

RESEARCH EVIDENCE SUGGESTS THAT HOUSING SUBSIDIES CAN HELP LONG-TERM WELFARE RECIPIENTS FIND AND RETAIN JOBS

Over the past six years, there has been a large decline in welfare caseloads due to the strong economy and a range of policies, including changes in welfare law and an increase in the earned income tax credit. It is unlikely, however, that welfare caseloads will continue declining at the same pace in the future. With the departure from the welfare rolls of many of the more employable households, welfare administrators are faced with a higher proportion of families that have serious barriers to employment than was the case in the earlier stages of welfare reform.

Discussions of how to help additional families move to work — and how to assist those who have left welfare for employment to retain their jobs — often focus on enabling families to overcome certain barriers to work, such as an inability to afford child care services and inadequate public transportation. There now are increasing indications that what appears to be another significant barrier to work merits more attention — the lack of sufficient affordable housing.

Research increasingly suggests that government housing subsidies can help to promote work among long-term welfare recipients when they are combined with a well-designed welfare reform program. Of particular note is the just-released evaluation of the Minnesota Family Investment Program (MFIP) by the Manpower Demonstration Research Corporation (MDRC). This evaluation has attracted extensive media attention. Taken as a whole, the gains it found — including reductions in poverty, as well as increases in employment and earnings and even increases in marriage — are the strongest ever documented for a welfare reform undertaking in the United States.

A finding that has received less attention is that under this highly successful welfare reform initiative, employment and earnings increased far more among residents of public and subsidized housing than among poor families *not* receiving housing assistance. (Note: Most of the MFIP families that lived in public or subsidized housing resided in housing where their rent was subsidized with Section 8 vouchers, rather than in public housing.)

- MDRC found that eligibility for full MFIP services boosted the employment rates of long-term welfare recipients living in public or subsidized housing by 18 percentage points, a large increase. This was *more than double* the gain in employment rates that MDRC found under MFIP for long-term welfare recipients *not* living in public or subsidized housing.
- MDRC also found that a very large share of the gain in earnings that MFIP produced occurred among families living in public or subsidized housing. Quarterly earnings increased an average of 25 percent among the families eligible for full MFIP services that lived in public or subsidized housing. Earnings increased two percent, an amount

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that was not statistically significant, among families eligible for full MFIP services that did not live in public or subsidized housing.

- In other words, most of the success of MFIP was due to the substantial increases in employment and earnings it generated among families receiving housing assistance. (Note: Slightly over half of MFIP families received housing assistance.)

Other recent studies have reported comparable results. Among households eligible to receive Job Opportunities and Basic Skills (JOBS) services in Atlanta and Columbus, for example, employment and earnings gains were substantially larger among the families in public or subsidized housing than among the families not receiving such assistance.¹ Similarly, a study of welfare recipients in four counties in California, conducted while the California JOBS program (known as GAIN) was underway, found that participation in the Section 8 tenant-based rental subsidy program had a substantial positive effect on the number of hours that welfare recipients worked.²

The available research does not provide definitive explanations for *why* studies are finding larger welfare-reform-related gains in employment among families that receive housing assistance than among those that do not. There are a number of possible explanations for why housing subsidies may help families to secure and retain employment.

- By making housing more affordable, housing subsidies may help to stabilize the lives of low-income families and thereby improve their ability to secure and retain jobs. Some families with housing affordability problems may be forced to move frequently from the home of one friend or relative to that of another (or, if no other options are available, to a shelter for homeless people). Such moves can interrupt work schedules and jeopardize employment.

The recent evaluation of the Minnesota Family Investment Program, which shows that program to be the most successful welfare reform experiment yet examined, finds that employment and earnings increased far more under this program among families that received housing assistance than among those that did not.

- By reducing housing costs, housing subsidies can free up funds within the budgets of low-income families for work-related expenses, such as child care, work clothes, and transportation.
- Tenant-based housing vouchers can help families move to areas with greater job opportunities. A study of the first three years of the Moving to Opportunity demonstration program in Baltimore found that families using housing vouchers to move from public housing in very poor neighborhoods to neighborhoods with a poverty rate of less than 10 percent experienced a 15 percent decline in their rate of welfare receipt, as compared to similar families that remained in public housing. The reduction in the rate of welfare receipt appeared to be due largely to increases in employment and earnings.³

In addition to helping to promote employment among participants of well-designed welfare-reform initiatives, housing subsidies may yield other important social benefits:

- *Education.* Housing subsidies may help to improve children's educational prospects. Some studies have shown that the children of families that move frequently tend to do less well in school. By enabling poor

families to find and keep affordable housing, housing subsidies may help children in these families to maintain attendance rates and remain in a stable school setting and thereby improve their educational prospects.⁴ In addition, there is some evidence to suggest that school performance is correlated with certain neighborhood characteristics, such as poverty concentration. By enabling families to move to neighborhoods with better educational opportunities, tenant-based housing vouchers, as well as some well-located project-based developments, may help families secure better educations for their children.

- *Child health.* Studies by doctors in Boston suggest that receipt of housing subsidies may lead to improvements in child health. One study found that children of families on a waiting list for housing assistance were much more likely to suffer from stunted growth than children of families that receive housing subsidies.⁵ The most likely explanation for these results is the increased ability of families with housing subsidies to afford nutritious food.

There also is some evidence to suggest that the use of tenant-based subsidies to move to low-poverty neighborhoods may help to reduce child health concerns and improve child safety. A study of participants in the Moving to Opportunity demonstration program in Boston found that the children of families who received assistance in moving to low-poverty neighborhoods were less likely to experience serious asthma attacks or be the victim of violent crime than the children of families that remained in higher poverty neighborhoods.⁶

- *Domestic violence.* Housing vouchers can help victims of domestic violence escape abusive living situations.

With budget surpluses burgeoning and tax cuts that exceed half a trillion dollars over 10 years having already passed the House or Senate this year — and with a growing body of evidence indicating that housing assistance can boost the success of welfare reform efforts — reducing the number of new housing vouchers seems unwise.

Immediate Policy Implications

In its fiscal year 2001 budget request, the Administration requested 120,000 new housing vouchers. Some 32,000 of these vouchers would be targeted specifically on households attempting to navigate the transition from welfare to work, while 60,000 would be distributed to meet housing needs identified by state and local housing agencies, which could include the needs of welfare-to-work families. An additional 18,000 vouchers would be targeted on homeless families. Some 10,000 would be used to ensure that poor households have access to well-located developments funded through the low-income housing tax credit.

The fiscal year 2001 VA-HUD appropriations bill that the House Appropriations Committee recently approved follows a different path. It would permit HUD to issue 20,000 new housing vouchers *if* “recaptured funds” in the coming year exceed the expected amount of recaptured funds. If the recaptured funds do not exceed this amount, the number of additional vouchers would be zero.

This lack of significant funding for new vouchers marks a departure from the appropriations acts of the past two years. The appropriations acts for fiscal years 1999 and 2000 provided funds for 50,000 and 60,000 new vouchers, respectively.

Providing funding for 120,000 new housing vouchers, as the Administration has requested,

would be a modest but useful step. Recently released Census data show that the number of low-income renter households with “worst-case housing needs” has reached 5.4 million households, the highest level on record.⁷ Households with worst case needs are those that pay at least half of their income for rent and utilities or live in substandard housing. (These data are for 1997 and are the latest available.)

With budget surpluses burgeoning, tax cuts that exceed half a trillion dollars over 10 years having already passed the House or Senate this year, and a growing body of evidence indicating that housing assistance boosts the success of welfare reform efforts, reducing the number of new vouchers by 67 percent to 100 percent — from 60,000 to zero-to-20,000 — as the appropriations bill would do seems an unwise course to pursue.

to move to areas of their choice (mostly outside low-poverty areas) and a similar number of families who remained in their public or subsidized housing developments. John Goering, Joan Kraft, Judith Feins, Debra, McInnis, Mary Joel Holin, and Huda Elhassan, *Moving to Opportunity for Fair Housing Demonstration Program: Current Status and Initial Findings*, U.S. Department of Housing & Urban Development, Office of Policy Development & Research, 1999.

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1. James Riccio and Alan Orenstein, *Are Recipients in Public Housing Really Harder to Employ?* (draft) Presented at Annual APPAM Research Conference, Washington, DC, November 4, 1999.
 2. Paul Ong, “Subsidized Housing and Work Among Welfare Recipients,” *Housing Policy Debate* 9:4 (1998), p. 775.
 3. Jens Ludwig, Greg J. Duncan and Joshua C. Pinkston, “Neighborhood Effects on Economic Self-Sufficiency: Evidence from a Randomized Housing-Mobility Experiment,” Unpublished Draft, January 2000. Through the use of tenant-based assistance and a variety of services designed to promote mobility, the Moving to Opportunity demonstration program assisted 860 families living in public housing or project-based Section 8 developments in high-poverty neighborhoods in five cities (Baltimore, Boston, Chicago, Los Angeles, and New York) to move to low-poverty neighborhoods. The outcomes for these families will be tested against two control groups — 816 families from the same or similar developments who used tenant-based assistance
 4. See, e.g., “A Report from the Kids Mobility Project,” March 1998, available from the Hennepin County Office of Planning & Development, Government Center A-2308, 300 S. Sixth St., Minneapolis, MN 55487-0238, (612) 348-4466.
 5. Allan R. Meyers *et al.*, “Housing Subsidies and Pediatric Undernutrition,” *Archives of Pediatric Adolescent Medicine* (1995), 149:1079-1084.
 6. Lawrence F. Katz, Jeffrey R. Kling, Jeffrey B. Liebman, *Moving to Opportunity in Boston: Early Impacts of a Housing Mobility Program*, Unpublished Preliminary Draft, 1999.
 7. U.S. Department of Housing and Urban Development, *Rental Housing Assistance — The Worsening Crisis. A Report to Congress on Worst Case Housing Needs*, Washington, DC, 2000.