

# Welfare Reform and the Well-being of Recipients: Evidence from the Homeless Shelters of New York City

John Ifcher  
Santa Clara University  
jifcher@scu.edu

# Introduction

- In the 1990s, a consensus was developing that welfare programs were failing
- New York City made significant changes to its welfare programs between 1995 - 2000
  - Since 1995, the caseload dropped by over 60%
- Nationally same pattern is observed

# Introduction

- Two obvious questions:
  - Did the reforms cause the reduction in the caseloads?
  - Did the reforms have an impact on the well-being of recipients?
- This study investigates the impact of welfare reform on homelessness in New York City

# Outline

- Brief review of the relevant literature
- Welfare reform in New York City
- Homelessness in New York City
- Identification strategy
- Results
- Discussion of the results

# Relevant Literature

- Impact of welfare reform (e.g., Moffitt, 2003)
  - Reduces caseloads and increases labor force participation rates
  - Impact of individual components not known
- “Leaver” studies (e.g., Loprest, 2001)
  - Generally employed but earnings are below poverty line and total cash value of prior benefits
- Well-being of low-income individuals (e.g., Meyer & Sullivan, 2006)
  - The material circumstances of low-income single mothers improved between 1993 and 2003 even though their reported incomes decreased
- Determinants of homelessness (e.g., Quigley et al, 2001)
  - Tight market for low-quality housing and income inequality cause increased homelessness

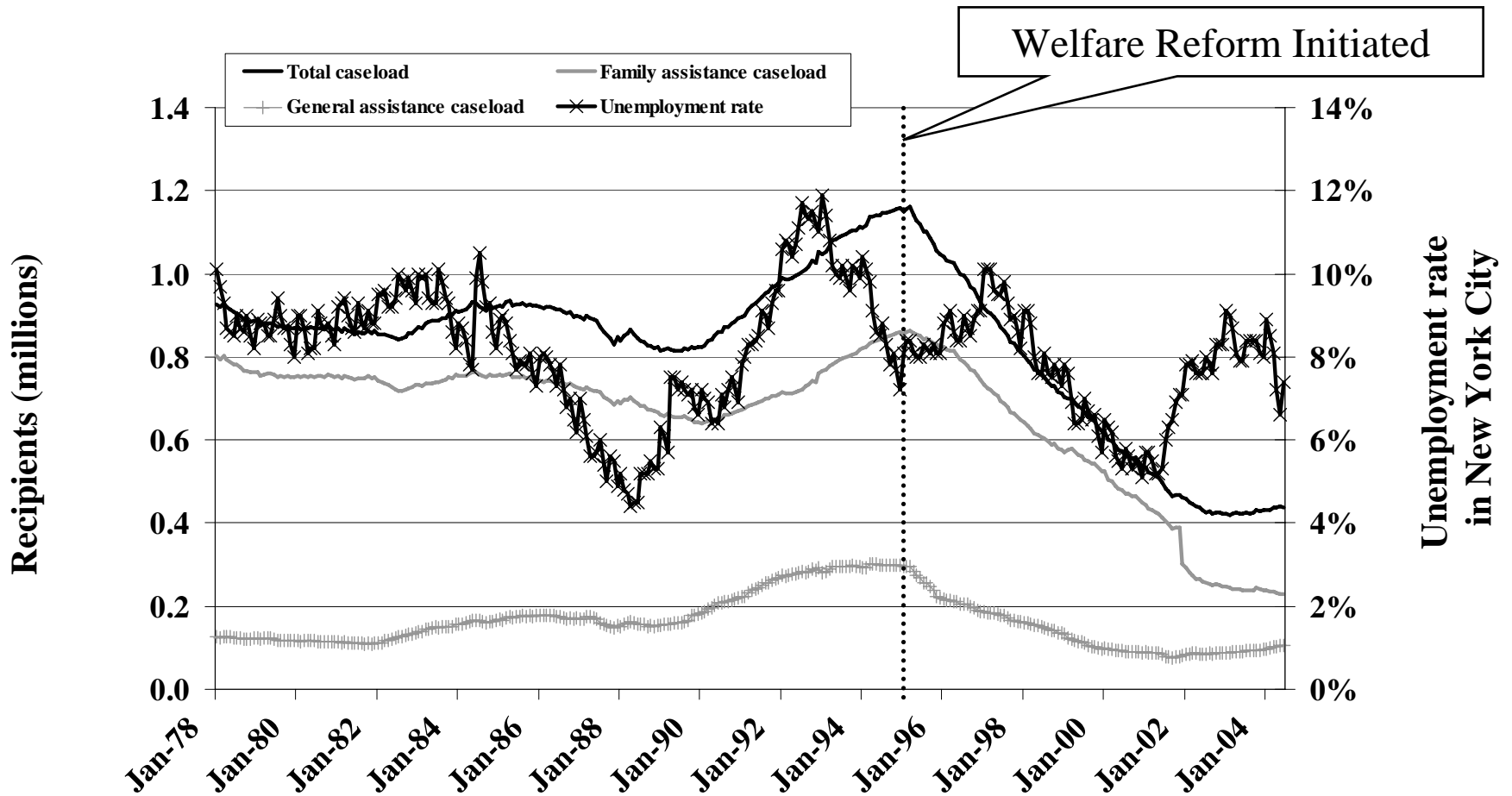
# Major Components of Welfare Reform in New York City

- 1994 - Mayor prioritizes reducing the caseload
- 1995 – The New York City Work, Accountability, and You (NYCWAY) program initiated
  - Precedes PRWORA 96
- 1999 – Job training programs initiated
  - Employment Service and Placement (ESP) program

# The ESP Program

- Able-bodied welfare recipients were required to participate in:
  - ESP program 2 days a week & workfare 3 days a week
- 11 contractors provided all services
- When ESP program initiated, 30,000 workfare participants
- Recipients enrolled in waves
  - Selection process conducted centrally by computer programmers (intended to be random)

**Figure 1**  
**Welfare Caseload in New York City**



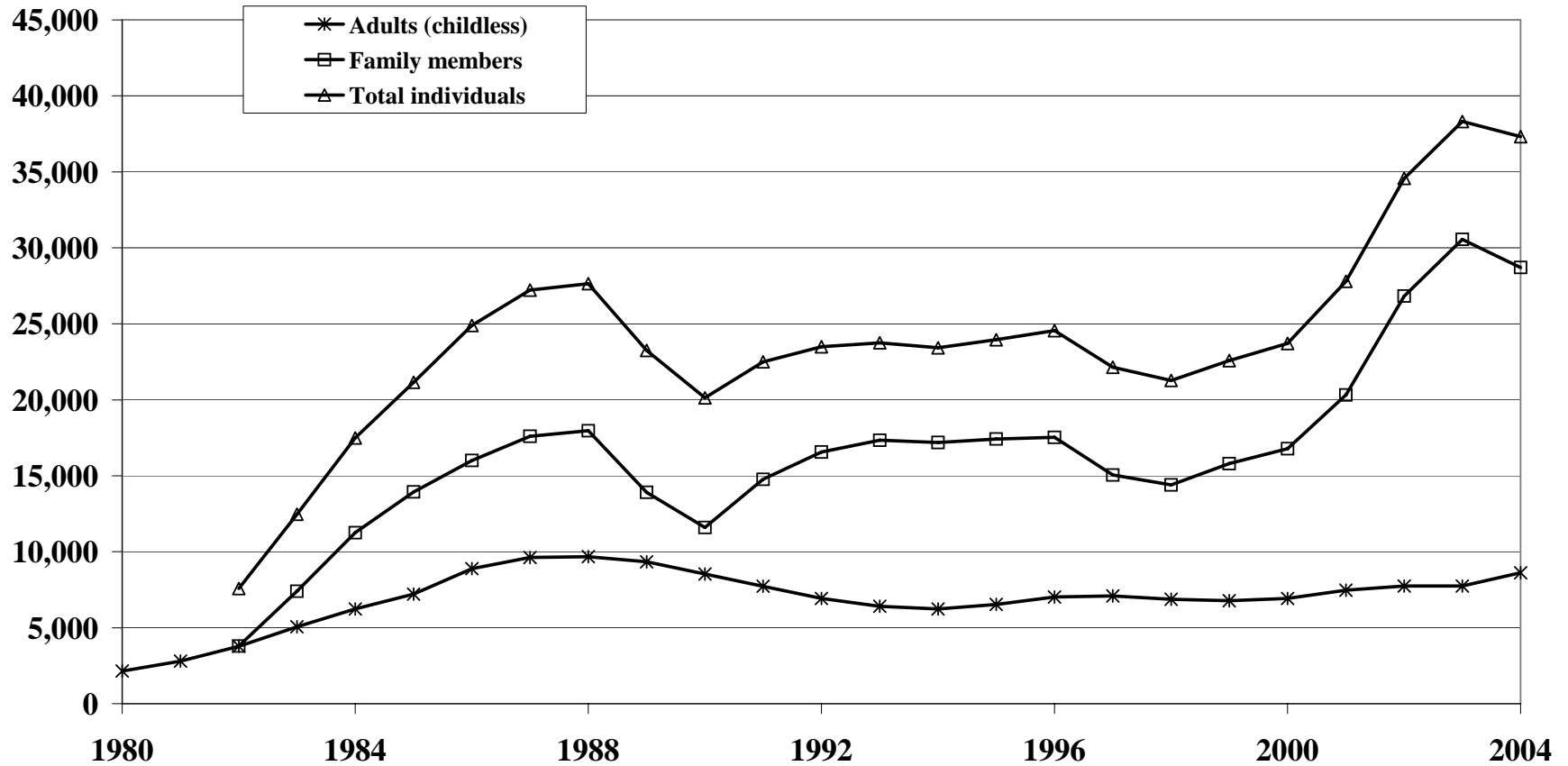
# Prior Results

- The ESP program increased the probability that a recipient:
  - Starts a job by ~ 13.5 percentage points (23.7% versus 10.2%)
  - Exits welfare by ~ 7 percentage points
- Additionally I demonstrated:
  - That the observed differences were not the result of “creaming,” or macroeconomic shocks
  - That the ESP program easily passes a fiscal cost benefit analysis

# Homelessness in New York City

- Right to shelter – Callahan v. Carey (1981)
- Shelter system
  - Over 100 city-funded shelters – most are run by private organizations
  - Centralized eligibility screening, intake, and tracking
  - After Callahan v. Carey, shelter population grew by ~400%
  - In 2000, average daily census was 6,934 adults (childless) and 5,192 families, for a total of 23,712 individuals
- Homeless shelter usage as a measure of homelessness
  - ~ 2 in 3 homeless adults (childless) are sheltered
  - ~ 8 in 9 homeless individuals are sheltered

**Figure 2**  
**Average Daily Census of Shelters in New York City**



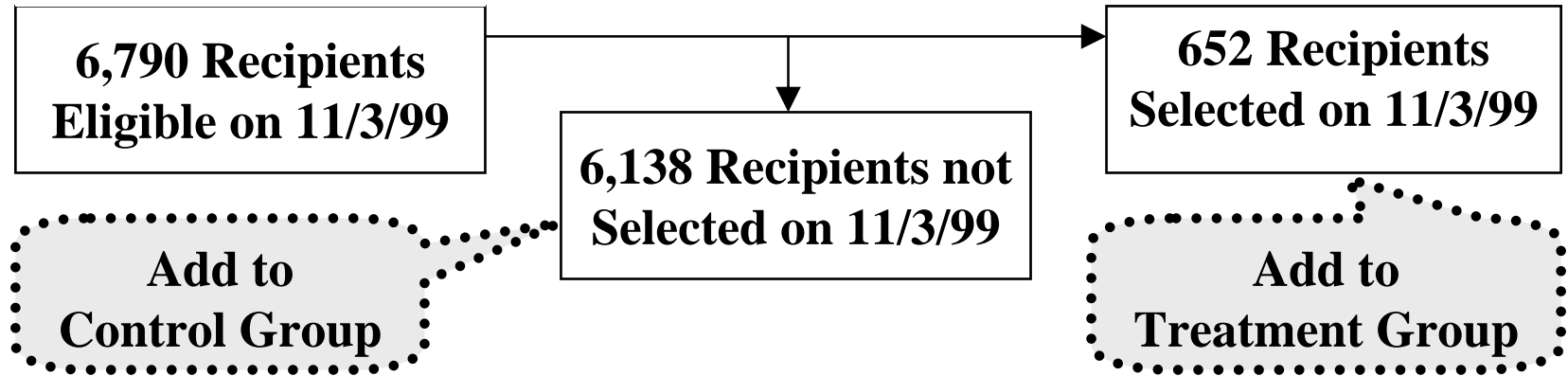
# Identification Strategy

- Standard strategy cannot be used:
  - treated vs. untreated recipients
- Alternate strategy:
  - recipients selected for program on given date vs. recipients that were eligible, but not selected, on that date
- No control group attrition
- Control group contamination (and adjustment)
- “Intent to treat” effect

Figure 3

# Constructing the Control and Treatment Groups

## Wave # 1



## Wave # 2

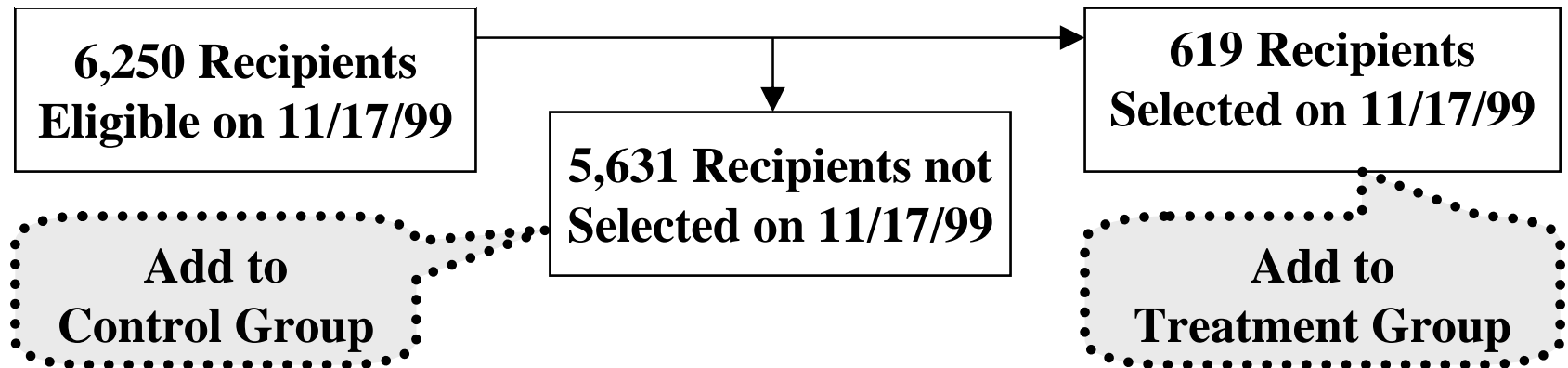
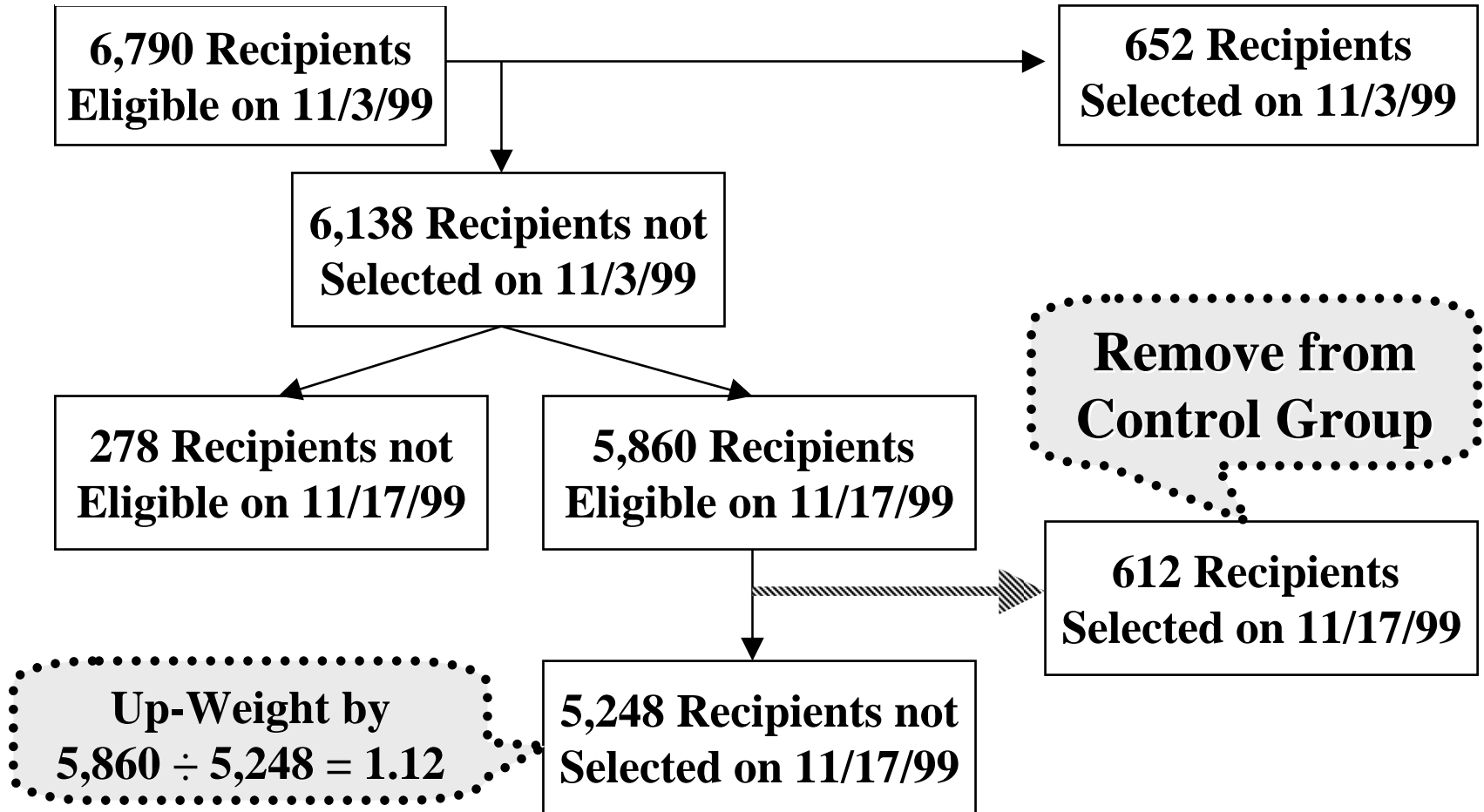


Figure 4

## Constructing a Restricted Control Group

Wave # 1



# Data Description

- **Administrative data – welfare**
  - One record per general assistance recipient who was able-bodied, job-ready, and a workfare participant
  - Case histories (two years pre and post data)
  - Basic demographic information
- **Administrative data – homeless shelter usage**
  - Shelter usage records (two years pre and post data)
  - Matching based on case number or social – hand cleaned

## Post Intervention Difference (naïve)

$$\text{PID} = E[Y_i^T(t)] - E[Y_i^T(c)] \quad (1)$$

where

$Y_i^T(g)$  is the number of days individual  $i$  spent in a shelter in  $T^{\text{th}}$  biweekly period post inclusion in the study, and is a function of which group  $g$  individual  $i$  is a member, where  $t$  is the treatment group and  $c$  is the control group.

Figure 5

# Post Intervention Difference (naïve)

Weeks post inclusion in the control or treatment group

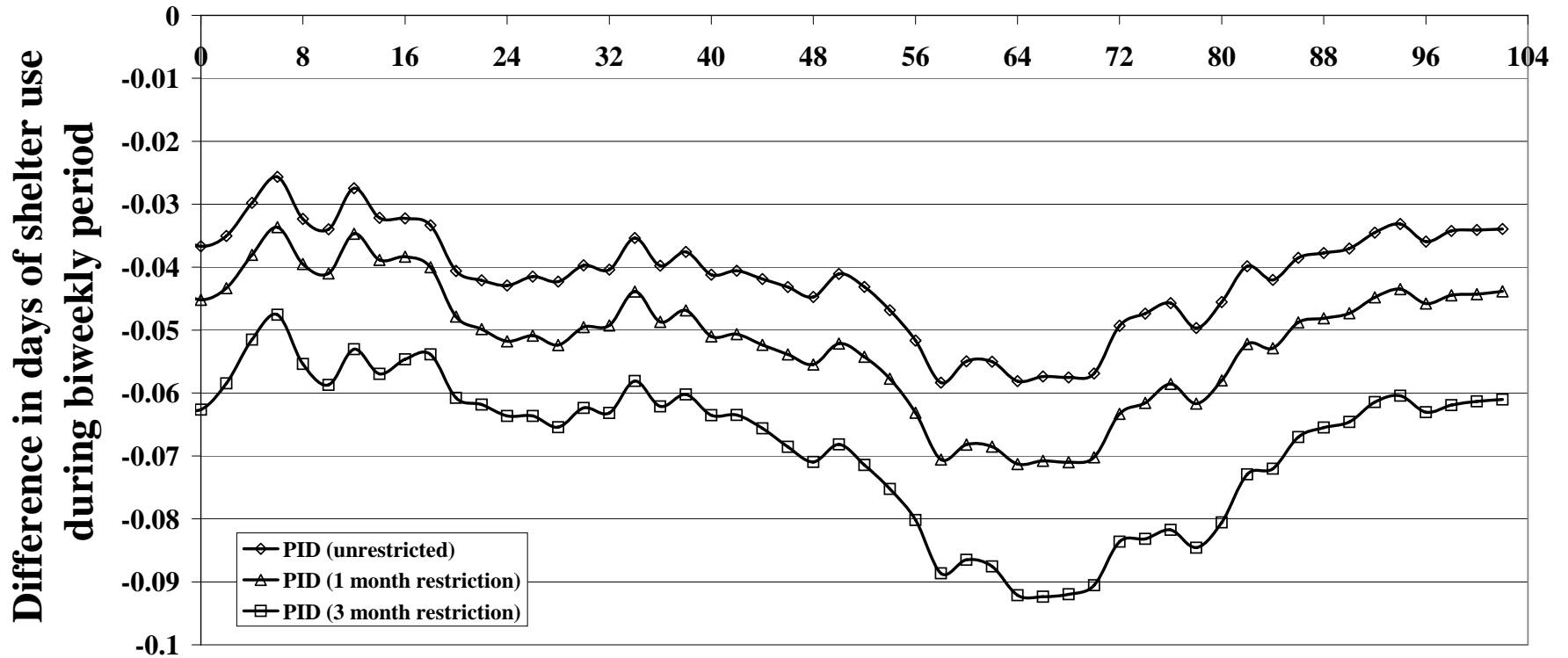


Table 1

# Demographic Characteristics of Members of the Treatment and Control Group

Demographic characteristic	Treatment group	Control group
<b>Observations</b>	6,782	58,051
<b>Gender</b>		
Male	53.9%	54.1%
<b>Race</b>		
Asian	0.9%	1.3%
Black	47.9%	49.4%
Hispanic	37.2%	35.0%
White	8.6%	9.7%
Other	0.6%	0.7%
Not reported	4.8%	4.0%
<b>Borough of residence</b>		
Bronx	30.8%	39.9%
Brooklyn	26.5%	31.5%
Manhattan	28.9%	16.8%
Queens	12.4%	11.0%
Staten Island	1.4%	0.6%
Not reported	0.0%	0.2%
<b>Average age</b>	48.2 (8.313)	47.2 (8.728)
<b>Average number of years continuously on welfare</b>	3.7 (3.084)	3.3 (3.098)
<b>Average number of days of shelter use in two prior years</b>	6.6 (51.899)	8.8 (58.569)
<b>Is a U.S. citizen</b>	90.8% (.289) {687}	90.0% (.300) {5,080}

Standard deviations are given in parenthesis and number of missing observations are given in brackets

## Non-random selection process

- Observable characteristics significantly impact likelihood of being selected for the ESP program
  - Coefficient on age was positive and significantly different than zero
- Findings not result of “creaming”
  - $\frac{3}{4}$  of recipients selected within one year
  - older recipients more likely to be enrolled than younger recipients

# Post Intervention Difference (refined)

- Control for non-random selection
  - Include individual characteristics in estimate of the PID

$$y_i^T = \alpha^T + \beta^T D_i + \sum_{c=1}^C \lambda_c^T x_{ic} + \varepsilon_i^T \quad (2)$$

- Robustness check - restrict analysis only to those who were ultimately treated
  - This test suffers more strongly from control group contamination, so the estimated PID should peak lower and decline more quickly

Figure 6

# Post Intervention Difference (refined), Individual Characteristics Included

Weeks post inclusion in the control or treatment group

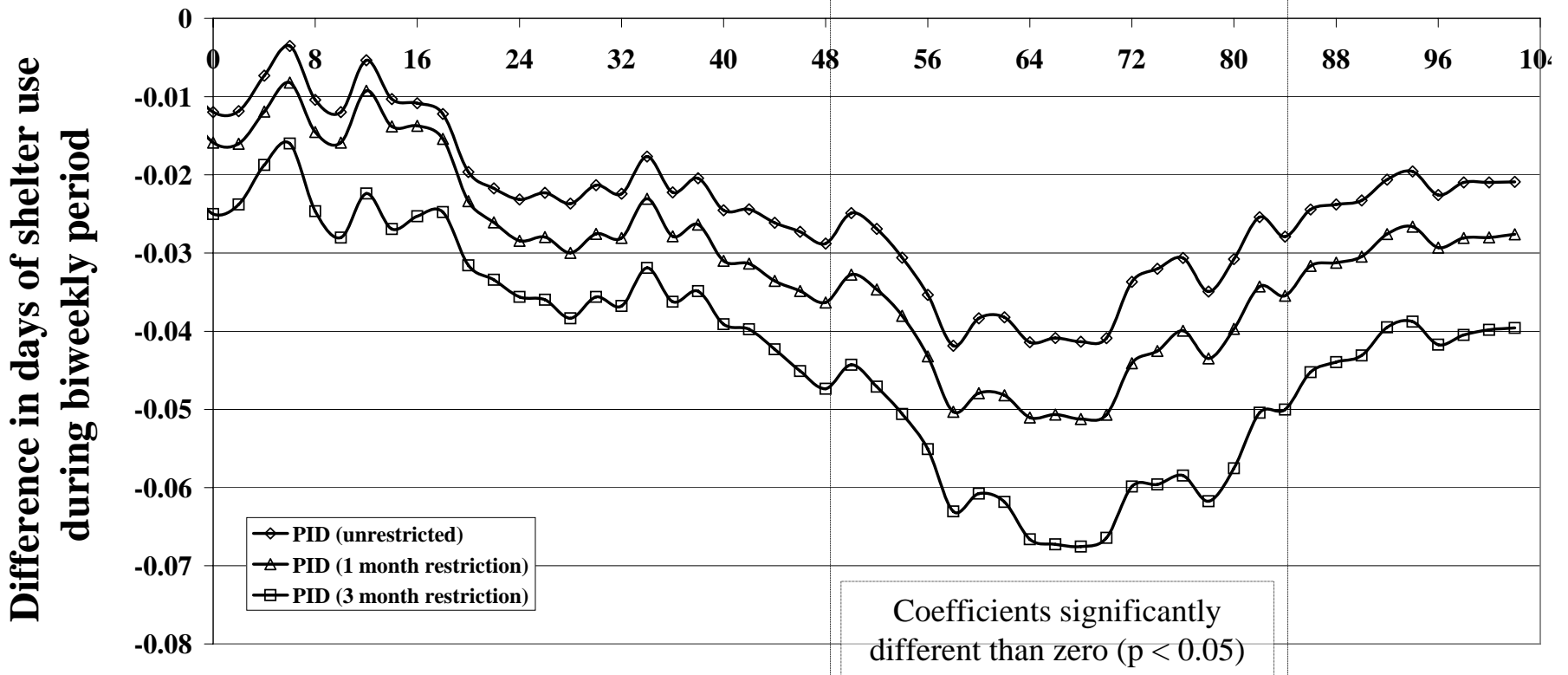
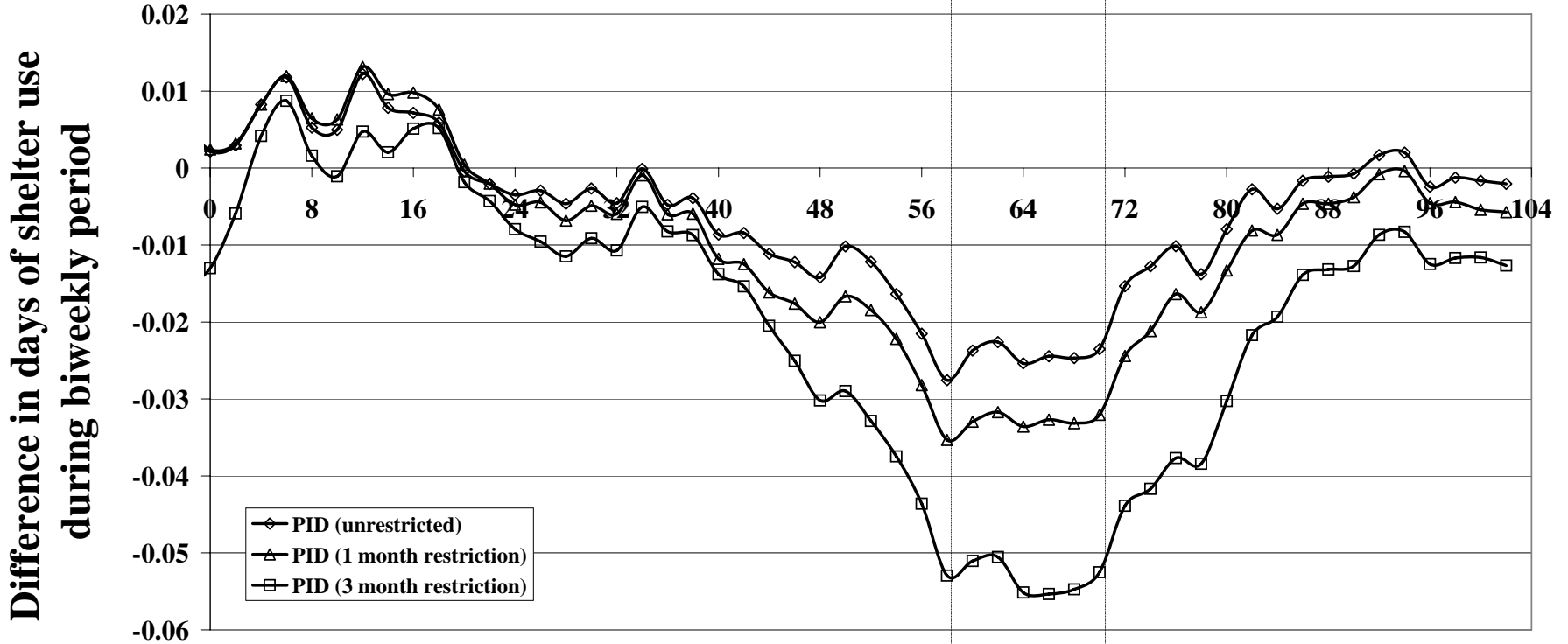


Figure 7

# Post Intervention Difference (refined), Individual Characteristics Included and Recipients Ultimately Treated Only

Weeks post inclusion in the control or treatment group



Coefficients significantly different than zero ( $p < 0.10$ )

# Post Intervention Difference (refined), Controlling for Macroeconomic Shocks

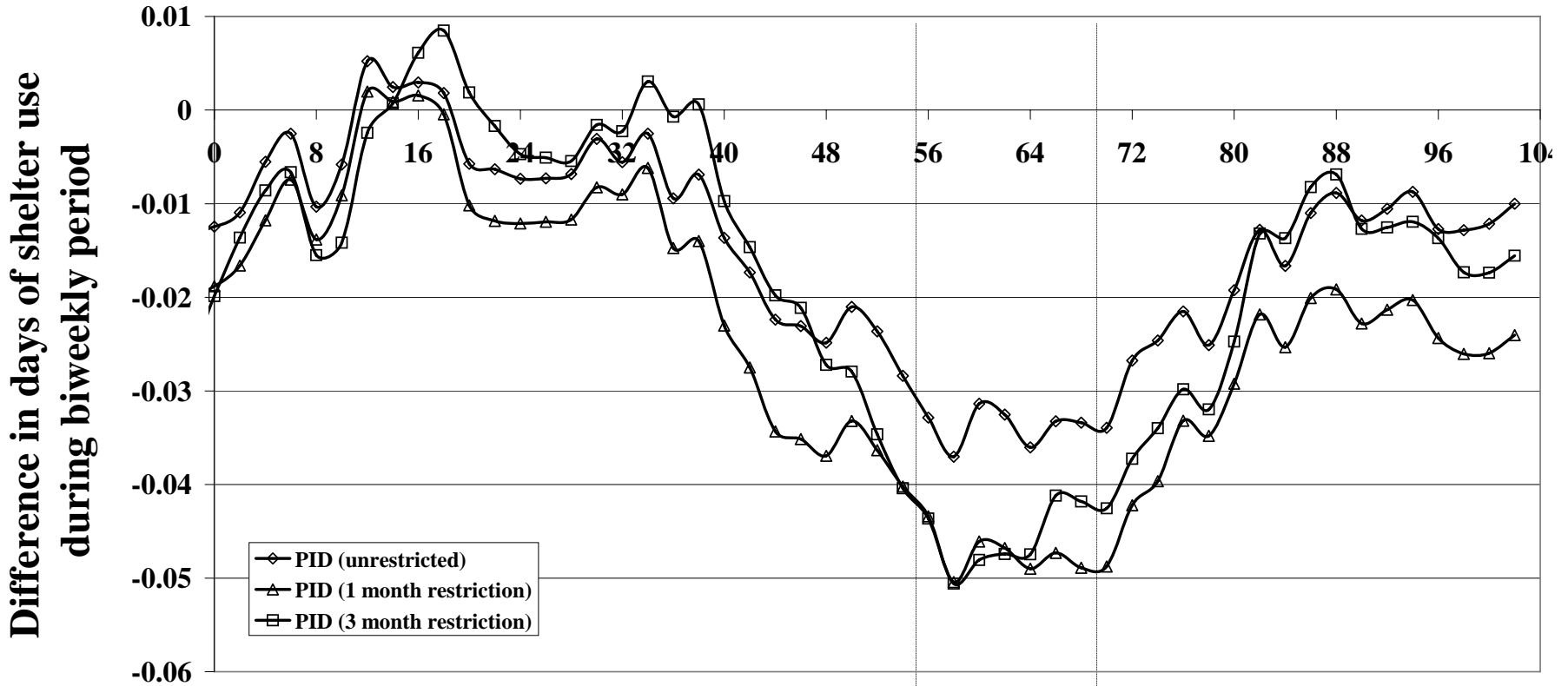
- Borough dummies, enrollment date dummies, and interaction dummies added to equation (2):

$$y_i^T = \alpha^T + \beta^T D_i + \sum_{c=1}^C \lambda_c^T x_{ic} + \sum_{j=1}^4 \delta_j^T B_{ij} + \sum_{k=1}^{16} \gamma_k^T E_{ik} + \sum_{j=1}^4 \sum_{k=1}^{16} \eta_{jk}^T (B_{ij} * E_{ik}) + \varepsilon_i^T \quad (3)$$

Figure 8

# Post Intervention Difference (refined), Individual Characteristics Included, Recipients Ultimately Treated Only, and Controls for Macroeconomic Shocks

Weeks post inclusion in the control or treatment group



\*when using unrestricted control group and control group with one month restriction only

Coefficients significantly different than zero ( $p < 0.05$ )\*

Table 2  
**Regression Results,  
Peak Effects (T = 64)**

Demographic characteristic	Control group (no restriction)				Control group (1 month restriction)				Control group (3 month restriction)			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<b>Treatment dummy</b>	-0.058 ***	-0.041 ***	-0.025 *	-0.036 **	-0.071 ***	-0.051 ***	-0.034 *	-0.049 **	-0.092 ***	-0.067 ***	-0.048 *	-0.047 ^
<b>Male</b>		0.051 **	0.032	0.030		0.058 *	0.036	0.034		0.071	0.048	0.045
<b>Race Dummies</b>												
Asian		-0.130 *	-0.086 *	-0.072		-0.140	-0.075	-0.059		-0.166	-0.040	-0.019
Black		-0.068	-0.032	-0.028		-0.068	-0.011	-0.005		-0.083	0.048	0.055
Hispanic		-0.091	-0.039	-0.047		-0.103	-0.030	-0.039		-0.131	-0.005	-0.014
White		-0.069	-0.012	0.007		-0.103	0.011	0.035		-0.075	0.074	0.098
<b>Average age</b>		-0.001	0.000	0.000		-0.001	0.000	0.000		-0.001	0.001	0.001
<b>Average number of years continuously on welfare</b>		-0.007 *	-0.007 *	-0.006		-0.007	-0.008	-0.006		-0.007	-0.010	-0.007
<b>History of shelter usage</b>												
Episodic		1.273 **	1.606 **	1.598 *		1.379 **	1.829 *	1.825 **		1.493 **	2.260 *	2.269 *
Chronic		1.620 ***	1.113 ***	1.098 ***		1.651 ***	0.978 ***	0.966 ***		1.805 ***	0.589 ***	0.586 ***
<b>Population restricted to those who were ultimately treated</b>	NO	NO	YES	YES	NO	NO	YES	YES	NO	NO	YES	YES
<b>Borough, enrollment date, and interaction dummies included</b>	NO	NO	NO	YES	NO	NO	NO	YES	NO	NO	NO	YES

\* signifies p < 0.10, \*\* signifies p < 0.05, and \*\*\* signifies p < 0.01

^ p = 0.103

## **Other Interesting Results**

- Does starting a job reduce homelessness?
- Does exiting welfare reduce homeless?

Figure 9

# Difference Between Those Who Do and Do Not Start a Job, Covariates Included and Controls for Macroeconomic Shocks

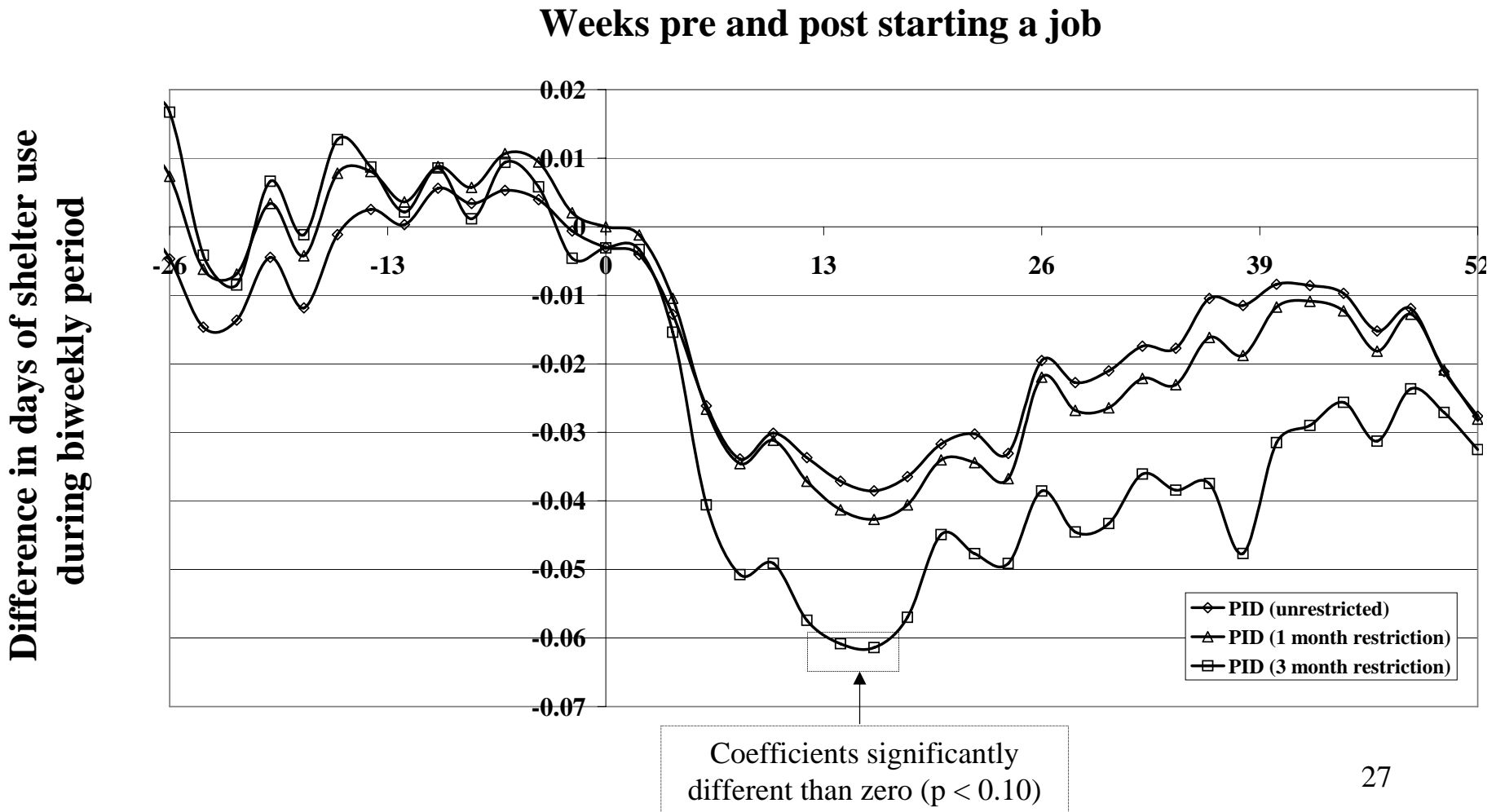
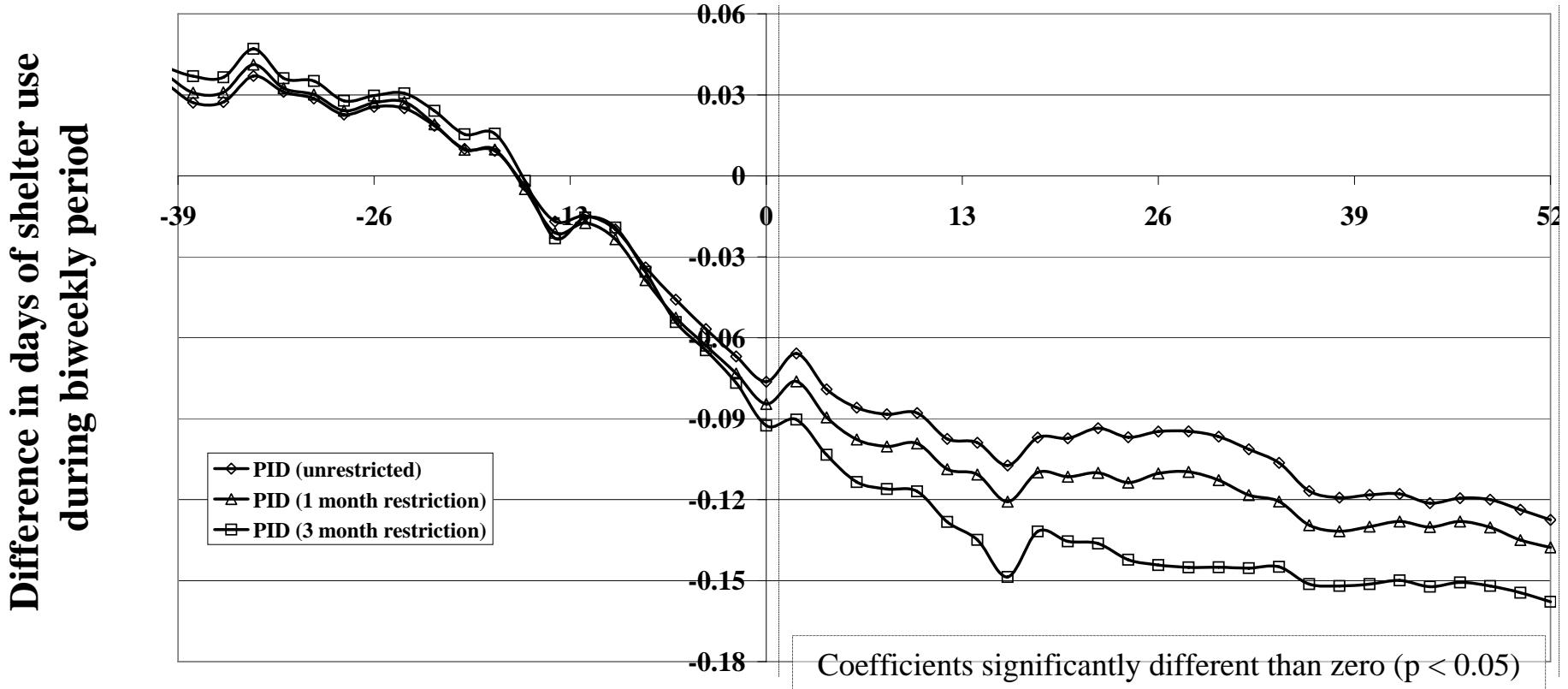


Figure 10

# Difference Between Those Who Do and Do Not Exit, Covariates Included and Controls for Macroeconomic Shocks

Weeks pre and post exiting welfare



# Discussion of the Results

- ESP program appears to have persistent positive impact on well-being of welfare recipients
- Generalizing the findings
  - Everyone who is selected is considered treated - no bias
  - Only job-ready general assistance recipients who are in workfare are treated - results may be biased for:
    - non-job-ready recipients
    - recipients not enrolled in workfare
    - recipients of family assistance
- ESP program appears to increase recipients' well-being, on average, in spite of it being a mandatory program, which was historically available to recipients in a slightly different form on a voluntary basis

## **Future Research Projects**

- Additional research on impact of ESP program:
  - Family assistance recipients
- Study impact of workfare program on homelessness

## Comparability of the Treatment and Control Groups

<b>Demographic Characteristic</b>	<b>Treatment</b>	<b>Control 0M</b>	<b>Control 1M</b>	<b>Control 3M</b>	<b>Control 6M</b>
<b>Observations</b>	<b>6,782</b>	<b>58,051</b>	<b>46,806</b>	<b>33,019</b>	<b>21,046</b>
<b>Male</b>	<b>53.9%</b>	<b>54.1%</b>	<b>54.1%</b>	<b>53.8%</b>	<b>52.0%</b>
<b>Race</b>					
Asian	<b>0.9%</b>	<b>1.3%</b>	<b>1.3%</b>	<b>1.5%</b>	<b>1.6%</b>
Black	<b>47.9%</b>	<b>49.4%</b>	<b>49.7%</b>	<b>49.3%</b>	<b>48.9%</b>
Hispanic	<b>37.2%</b>	<b>35.0%</b>	<b>34.4%</b>	<b>34.0%</b>	<b>32.5%</b>
White	<b>8.6%</b>	<b>9.7%</b>	<b>10.0%</b>	<b>10.7%</b>	<b>12.7%</b>
<b>Borough of residence</b>					
Bronx	<b>30.8%</b>	<b>39.9%</b>	<b>40.5%</b>	<b>41.8%</b>	<b>37.6%</b>
Brooklyn	<b>26.5%</b>	<b>31.5%</b>	<b>32.6%</b>	<b>32.9%</b>	<b>37.6%</b>
Manhattan	<b>28.9%</b>	<b>16.8%</b>	<b>15.6%</b>	<b>15.7%</b>	<b>15.7%</b>
Queens	<b>12.4%</b>	<b>11.0%</b>	<b>10.4%</b>	<b>8.7%</b>	<b>7.8%</b>
<b>Average age</b>	<b>48.2</b>	<b>47.2</b>	<b>47.1</b>	<b>46.9</b>	<b>46.9</b>
	<b>(8.31)</b>	<b>(8.73)</b>	<b>(8.8)</b>	<b>(8.94)</b>	<b>(9.09)</b>
<b>Average number of years continuously on welfare</b>	<b>3.7</b>	<b>3.3</b>	<b>3.3</b>	<b>3.4</b>	<b>3.5</b>
	<b>(3.08)</b>	<b>(3.10)</b>	<b>(3.11)</b>	<b>(3.17)</b>	<b>(3.24)</b>

# Topics for Future Research

- ESP program effective despite
  - Not developing human capital (in traditional sense)
  - Unfavorable demographic characteristics of recipients
  - Potential explanations:
    - Increases cost of participating in welfare
    - Enables recipients to get a “foot in the door”
    - Combination of workfare and ESP programs
- ESP program appears to increase well-being in spite of it being a mandatory program that recipients could have taken