



The labor-market effects of an anti-poverty program: results from hierarchical linear modeling

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Abstract

Using Hierarchical Linear Modeling (HLM), this paper estimates the impact of random assignment into an anti-poverty program, New Hope, on earnings. The use of HLM allows for an examination of program impacts on levels, as well as trends, in quarterly data spanning more than two years of earnings. Results show that New Hope is associated with higher final levels of earnings. Additionally, results indicate that experimental group members experienced rapid earnings growth immediately after the quarter of random assignment, but that their earnings growth did not increase at a significant rate over the subsequent two-year period. Like many welfare recipients today, New Hope participants were required to work in order to receive the program's benefits. The results from this paper indicate that such a policy can lead to a rapid increase in participants' earnings, but that earnings may not continue to increase over time and may not increase enough to lift families out of poverty.

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1. Introduction

Welfare-to-work programs often have dual goals—encouraging work among welfare recipients, and promoting economic self-sufficiency. Researchers have struggled to identify components of anti-poverty, job training, and other programs that can

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achieve these goals for various subgroups of the poor population. Answers to these questions are best found in randomized experiments, in which eligible participants are randomly assigned to experimental and control groups and in which treatment effects can be assessed free of selection bias. One such program is New Hope, a random assignment anti-poverty program taking place in Milwaukee in the mid-1990s.

This paper uses hierarchical liner modeling (Raudenbush and Bryk, 2002) to supplement the New Hope evaluation of two-year impacts of the program (Bos et al., 1999). Traditionally, program evaluations assess program impacts by comparing outcome means (often regression-adjusted) for experimental and control groups. Hierarchical linear modeling allows one to compare not only means (levels) between groups, but also rates of change in outcomes of interest, in this case earnings, measured quarterly over the two-year period following random assignment, as well as three quarters prior to random assignment. Additionally, the within-person aspect of HLM allows for an examination of within person patterns of earnings trends at different time periods.

2. New hope

The New Hope Project was a randomized program designed to reduce poverty among low-income families and individuals. Adults with a household income of less than 150 percent of the poverty line volunteered to take part in this program, which paid benefits to experimental group members only if they worked at least 30 h per week. In return, experimentals received access to four program components: a monthly earnings supplement that varied with household size, subsidized health insurance, subsidized child care, and access to paid community service jobs for those unable to find employment of 30 h per week. To receive these benefits, participants had to document their weekly work hours. Participants also met frequently with program representatives to discuss concerns and needs related to employment and to verify their weekly employment hours. Thus, New Hope provided a “one-stop” location where participants could access a wide range of services designed to encourage employment. Control group members were not offered any services, and were exposed to the existing public assistance benefits available in the community for which they were eligible.

New Hope was implemented in an economically depressed area of Milwaukee, Wisconsin. Applicants who resided in one of two specified zip codes were screened and randomly assigned to control and experimental groups between August 1994 and December 1995. Data from a two-year follow-up of 678 experimental and 679 control participants are used in the current study. In total, the New Hope treatment was offered for a three-year period and the last enrolled participants left the program in December, 1998.¹

¹ Researchers from Manpower Demonstration Research Corporation (MDRC), Northwestern University, the University of California—Los Angeles (UCLA), and the University of Texas have carried out an extensive evaluation of 2-year impacts of the New Hope program, using both qualitative and quantitative data (Bos et al., 1999).

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