EMPLOYMENT STRATEGIES for Low-Income Adults *Evidence Review*

ESER ISSUE BRIEF

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Financial Incentives and Sanctions: Can They Improve Employment Outcomes for Low-Income Adults?

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Among programs seeking to improve employment outcomes for low-income adults, many use financial incentives or sanctions to encourage participants to find or maintain a job. This brief discusses 12 interventions identified by the Employment Strategies for Low-Income Adults Evidence Review (ESER) that featured financial incentives or sanctions as their primary employment or training strategy.[1] This brief describes those interventions and their impacts on employment and earnings. It also profiles four promising interventions and their impacts in more detail, including impacts on the receipt of public benefits.[2]

Financial incentives are rewards a program offers to participants for doing an activity or meeting a certain goal. For example, a program may offer a $200 reward for working at least 30 hours a week in a given month, or it may allow workers to keep some of their public benefits as their earnings increase. These types of incentives can increase workers' income—and their self-sufficiency—by "making work pay."

Programs can also impose *financial sanctions*—penalties for failing to complete mandated tasks. For example, a program could cut a worker's benefits by 10 percent during each month he or she fails to look for a job. Sanctions reduce the income of those who do not complete tasks intended to make them more self-sufficient.

This brief describes 12 interventions identified by ESER that featured financial incentives or sanctions as their primary strategy and their impacts on employment and earnings.

THIS SERIES OF BRIEFS

This series of briefs offers a synthesis of the findings from ESER for policymakers, practitioners, and others who seek to improve the employment and earnings outcomes of low-income adults. This brief focuses on financial incentives and sanctions interventions. Other briefs focus on work readiness interventions, gaps in the research base, primary service strategies, and a meta-analysis to examine which employment services are most effective.

WHAT IS ESER?

The Employment Strategies for Low-Income Adults Evidence Review (ESER) is a systematic review of the literature on the impacts of employment and training programs and policies for low-income people. Sponsored by the Office of Planning, Research and Evaluation (OPRE) in the Administration for Children and Families, ESER provides practitioners, policymakers, researchers, and the public with a transparent, systematic assessment of the quality of research evidence supporting approaches to improve the employment-related outcomes of low-income adults.

The ESER team searched for relevant research published from 1990 to mid-2014 and then screened for eligible studies to review: those that used randomized controlled trials or comparison group designs.

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Trained reviewers examined the strength of the causal evidence for each study—that is, they gauged how likely it was that any impacts reported in the study were caused by the intervention being studied, not by something else. They then rated each study based on its rigor (not on the effectiveness of the intervention):

High ratings were for randomized controlled trials with low attrition—that is, few people were missing from follow-up data collection efforts—and with no reassignment of people or cases after the original random assignment.

Moderate ratings were for two types of studies: (1) randomized controlled trials that, due to flaws in the study design or analysis (for example, high attrition), did not qualify for the high rating but satisfied other design criteria and (2) comparison group designs that were well-executed and established equivalence between the two groups.

Low ratings were assigned to studies that did not qualify for a high or moderate rating.

This is one in a series of briefs that highlights results from this review. The briefs describe high-quality research on several strategies that promote employment for low-income adults.

The ESER team also identified a "primary strategy" for each intervention. This was the employment or training strategy used most in the intervention—the service most treatment group members received and most comparison group members did not. The primary strategy was also the one that appeared integral to the theory of change tested by the study of that intervention.

The team determined the primary strategy for each intervention by having two reviewers independently read the description of each intervention, identify a primary strategy, compare their assessments, and discuss until agreement was reached.

For more details, see Assessing the Evidence Base: Strategies That Support Employment for Low-Income Adults

THE INTERVENTIONS AND COMPARISONS

Settings and clients of the interventions

Of the 12 interventions identified by ESER as primarily using financial incentives and sanctions, most were delivered to parents receiving public benefits (Table 1).

Eight of the interventions were exclusively delivered to people who were public benefits clients, either applicants or participants. Typically, these clients were single mothers. The other 4 interventions were delivered to a broader group of low-income people.

Table 1. Settings and populations

Intervention	Setting	Population targeted	Implementation time frame
California Work Pays Demonstration Project (CWPDP)	Los Angeles County, California (*urban*)	Single parents receiving cash assistance	1993–1996
Connecticut's Jobs First Program	New Haven and Manchester, Connecticut	Single parents receiving cash assistance	1996–1999[a]
Family Transition Program (FTP)	Escambia County, Florida	Single parents; a subset of studies focused on single parents receiving cash assistance	1994–1999
Indiana Welfare Reform	Indiana	Single parents receiving cash assistance	1995–2002
Iowa Family Investment Program	Black Hawk, Clinton, Des Moines, Jackson, Jones, Linn, Polk, Pottawattamie, and Woodbury Counties, Iowa	People receiving cash assistance	1993–1997[b]
Jobs-Plus Community Revitalization Initiative for Public Housing Families	Baltimore, Maryland; Chattanooga, Tennessee; Dayton, Ohio; Los Angeles, California; St. Paul, Minnesota; and Seattle, Washington (*urban*)	General low-income population	1998–2003

(continued)

Intervention	Setting	Population targeted	Implementation time frame
Minnesota Family Investment Program (MFIP)-Incentives Only	Minnesota urban counties[c]	Single parents receiving cash assistance; a subset of studies focused on parents who had been receiving long-term cash assistance, and another subset focused on single parents who had been receiving long-term cash assistance	1994–1997
New Hope Project	Milwaukee, Wisconsin (*urban*)	General low-income population; a subset of studies focused on employed people, and another subset focused on parents	1994–1998
Opportunity NYC—Family Rewards Demonstration	New York City (*urban*)	Parents; a subset of studies focused on single parents	2007–2010
Self-Sufficiency Project (SSP)	British Columbia and New Brunswick, Canada	Single parents receiving cash assistance; a subset of studies focused on long-term cash assistance-recipient single-parents	1992–1999
Texas Employment Retention and Advancement (ERA)	Corpus Christi, Fort Worth, and Houston, Texas (*urban*)	Single parents receiving cash assistance	2000–2004
Welfare Restructuring Project (WRP) Incentives Only	Burlington, Barre, Newport, Rutland, St. Albans, and Springfield, Vermont	Parents receiving cash assistance; a subset of studies focused on single parents receiving cash assistance	1994–2001

Note: Study settings that are exclusively urban are noted. All other interventions were tested in regions that included urban, rural, and/or suburban communities.

[a] Connecticut's Jobs First program continued into 2000, but the evaluators only examined the impacts of the program through 1999.

[b] The Family Investment Program became Iowa's statewide public assistance program in 1997.

[c] MFIP Incentives Only targeted single parents in urban settings. But another version of the intervention, MFIP, was launched in both urban and rural communities and targeted single- and two-parent families.

Features of the interventions

The interventions used different types and combinations of financial incentives and sanctions (Table 2). Eleven of the 12 interventions provided incentives to help participants work more or earn more money. Fewer than half of the interventions established both incentives and sanctions. The most common approach was to establish a higher *earnings disregard*—the portion of workers' income that is ignored when determining the cash benefits or services they should receive. A higher disregard allows workers to continue receiving benefits as their incomes rise to a level at which benefits would otherwise be denied. For example, the Jobs-Plus intervention adjusted the rent policies for public housing so that increases in earnings did not lead to a proportional increase in rent.

To encourage participants to work, interventions also offered conditional cash transfers, provided earnings supplements, and reduced the penalties on dual-income households. *Conditional cash transfers* are financial rewards given to people who meet certain requirements. For example, Opportunity NYC rewarded participants who met requirements related to their employment status, their children's education, and their families' health coverage. An *earnings supplement* is cash paid to workers to raise their earnings to a minimal level, often benchmarked against the poverty level. For example, SSP provided earnings supplements to halve the difference between a person's earnings and a certain benchmark. These supplements also took the form of stipends or bonuses to make employment more lucrative. For example, the Texas ERA intervention provided monthly $200 stipends to people who worked at least 30 hours a week or did employment and training activities for 30 hours per week. Finally, some interventions encouraged both parents to seek work by reducing the penalties on income from a second earner. For example, the California

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Work Pays Demonstration Project (CWPDP) allowed families to keep receiving benefits if both parents had earned income, even though the standard program in California before CWPDP—Aid to Families with Dependent Children (AFDC)—stopped benefits if the primary earner worked more than 100 hours a month.

Six of the 12 interventions reduced or withheld benefits if a participant failed to complete certain tasks.

Two approaches to sanctioning emerged in these interventions. More commonly, families could lose some benefits for failure to secure a job or take part in employment or training activities. Five of the six interventions that implemented sanctions used this approach. Less commonly, interventions penalized participants for failing to adhere to "family responsibility" requirements, such as ensuring their children regularly attended school and received recommended immunizations. Two of the six interventions used this approach, one of which also sanctioned families for failure to participate in work-related activities.

Eight of the 12 interventions combined financial incentives or sanctions with other employment and training strategies, such as supportive services or training (Table 2).

Seven interventions included work-readiness activities, such as paid or unpaid work experience, job development, or job placement. (The other four interventions did not use other employment and training strategies but may have used other approaches not shown in Table 2, such as reducing maximum cash assistance payments.)

Table 2. Intervention strategies

Intervention	Financial incentive strategies				Financial sanction strategies		Other services provided				
	Earnings supplements	Higher earnings disregard	Conditional cash transfer	Fewer restrictions on second earners	"Employment activities" sanctions	"Family responsibility" sanctions	Work-readiness activities	Training	Supportive services	Case management	Education
CWPDP		✓		✓							
Connecticut's Jobs First Program		✓			✓		✓	✓			✓
FTP		✓				✓	✓	✓	✓	✓	✓
Iowa Family Investment Program		✓		✓	✓		✓	✓	✓		✓
Indiana Welfare Reform					✓	✓	✓		✓		
Jobs-Plus Community Revitalization Initiative for Public Housing Families		✓					✓	✓	✓		✓
MFIP Incentives Only		✓	✓		✓						
New Hope Project	✓								✓		
Opportunity NYC—Family Rewards Demonstration			✓								

(continued)

Intervention	Financial incentive strategies				Financial sanction strategies		Other services provided				
	Earnings supplements	Higher earnings disregard	Conditional cash transfer	Fewer restrictions on second earners	“Employment activities” sanctions	“Family responsibility” sanctions	Work-readiness activities	Training	Supportive services	Case management	Education
SSP	✓										
Texas ERA	✓						✓	✓	✓	✓	
WRP Incentives Only		✓			✓		✓		✓	✓	
Total	3	7	2	2	5	2	7	5	7	3	4
	11				6						

Note: The evaluations of MFIP Incentives Only and of SSP also involved testing the impacts of two variants of those programs: MFIP and SSP Plus. MFIP included the same financial incentives and sanctions as MFIP Incentives Only but combined them with other services. SSP Plus combined the financial incentives of SSP with other services.
For this brief, ESER merged the impacts of MFIP with those of MFIP Incentives Only, and ESER merged the impacts of SSP Plus with those of SSP. To see detailed comparisons of MFIP to MFIP Incentives Only and of SSP Plus to SSP, see our work-readiness brief (the comparisons focus on the work-readiness components of these strategies).
The evaluations of WRP Incentives Only also tested a variant, Welfare Restructuring Project (WRP). Studies comparing WRP to either WRP Incentives Only or Aid to Needy Families with Children are described in a brief on work-readiness activities.

The policies or programs to which the interventions were compared

When testing the interventions, evaluators generally compared them to the cash assistance program in place at the time, such as AFDC or Temporary Assistance to Needy Families (TANF) (Table 3).[3] Understanding these programs in their policy contexts is essential to interpreting the results of the evaluations. For example, the mandatory work requirements instituted by TANF meant that both those receiving the intervention and those in the comparison group were subject to these same work requirements. As a result, an intervention would likely show different impacts if compared to AFDC as opposed to TANF.

Nine of the 12 interventions began before 1996, when TANF replaced AFDC and imposed its own sanctions. Many of these nine interventions had rolling start dates so some participants continued to receive intervention services into 1997. In some cases, the launch of TANF was delayed for the communities under study until the evaluators had finished assessing the intervention. The three other interventions were launched after TANF began, in 1998 or later. One of these interventions, Opportunity NYC, was in place through the 2008 recession.

Nine of the 12 interventions began before TANF was enacted in 1996. The 3 other interventions were launched after TANF began, in 1998 or later.

Except New Hope, all interventions deployed before or during the launch of TANF were compared with the typical public assistance program at the time. Many interventions paired financial incentives or sanctions with a work requirement. New Hope was different because it targeted low-income workers and unemployed people who were not necessarily eligible for or receiving public assistance. The New Hope evaluators compared the outcomes for New Hope participants to those of low-income workers or unemployed people who were restricted from participating in New Hope and were instead given a list of other organizations where they could receive employment support.

Because the interventions and comparison programs varied, some pre-TANF interventions differed substantially from the comparison programs, while others had more modest differences. For example, Family Transition Program (FTP) differed substantially from AFDC in that it had a number of components (such as child care) not available through AFDC. But other studies compared interventions that tested a modest difference. For example, CWPDP allowed participants to keep more of their benefits as their earnings increased but was otherwise very similar to AFDC.

In contrast, the interventions tested after TANF implementation were only incrementally different from their comparison programs. For example, the Opportunity NYC evaluators only tested the impact of financial incentives.

Table 3. Policies and programs in each comparison condition

Intervention	Comparison
Interventions started before TANF	
CWPDP	AFDC
Connecticut's Jobs First Program	AFDC
FTP	AFDC
Indiana Welfare Reform	AFDC rules, even once TANF was in place
Iowa Family Investment Program	AFDC
MFIP Incentives Only	AFDC
New Hope Project	Participants were given a list of community resources from which they could seek assistance independently
SSP	Income Assistance, which did not include earnings supplements
WRP Incentives Only	Aid to Needy Families with Children, which did not include work requirements or financial incentives
Interventions started after TANF	
Jobs-Plus Community Revitalization Initiative for Public Housing Families	Participants could access the self-sufficiency services typically available to federal housing residents, including work incentives outlined in the 1998 Quality Housing and Work Responsibility Act
Opportunity NYC—Family Rewards Demonstration	Participants could not receive cash incentives for engaging in activities to promote their families' health or children's education
Texas ERA	Participants were enrolled in Texas's standard welfare-to-work program, which included job search assistance, case management, and support services. Many of the services were similar to Texas ERA but were not as coordinated across agencies

OBSERVED IMPACTS

The impacts of the interventions on employment and earnings varied by domain and by intervention (Table 4).[4] ESER looked at impacts within four domains: short-term employment, long-term employment, short-term earnings, and long-term earnings.

Most interventions had a mixture of null and favorable impacts on short-and long-term employment and earnings.

Short-term was defined by ESER as less than 18 months. Generally, short-term outcomes reflect employment and earnings during the period when participants could receive intervention services. In some cases, however—such as in SSP, which provided earnings supplements for up to three years—participants could receive services for several years, so that long-term outcomes also capture employment and earnings during the intervention.

Impacts on employment

Most interventions had a combination of favorable and null impacts on short- and long-term employment, though the balance of favorable and null impacts differed (Table 2).[5]

For instance, the impacts of Connecticut's Jobs First Program on employment were favorable for all four years that employment was measured. Yet, neither CWPDP,[6] Jobs-Plus, nor WRP Incentives Only had statistically significant impacts in either the short or long term.

Two interventions yielded unfavorable employment outcomes although these unfavorable outcomes varied depending on the population and timing of measurement. MFIP had a range of short-term employment outcomes that varied by *population*. Two groups—single parents in MFIP and single parents who had received cash assistance for at least a year when they enrolled in MFIP Incentives Only—had higher employment rates than single parents in the comparison groups.[7] However, MFIP had unfavorable impacts on two-parent families. In contrast, the employment impacts of Opportunity NYC were consistent across population, but varied across *time*. This program had unfavorable impacts on employment within the first year of the evaluation. But, at 18 months, Opportunity NYC participants were more likely to be employed than people who did not have access to Opportunity NYC services. And at three years, there were no statistically significant differences between these two groups.

Impacts on earnings

Most interventions had a mix of null and favorable impacts on short- and long-term earnings, though there were a few exceptions. For example, all the impacts on earnings were favorable two to four years after the start of FTP and three to six years following SSP. (The next section discusses both interventions in more detail.)

In addition, only MFIP had any negative impacts on earnings, although these impacts varied across populations. Specifically, among recent cash assistance applicants, single parent MFIP participants earned *less* during their first 2.5 years in the program than single parents assigned to AFDC. But, among longer-term cash assistance recipients, single parent MFIP participants earned *more* over that same period than single parents assigned to AFDC. The opposite was true for two-parent families: among recent applicants, two-parent MFIP participant families earned *more* than two-parent families assigned to AFDC, but among longer-term recipients, two-parent families earned *less* after three years than two-parent families assigned to AFDC.

Table 4. Impacts across interventions and domains

Intervention	Impacts on employment		Impacts on earnings	
	Short term	Long term	Short term	Long term
CWDPD	Not applicable	Favorable: 0 Unfavorable: 0 Null: 1	Not applicable	Not applicable
Connecticut's Jobs First Program	Favorable: 2 Unfavorable: 0 Null: 0	Favorable: 5 Unfavorable: 0 Null: 0	Favorable: 1 Unfavorable: 0 Null: 2	Favorable: 2 Unfavorable: 0 Null: 1
FTP	Favorable: 5 Unfavorable: 0 Null: 0	Favorable: 4 Unfavorable: 0 Null: 2	Favorable: 1 Unfavorable: 0 Null: 3	Favorable: 4 Unfavorable: 0 Null: 0
Indiana Welfare Reform	Favorable: 2 Unfavorable: 0 Null: 1	Favorable: 3 Unfavorable: 0 Null: 1	Favorable: 2 Unfavorable: 0 Null: 1	Favorable: 2 Unfavorable: 0 Null: 1
Iowa Family Investment Program	Favorable: 1 Unfavorable: 0 Null: 3	Favorable: 0 Unfavorable: 0 Null: 4	Favorable: 1 Unfavorable: 0 Null: 3	Favorable: 0 Unfavorable: 0 Null: 4
Jobs-Plus Community Revitalization Initiative for Public Housing Families	Favorable: 0 Unfavorable: 0 Null: 1	Favorable: 0 Unfavorable: 0 Null: 1	Favorable: 0 Unfavorable: 0 Null: 1	Favorable: 1 Unfavorable: 0 Null: 1
MFIP Incentives Only	Favorable: 2 Unfavorable: 1 Null: 4	Favorable: 3 Unfavorable: 0 Null: 7	Favorable: 0 Unfavorable: 2 Null: 4	Favorable: 1 Unfavorable: 2 Null: 7
New Hope Project	Favorable: 2 Unfavorable: 0 Null: 0	Favorable: 2 Unfavorable: 0 Null: 3	Favorable: 2 Unfavorable: 0 Null: 0	Favorable: 0 Unfavorable: 0 Null: 3
Opportunity NYC—Family Rewards Demonstration	Favorable: 1 Unfavorable: 2 Null: 0	Favorable: 0 Unfavorable: 0 Null: 1	Favorable: 1 Unfavorable: 0 Null: 3	Favorable: 1 Unfavorable: 0 Null: 2
SSP	Favorable: 11 Unfavorable: 0 Null: 3	Favorable: 15 Unfavorable: 0 Null: 2	Favorable: 11 Unfavorable: 0 Null: 4	Favorable: 13 Unfavorable: 0 Null: 0
Texas ERA	Favorable: 0 Unfavorable: 0 Null: 20	Favorable: 3 Unfavorable: 0 Null: 9	Favorable: 1 Unfavorable: 0 Null: 10	Favorable: 1 Unfavorable: 0 Null: 5
WRP Incentives Only	Favorable: 0 Unfavorable: 0 Null: 2	Favorable: 0 Unfavorable: 0 Null: 8	Favorable: 0 Unfavorable: 0 Null: 2	Favorable: 0 Unfavorable: 0 Null: 9

Notes: The counts show the number of prioritized outcomes that are favorable, unfavorable, and null for each domain. "Favorable" denotes positive and statistically significant impacts among outcomes prioritized for review (see the ESER standards and methods report). "Unfavorable" denotes negative and statistically significant impacts. "Null" denotes impacts that are not significantly different from zero. Bolded interventions are designated as "promising." ESER defined an intervention as promising if it had as many favorable outcomes as null outcomes in at least three of the four domains, with no unfavorable outcomes in those domains. "Not applicable" means that no outcomes prioritized for review in that domain were rated high or moderate by ESER.

HIGHLIGHTS OF PROMISING INTERVENTIONS

Four interventions had generally favorable impacts on both employment and earnings: FTP, SSP (including SSP Plus), Connecticut's Jobs First Program, and Indiana Welfare Reform.

ESER considers these interventions to be promising, meaning they had as many favorable outcomes as null outcomes in at least three of the four key domains (short-term employment, long-term employment, short-term earnings, and long-term earnings), with no unfavorable outcomes in those domains. In this section, we profile each of these promising interventions.

Family Transition Program: 1994–1999

FTP had four major components that it offered to participants. First, the program included financial incentives: the first $200 plus half of remaining earnings were disregarded when calculating a family's benefit amount, and families could accumulate more assets without losing their benefits. Second, the program imposed financial sanctions; to avoid losing the adult portion of their benefits, parents had to ensure their school-age children attended school regularly, talk with their children's teachers each grading period, and immunize their children. Third, participants were limited to 24 months of cash assistance in any 60-month period. Fourth, participants could receive case management, enhanced employment and training services, adult education, unpaid work experience, social and health services, child care, and supportive services. AFDC, to which FTP was compared, did not include these four components.

The evaluation of FTP, funded by the Florida Department of Children and Families, the U.S. Department of Health and Human Services (HHS), and the Ford Foundation, included 2,176 single parents in Escambia County, Florida. People were enrolled in the study when they applied for or were recertified for AFDC. Most participants were mothers with an average of two children. Roughly half of the participants were black, and a little less than half were white. More than half had a GED or higher level of education when the evaluation started.

FTP had favorable impacts on short- and long-term employment, earnings, and benefit receipt.[8] Fourteen of the 19 employment and earnings outcomes shown in Table 2 are favorable. Typically, this kind of increase in a person's employment and earnings is linked to a decrease in his or her public benefits, given that benefit eligibility and payment are based in part on earnings.

In FTP's case, 12 out of 32 benefit receipt outcomes were favorable—meaning benefit receipt decreased significantly compared with people in AFDC. The other 20 outcomes showed no impact.

Note that the decrease in benefit receipt is not necessarily related to the increase in employment and earnings. Other program features—such as FTP's higher earnings disregards, time limits, and nonparticipation sanctions—could all have affected benefit receipt, even without affecting employment and earnings. Higher earnings disregards allow families to keep more of their benefits as earnings rise, so a program could increase earnings but have no impact on benefit receipt. On the other hand, time limits and nonparticipation sanctions typically reduce the rates of benefit receipt and the payment amounts, regardless of changes in employment and earnings.

Self-Sufficiency Project: 1992–1999

SSP provided earnings supplements that amounted to half the difference between a participant's earnings and a certain benchmark for the region.[9] The benchmark marked the point when a typical single-parent family was earning more from full-time employment than from Income Assistance, Canada's public assistance program. Participants who worked full time—30 hours a week or more—and left Income Assistance within one year of enrolling in SSP could receive the earnings supplement for up to three years. In the evaluation of SSP, the authors compared SSP participants to a group of public assistance recipients who would not receive the supplement, even if they met the criteria.

The evaluation, funded by Human Resources Development Canada, involved over 3,000 single parents. It included parents who had received public benefits for 12 of the previous 13 months, as well as parents making new public assistance claims at the start of the evaluation. Most were single mothers with some work history.

Studies showed that SSP had overwhelmingly favorable impacts on employment, earnings, and benefit receipt. These impacts extended across all six years of the study. In the final year of the study, people assigned to SSP earned, on average, $1,305 more than those assigned to Income Assistance. Further, only two studies showed that people assigned to SSP received Income Assistance benefits more often than the comparison group—both during the first year of SSP—but the average Income Assistance payment did not differ between the two groups. These same studies showed that people in SSP received fewer and smaller awards in later years.

Connecticut's Jobs First Program: 1996–1999

Connecticut's Jobs First program had three main features. First, participants became ineligible for cash assistance after a total of 21 months of receipt. Second, Connecticut disregarded participants' earned income below the poverty level when calculating cash grants and food stamp benefits. Third, Jobs First participants were subject to sanctions if they did not do certain activities—specifically, they had to begin searching for a job independently or through the Job Search Skills Training courses. Jobs First provided additional education and training services to participants who could not find a job. The first time a person did not participate, his or her family's grant was reduced by 20 percent for three months. The sanction increased to 35 percent for the second instance and 100 percent for the third instance.

The evaluation, funded by the Connecticut Department of Social Services, with support from HHS, the Ford Foundation, and the Smith Richardson Foundation, included 2,140 AFDC applicants and recipients in New Haven and Manchester, Connecticut. Participants were black, white, and Hispanic, with none of the racial/ethnic groups representing a majority of the sample.

Jobs First had favorable impacts on employment and earnings, but the impacts on benefit receipt were more nuanced. Specifically, Jobs First led to increases on most (seven of eight) measures of short-term benefit receipt, exceeding AFDC in this area. But, by the third year of the intervention, people in Jobs First were receiving fewer benefits than people in AFDC.

One possible explanation for this is that both the Jobs First and AFDC groups may have earned more money (though in this case, the Jobs First group had higher earnings), but Jobs First participants were allowed to keep their benefits, while AFDC participants lost all or some benefits. As discussed earlier, higher earnings disregards typically allow benefits to remain constant as earnings increase. This could be why people assigned to Jobs First received more benefits in the short term than those assigned to AFDC. However, time limits and nonparticipation sanctions typically reduce rates of benefit receipt and payment amounts, regardless of changes in employment and earnings. During the third year, people assigned to Jobs First received fewer benefits than people assigned to AFDC.

Indiana Welfare Reform: 1995–2002

Participants in Indiana Welfare Reform were limited to 24 months of TANF receipt between 1995 and 2002. They remained eligible for Medicaid and supportive services if their earnings increased over time, up to the federal poverty level, but they were required to take part in employment and training activities for 20 hours per week, which increased to 25 hours in 1997. They also had to immunize their children and ensure school attendance, and minor parents were required to live with a responsible adult. If the participant failed to complete the employment and training activities, the adult portion of the family's TANF grant was reduced by $90 a month until the participant complied, or for up to 36 months. If the participant failed to comply with the "personal responsibility" requirements (such as the immunizations), the adult portion of the grant was reduced by $90 until the family complied.

The evaluation, funded by the Administration for Children and Families within HHS, included single-parent families throughout Indiana. Indiana randomly assigned its entire public assistance caseload—over 60,000 single-parent families—beginning in 1995. Participants were predominantly female. Slightly more than half were white, and the rest were African American.

People in the comparison group were subject to AFDC regulations: no time limits or personal responsibility requirements. Although AFDC policies included sanctions for not participating in employment and training programs, they were rarely enforced.

Indiana Welfare Reform had favorable impacts on employment, earnings, and benefit receipt. Five years after the study started, families assigned to Indiana Welfare Reform had, on average, $570 more in annual income than families assigned to the comparison group. In addition, families assigned to the intervention received, on average, $286 less in TANF payments and $88 less in food stamps than the comparison families. The increase in employment and earnings, time limits, and sanctions could account for the reduced rates of benefit receipt and the payment amounts.

CONCLUSIONS

The 12 interventions described in this brief are diverse in their characteristics, target populations, settings, and impacts. The characteristics of the four promising interventions are also diverse. This makes it difficult to draw many overarching conclusions about the effectiveness of financial incentives or sanctions for improving the employment outcomes of low-income adults.

Interventions that use incentives or sanctions as their primary strategy can improve employment outcomes for low-income single parents. However, not all interventions that targeted single parents were effective. Those that did improve employment outcomes were all implemented in the early 1990s and were compared to public assistance policies that no longer apply to low-income individuals and families. The four promising interventions might have different impacts if we compared them to current policies.

Note that the impacts of these interventions cannot be solely attributed to the financial incentives or sanctions. The interventions applied incentives and sanctions differently, and most also combined incentives and sanctions with numerous other strategies. This bundling of services makes it impossible to say whether the incentives and sanctions alone caused the results. It also makes it difficult to estimate the impact of an intervention that combines incentives or sanctions with other services that were not tested in these studies.

To better understand the impact of financial incentives and sanctions on employment and earnings, future studies could isolate specific incentive and sanction strategies from other factors that could affect these outcomes. In such studies, the intervention and comparison programs would need to be similar in every respect, except that the intervention group would receive a given incentive or sanction—such as earnings supplements or employment activity sanctions—and the comparison group would not. These studies could include a mix of participants—such as people who do and do not receive cash assistance and people from one- and two-parent families. This would allow the researchers to determine which strategies work best and for whom.

ENDNOTES

[1] This brief covers interventions tested in studies that received a moderate or high rating from ESER. Of these interventions, 12 used financial incentives or sanctions as their primary strategy. This brief does not cover any low-rated studies, but low-rated studies can be found in the searchable database on the ESER website. In addition, some evaluations tested several versions of an intervention that differed slightly, or they tested the intervention in different settings or with different populations. For the purpose of this brief, ESER grouped these variants as a single intervention.

[2] Many of these interventions changed public benefit policies to encourage benefit recipients to get jobs, and thus benefit receipt outcomes are particularly relevant to understanding the research profiled in this brief.

[3] Between 1993 and 1996, many states were allowed to waive certain requirements of the now-defunct cash assistance program, Aid to Families with Dependent Children (AFDC), in order to experiment with and assess alternatives to AFDC. This brief includes some of these pilot programs.

[4] There are many ways to measure outcomes in these domains. For each domain, the ESER team prioritized several outcomes for review, which are included on the website and in this brief. The number of prioritized outcomes in each domain vary across studies. Impacts on other outcomes are not reflected. For more information, see Mastri, A., E. Sama-Miller, and A. Clarkwest. "Employment Strategies for Low-Income Adults Evidence Review: Standards and Methods." Washington, DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, 2015.

[5] For the employment and earnings domains, ESER defined favorable impacts as impacts that were positive and statistically significant (that is, very unlikely to be due to chance alone). For example, an increase in the percentage of people with jobs after three years would be favorable. Null impacts were defined as impacts that were not significantly different between groups. ESER defined unfavorable impacts as negative and statistically significant.

[6] CWPDP did not report any short-term employment outcomes that had a moderate or high rating.

[7] MFIP is a variant of MFIP Incentives Only that included additional services.

[8] ESER defined a decrease in public benefit receipt as a favorable outcome for intervention participants.

[9] The SSP evaluators tested both SSP and SSP Plus. SSP Plus offered work-readiness activities along with financial incentives. The discussion of the impacts of SSP include the results of studies of both SSP and SSP Plus. The impacts of SSP Plus on earnings, employment, and financial incentives were similar to SSP. The findings from the studies comparing SSP Plus to SSP are discussed in the brief on work-readiness activities.

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