MacArthur Foundation

HOW HOUSING MATTERS

macfound.org/HousingMatters

POLICY RESEARCH BRIEF

With Time, Housing Choice Vouchers Contribute to Slightly Better Work Prospects for Disadvantaged Families

Racial minorities, younger adults, and those with the least education tended to see better results in both earnings and work effort over time

by DEVEN CARLSON, ROBERT HAVEMAN, TOM KAPLAN, AND BARBARA WOLFE

MARCH 2014

On the one hand, a housing voucher that helps offset rent expenses might discourage people from working more since that expense is now largely covered.[1] On the other, a voucher that allows a family to move to a better apartment and a better neighborhood might motivate individuals to work more to keep moving up to better conditions. The better neighborhood might also surround the family with role models who are working, create more job leads, and provide other conditions that can encourage work (see the brief by Galster in this series, for a review of the possible effects).

That same move, though, could be counterproductive, at least initially, given that it can greatly disrupt social networks that help families piece together child care and other connections. Families also may need to find a different job as transportation options change.

As other briefs in this series point out, several studies—including the well-known Moving to Opportunity (MTO) experiment—have analyzed whether housing subsidies or moving to better neighborhoods can help break the cycle of poverty and improve self-sufficiency.[2] Few results to date are conclusive, particularly concerning the effect on work and earnings.

KEY FINDINGS

- Tracing the impact of housing vouchers for a longer period (5 years) reveals effects not apparent just one year after receiving a voucher.
- With the help of housing vouchers, many families initially moved to similar neighborhoods, but over the longer term, they saw improvements in neighborhood quality.
- Although earnings declined shortly after moving with a housing voucher, they rebounded over time and were similar to a comparison group after five years.
- Workforce participation was slightly higher than a comparison group five years after receiving a housing voucher.
- The most vulnerable groups saw the biggest effect of moving.

This brief summarizes a recent study that examined the five-year effects—a longer timespan than most studies—of Housing Choice Vouchers on neighborhood quality, earnings, and work effort.[3] The Housing Choice Voucher program serves 2 million households (including more than 2.5 million children under age 18) and offers tenants subsidies in private, market-rate housing.[4] Using a unique data set that combines Wisconsin state administrative records with census block group data, the analysis compares voucher holders with similarly poor families who did not receive a voucher. The study expands the target audience to poor families generally—those who applied for food stamps or TANF benefits—rather than only public housing residents as the MTO study did.[5] The families lived in both rural and urban areas in Wisconsin.

Effects Vary with Time

The families that received a housing voucher moved more often than those in the comparison group. One year after receiving a housing voucher, 58 percent had changed neighborhoods compared with 44 percent of the comparison group. Five years later, 77 percent of voucher recipients had changed neighborhoods compared with 69 percent in the comparison group. Many of the families initially moved to similar neighborhoods, but over the longer term, they saw some improvements in neighborhood quality.

However, a voucher did not increase earnings in the short run. In fact it had the opposite effect. In the initial year after receiving the voucher, annual earnings declined on average by $600 for the case head, or nearly 12 percent lower than the comparison group. Vouchers also had no effect on time in the workforce.

Although the initial effect (within the first year) of receiving a housing voucher appears to lower earnings, the negative impact dissipates with time. After five years, the earnings between the two groups were essentially the same. Likewise, the initial lack of an effect on work effort also reverses course. Five years after receiving the housing vouchers, low-income families were working slightly (2.4 percent) more quarters than comparison groups.

The Most Vulnerable Groups Had Better Results

Encouragingly, voucher recipients in some of the most vulnerable groups had better outcomes than their counterparts in a comparison group. Minorities and younger adults tended to see better results in both earnings and work effort over time. Those with the least education and single parents also saw improvement in work effort, but not earnings.

African American voucher holders, for example, worked more quarters in every year such that by year five, they had worked, on average, 7 percent more quarters than members of the comparison group. Their earnings also improved. In the first year, African American vouchers holders were earning about $350 less annually than their non-voucher-holding peers. But five years later, they were earning $450 more annually.

Likewise, young workers increased their work effort by 4 percent as did those without a high school degree. Young workers also rebounded from an initial $625 annual earnings decline to very little difference from the comparison group by the fifth year.

Single parents also saw improvements. By year five, single parents had increased the number of quarters worked by 3 percent over the comparison group. Single parents' earnings also rose from a $750 annual disparity to essentially even with the non-voucher holders.

These improvements in self-sufficiency run counter to the presumption that people will curtail their work if they can rely on public assistance instead. The ability to move to a better neighborhood in this case may trump the supposed work disincentive.

One group for whom vouchers did not encourage more work was individuals over age 55. For them, vouchers were associated with steadily less work over time. By five years, older adults were working half the number of quarters as the comparison group. Their earnings were also 82 percent lower at the end of the fifth year than the control group.

Policy Implications

The results show that over the longer term, housing subsidies do not appear to promote dependence on social programs and may help improve economic self-sufficiency. But those effects take time to emerge. Only after five years were families on average slightly more likely to be working and earning more than their counterparts who did not receive housing vouchers.

Indeed, within the first year, earnings and work effort declined for many. This initial reduction suggests that the initial move could be disrupting social connections and creating other stresses for the family. It could also indicate that the family may initially be dissuaded from working because of the implicit tax that the program creates. Voucher recipients are required to contribute 30 percent of their income toward rent. Although this provision is intended to ensure that recipients contribute to their housing costs, it acts as a disincentive because for every $100 more in earnings, the rental payment increases by $30. Further, the subsidy also provides more of a cushion in household budgets, and work might not be as imperative.

One straightforward policy change to encourage more immediate work improvements would be to include a stipulation in the lease that the individual must be working or taking steps to become employed. This has shown success elsewhere.[6]

The improvement in earnings and work effort over time suggests that housing programs should not be short-term, and that for disadvantaged families, gaining a foothold in the workforce is not an easy or quick process. As was the case for welfare recipients after work mandates were instituted in the 1990s, families will likely need job readiness training and other investments if they are to find success in the job market.

Even when families begin to earn more, they may still face a shortage of affordable housing.[7] In 2012, according to a 2013 housing report by the Joint Center for Housing Studies, 20.6 million households were paying more than half their income on housing, including nearly seven in ten households with annual incomes of less than $15,000 (roughly equivalent to year-round employment at the minimum wage).[8] The gap between the supply of affordable housing and demand from extremely low-income renters doubled in just four years to 5.3 million units. The recent real estate recovery has been good news for the rental stock, particularly single-family home rentals—many of which were foreclosures. However, many of these rentals are out of reach of lower-income families given that the typical unit completed in 2012 rented for $1,100 per month.

The findings of this recent study show that housing assistance can help improve the prospects of low-income, struggling families, but that change does not happen overnight. It takes persistence on the part of families and on the part of the federal government. ■

Endnotes

1. Research pre-welfare reform, for example, found that those receiving welfare assistance tended to work less as a result, even controlling for other factors influencing work. See Robert Moffitt, "Incentive Effects of the U.S. Welfare System: A Review." *Journal of Economic Literature,* vol. 30(1) (1992):1-61 (March).1992; Sheldon Danziger, Robert Haveman, and Robert Plotnick, "How Income Transfer Programs Affect Work, Savings, and the Income Distribution: A Critical Review." *Journal of Economic Literature*, vol. 19(3) (1981):975-1028.
2. See briefs by Ludwig et al., Gould et al., and Schwartz et al. in this series. See also, Abt and Associates, "The Effect of Housing Choice Vouchers on Welfare Families: An Experimental Evaluation" (Bethesda, MD: Abt, 2012). Available at http://www.huduser.org/publications/pdf/hsgvouchers_1_2011.pdf. The latter study found that "a housing voucher reduced employment rates and the amounts of earnings in the first year or two after random assignment to the study. However, the small negative impact of vouchers disappeared over time, and vouchers had no significant impact on employment and earnings over three and half years of follow up."
3. See Deven Carlson et al., "Long-term Effects of Public Low-Income Housing Vouchers on Labor Market Outcomes." Discussion Paper no. 1363-09. (Madison, WI: Institute for Research on Poverty, 2009). Available at http://www.irp.wisc.edu/publications/dps/pdfs/dp136309.pdf.
4. A voucher recipient seeks suitable housing in the local rental market of participating landlords. Once located, the household generally contributes 30 percent of its income toward rent. The program then subsidizes the difference between the tenant contribution and actual rent, up to a locally defined "fair market rent" payment standard.
5. The analysis uses propensity score matching to achieve balanced samples and eliminate bias. The study sample includes families who had applied for food stamps between 2001 and 2003, which has a higher income threshold than cash assistance programs, and thus captures a slightly broader pool of low-income families. The sample contains 12,170 voucher cases and 342,373 potential comparison cases. The latter included families who had received food stamps but had no housing voucher or were not living in public housing. It also includes those who initially received a voucher but then discontinued the voucher after one year.
6. A work mandate is part Milwaukee's Hope IV program. Compared with Section 8 voucher holders, public housing recipients, which includes many HOPE VI residents, earned, on average, about 10 percent more. Robert Haveman, "Do Housing Vouchers Work?" *Pathways* (Spring 2013).
7. Lance Freeman found exactly that effect in "Does Housing Assistance Lead to Dependency? Evidence From HUD Administrative Data," *Cityscape*, vol. 1 (2005), p. 1.
8. Eric Belsky et al., "State of the Nation's Housing: 2013" (Cambridge, MA: Joint Center for Housing Studies, Harvard University, 2013).

Deven Carlson *is Assistant Professor in Political Science at the University of Oklahoma.* ***Robert Haveman*** *is Professor Emeritus of Public Affairs and Economics at the University of Wisconsin-Madison, and a Faculty Affiliate at the Institute for Research on Poverty.* ***Tom Kaplan*** *is Senior Scientist Emeritus at the Institute for Research on Poverty, University of Wisconsin–Madison.* ***Barbara Wolfe*** *is the Richard A. Easterlin Professor of Professor of Economics, Population Health Sciences, and Public Affairs at the University of Wisconsin-Madison, and Faculty Affiliate at the Institute for Research on Poverty.* *The authors gratefully acknowledge* ***Barbara Ray*** *of Hired Pen, Inc. for assisting the authors in drafting this brief.*

ABOUT THE HOW HOUSING MATTERS TO FAMILIES AND COMMUNITIES RESEARCH INITIATIVE

This brief summarizes research funded by the John D. and Catherine T. MacArthur Foundation as part of its How Housing Matters to Families and Communities Research Initiative. The initiative seeks to explore whether, and if so how, having a decent, stable, affordable home leads to strong families and vibrant communities. By illuminating the ways in which housing matters and highlighting innovative practices in the field, the Foundation hopes to encourage collaboration among leaders and policymakers in housing, education, health, and economic development to help families lead healthy, successful lives. The views expressed herein are not necessarily those of the MacArthur Foundation.

MacArthur Foundation

The MacArthur Foundation supports creative people and effective institutions committed to building a more just, verdant, and peaceful world. In addition to selecting the MacArthur Fellows, the Foundation works to defend human rights, advance global conservation and security, make cities better places, and understand how technology is affecting children and society.

For more information or to sign-up for news and event updates, please visit www.macfound.org.

John D. and Catherine T. MacArthur Foundation
140 South Dearborn St., Suite 1200
Chicago, Illinois 60603-5285
Telephone: (312) 726-8000

www.macfound.org
twitter.com/macfound
youtube.com/macfound