental Housing Allowance Program (Hanushek and Quigley, 1981). Economists suspected that assistance earmarked toward shelter expenses would reduce housing costs for poor households, but might also affect participants' behavior related to employment and earning.

When a household receives a grant from the government, that grant gets counted, though often only implicitly, as income on that household's private ledger. Economic theory suggests that poor households respond to government assistance, as a function of their budget. Households receiving such resources may experience reduced need to garner commensurate amounts via earning. A number of non-economists remain unconvinced that extremely disadvantaged households have anything resembling a meaningful operating budget, let alone one sensitive to incremental revenue changes. In their view, disparity and hardship force uncomfortable choices, and traditional economic models cannot possibly explain the financial realities facing the poor. Nonetheless, prior reviews of the incentive effects of welfare payments conclude that there is clear evidence that those receiving assistance tend to work less as a result, even controlling for other factors influencing work (Moffitt, 1992; Danziger, Haveman, and Plotnick, 1981). However, it also has been well understood that such incentives alone cannot explain the fact or extent of poverty, duration of periods on welfare, tendencies toward single-parent family structure, and similar concerns.

In analyzing how housing assistance affects work effort, two basic economic mechanisms may come into play. First, current law requires tenants to pay thirty percent of their incomes² – whatever those incomes may be, within program limits - toward rent. Incomes are annually recertified and tenant rents are adjusted accordingly, meaning that more income means higher rent. In practice, participants keep only seventy cents of gross income for each additional dollar earned. The thirty cents paid by the tenant is sometimes referred to as the “HUD tax.” Income-based rent policies effectively reduce the value of working within subsidized households, relative to others. Second, the earmarked grant of assistance, in whatever form, constitutes a form of income. Once received, that amount no longer must be earned and thus may reduce the inclination to work commensurately. This is particularly meaningful because, under traditional rent-support and supply-side approaches, recipients realize the implicit income boost whether they independently seek employment or not.³

² The thirty-percent multiplier is applied to adjusted gross income, after deductions for necessities relating to age and disability, dependents and child care, medical expenses and other items (24 CFR 5.611).

³ The first “HUD tax” mechanism may cause households to increase the ratio of their time spent on leisure as opposed to labor and this tradeoff result is categorized in economics as a “substitution effect.” The second mechanism more directly impacts households' revenue-side bottom line and is thus termed an “income effect.” These two types of effects are quite typical in the economic analysis of how external influences like regulation affect the choices of buyers and sellers within the marketplace.

However, Shroder (2002) cautions that the traditional model regarding work disincentives may not hold with respect to housing assistance. Unlike other kinds of government aid, housing assistance is not a direct income supplement, but rather a form of in-kind⁴ support which cannot be sold or otherwise transferred in the marketplace. The effect is more akin to a price change, reducing what eligible families must pay compared to levels at which comparable housing units could be rented on the open market. Further, if shelter and housing services are “normal” goods, reducing the price of the commodity should make that person desire more of it, not less. Under this line of thinking, the price effect should provide its own incentive to work more and achieve greater economic independence through private effort.

In light of the “price break” Shroder posits and its effects on housing demand, we may also expect demand for complementary goods to increase. Better housing and consumption desires also raise demand for appliances, energy, and other goods and services enhancing one's home. Assisted households make these additional purchases in varying quantities but, if the general effect is toward greater consumption, at least in theoretical terms, increases in employment and self-sufficiency may well follow. The stimulus to consume complementary goods might change how we interpret studies showing employment decreases relating to receipt of housing assistance. A separate point might be made regarding why income changes are observed. Such differences may be caused not by the fact of being a recipient but rather by unmeasured characteristics specific to the households involved. In this light, assistance itself might not inhibit work but rather may attract a population already relatively less inclined toward employment.

Economic theory thus provides somewhat mixed signals on the effect of housing assistance on work. In his review, Shroder (2002) likewise concludes that empirical work remains mixed and fails to prove that work disincentives are a necessary effect of current housing policies. In the realm of short-run labor-supply effects – meaning, the extent to which recipients together reduce their aggregate supply of labor to the marketplace – Shroder concludes that no substantial impacts are demonstrated, either increasing or reducing how much those receiving housing assistance choose to work.⁵

Characterizing Recent Research Findings

Shroder's 2002 survey describes a body of literature failing to strongly prove or disprove any tight linkage between housing assistance and negative labor and wage signals to recipients. Some of the newer studies lend additional evidence, and methodological rigor and variety, that tend to strengthen the general case associating shelter assistance with reduced earnings growth. This is not to say that the overall picture has been fully clarified one way or the other, however. Additional studies fail to verify such a linkage, while others show that self-sufficiency initiatives can successfully package housing assistance with effective inducements to continue working and even increase earnings. On balance, however, newer research utilizing rigorous experimental techniques supports the standard view among economists – that housing assistance reduces labor supply and household earnings. Along the same lines, evaluations showing that self-sufficiency initiatives can produce superior outcomes remind us that public housing and vouchers alone may no longer suffice. Expanding self-sufficiency enhancements to traditional housing

⁴ The term “in-kind assistance” distinguishes government aid earmarked toward a specific household need (in this case, shelter) from general-assistance grants of cash a household is free to spend however it wishes. Grants provided by government agencies toward housing - whether they take the form of unit leases in a public housing facility, vouchers to be used in the private rental market, or even tax-credit expenditures on new projects geared toward low- and moderate-income families – cannot be spent on non-shelter consumption. The classic example of in-kind assistance geared toward specific goods is the food stamp program (Currie, 2003).

⁵ Shroder (2002) separately concluded that housing assistance has identifiable but weak impacts reducing recipients' pursuits building their own “human capital,” i.e., via training and job-development activities. He also examined other impacts, finding relatively substantial evidence in the research for the ways in which housing assistance changes family structure (through increases in single-headed households) and mobility toward better neighborhoods. As these elements relate somewhat less directly to the immediate focus of economic self-sufficiency in terms of work and income, they are not a primary subject for the current review.

policies appears a sound public investment. Such innovations deliver their own independent benefits, or compensate for traditional policies' foibles, or both.

Studies showing decreases in employment and income

Five recent studies utilize a variety of research techniques to show that housing assistance reduces work and income, at least in the short run. Methodologically, these studies improve upon a number of earlier efforts examined by Shroder (2002). In combination, these new studies strongly reinforce the concern that, via income effects and the "HUD tax," housing assistance may impede household progress toward self-sufficiency, at least in terms of observable effects upon employment and earnings. For simplicity, these five recent additions to the literature shall be referred to below as the "disincentive studies."

Olsen, Tyler et al. (2005) utilize eight years of longitudinal data⁶ from HUD's Multifamily Tenant Characteristics System (MTCS) and Tenant Rental Assistance Certification System (TRACS) databases. Their study features a substantial national database capturing in-depth features of both subsidized and non-subsidized households. Their dataset also includes control variables meant to capture the effects of the changing influence of additional non-housing sources of public assistance received by the subject households over time. The study also analyzes the likelihood of continued employment and measures earnings changes over a variety of program durations. Housing-assisted families in their dataset are compared systematically to a comparison group drawn from the Panel Study on Income Dynamics (PSID).

Olsen, Tyler et al. conclude that traditional forms of housing assistance significantly reduce labor-based earnings. They conservatively estimate that assistance depresses annual earnings on average by \$4,011 for subsidized-project residents, \$3,894 for public housing tenants and \$3,584 for voucher recipients. The smaller impact among the voucher population is explained partly in terms of the differential risk faced by movers, since voucher holders can more easily take their aid with them when they relocate for employment-related reasons.

The authors bolster their findings by confirming tests on a set of smaller samples drawn from their database to represent different segments within their lower-income cohort. These tests reduce the risk of erroneous inferences from a biased selection of aid recipients. Olsen, Tyler et al. also analyze self-sufficiency program effects and find that such programs do appear to compensate for earnings disincentives in the assisted housing system.⁷ However, as these authors readily acknowledge, evaluating FSS participants in isolation may bias the results, since such families may self-select into the programs in question. If those already more likely to advance toward financial independence enter FSS-style programs in disproportionately high numbers, researchers must be careful not to assign too much credit to those initiatives when the majority of their participants do in fact make substantial progress.

When one research team's findings are confirmed by another using separate data sources, the replicated claim becomes that much stronger. Along these lines, it is useful to view Olsen, Tyler et al.'s findings in light of other recent studies supplementing MTCS and TRACS data with information from independent surveys.

Susin (2005) merges data from the Survey of Income and Program Participation (SIPP) with HUD administrative records. SIPP is a national dataset following approximately 40,000 households for four years. The data Susin utilizes covers the period from late 1995 through early 2000. Participating households are interviewed a total of twelve times, or approximately every four months. Susin matches HUD records with the rich SIPP longitudinal data by Social Security number. Moreover, to prevent biased results, his data incorporates a number of unmatched records from SIPP, i.e., a control group not involved with housing assistance.

⁶ Longitudinal surveys track individual cases over an extended period of time, accumulating numerous observations for each case throughout the study period. Each set of observations is typically referred to as a "wave" within the larger dataset.

⁷ It should be noted that the proportion of variance explained in the various statistic tests employed by Olsen, Tyler et al. is rather small (with r-square below 0.05). The authors acknowledge that omitted variables add uncertainty regarding the robustness of their results.

Susin finds that assisted households experienced positive but substantially lower income and earnings growth during the boom-years of 1996 through 1999, compared with the non-assisted control group. Public housing residents had nineteen percent lower income increases than the control group; those receiving project-based subsidies also saw their incomes rise more slowly than the control group, by a difference of thirteen percent. Income growth for voucher recipients was also substantially lower than the control group's, but the difference was not statistically significant.

Susin reaches these results via the SIPP-matched data and confirms the Olsen, Tyler et al. findings at a time when incomes throughout the economy generally were growing. Susin's work strengthens the claim that recipients of housing assistance, across aid categories, realize income gains slower than similarly situated non-participants. His study also usefully recognizes that self-sufficiency entails more than just income. In Susin's tests on food-stamp receipt and poverty status, assisted households are in substantially worse financial condition than the control group. These results are confirmed with respect to employment status and general-assistance receipt, though not all results are significant for all outcomes and aid categories. In general, Susin's results tend to account for thirty to forty percent of the overall variation in his models. Since the SIPP sample drove the selection of cases in his assisted and control groups, the risk of selection bias is relatively low.

A nicely constructed experiment by Abt Associates (2006) lends additional support for the inverse relationship between housing assistance and financial independence. The study examined the welfare-to-work-style Housing Choice Vouchers program (formerly known as the Welfare to Work Voucher (WtWV) program) implemented at six sites: Atlanta, Augusta, Fresno, Houston, Los Angeles, and Spokane. The assessed program impacts included employment, earnings, training, welfare receipt, poverty, and child welfare conditions. The researchers devised a way to capture both voucher assignment and actual receipt of assistance. Households were randomly assigned into the various test groups to avoid selection bias.

Overall, the experiment demonstrated that vouchers reduce earnings and employment and increase receipt of other public assistance. These effects were particularly pronounced in the short run and tended to diminish over time. Importantly, these labor and wage impacts were accompanied by a number of compensating improvements in other measures related to self-sufficiency in broader terms. The Abt Associates team found voucher use was significantly associated with improved housing conditions. For movers, housing assistance allowed recipients to live in more stable and prosperous locations, resulting in the alleviation of poverty and hardship. The researchers were careful to characterize these benefits in terms of improvements in long-term family stability, neighborhood quality, and child-rearing environments.

In the shorter run, however, Abt Associates (2006) provides strong support that housing assistance negatively impacts employment (a seven to ten percent decrease in time working) and income (more than a \$300 decrease on average over the first half-year, with continuing though lesser average decreases in subsequent periods).

In prior work by Abt Associates covering only an earlier phase of the program, Patterson, Wood et al. (2004) found that vouchers among WtWV participants likely reduced rates of employment and earnings in the short run. Indeed, given these researchers' effectively designed system for delineating effects of vouchers and other program elements, voucher disincentives were found to override programmatic efforts to increase wage income such as job training, job search assistance, and relocation to neighborhoods having superior job access. Earnings were twelve to fourteen percent lower among leased-up voucher holders than those in an untreated control group, and their months employed were seven to eight percent less.

Finally, Jacob and Ludwig (2006) took advantage of a lottery system used by the Chicago Housing Authority to assign applicants priority-levels on a waiting list for vouchers. The study's waiting list was established in 1997 and the research team followed voucher assignment through 2003. Those with lower lottery numbers never received a voucher during the study period. Given the random assignment of waiting-list positions, the resulting data tracking the 1997 applicants provided a natural experiment showing the effect of the vouchers themselves. Like the other experimental research reviewed in this section, the work by Jacob and Ludwig shows clear decreases in income and employment. Relative to the control group, voucher receipt reduced employment by nearly eleven percent and average earnings by fifteen percent. Vouchers also significantly increased rates of participation in TANF programs, by twenty-one percent.

As will be seen in the next section, the evidence linking housing assistance with lower wages and employment rates remains inconclusive overall, particularly when the earlier studies reviewed by Shroder (2002) are considered. However, recent work by Olsen, Tyler et al., Susin, Abt Associates and Jacob and Ludwig must be given attention. Using a wide variety of data sources, rigorous methodological approaches, and time frames, these “disincentive studies” heighten concerns that housing assistance has unwanted impacts on employment and income. In light of this evidence, those claiming that these effects remain disproven have a tougher case to make. This recent work lends added support toward policies enhancing housing assistance with programs intended to enhance self-sufficiency via incentive and reward, human capital investment, and other techniques.

Studies showing less certain labor effects

A number of recent studies show weaker negative effects or actual advantages of housing-assistance on labor outcomes. In contrast to the disincentive studies just described, the work reviewed below often addresses the ways in which grants earmarked toward housing are coupled with other types of public assistance. Where this is the case, housing aid is part of a wider set of financial conditions and forms of program participation that beneficiaries face. As of 2000, about twenty-seven percent of working-age HUD-assisted households without disability received TANF or other state general assistance (Riccio, 2007).

Verma, Riccio and Azurdia (2003) (VR&A) explore interactions between welfare-reform programs and housing assistance in Minnesota and Connecticut. In both states, these authors find substantial increases in earnings for the housing-assisted population relative to others. After four years of welfare reform in Minnesota, for example, the average housing-assisted household’s earnings rose nearly \$5,000. Compared to those without such aid, housing-assisted households also had an employment rate about twelve percentage points higher. In Connecticut (with three years of welfare-reform implementation), housing-assisted participants saw \$4,000 more in earnings and seven percentage points more employment.

One way to harmonize the VR&A result with the disincentive studies is to note that the Minnesota and Connecticut housing-assisted cohorts included a higher proportion of long-term welfare recipients than the respective control groups. As such, the VR&A findings might reflect the labor impacts of TANF on households, which may counterbalance the possible negative impacts of housing assistance on labor. For example, in many cases, TANF incentives allow participants to keep more of their welfare payment so long as they are working. VR&A recognize how: (1) such rules may counteract the housing-based work disincentives; and (2) these features likely account for at least some of the observed income and employment gains. There is another way to view these findings on program interactions. It is possible that TANF participation mandates have quite positive effects upon self-sufficiency. These effects may overpower adverse housing-based signals, so that in tandem they produce increases in employment and earnings relative to the unassisted subgroup (Verma, Riccio and Azurdia, 2003:34).

The presence of other subsidy regimes in housing-assisted households means that future study of housing assistance’s impacts on labor outcomes must continue to gauge these interactions carefully.⁸ According to the literature reviewed by VR&A in support of their analysis, eight of ten studies find welfare reform more effective when participants have housing assistance. It is possible that continued housing assistance helps buffer impacts of TANF’s time-based limits and other discrete changes in benefits.

Using data from the National Survey of America’s Families (NSAF), Heintze, Berger et al. (2006) analyze the incidence and stability of employment among low-income single mothers. These authors acknowledge the limitations of self-reported data, which is noted in the literature to bias the estimated frequency of assistance upward (Shroder, 2002). Heintze, Berger et al. also acknowledge the uncertainty of the cause and effect relationship between housing assistance and labor. At least in theory, while housing assistance may cause changes in employment and income,

⁸ Examples of related work in this connection are Riccio and Orenstein (2003) and Verma and Hendra (2003). More recent studies of interactions between housing assistance and welfare reform are Lee, Beecroft and Shroder (2005) and McClure (2004), both discussed below.

we know that independently produced changes on the labor side also may cause changes in housing assistance. In such instances, it is difficult to know with certainty what is causing what, and many researchers opt to measure simple association without attributing cause and effect.

Utilizing sophisticated statistical techniques,⁹ Heintze, Berger et al. conclude that employed low-income recipients moving less frequently realize increased rate and quantities of employment. To the extent it facilitates residential stability, housing assistance thus may be argued to have at least some indirect, positive impact on employment and income. However, according to the author's analysis, housing assistance alone tends to reduce employment among the cohort of single mothers studied. Moreover, the authors warn that some individuals are required to report being employed in order to receive housing assistance, thus potentially biasing the results and further complicating measurement of the underlying causal relationships.

For the reasons discussed, neither VR&A nor Heintze, Berger et al. seriously weaken the findings of the five disincentive studies. Rather, this work emphasizes the need to view the experimental impacts of housing assistance within the real-world context of recipients' actual circumstances.

Evaluations of self-sufficiency initiatives

HUD's various self-sufficiency programs for assisted households, like Jobs-Plus and FSS, constructively augment more traditional forms of housing assistance. Key reasons for such programs include: (1) matching public housing tenants and voucher holders with existing training and services supporting their financial advancement; (2) limiting the negative labor-supply impacts possibly caused by traditional housing assistance alone; and (3) expanding the reach of limited housing subsidies by cycling recipients through the system more efficiently (Ricchio, 2007). These efforts were initiated to remedy known challenges in the public housing and voucher systems and to expand participants' prospects for attaining stable employment, financial independence, and mobility toward neighborhoods offering greater job access and social opportunity.

Recent evaluations now stand as part of the broader literature on the capacity of housing policy to target not only shelter-based aid but also longer-range improvement in residents' welfare. The results from these experiments tend to provide support for the disincentive studies' view that, in the absence of separate efforts encouraging self-sufficiency, housing assistance alone may slow recipients' progress toward financial independence, or may not advance it as effectively as now appears feasible.

An important experiment in this regard is the "Jobs-Plus Community Revitalization Initiative for Public Housing Residents" (Jobs-Plus). Conducted as a demonstration project and research experiment covering the period from 1998 through 2003, the program targeted working-age, non-disabled residents of selected public housing developments. Administered by PHAs with local nonprofit collaboration, Jobs-Plus provided job training and other services, rent-based employment incentives allowing residents to keep more of what they earn, and related activities building supportive social networks. To eliminate selection bias, one of up to three nominated housing developments in each program city was randomly selected to implement a Jobs-Plus program, while the other one or two developments were designated as control sites.

Bloom, Riccio et al. (2005) report on their comprehensive evaluation of Jobs-Plus implementation in six cities: Baltimore, Chattanooga, Dayton, Los Angeles, St. Paul, and Seattle. The in-depth analysis completed by Bloom, Riccio et al. delivers reliable estimates for program effects on work and welfare, both for individual residents and for the housing developments where the demonstrations occurred. As the authors note, this approach allows us to assess specific, differentiable impacts on "people" and "places." The analysis calculates cumulative effects utilizing time-series methods.

⁹ Such methods include instrumental variables and two-stage least-squares regression. Heintze, Berger et al. utilize time-lagged measures of local housing assistance reported via HUD administrative data.

The authors conclude that Jobs-Plus is a remarkable success in all critical respects. Compared to residents in non-participating locations, individuals in the original 1998 cohort realize an average of about \$1,141 in increased annual earnings during the 2000-2003 period. Employment gains are also substantial, with increases of about 4.6 percentage points in the cohort employment rate over the same period. In follow-on surveys of household heads regarding receipt of program services, significantly greater proportions of participating households engage in self-sufficiency enhancing activities, including job training, job searching, adoption of rent-work incentives, and counseling. The strength and reliability of these findings intensify when the best implemented programs are assessed separately. The authors determine that relocation to more advantageous neighborhoods after initial placement also helps sustain Jobs-Plus benefits. Finally, Bloom, Riccio et al. observe that clear declines in welfare receipt, while no doubt a pleasing result, cannot be reliably credited to the Jobs-Plus policy itself.¹⁰

Experience with the longer-established FSS program is also instructive. Ficke and Piesse (2004) describe a five-year retrospective evaluation of FSS outcomes based on 1996-2000 administrative data from MTCS as supplemented by FSS-addendum files enriching the descriptions of participating families. Early enrollees see their median incomes increase seventy-two percent by 2000, nearly twice the gain as the thirty-six percent rise seen in non-participants' median income. Among the welfare-participating cohort, income more than doubles, compared to a sixty-percent gain among non-participants. In multivariate analysis seeking to control for non-program factors which possibly influence these differences, program participation and year-participation interactive terms are significant and with the expected sign. However, education levels do not improve among FSS participants, nor can the effects of initial education differences between groups be determined due to a lack of such data for the comparison group.¹¹

Anthony (2005) analyzes implementation of FSS in Rockford, Illinois. An experiment is conducted to compare graduating and non-graduating program participants. Such one-jurisdiction studies help to highlight administrative choice in case-study fashion, relative to the national view. However, given the breadth and variability of program designs among participating PHAs, caution is necessary in extrapolating from such results.

Nevertheless, Anthony's results indicate that families graduating from FSS programs realize gains in income, schooling, skill acquisition, and short-term employment as a result. Annual household income increases 135% for graduates as compared to only a 26% boost for non-graduates. Part of this success may be due to those factors most strongly predicting graduation in the author's analysis, including being older, unmarried, lacking a high school diploma, having higher initial income, and intensity of training gained in the FSS program itself. Also to be considered are the direct financial benefits of graduation: receiving an average of \$5,840 in escrow funds¹² (compared to non-graduates who lose average rewards of \$808). Of course, if graduation benefits alone are a key indicator of improvements in self-sufficiency, evaluations of FSS are susceptible to becoming a self-fulfilling prophecy. Naturally, the more compelling studies analyze participant outcomes over a longer post-graduation period of time, or at the very least consider pertinent work- and income-related outcomes during FSS enrollment, as in Ficke and Piesse (2004).

Local policies seeking to improve the circumstances of housing-assistance recipients and move them toward eventual homeownership provide an opportunity to consider how different kinds of assistance may impact

¹⁰ In a prior study Gardenhire-Crooks (2004) and her coauthors presented preliminary and ancillary findings on Jobs-Plus largely in line with those later formalized by Bloom, Riccio et al. (2005). The earlier research focused on such items as rates of rent-incentive uptake and utilization, as well as qualitative assessment on how incentive moneys were spent by participating households. While program impacts on employment, income, and welfare receipt then remained rather indeterminate, Gardenhire-Crooks and her colleagues concluded that, "even though the field research suggests that rent incentives influenced the work-related behavior of a number of employed residents, there is less evidence that these benefits did much to motivate residents to go to work in the first place" (Gardenhire-Crooks, 2004:75).

¹¹ It should be emphasized here that FSS is a voluntary program. Without random assignment, evaluations must be careful to address the risk of self-selection bias.

¹² FSS programs typically have asset-building features. Rent increases associated with income gains are typically banked (partially or in their entirety) in escrow accounts and paid to participants on graduation. The expected payment out of escrow thus provides an incentive to complete FSS program requirements.

participants' perceptions.¹³ Santiago and Galster (2004) analyze data from intake surveys conducted in Denver's Foundations for Home Ownership (FFHO) program. Their survey asked participants across housing-assistance categories to assess their chances at attaining homeownership and the magnitude of barriers impeding their economic improvement. Compared to occupancy in traditional public-housing units, residents in both scattered-site units and voucher recipients renting private-market units had significantly lower expectations of continuing barriers to employment and personal goal-attainment. However, these inter-program differences did not significantly affect perceptions regarding the likelihood of eventual homeownership or prospects for general economic improvement within three years. Importantly, Santiago and Galster assessed the perceptions of neither housing-aid recipients outside of the FFHO program nor non-assisted households, making it difficult to eliminate the possibility of selection bias influencing their results.

Studies of duration, program impacts, and interactions

Several recent studies focus on issues other than labor effects. In their design and motivation, these studies seek neither to confirm nor reject the hypotheses supported by the disincentive studies. However, they do shed light on related issues.

Those concerned with the extended periods of dependence on housing assistance interpret program exits as a form of social advancement. Increased exit rates reduce the average duration of assistance and indicate greater numbers of households moving towards self-sufficiency. Freeman (2005) analyzes differing "spells" of housing-assistance receipt.¹⁴ Based on a tabulation of HUD administrative data from TRACS and MTCS for the years 1995 through 2002, the author finds that most families depart from the program rolls within five to ten years or less. Freeman's statistical tests determine that the following household characteristics are significantly associated with shorter spells: those racially identified as white; those of younger age; those not disabled; those without children; and those residing in neighborhoods with high vacancy rates.

Freeman's treatment of the issues raises two important concerns. First, his conclusion that being elderly is associated with particularly long spells of housing assistance presents a substantial likelihood of selection bias. It is quite plausible that elderly individuals' presence in HUD's administrative data is itself correlated with their tendency toward longer spells on such assistance. Second, numerous records in that data lack definitive termination dates, in part because local PHAs may not always complete the necessary paperwork when households exit public housing and/or the voucher program. The author chooses to risk overstating the exit rate by treating households lost from the data without a termination exit record as in fact having departed the rolls. There is no easy way to resolve this problem in the data or to assess the effect of the imprecision on the reliability of Freeman's findings.

Utilizing indicators of housing affordability in neighborhoods as opposed to housing-assistance receipt, Harkness and Newman (2005) find that lack of affordability impacts the health, education, and behavior of children and teenagers. These authors utilize the NSAF survey data, like Heintze Berger et al. (2006). They find that children living in more affordable areas are better off on a number of dimensions (e.g., health, school attainment), with variation in outcome

¹³ Elsewhere, HUD's Voucher Homeownership Program allows recipients in participating PHAs to use tenant-based vouchers to pay for monthly homeownership expenses instead of for rent, and this innovative program holds much promise (see Locke, Abbenante, Ly et al., 2006).

¹⁴ Measuring the duration, or "spell," of welfare enrollment, homelessness, or participation in housing-assistance programs can provide an important indicator of the prevalence and degree of such conditions. Unlike other research discussed in this review, Freeman (2005) utilizes "event history," a statistical technique also known as "survival analysis," in which "life tables" of durations are compiled and explored. These techniques are frequently used in epidemiology and other life sciences, and are now being adapted more and more for studies of regulation and social programs.

and model robustness depending largely on the affordability index utilized.¹⁵ The authors also note some “V-shaped” effects in the data, in which similar outcomes among children are noted at opposite ends of the affordability distribution. These implications somewhat undermine the overall ability to generalize these findings, as do the slight variation in results depending upon the affordability index used in their models.

In prior work, Harkness and Newman (2003) undertook a related study of the effects of homeownership on the well-being of children utilizing the longitudinal waves of the Panel Study of Income Dynamics (PSID) over twenty-five years. There they found that homeownership status unequivocally improves the economic circumstances of children across a number of pertinent dimensions. Homeownership tenure generally improves child welfare across neighborhoods. Homeownership in better neighborhoods shows stronger impacts, while interactive models show that neighborhood impacts in less prosperous areas are not strongly enhanced by homeownership status. Outcome variables showing the strongest effects included educational attainment and the employment rate.

The work of Harkness and Newman reminds us that employment and income are only two of many important indicators of independence and well-being. Another technique for exploring self-sufficiency is to survey recipients of housing assistance regarding their perceptions of improved housing conditions. In a study of voucher users in the San Francisco Bay Area, Varady and Walker (2003) compare suburban movers with those inhabiting other residential locations. The authors conclude that suburban relocation leads to a perception of greater access to jobs and opportunity, as well as an increased sense of safety and satisfaction with neighborhood quality.

These findings are tempered somewhat by findings of McClure (2004), who analyzes a survey of Section 8 recipients in Kansas City observed before and after welfare reform. Despite the suggestion that changes in welfare availability might increase mobility of voucher recipients toward better neighborhoods, McClure's data demonstrates no significant increase in relocation toward job-rich locations. Additionally, McClure finds slight negative effects of voucher acquisition upon the likelihood of being employed one year later. However, this author's attention is directed most immediately to the time limits dictated by welfare-reform policies. He does not report whether housing assistance itself generates statistically significant effects on employment or income.¹⁶

Similarly, in another regional study of welfare reform's interactions with housing assistance, Lee, Beecroft and Shroder (2005) utilize random-assignment experiments in program evaluations in Delaware (one cohort) and Indiana (two separate cohorts). For recipients of housing assistance in these data, welfare-reform rules (such as varying time limits and earnings disregards) increase rates of employment and earnings while reducing dependence on other forms of social assistance such as TANF and food stamps. Interestingly, it may be the case that the otherwise harsh effects of welfare reform may in fact be moderated somewhat when recipients also participate in housing assistance programs. Such households may have greater financial stability than unassisted households and they may be less likely to forego medical treatment due to cash flow difficulties. Within the specialized setting of welfare reform, it is quite possible that housing assistance advances self-sufficiency by reducing monetary uncertainties during the voyage from welfare to work.

¹⁵ Harkness and Newman (2005) employ three different measures of affordability for each market area they investigate: a “mismatch ratio,” equaling the sum of the number of units renting for less than \$375 per month and the number of owner-occupied units valued at less than \$45,000, divided by the number of households with incomes below \$15,000; area fair market rent (FMR) levels determined by HUD; and a recently developed hedonic housing-price index based on units in the tenant-based Section 8 program, 2000 census data at the tract level and other sources (Olsen, Davis, and Carrillo, 2005).

¹⁶ McClure (2004) reports that between application for the voucher and the time of income recertification one year after program admission, incomes grew much more substantially before welfare reform than afterwards. More curious is his finding that the proportion of voucher holders employed grew much slower after welfare reform, while rates of welfare enrollment markedly increased. McClure does not utilize a control group of non-assisted households, so it is difficult to assess the separate effect of vouchers in this instance.

Closing Remarks

Since the exhaustive review by Shroder (2002), five rigorous studies have added considerable force to the hypothesis that traditional forms of assistance in the public housing and voucher programs may slow participants' progress toward self-sufficiency. These studies indicate that housing assistance alone is strongly associated with lower rates of employment and slower income growth. Theoretical and empirical work on the topic remains far from unanimous, on the whole. But those critics with the contrary view - that public housing and vouchers have neutral or even positive effects on work and earnings – clearly carry a steeper burden of proof than five years ago. At the very least, data analyzed to date cannot fairly be read to disprove the presence of these disincentives. We face continuing risk that our investments in housing assistance tend to create a self-fulfilling prophecy of demand for such grants.

Much more encouraging are policy innovations tying housing aid to demonstrated self-sufficiency initiatives that offer a range of supportive services and incentives for movement toward financial independence. Programs like FSS and Jobs-Plus show promise. Well designed enhancements to traditional housing assistance may well counter whatever work disincentives it occasions.

Our understanding of interactions between housing policy and self-sufficiency is evolving, and research informing policy reform and innovation can certainly be refined. Over the next decade, program evaluations and general housing policy analyses should concentrate upon: random assignments to reduce selection bias; attention to a variety of self-sufficiency indicators (not just employment and earnings, but numerous other kinds of social advancement measures as well); the development of best practices; and cost-benefit analyses insuring that program expenditures provide real returns on investment. An additional focus area for research is the interaction among housing assistance and other forms of subsidy and social service, including the earned income tax credit and other tax policies, food stamps, health care finance, child care programs, universal-service regimes in transit and communications, and subsidized pre-kindergarten, after-school programs and post-secondary vocational training (see Riccio, 2007; Lane, English et al., 2007). There appears to be a growing consensus across social service sectors that real progress and cost savings greatly depend on enhanced collaboration and information-sharing across traditionally separate agencies and professions.

Summary Table: Recent Literature on Housing Assistance and Self-Sufficiency

Authors & Year	Population Studied	Key Outcome Variable(s)	Data Sources	Geography	Method/Control	Findings
Abt Associates, 2006	Housing choice (“welfare to work”) voucher recipients	Employment, earnings, training, welfare receipt, poverty, child welfare	Baseline and follow-up surveys, Census, administrative data from HUD, supplementary sources	Six sites: Atlanta, Augusta, Fresno, Houston, Los Angeles, Spokane	Multiple regression; random assignment between treatment and control groups; sophisticated analysis of intent-to-treat and actually-treated cohorts	Vouchers significantly associated with improved housing conditions, stable and more prosperous location for movers and alleviation of poverty and hardship, but negatively affect earnings and employment in the short run as well as significantly increasing uptake of other public assistance
Anthony, 2005	FSS Participants (mostly females)	Graduation from FSS Program	Program files, Census, follow-up interviews & surveys	Rockford, IL	Comparison of means; logistic regression; program graduates compared to non-graduating participants	Successful program participants marginally better off regarding income, schooling, skill acquisition, and short-term employment; factors predicting graduation include age, unmarried status, lacking high school diploma, higher initial income, & number of skills acquired in FSS program
Bloom, Riccio, et al., 2005	Jobs-Plus participants	Employment, income, service uptake	Housing authority tenant records matched with state unemployment insurance data	Dayton, Los Angeles, St. Paul, and Seattle	Control (non-program) development(s) selected in each Jobs-Plus city; time-series regression and mean-difference <i>t</i> -tests	Participants realize sustained employment-rate and income gains; program success marked by significantly greater uptake of self-sufficiency services in test group compared to comparison group; welfare receipt reduced but likely not as a direct consequence of Jobs-Plus

Authors & Year	Population Studied	Key Outcome Variable(s)	Data Sources	Geography	Method/Control	Findings
Ficke and Piesse, 2004	FSS participants	Changes in income and earnings; changes in relative proportion of public-assistance receipt	HUD MTCS and FSS supplemental files	National	Linear mixed-effect regressions on differences between treatment and control group; authors note lack of education data among control group and other omitted-variable and selection-bias concerns	Increases in earnings compared to non-participant group
Freeman, 2005	Recipients of public housing, Section 8, and HUD-project assistance	Exits from housing assistance rolls	1995-2002 MTCS & TRACS	National	Event history analysis	Longest spells shown to occur in public housing compared to other forms of assistance; strongest predictors of exit include area vacancy rates and race/ethnicity differences; elderly marked by particularly long spells
Gardenhire-Crooks, 2004	Jobs-Plus participants	Rent-incentive uptake, recipients' utilization of proceeds	Staff and participant interviews; housing authority records, state unemployment insurance, and Jobs-Plus files	Baltimore, Chattanooga, Dayton, Los Angeles, St. Paul, and Seattle	Descriptive reports of inter-site comparisons	Measurable and growing participation in rent-incentive programs; reported use for basic household needs and other items; no analysis of overall impacts on earnings, employment, welfare receipt and other variables relating to work disincentive

Authors & Year	Population Studied	Key Outcome Variable(s)	Data Sources	Geography	Method/Control	Findings
Harkness and Newman, 2005	Poverty families with children	Various indicators of child well-being and material hardship	National Survey of America's Families (NSAF) plus indicators of housing affordability	Thirteen states (AL, CA, CO, FL, MA, MI, MN, MS, NJ, NY, TX, WA, and WI)	Probit analysis with tests across varying goodness-of-fit specifications	Children living in more affordable areas are better off on a number of dimensions (e.g., health, school attainment), with variation in outcome and robustness of model depending upon affordability index utilized; some V-shaped effects (i.e., similar outcomes in both highly affordable and highly unaffordable areas) undermine generalizability of findings
Harkness and Newman, 2003	Low- and high-income families with children	Years of education, wage rates, high-school completion, post-secondary education, idleness, and welfare receipt	1968-1993 Panel Survey of Income Dynamics	National	OLS regression and probit with specifications for homeownership alone, controls for neighborhood effects, and interaction between the two	Homeownership generally improves child welfare across neighborhoods; homeownership in better neighborhoods evinces stronger impacts; interactive models show neighborhood impacts not buffered by homeownership status in less prosperous areas
Heintze, Berger et al., 2006	Low-income single mothers	Incidence and hours of work	NSAF 1997 & 1999 waves; lagged HUD administrative data on state assistance levels	National	Probit, OLS and maximum likelihood approaches using instrumental variables in multistage setup	Assistance increases housing stability (months in unit), which in turn is associated with greater likelihood and duration of employment among single-mothers; assistance alone shows weaker, direct negative effects on labor outcomes, with no significant association for any particular assistance category
Jacob and Ludwig, 2006	Voucher waiting list assignments	Waiting list status, earnings and employment, public	Authors' surveys of waitlist participants; PHA	Chicago Housing Authority	Multiple regression	Random, lottery-based assignment to waitlist provides a natural experiment showing the voucher effects. Voucher

Authors & Year	Population Studied	Key Outcome Variable(s)	Data Sources	Geography	Method/Control	Findings
		assistance receipt, arrest records and school-based indicators	administrative data			receipt reduced employment by nearly eleven percent and average earnings by fifteen percent. Vouchers also significantly increased rates of participation in TANF programs, by twenty-one percent
Lee, Beecroft, and Shroder, 2005	Recipients impacted by welfare-reform policy changes	Earnings, employment, TANF and food-stamps receipt	Longitudinal study of welfare reform impacts matched with HUD administrative data	Delaware and Indiana	Random assignment in welfare-reform evaluations; comparing means across cohorts and control groups	Public housing residents less employable compared to control group lacking housing assistance; difference not seen for Section 8 project-based recipients. Welfare reform reduces receipt of housing assistance. Housing assistance increases financial stability overall
McClure, 2004	Section 8 households	Effects of welfare reform on tract-level indicators of employment and income	Housing authority case files and Census data	Kansas City	Independent sample <i>t</i> -tests	Slight negative effects of voucher acquisition on likelihood of being employed one year later; modest positive effects of welfare reform on acquisition of employment; no significant increase in relocation toward job-rich location
Olsen et al., 2005	Random sample of recipients and non-recipients of public housing, Section 8, and HUD-project assistance	Change in household income, employment status	1995-2002 MTCS & TRACS, PSID, Census	National	Longitudinal regression with geographical and time-based dummy pairs; hedonic rent equation with high accuracy; control was PSID-sample of non-assisted	Conservative estimate of earnings loss is \$4,011 less for subsidized-project residents, \$3,894 less for public housing tenants, and \$3,584 less for voucher recipients; once-unemployed voucher recipients appear more likely to become employed than recipients in either public housing or private-assisted units, and FSS provides substantial boost in

Authors & Year	Population Studied	Key Outcome Variable(s)	Data Sources	Geography	Method/Control	Findings
Patterson, Wood et al., 2004	Participants in Welfare-to-Work Voucher (WtWV) program	Employment and earnings, location, welfare & food stamp receipt	Entry surveys, unemployment and TANF data, MTCS-TRACS, census, participant interviews	Six sites: Atlanta, Augusta, Fresno, Houston, Los Angeles, Spokane	households Multiple regression with randomized assignment between treatment and control groups; sophisticated analysis of intent-to-treat and actually-treated cohorts	employment status and earnings Time spent employed 7 to 8 percent less; earnings 12 to 14 percent lower. Significant numbers of out-of-tract moves to better neighborhoods; TANF and food stamp utilization significantly higher for treatment group.
Santiago and Galster, 2004	Housing assistance recipients participating in FSS-style homeownership opportunity program	Perceptions of barriers to employment and FSS participation, self-prediction of homeownership likelihood	Program intake surveys	Denver	OLS; neither non-participating assisted households nor non-assisted population included as control group	Dispersed placement and Section 8 vouchers significantly reduce perceptions of barriers to employment and personal goal-attainment, compared to public housing occupancy; little effect on perceived likelihood of homeownership or general economic improvement within three years

Authors & Year	Population Studied	Key Outcome Variable(s)	Data Sources	Geography	Method/Control	Findings
Susin, 2005	Statistically matched recipient and non-recipient groups across forms of housing assistance	Income, poverty status, employment, earnings, welfare and housing assistance receipt, household size, marital status	1995-2000 Survey of Income Participation (SIPP) matched with HUD administrative data	National	Unsubsidized households matched to recipients using propensity score methods along measurable facets observed at outset of study period	During the 1990's economic boom subsidized households realized lower earnings gains and poverty reduction than their non-subsidized counterparts; effects on earnings, food-stamp receipt and poverty status larger than those on employment status and general-assistance receipt; author unable to reject hypothesis that form of assistance itself plays a role
Varady and Walker, 2003	Section 8 voucher recipients	Perceptions of adjustment to new location, neighborhood and residential quality	Telephone survey	Oakland and Berkeley, California and environs	Chi-square measures of association in cross-tabulations; logistic regression and principal components analysis	Recipients using vouchers to move to suburbs report increased social access, feelings of safety, and neighborhood quality
Verma, Riccio and Azurdia, 2003	Public assistance recipients in welfare-reform experimental evaluations	Employment, earnings, welfare receipt and income, as impacts of welfare-reform programs	HUD and local welfare administrative records, unemployment insurance wage data, intake and follow-up client surveys	Minnesota and Connecticut	Regression-adjusted two-tailed <i>t</i> -test comparisons of means; OLS regression in non-experimental analysis of point-in-time and assistance-duration analyses	Substantial increases in earnings and employment rates for welfare-reform participants receiving housing assistance as opposed to not

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