

# The “FSS-X” Demonstration: Combining an Executive Skills Coaching Model with Financial Incentives to Improve Economic Mobility for Families with Housing Subsidies

## A Concept Paper

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## Introduction

This paper describes a new intervention designed to help families receiving government housing subsidies achieve self-sufficiency. Temporarily called “Family Self-Sufficiency-X” (“FSS-X” for short), the intervention model incorporates on some features of the U.S. Department of Housing and Urban Development’s (HUD) existing FSS program, but it also departs from that approach in significant ways. It has been inspired by innovations pioneered by the Boston-based Crittenton Women’s Union (CWU) and is informed by current literature in behavioral psychology on executive functioning skills and their relevance to economic mobility. The program combines a highly structured, executive-function-informed coaching model with a new set of financial incentives to support participants in making step-by-step progress in the labor market over a three-year period. And although it focuses on recipients of housing subsidies, its techniques could also be used in other employment or self-sufficiency interventions.

This paper discusses the motivation for FSS-X, the content of its approach, its underlying theory of change, and why it might be expected to achieve larger effects than more traditional employment interventions for low-income adults. An appendix briefly reviews evidence on the labor market effects of other employment interventions for housing subsidy recipients. As part of a demonstration research project, the effectiveness of FSS-X will be assessed through a randomized control trial in several cities, with anchor funding provided by the Arnold Foundation.

## Background

Families receiving housing subsidies are among the poorest and most disadvantaged families in America, making them an important focus for an economic mobility intervention.<sup>1</sup> Although roughly half of subsidized tenants work, many work only part-time, in low-wage jobs, and inconsistently. They are heavy users of the federal Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), and other government transfer programs. They have difficulty “earning their way off” their housing subsidies, and this has the secondary effect of diminishing the rate at which subsidized housing slots become available for other needy families. Indeed, in many cities, eligible families face long waiting lists or the waiting lists themselves remain closed for many years. Moreover, many tenants who do leave the subsidy system do so for reasons other than economic mobility, and they remain poor.

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<sup>1</sup> To qualify for a voucher, a family’s income may not exceed 50 percent of the local area median income, and housing agencies must provide 75 percent of their vouchers to applicants whose incomes do not exceed 30 percent of the area median income. (In Boston, the area median income for 2014 is \$84,700 for a family of three; 30 percent of that amount is \$25,410.) To live in public housing, a family’s income must not exceed 80 percent of the local median income, and at least 40 percent of the new families that a housing agency admits each year must have incomes no greater than 30 percent of the local median. Localities may also give preference to certain types of applications, such as homeless families. Many families fall well below these income limits.

## ***The Transformation Problem***

Housing subsidies, which help low-income families pay their rent and utilities in public housing developments or in the private rental market, are a vital component of the national safety net. For many very low-income families, these subsidies stand directly between decent, stable housing and homelessness. They are also sometimes viewed as a “work support,” with the expectation that stable housing makes it easier to find a job and remain employed. Yet, several rigorous studies have found that housing subsidies *by themselves* (i.e., in the absence of a work-focused intervention) may not improve average employment rates and earnings for low-income adults, and may even worsen them somewhat under some conditions.<sup>2</sup> More encouragingly, a number of other studies show that housing subsidies can be used effectively as a “platform” for employment, in that certain work-focused interventions can improve labor market outcomes for individuals receiving housing subsidies.<sup>3</sup> Still, such evidence is limited, and little proof exists of any interventions producing “transformative” effects – that is, helping large proportions and a diverse mix of participating tenants achieve earnings gains that are large enough to help them exit the housing subsidy system and other government transfer programs. Even in workforce programs that have had positive labor market impacts *on average* for subsidized tenants, many participants did not benefit, and many of those who did benefit fell far short of self-sufficiency. It is thus important to experiment with bolder approaches that try to increase the magnitude of positive effects and broaden the range of participants who benefit. FSS-X is such an approach.

## ***Increasing Self-Sufficiency: FSS***

The motivation, character, and novelty of FSS-X can be usefully illustrated with reference to a major HUD effort with similar intent: the Family Self Sufficiency (FSS) program. First authorized twenty-five years ago, FSS, operated by Public Housing Agencies (PHAs) across the country, aims to help eligible housing assistance recipients acquire skills and experience needed to find or improve employment and improve financial stability through referrals to local service agencies and the offer of a cash transfer through a special asset-building component. Details of FSS vary across PHAs, but generally the FSS agreements —“contracts”— with participants are managed by an FSS Program Coordinator. As an incentive, FSS participants are offered a savings opportunity in which, generally speaking, any increase in their share of their rental costs that results from an increase in their earnings is deposited into an “escrow account.” That money is then rebated to participants if they complete their multi-year

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<sup>2</sup>These studies examined the effects of housing vouchers offered to welfare recipients (Mills, et al. 2011); the effects of housing vouchers on labor market outcomes in Chicago (Jacob and Ludwig, 2008); the effect of housing vouchers compared with public housing on labor market outcomes in the Moving to Opportunity (MTO) demonstration (Sanbonmatsu, 2011), and the effect of housing voucher provision to homeless families initially resident in emergency shelters (Gubits et al., 2015).

<sup>3</sup> Riccio (2008); see also Appendix 1 for a summary of some of this evidence.

employment plan (usually within five years), conditioned on their working and not receiving cash welfare at the time of completion.

The FSS model shares many features with other employment programs, including an initial program-participant agreement, service coordination, case management, an expected duration, and, in some cases, a financial incentive. The general logic behind the model is clear: Economic advancement by those receiving housing subsidies is inhibited by such factors as uncertain individual commitment to the effort (for a variety of personal or situational reasons), lack of skills, lack of knowledge about labor market opportunities, and tenants' perception that gains from economic improvement will be lost to rent. The FSS response (as in many other programs) is therefore to strengthen commitment, raise expectations, connect individuals with appropriate services, and provide a greater financial incentive to work (through the escrow component). There is a "virtuous circle" here to the extent that coordinated services and the escrow incentive encourage participant commitment that in turn redounds to productive use of available services.

The existing evidence on the impact of FSS is mixed, and judgment is complicated both by the absence of rigorous estimates drawn from randomized trials and apparent substantial variation across PHAs in details of FSS operation. (FSS is currently the subject of a national random assignment evaluation, but the findings will not be available for several years).<sup>4</sup> Prior evaluations using non-experimental methodologies report some positive results. The one randomized experiment (which is still underway) that has produced results on FSS – the New York City Work Rewards demonstration for recipients of Housing Choice Vouchers, launched by New York City's Center for Economic Opportunity in 2007 – has, so far, found no statistically significant impacts *overall* within four years after entry into the study on the employment and earnings of voucher holders who volunteered for the program. However, when combined with additional cash incentives, the program did produce statistically significant and substantial effects for tenants who were not working at the time of program entry, increasing their average quarterly employment rates by nearly 8 percentage points and their total earnings over four years by 47 percent, relative to the outcomes of comparable tenants in the control group. When the sample is further narrowed to the subgroup of participants who at the time of entering the study were not working *and* receiving SNAP benefits, FSS by itself produced a statistically significant increase in quarterly earnings, as did FSS+Incentives (by a larger amount) (See Appendix.) Neither intervention improved employment outcomes for participants who were *already working* at the time of enrollment.

As substantial as the impacts are for the non-employed subgroup, a closer look at these average effects discloses some details of concern. First, despite the fact that people who entered

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<sup>4</sup> MDRC is conducting this evaluation with 18 PHAs under a contract with HUD.

the study had volunteered for an employment program, four years later about 65 percent of those in the FSS+Incentives program group had *lower* earnings than were reported for the year in which they began the program (for the control group the corresponding figure was also 65 percent). Even among those working at entry, earnings declined over time for more than half of participants. Moreover, only about 4 percent of participants reached earnings levels exceeding \$30,000. Thus, while by common standards FSS+Incentives was a success *on average* for the non-employed subgroup, the positive effects were concentrated among less than half of participants and would not be considered “transformative.”

### ***The Challenge of Escaping Today’s Poverty***

As the Crittenton Women’s Union has written, their own efforts to achieve more transformative effects grew out of a recognition that the process of moving out of poverty to economic independence has drastically changed since the 1960s when the nation’s most significant anti-poverty programs were first instituted.<sup>5</sup> The growth of single-parent families, the stagnation of wages for non-college-educated adults, and the difficulty of making ends meet on just the earnings of a single breadwinner in a family make escaping poverty through work increasingly difficult. Moreover, the challenges of navigating through a competitive job market that increasingly demands post-secondary credentials; accessing a patchwork of government benefit programs with different eligibility requirements; and identifying, affording, and completing education and training programs that can lead to middle-income jobs while also taking care of children, especially in single-parent families, requires strong multi-tasking and strategic thinking, along with discipline and persistence. Yet, as CWU has also written, the stress and chaos of poverty may impair exactly those kinds of decision-making skills.<sup>6</sup>

### ***A Perspective from Behavioral Psychology***

CWU has been in the forefront of innovative efforts to build an economic mobility intervention around a new perspective on poverty influenced by a growing literature (often referred to as “brain science”) that has roots in neuroscience and behavioral psychology. Important contributions to that literature include the work of Jack Shonkoff and his colleagues at Harvard University’s Center on the Developing Child, whose research suggests that the “toxic stress” and exposure to trauma in early childhood that often accompany growing up in poverty may inhibit the brain’s ability to develop what are known as “executive function” skills (impulse control, working memory, and mental flexibility – skills related to problem-solving, goal-setting, and decision-making<sup>7</sup>). Also influential is research summarized by Sendhil Mullainathan and

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<sup>5</sup> Babcock (2012).

<sup>6</sup> Babcock (2014).

<sup>7</sup> National Scientific Council on the Developing Child (2010).

Eldar Shafir in their 2013 book *Scarcity*,<sup>8</sup> which considers the ways in which limited resources can affect mental processes related to decision-making.

Much of this research has implications for economic behavior and has helped spur the growing field of behavioral economics. Among other offshoots, it has drawn attention to the processes by which humans make decisions and how the circumstances in which many low-income people live can affect those processes. For example, the “scarcity” literature emphasizes that the constant stress and the numerous daily decisions that an adult faces when trying to make ends meet on very limited income imposes a heavy cognitive load (or “bandwidth tax”) that affects attention, cognitive capacity, and executive functioning. The intense focus on “getting by” can drain cognitive resources away from efforts required for “getting ahead.”<sup>9</sup>

This perspective suggests that interventions that primarily focus on “removing barriers” (e.g., providing a child care referral for a participant needing child care), making referrals to training courses if occupational skills are needed, and possibly offering financial incentives to encourage action – all of which may be very important – are likely to be insufficient. This perspective may also help explain why participants in more traditional self-sufficiency programs may not fully respond to or take advantage of such services and opportunities when they are presented. Simply put, part of the reason may have to do with how the mind works under conditions of severe resource constraints and stress, which make it difficult to focus beyond the here and now.

Of course, people with housing subsidies have an important advantage: Being able to afford decent housing is a major source of stress, and those subsidies help put the mind at ease on that front. But even with this advantage, subsidized tenants struggle to make ends meet on very low incomes, and a host of other concerns will compete for attention if (as many do) these tenants embark on the multi-stage process of planning and sustaining a feasible path toward higher income through work. Consequently, an employment program for such individuals that focuses on removing barriers and making referrals to other services and education or training would miss part of the problem: the drain on cognitive resources (from survival demands) that may undermine taking full advantage of those services. Moreover, a reward deferred for a long

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<sup>8</sup> Mullainathan and Shafir (2013); see also Mani, Mullainathan, Shafir, and Zhao (2013).

<sup>9</sup> Elisabeth Babcock, drawing on the research of Carlock (2011), Casey et al. (2011), and Haushofer and Fehr (2014), has similarly written: “Poverty undermines the brain’s executive functioning (EF) skills of problem-solving, organizing thoughts and tasks, goal-setting, and goal attainment/persistence – processes necessary to successfully juggle all the competing demands placed on the low-income adults trying to get ahead. In other words, the stresses of poverty affect people physiologically in ways that cause stress-related hormones to ‘swamp’ the strategic decision-making executive functioning centers of the brain, making it harder to organize one’s thoughts and tasks, array and figure out best options, keep the future implications of decisions in the forefront of one’s thoughts, delay gratification, and resist being taken off one’s intended course of action. These problems in goal-setting and persistence toward completion make it difficult to acquire and apply the human capital necessary for advancement and to navigate the labor market.” Unpublished paper. See also Babcock (2014).



time (as is the case for the FSS escrow account) may not sustain focus through the long slog from start to finish. Thus, what may be needed (in addition to services and incentives) is an explicit procedure or “methodology” for establishing feasible goals, identifying a clear path from initial situation to goal achievement, sustaining commitment, and strengthening decision-making skills.

This perspective drawn from the new behavioral psychology literature may be helpful in interpreting the findings from the NYC Work Rewards demonstration. Perhaps combining FSS services with ongoing cash rewards contributed to the positive effects that were observed for the non-employed subgroup by making the payoff from work efforts more immediate, frequent, and salient. At the same time, the large number of unsuccessful Work Rewards participants could reflect the absence of attention to a range of issues in their lives that may have been impinging on their economic mobility, and by a failure to help participants improve their application of executive skills (planning, coping, and managing) in ways that could strengthen their personal agency and support mobility. Given the available research, these conjectures are plausible.

To some, references to “brain science,” “executive skills,” and “sense of personal agency” will appear to be yet another instance of blaming the victim. It is important to be clear about the perspective of this project. Studies of lives of low-income families are replete with examples of ambition thwarted by events that divert attention from activities that might lead to long-term economic achievement. Repeated experience of such “shocks” creates a sense of lack of control over life and the wherewithal for change-of-course, or what might be termed “personal agency.”<sup>10</sup> Moreover, even with a strong sense of agency, the changing labor market has arguably made finding any route upward more difficult, dampening expectations of the likelihood of advancing beyond low-wage, intermittent employment. And “just giving cash,” unconditionally, to reduce the deleterious effects of scarcity seems unlikely to promote economic mobility (although it can lessen material hardship).<sup>11</sup>

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<sup>10</sup> A good source of examples of the difficulties faced by low-income families in coping with day-to-day shocks and developing strategies for upward mobility is the excellent recent book *It's Not Like I'm Poor: How Working Families Make Ends Meet in a Post-Welfare World* (Halpern-Meekin et al. 2014). Eighty-four of the 115 low-income working families discussed in the book were, at the time of interview, receiving housing subsidies.

<sup>11</sup> An interesting implication of the literature on how scarcity affects decision-making and executive function is that were it possible to bring about a significant alleviation of poverty, families might have the leeway to develop skills and opportunities on their own. It is common among critics of poverty policy to point out that if all the resources currently devoted to social assistance were simply converted to cash and delivered in checks to the poor without any work-related conditions attached, poverty could be eliminated several times over. Such a step is of course politically infeasible, and the details of how such a system might be operated are full of devils. A different approach is to reflect on the resources that are available and the challenges that the multitude of programs pose for adults attempting to use them as a means to advancement. Doing so successfully requires both good information and experience that does not arise naturally. Observing this, and proposing methods for improving the way in which assistance is utilized, is not blaming the victim.

It is also worth recognizing that people in all walks of life turn to expert consultation for everything from job search, financial planning, and weight loss to general self-improvement, and such consultation often involves very systematic encouragement and goal-setting. The novel development in the literature is the recognition that the likelihood of success with advice on the basic underlying mechanics of achieving a desired outcome (e.g., increased savings or calorie reduction) is increased by application of ideas from the scientific literature on decision-making, planning, and motivation.

## **An Overview of FSS-X**

FSS-X is designed as an effort to integrate ideas from behavioral psychology with employment incentives in a manner that is consistent with theory, fiscally feasible, and programmatically replicable if successful. To help illustrate the approach in simple terms, it is useful to consider a hypothetical “pitch” that the program might make to a potential participant in explaining what the program has to offer. In a nutshell, the essential message (not the literal pitch) might sound like this:

“You have indicated interest in getting help with employment and **increasing your income, economic security, and self-sufficiency**. FSS-X is a **special three-year program** of working with people with rental assistance as they **choose employment goals** and **develop plans** to achieve them.

“Experience tells us that finding and holding better jobs involves more than looking through want ads. It means working across many parts of your life to take care of problems and to give you space to focus on developing a real career. It also means using good professional help, just as people often use professional help with their tax returns, their health needs, and even their car repair. New studies say that the road to improvement begins with small steps, and, in deciding what steps to take, it helps to have a “coach” – a knowledgeable person who can work with you and on your behalf.

“Here are the important features of what we have to offer and we want you to consider:

- **“FSS-X gives you a coach.** The program begins with an assessment with your coach of where you are and where you might hope to go. This leads to a **plan** and short-term steps that will move you in the direction you want to go. Your coach will have some **resources** that you can use in **dealing with problems** that you are experiencing in various parts of your life or that you encounter as you carry out your plan. Early on you’ll likely use your coach a lot; as your skills develop **your need for the coach’s assistance will diminish**.
- **“There is immediate benefit to joining FSS-X:** You will receive a payment for each month you work with us, useful guidance as you assess your progress, and acknowledgement of your achievements. You will receive **special payments** when you are successful in achieving employment goals.

**At the end of three years**, we want you to **look back with pride** at your accomplishments and to **look forward with confidence** that you can use the tools you've gained to continue personal advancement.

**“Keep in mind:** You want to do better; we can help. FSS-X is voluntary. You're in charge. You begin by using your coach to help you take stock and make a plan.”

As illustrated by this hypothetical FSS-X description, the program has several distinguishing characteristics: A three-year time-frame, a strategy that involves a particular approach to guidance, and the use of financial incentives.

The “launch platform” for the program is an assessment of the participant's situation and the beginning of goal-setting. The initial meetings with the coach begin a process for identifying and critically assessing long-term employment goals, and outlining a *path* from the participant's current situation to achievement of these goals. In addition to producing important information for planning purposes, this process is intended to establish the credibility of the program and the expertise of the coach.

This conversation eventually focuses on the first steps along the path. Here and elsewhere, the necessary steps toward economic gains may involve setting goals across several areas of personal life. Overall, attention will focus on four general domains: (1) employment career management (the primary focus); (2) education and training; (3) financial management and asset-building; and (4) personal and family well-being relevant to employment. Not all participants will necessarily have issues in all of these areas, but central to the theory of FSS-X is that increasing self-sufficiency requires reaching beyond career management to address problems in other areas of life that might hinder employment success – or that may offer opportunities to support or enhance that success. Moreover and critically, success requires skill on the part of the coach in helping the participant decide which issues must be addressed, when that should occur, and how in each instance the problem should be approached.

Progress may be visualized as climbing a long staircase within each domain. Getting to the top is the outcome of a series of small steps. Along the way, interim achievements – akin to reaching landings at different levels on the staircase – are accomplished. Symbolic staircases and landings may be identified in each of the four domains. However, the number and the specific goals and sequences for tackling them will vary among participants, depending on their circumstances and needs at particular points in time.

More generally, the coaching process in FSS-X will involve a combination of offering participants informative and challenging engagement, and administering financial incentives or rewards. The rewards include cash bonuses for becoming employed and for sustaining employment. In this framework, the coaches play two fundamental roles. One is to assist participants in assessing their initial situation, developing their long-term goals, and translating

the results of the initial assessment and goal setting into concrete first and subsequent steps. The second role is to challenge participants to accomplish goals and to help them gain skills, confidence, and resilience in the process. The coaching can thus be thought of as a kind of “scaffold” in the sense that the initial goals it focuses on will be short-term, engagement will be frequent, and emphasis will be placed on developing participants’ capacities to apply executive skills in negotiating the obstacles that immediately impede progress. In time, goal horizons will lengthen, the frequency of contact with coaches will lessen, and participants will become increasingly self-directed. The scaffold is gradually dismantled.

Crucial to the performance of the coaching role is the coach’s **“posture” toward participants**. In many programs, a fundamental contradiction exists between top-down prescriptive case management and the intent to develop a participant’s executive skills and sense of personal agency. FSS-X, in contrast, intends to put participants in charge by first sharing the logic of the undertaking and then helping them come to “own” it. If the intervention does not make sense to those for whom it is intended, success is unlikely. Discussions about executive skills and how to apply them effectively, and discussions of developing a stronger sense of personal agency, are likely to go nowhere if participants do not come to feel some control over the process. Thus, the coach must approach the coaching role, and must be viewed by the participant, as a kind of “consultant,” in the way that, say, a baseball coach helps a batter become a better hitter.

Although the coaches in FSS-X will address participants’ executive skills, it is not assumed that all participants (or low-income people generally) are expected to have “executive skills deficits” as a personal trait. Indeed, many low-income adults perform remarkably well in coping, managing, and planning. Many work and progress over time. Moreover, many high-earning people may have certain executive skills weaknesses, but may have learned to manage or compensate for them in ways that support their success. At the same time, a behavioral psychology perspective suggests that people in poverty are likely to have a much harder time succeeding, at least in part, because of they are more likely to have difficulty focusing cognitive resources on the complex, multi-stage process of economic mobility in a knowledge-based labor market when their attention is consumed with day-to-day survival on so little money. Surely many factors, external and personal, are involved in establishing a person’s current status. Still, FSS-X is based on the assumption that including coaching that addresses executive skills in a workforce intervention will make the intervention more effective.

It should also be noted that the standard for program success is not that all long-term goals are accomplished by the time participants complete the program, but that, at the three-year mark, participants are on their way and can cite accomplishments, including skills improvements that make their status at that point a significantly better basis for increasing self-sufficiency in the future than was their situation at program initiation.

## **FSS-X in More Detail**

The interrelationship among program domains and the foundation on which they rest is illustrated by the model presented in **Figure 1**.<sup>12</sup> Note the symbolized importance of the initial assessment (which extends across all four domains) and the intent to achieve gains in capacity that, by the end of the three-year program, will position participants to continue to advance on their own.

### ***The Coaching Model***

The coach is the heart of FSS-X. The coach will be workforce professional who understands the labor market and the local community's workforce development systems and resources, and will not be a professional psychologist. Consequently, an important challenge in the design of a program informed by behavioral psychology is to develop a well-specified coaching protocol that can be learned and applied by staff who are not psychologists. Protocol development begins with a specification of what coaches are expected to do, and here seven functions are key:

- 1) Establish a consultative relationship. Program participants have volunteered for the program (recall the hypothetical program “pitch” presented earlier). The coach is the “knowledgeable person who can work with” the participant and on the participant’s behalf. Most people have little experience working with consultants; the coach’s first responsibility is to achieve mutual understanding with the participant. As is true for consultants in other fields, the coach’s ambition is the participant’s (his/her “client’s”) success, and the participant’s understanding of that motivation is part of appreciating the coach’s consultant role.
- 2) Develop the assessment. At the beginning of the project, the coach must efficiently work with participants to gauge where they are on all fronts, including their executive skills strengths and weaknesses. Assessment of the initial situation is the foundation of goal development. In addition, re-assessment – reviewing progress against goals – will continue throughout the three-year coaching period.
- 3) Identify and critically evaluate goals. Although the coaches will explore goals across all four domains, it is important that the central goal reflects the main purposes of this workforce program: increasing earnings, economic security, and self-sufficiency. Coaches will help participants make this general statement concrete in terms of their resources and capabilities.

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<sup>12</sup> Figures and tables appear at the end of the manuscript. References are hyperlinked. Use ALT+ left arrow (←) to return to the text reference.

- 4) Plan steps. In a nutshell, the coach’s job is to bring a longer-term perspective and to assist in identifying the “next step” on the path toward longer-term goal attainment. At the beginning of the program, the next step is the first one.
- 5) Teach through experience. Coaches and participants will use every step in the goal attainment process, across all domains, as an opportunity for sharpening executive functioning skills and their application in particular situations.
- 6) Administer rewards. As is discussed below, FSS-X incorporates both a stipend and a set of financial awards.
- 7) Encourage and Badger. (It’s not all “technical” assistance!) The coach cheers the participant on, but also holds him or her accountable for progress and results.

These seven elements require skill and effort to deliver, but the skills needed to carry them out can be taught. While the structure is intended to be a template for coaches, what is done with individual participants within each area will, of course, vary widely. The protocol will leave room for and convey an expectation of personalization.

Psychologists believe that all people, not just low-income people, have some executive skills that are stronger, and others that are weaker. In working together in the FSS-X program, the coach and a participant will build an understanding of the participant’s own executive skills strengths and weakness and consider how to address them. The coach will *not* seek to strengthen participants’ executive skills in a *global* sense, which time and resources will not allow. Rather, the coach will help the participant identify and pursue situations and opportunities that play to her or his executive skills strengths, and avoid ones for which their executive skills are not well suited. For example, in advising participants on job or training opportunities, coaches will help participants examine whether a particular opportunity is a “good fit” given their particular capacities to plan, multi-task, keep track of information, stay organized, and so on, relative to the demands of the particular job or training program.<sup>13</sup> They will also coach participants on how to improve their *application* or use of executive skills (e.g., how to manage, cope, and plan) in *concrete* situations, such as ones they encounter on at their job, in a classroom, or in aspects of their personal lives that are relevant to their job search, school performance, or job performance.<sup>14</sup> The intent is to approach this coaching in a “context specific” way, and help

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<sup>13</sup> Guare citation (forthcoming).

<sup>14</sup> For example, the coach might illustrate what certain executive skills weaknesses look like in the workplace and how they might get a participant in trouble. For example, someone with low emotional control may not be able to listen to and process feedback on his or her work or behavior from a supervisor or co-worker, and the exchange could quickly deteriorate into a confrontation. Similarly, individuals with low skills in task initiation may not readily understand that organizing and starting assignments quickly and on time will prevent them from meeting expectations for “working well under pressure” or finishing assigned tasks on time.

participants *practice* using executive skills in particular situations, rather than trying to strengthen participants' executive skills as a general personality trait.

As previously indicated, the coach's role in FSS-X, although a form of casework or case management, assumes a methodology that pushes considerably beyond the more typical strategies such as "removing barriers" to work and referring participants to other supporting services or training. It is assumed that significant barriers will always arise in participants' lives that could take them off track. Rather than seek to eliminate these obstacles, the coaches will guide participants on how to contain, cope, work around, or minimize them long enough to maintain forward momentum toward economic mobility goals. The staff will coach participants to problem-solve, multi-task, and focus on the future. Given the complexity of escaping poverty in the United States today, these types of decision-making skills, social skills, and psychological capacities are considered essential for acquiring human capital, navigating the labor market, sustaining and advancing in work, and managing family finances to achieve and maintain economic mobility and independence.<sup>15</sup>

### ***The Goals Framework***

The FSS-X illustration (Figure 1) offers a graphic summary of the program's architecture and ambition. However, from a day-to-day perspective, the "staircase" analogy already introduced may also be useful.

At least in the beginning, some participants may focus only on steps in one domain (with the employment and career management domain typically prioritized). However, most participants are expected, over time, to identify goals across multiple domains that are important to self-sufficiency achievement. Hence more than a single steps-and-landings staircase will be active, and periodic review and assessment with coaches will be cross-cutting.

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<sup>15</sup> Some of the underlying assumptions and intervention strategies described here are similar to those applied in an earlier program founded by Toby Herr called Project Match, which emphasized a "human development" rather a "removing barriers" approach to workforce development. As a report on that program explains, "When it comes to workforce attachment, a human development lens shows us the importance of allowing participants to access services as needed over a period of many years; of offering both traditional and untraditional activity options to make sure there is an appropriate starting place for everyone; of breaking down big goals into manageable incremental goals; of basing decisions about sequencing of activities on the actual behavior of individuals from month to month; of differentiating the various roles a person plays and addressing each of them in relation to development of a stronger work identity; and of measuring progress based on where people start and how far they travel, not just where they end up" (Herr and Wagner, 2007). A variation of that program, called "Pathways to Rewards," incorporated an incentives component that rewarded families for achieving goals that they set as part of a goals plan (Project Match, 2008).

## **Financial Incentives**

Ideally, the attraction of FSS-X to participants should grow out of the sense that FSS-X is efficacious – that participation in the program can lead to increased income, economic security, and self-sufficiency. However, these positive outcomes lie in the future while the costs of participation (in time and, to some extent, in money) arise right away. More immediate financial rewards may thus help encourage and sustain effort in the short-term. In addition, various experiments have demonstrated that relatively modest financial incentives can prompt movement to employment. Therefore FSS-X includes both a stipend for participation and a financial reward for achievement of particular employment transitions.

The financial incentives are not intended to be even the primary motivator for project participants. The long-term goal is the primary motivator, and success in intermediate steps will be acknowledged in a variety of ways, including peer and general project recognition. That said, the principal objective of FSS-X is to improve economic well-being, and the attachment of special rewards to landmark achievements in this area serves to reinforce appreciation of and commitment to this objective. They can serve as a stimulus to action. At the same time, they can provide extra resources to participants to help them stay on track (e.g., helping to pay for babysitting, transportation, training materials, fees, and so on.)

## **More on Goals**

As in CWU's Mobility Mentoring model, the idea of working across multiple domains is intended to help mitigate problems with the three widely-recognized key components of executive functioning<sup>16</sup>: the ability to hold multiple problems in one's mind at the same time (working memory); the ability to understand the inter-relationships between different problems and the mental flexibility to switch attention across them (set-shifting); and the ability to do all this within a strong goals/future-focused orientation (impulse control and delay of gratification). By assessing needs, establishing goals, and tracking progress – and in repeating these steps over time (i.e., *practicing* them), under the guidance of their coaches – participants are expected to become more experienced at these skills to the point that they no longer require staff support.

An underlying premise of the model is that progress or impediments in one domain can promote or impede progress in the others; consequently, the intervention must attend to all of them. The four areas and their ultimate objectives are as follows:<sup>17</sup>

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<sup>16</sup> Babcock, 2012 and 2014.

<sup>17</sup> These four domains are similar to those identified as the five pillars of CWU's Bridge to Self-Sufficiency. The main difference is that the FSS-X does not distinguish between "family stability" and "well-being" dimensions. It instead considers family stability goals as part of the well-being dimension. In addition, because FSS-X is not as heavily resourced as Mobility Mentoring, the goals its participants focus on are likely to be less expansive within each domain than they would be in CWU's program.



- 1) Employment and career management
- 2) Education and training skills
- 3) Financial management and asset-building
- 4) Personal and family well-being

The FSS-X model assumes that by addressing and succeeding in these four areas, an individual can achieve major strides toward self-sufficiency. Serious vulnerabilities in any one area threaten that progress. At the same time, opportunities or strengths in one area (e.g., a supportive social network) might aid that progress. Hence, an individual must focus on all domains to make tangible progress toward financial self-sufficiency.

To help illustrate how all the pieces fit together, Figure 1 presents a schematic representation of the program's multi-domain goals framework. As it shows, each column (which should be read from bottom to top) represents a set of staged goals within each domain.

With the assistance of their coaches, participants must set and define their own particular goals within each domain of this framework. Participants may begin by working on goals in only one or two pillars, but they are expected over time to work on goals across all four pillars.

Furthermore, the coaches may take on more direct assistance for some participants in the beginning – e.g., helping them make appointments, helping them complete forms – to help them cope with a sense of being overwhelmed with the demands they are facing (i.e., directly relieving a heavy cognitive load), but with the explicit objective of reducing that kinds of assistance over time and putting it more completely on the shoulders of the participants. It is expected that the more consistently participants engage in this goal-setting process, and practice setting their own goals and following through, guided by their coaches, the more routinized the patterns of problem-solving and goal-setting become, until eventually the coach's support become less necessary and, like a scaffold for a building under construction, it can be gradually removed.

### ***Content of Each Goal Domain***

By design, FSS-X takes a comprehensive approach to goal-setting. Over time, coaches attempt to engage participants in setting goals across all four domains. The types of goals encompassed by each of the domains are described more fully below.

#### **Employment and Career Management Goals**

The employment and career management domain focuses on helping participants eventually obtain jobs that provide living wages that would allow them to become substantially more economically independent and financially stable. Thus, participants will be encouraged to

set employment goals (and helped to identify pathways to get there) that would put their household income at a specified percentage of Area Median Income (AMI) by the end of the three-year program. (As an illustration, median income for a family of three in the Boston area was \$76,250 in 2013.)

In identifying employment goals, coaches, the participant and coach will be guided by real-time Labor Market Information (LMI) supplied to the program by an appropriate vendor (such as the City University of New York's Labor Market Information Service, or LMIS). Such information can show which industry sectors, and occupations within sectors, in a particular geographical area are growing, stagnant, or shrinking. In addition, it can supply very current information on job vacancies with particular employers in particular occupations and sectors.

As they consider their employment options, participants will undoubtedly be very concerned with how an increase in earnings would affect their housing subsidies and any another public transfer benefits they receive. How much better off would they really be? Given the complex patchwork nature of the safety net system, this is not an easy question to answer. Therefore, the staff will have access to a **net income calculator (or at least case illustrations)** to use with participants to help them understand their likely *net* income after taking account of the increased earnings and the amount of Earned Income Credit they could expect, but also the diminution of means-tested support and the increase in work-related expenses and taxes.

If FSS-X focuses on subsidized tenants who are not working when they enter (as is currently planned), employment goals will vary with education history. Although the exact goals will depend on a participant's circumstances and progress over time, the following illustrates the earnings levels that might be targeted:

- 1) If no HSD/GED *and* not working: The participant will seek employment in a job that has advancement potential and pays at least 30 percent of AMI (i.e., approximately \$28,250 in the Boston area).
- 2) If HSD/GED (or higher) and not working: The participant will seek a job that has advancement potential and pays at least 50 percent of AMI (\$42,350 in the Boston area).

Generally speaking, but not always (see below), participants will be encouraged to find jobs relatively quickly. Prior welfare-to-work research demonstrates that programs emphasizing quick job entry can help participants improve their earnings in the short-term while they prepare for future economic mobility.<sup>18</sup> However, FSS-X is far from a simple "work-first" job

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<sup>18</sup> Experiments testing alternative welfare-to-work approaches have found that emphasizing mandatory basic skills instruction over a quick employment strategy did not produce larger impacts employment or earnings impacts. Part of the reason may be because many participants did not complete the basic education programs or acquire GEDs, or because the enhanced basic skills or the GED credential did not by themselves make participants more competitive  
(continued, next page)

placement program. An initial job is merely a starting point toward the ultimate goal of a job paying a family-sustaining wage, which is likely to require some post-secondary education. Coaches will subsequently help participants set goals and identify pathways for acquiring more education or skills training while they are employed. For some participants, this may mean working part-time while pursuing a GED degree or attending an occupational skills training program or community college.

In some cases, it may be feasible and advisable for participants to pursue education or training without working – for example, where participants have adequate income from transfer benefits or other sources to allow them to do so. However, these education or training investments must be part of clear plan of action for completing the course of study and obtaining a qualification within a reasonable timeframe, and the plan must articulate how the course of study will function as a stepping stone for economic advancement.

### Education and Training Goals

The education and training domain focuses on post-secondary education or training, which includes on-the-job training, an associate’s degree, or training certificate, leading to a career paying a family-sustaining wage. Training programs must be selected carefully, recognizing that in many cases formal training does not have a payoff in the labor market – sometimes because participants who start them do not complete them and do not obtain a qualification; or because employer demand for the skills imparted by the training is weak; or because the quality of the training is poor.<sup>19</sup> Similarly, many individuals who begin remedial education programs, including GED preparation classes, or community college Associate’s Degree programs, never complete them or do not use them effectively as a stepping stone toward better employment.

To guard against “unproductive” education and training programs, FSS-X participants’ goals contracts will specify how a particular education or training program will help them advance along a path toward better-paying jobs than they could obtain without it. Where occupation training is sought, each participant’s plan will document that the training is for an occupation for which adequate employer demand exists. Again, the participant and coach will be guided by real-time LMI supplied to the program by an appropriate vendor.

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in the labor market. Some evidence suggests that programs following a mixed strategy, providing basic skills instruction in combination with strong support for employment may be more effective. (See Bloom and Michalopoulos, 2001; Bloom, Hill, and Riccio, 2003; and Hamilton, 2002.) These findings point to the importance of careful planning and support when making GED attainment part of a participant’s goals, and of looking beyond only the GED to post-secondary credentials to increase the potential for advancement.

<sup>19</sup> See, for example, Hendra et al. (2011), which presents evidence from the UK ERA study showing that groups for whom the program produced a positive impact on education and training participation did not necessarily experience impacts on employment and earnings.

It is important to note that while FSS-X will take a “sector-conscious” approach, in that it will attempt to steer participants toward training in particular in-demand occupations, it cannot function as a true “sector program.” This is because individual sector programs focus narrowly on a set of occupations within just one or a few industrial sectors (e.g., healthcare, manufacturing, or information services), and highly screen their applicants on criteria particular to the industries, such as (depending on the occupations) their interest, basic literacy and math skills, possession of a high school diploma or GED, manual dexterity, substance use, and criminal backgrounds. Many applicants do not meet those criteria. In contrast, FSS-X is intended to serve any type of subsidized tenant who applies to the program. This means that participants will come with a wide range of interests, abilities, and qualifications and could not all be served by a sector approach targeting only one or a few industries.

### Financial Management and Asset-Building Goals

Economic mobility encompasses building assets to help participants weather economic emergencies and potential job losses, and also managing debts that can ruin credit scores and make it impossible to make ends meet, obtain good jobs, and climb the economic ladder. FSS-X participants will work with their coaches to set goals to pay off high-interest loans or develop manageable re-payment plans, improve their credit scores, and save money to cover living expenses if they lose income or face unexpected expenses, such as for a medical emergency, a death in the family, a car repair, or a need for new appliance or household repair bill. As part of moving toward economic independence, participants should aspire to have net liquid assets to cover three months of living expenses in the event of a job loss (following a common financial rule-of-thumb).

### Personal and Family Well-Being Goals

This domain encompasses a range of goals that pertain to participants’ personal health and mental health and that of their family members, other family circumstances, and non-family relationships that can aid or impede their career advancement. For example, a person who struggles with physical, mental, and behavioral health issues may face a more difficult time performing well in a school or training program or a job. Problems such as depression, exceptional stress and anxiety, poorly managed medical conditions such as asthma or high blood pressure, can discourage individuals from looking for work and can cause high rates of absences from work or school, which can lead to job loss and educational failures. Participants will thus work with their coaches to set goals to address these problems so that they do not impede their economic mobility. These goals may include, for example, getting appropriate medical care for a particular condition, finding a therapist and a plan to pay for that care, beginning stress-reduction activities, and engaging in social groups or activities that may lead to involvement in supportive social networks that can be sources of assistance and reinforcement in a participant’s daily life outside of the program.

Problems in family life, such as unstable housing, an abusive partner, challenges with children or other dependents, and lack of reliable and affordable child care can make getting or keeping a job extremely difficult and undermine efforts to acquire the education or skills required for advancement to better jobs. Participants will work with their coaches to set goals that define ways of managing these types of problems to minimize their disruptive effects on pursuing training or work. Their goals might involve, for example, a plan for relocating to a new home and neighborhood, entering a “bartering” relationship with a friend for child care help, or getting professional help for a child with behavioral problems that might undermine a participants’ focus on finding work or performing well in a job or training program.

### ***Coaching to Build Effective Goal-Setting and Decision-Making Skills***

All coaches will help their assigned participants define their economic mobility goals, such as the types of jobs they will seek, how they will build their skills to obtain better jobs, how they will manage the money they earn in order to achieve financial stability, and how to manage their family life and social networks to ensure they have the support they need to succeed in training and in the workforce. Coaches will help participants frame realistic steps for achieving those goals, connect with resources and organizations that will assist them (such as appropriate education or job training programs), find alternative approaches to attaining goals when the original plans fail, persist when feeling overwhelmed, and track progress.

The coaches will be motivational and encouraging in their approach. For many participants, the stress and relative unpredictability of their lives, which comes in part from living on so little income, makes it hard for them to optimally weigh the value of a current action against potential future gains. Partnership with a coach is intended to help them establish appropriate goals contracts and then stay on track to achieve the goals – which may be difficult for participants to manage alone.

The goal of coaching is not just to help clients attain specific goals across the four domains of the program, but to help them acquire the problem-solving and goal-setting skills necessary to successfully manage their lives toward economic mobility. In other words, through attention to executive skills and the process of setting goals, planning next steps, assessing progress, and revising plans, the intent is to teach participants how to better analyze their own situations, regulate their own behaviors, independently set short-term and long-term goals, build mastery and self-control, problem-solve, multi-task, and focus on a future in which they achieve economic independence.

Staying on track to complete highly desirable tasks can be challenging for anyone. However, for individuals contending with the stress of poverty, completing tasks, especially multi-step and longer-term ones, such as a school or training program, can be even more difficult. Cognitive behavioral psychologists suggest that in order to increase the likelihood of goal completion, it is important to create a strong goal-setting framework that begins with a

strongly held desire for a very clearly specified and concrete goal, and then connects the desire and the goal with a realistic and believable set of clearly described steps to attain the goal.<sup>20</sup> This process is sometimes referred to as “channeling of intent.” Such goal-setting frameworks and processes, where intent is channeled toward concrete goals and highly specified steps to reach them, are what appear to hold the greatest promise in helping individuals stay on track to achieve their desired goals.

In the FSS-X program, participants will specify incremental and increasingly demanding goals and steps (i.e., the smaller subgoals or staged goals) across the four domains that will help them progress toward the ultimate goal of increased self-sufficiency. (This represents “breaking down goals into manageable pieces,” a core feature of executive skills coaching.) Participants, with the guidance of their coaches, will Set their goals, Act on them, Assess their progress, and Revise their plans on an ongoing basis.

The goal-setting process will involve using tools and processes that reflect these principles. The goals represent an agreement between the participant and the coach (and are eventually internalized by the participant) on the steps for resolving obstacles, acquiring new skills, and modifying behavior in ways that can help achieve the desired employment and financial outcomes. The agreement is codified in a goals agreement, and through this agreement participants commit to a pathway of change, with the ultimate goal being obtaining and keeping jobs paying living wages. Goals agreements specify the goals themselves, the intended timeframe for achievement, a verification and measurement plan, and the responsibilities of the coach (if any) as well as of the participant.

The road toward achieving their goals is sure to be a bumpy one for participants, and wrong turns, setback, and crises are likely to be common. A goal of the coaching process, however, is to help participants learn and practice techniques and strategies for problem-solving, priority-setting, and overcoming or working around crises so that, over time, they become increasingly capable of setting and attaining goals without coaching assistance.

### ***Goal Timeframes***

All goals are participant-driven – but with information and advising provided by the coaches, and with a clear focus on a pathway toward employment (or better employment) and overall economic security. In this manner, participant “intent” is determined, and the coach helps develop a clear set of rational steps that lead from the participant’s current status to the desired outcome – thus, “channeling” that intent toward appropriate actions.

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<sup>20</sup> Gollwitzer and Sheeran (2006); Laibson (2013).

In the beginning, when participants are still new to the process, their specified goals are likely to be fairly modest and achievable within a short time from being set. As participants become more practiced in the self-assessment and goal setting process, it is typical for them to set more goals at one time, and the goals become more challenging and more focused on the longer term. Eventually, the set of goals on which a participant will focus at any given time will thus typically span the four domains. This cross-domain approach promotes development of “multi-tasking” efforts toward mobility, but also the recognition that goals from across the domains can be mutually supporting: working on a goal from one domain may help with achieving a goal in another domain.

Goals will be organized into a three-tier structure, with the tiers reflecting (roughly) increasing levels and duration of effort. Participants are expected to begin with easier and shorter-term goals and progressively take on more challenging longer-term goals.

**Tier 1: Short-term goals.** These include goals to be completed *within six months*. For some participants, they may begin quite minimally, with small, one-time efforts set in a single domain. Other short-term goals may span several domains and require more time and effort to accomplish.

**Tier 2: Medium-term goals.** These are multi-step goals, requiring *seven to 12 months* to complete and are more likely to encompass goals set in all four domains.

**Tier 3: Long-term goals** reflect major steps toward economic independence and often require *more than a year or several years* to achieve. They connect all four domains, and achieving them represents a significant change in the economic status and opportunities for the participant.

This framing of goals in terms of tiers helps participants to see how current steps have the potential to lead to highly desired future outcomes, and a path to those outcomes. The steps and timetables for achieving them will vary across individuals, according to their work qualifications, distance from the labor market, and personal circumstances. For example, what may be a short-term goal for some participants (applying for a job, or completing a training program) may be a medium-term goal for others.

Figure 2 provides a heuristic illustration of an overall “goal matrix” that all participants will fill in with their coaches. It will include staged goals within each of the four domains, covering different timeframes. Table 1 offers some examples of what certain staged goals might look like in the context of an overall goals agreement.

### **More on Financial Incentives**

FSS-X uses financial incentives to support engagement and to signal and underscore the program’s employment focus. Use of incentives in this way is consistent with literature on the

importance of rewarding progress for intermediate steps as part of a process of helping people succeed in accomplishing long-term goals. Rewards can offset the tendency of scarcity to focus people's attention on *current* problems at the expense of steps ultimately leading to substantive improvement of their situation.

The engagement stipend is summarized in Table 2. The first \$100 is paid on completion of the initial in-depth program assessment and goals agreement. Quick payment acknowledges the time and other costs of the assessment/goal-setting phase; the stipend is intended to compensate participants for the effort required at startup. It is also expected to help motivate them to take part in this demanding exercise, to establish the credibility of the program by demonstrating that its commitment to them is real and significant, and to build their trust that the program will follow through on its other incentives and support. To receive this payment, participants will be required to set up a bank account, or a link to an existing account, so that the payment (and future incentives payments) can be made electronically. (Alternatively, stored value cards may be used for participants who are initially reluctant to establish a link to a bank account.)

Following that initial assessment, participants will be offered an ongoing engagement stipend of \$50 per month. This is intended to address the challenge that many programs have of getting participants to remain steadily involved and in close communication with coaches. Experience with FSS and other programs suggests that sustaining engagement could be a problem, especially after participants become employed. For example, MDRC's evaluation of NYC's FSS program in the Work Rewards demonstration shows that, following the initial orientation meetings with staff members, many participants did stay in contact, and the overall rate of contact dropped steadily over time (see Figure 3). In FSS-X, interaction with coaches is essential to the program. The engagement stipend underscores both this obligation and the importance of the coaching strategy.

FSS-X will also offer financial incentives tied to work. A number of workforce programs have found that work incentives can contribute to a program's effectiveness. The findings from the NYC Work Rewards demonstration are particularly relevant. For example, as previously mentioned and also discussed further in the Appendix, the FSS+Incentives intervention (which, during the first 24 months of the program, offered a reward for sustained full-time employment) had a strong positive and statistically significant effect on the employment and earnings of participants who were not employed when they entered the program, whereas the FSS program alone had no statistically significant impacts on that subgroup. Moreover, after participants were informed of the research group to which they were randomly assigned, only 42 percent of those assigned to the FSS-Only group followed through and attended an initial orientation meeting, compared with 71 percent of those assigned to the FSS+Incentives group, a difference of 29 percentage points.



Clearly, the offer of financial work incentives was a major draw for participants in Work Rewards and contributed to the impact of the program. At least two things may have been at work here. One, the simplest to understand, is the appeal of more money. A second factor may have been that the “prize” associated with gaining employment may have served to strengthen attention paid the Work Rewards goal of moving people into employment and sustaining engagement once employment was accomplished. The employment reward underscored the point of the program and the object of the supporting services provided. FSS-X adopts this strategy and uses it in conjunction with coaching to promote the job-taking and employment advancement that will be core components of every participant’s steps-and-landings progression to greater self-sufficiency. Adding incentives to intermediate steps helps sustain attention to longer-term goals.

Table 3 presents the incentives schedule for the employment outcomes.<sup>21</sup> In an effort to boost the appeal and potential effects of the incentives in FSS-X, the program will modify those used in Work Rewards by introducing a tiered bonus structure that rewards movement into work as well as sustained employment, and part-time as well as full-time employment, although at different rates. For example, a participant would be paid \$100 for starting a part-time job (for 21-34 hours per week) or \$200 for beginning a full-time job (35 hours per week or more). A transition from part-time to full-time work would also be rewarded with a \$200 bonus at the start of the full-time job. Each of the transition bonuses would be paid only once during the course of the program and are intended to help cover upfront costs that may be associated with taking on more hours of work while waiting for the first paycheck to come in, and to recognize the importance of the achievement in entering that new work status.

To promote retention, the program offers two retention bonuses after sustaining employment for at least three months (at \$100 per month for part-time work and \$200 for full-time work). Subsequently, for all future retention bonuses, work must be sustained for at least six months at a time.

The financial rewards are not treated as the central benefit of the FSS-X program. They will be explained and delivered only in reference to each participant’s general plan.

### **The Logic Model and Expected Impact**

The design of FSS-X takes as given the changing character of the labor markets that confront the poor, the constellation of programs already available, and the idiosyncratic variation of people’s lives. However, it also assumes that it is possible to improve self-sufficiency outcomes for low-income individuals within that larger context. But why should FSS-X make a

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<sup>21</sup> All jobs must be “on-the-books” and meet the criteria for the Earned Income Tax Credit (EITC).

bigger difference than past employment programs? This expectation turns on the logic of the intervention and the strength of the causal connections the logic model presumes.

The basic logic of the program, described throughout this paper, is summarized and illustrated by Figure 4. The overall theory here is that the planned behavioral-science-informed coaching strategy, which will address executive skills as well as other participant needs, will make a difference, and that the financial incentives will broaden and amplify its effects. Together these strategies are expected to improve participants' goal-setting and decision-making skills, application of their executive skills, expectations for what they can accomplish, and sense of personal agency. These enhanced capacities and ambitions will, in turn, improve participants' navigation of the labor market, acquisition of human capital, management of their finances, and management of personal situations impinging on their training or employment. These intermediate accomplishments will, in turn, help participants achieve better jobs and more stable income and finances and rely less on government transfer benefits.

As this paper has discussed, recent years have seen development of theories of decision-making and cognitive behavior that have important implications for economic policy across many fields, including poverty. The expectation of that FSS-X will have more positive effects than past experiments is based on the compelling case offered by that new behavioral psychology perspective on poverty, and by some promising outcomes of other programs that have incorporated principles derived from it. These programs include the Building Nebraska Families experiment, the New Haven MOMS partnership (focused on reducing mental health problems of low-income mothers), and the already cited work of the Crittenton Women's Union.<sup>22</sup> The Nebraska effort was tested with a randomized trial, which found positive labor market effects on a particularly disadvantaged subset of welfare mothers, although using significantly credentialed caseworkers conducting home visits with very small caseloads. Similarly rigorous evidence on labor market impacts is not available on the other two programs,, but each of the efforts contributes important "pilot" information on technique and concept, as well as some results consistent with an expectation of substantial effects on skills growth and, for CWU, income gains.

## **Evaluation**

The FSS-X demonstration offers the opportunity to test a new coaching-plus-incentives intervention with a rigorous research design using a control group, and with a population of housing subsidy recipients that are likely to have a wide range of educational backgrounds, work histories, and personal circumstances and capacities. The evaluation will determine whether this carefully crafted model succeeds in helping low-income families achieve transformative economic gains, an outcome that has eluded other programs.

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<sup>22</sup> Babcock (2014); Meckstroth, Burwick, and Moore (2008); Smith (2014).

MDRC is preparing a separate research design paper that more fully describes the analysis plan, but the general scope of that study can be summarized here. As previously discussed, the model will be evaluated with a randomized control trial involving at least 800 subsidized households (depending on funding), evenly split between program and control groups. The sample will be drawn primarily from tenants receiving housing subsidies from one or more housing authorities in the form of Housing Choice Vouchers, Project-Based Section 8 assistance, or public housing.

The final scope of the evaluation and number of sites will depend on funding. At a minimum, the study will assess (using administrative records) the impacts of FSS-X on labor market outcomes, including employment rates, employment duration, average earnings, and levels of earnings, and on families' receipt of housing subsidies. It will also assess the implementation of the program – including how deeply it engages families; which types of individuals become more fully involved and persist through the end of the program, and which types are harder to engage and drop out; how staff apply a coaching model that focuses attention on executive skills; participants' responses to various aspects of the model; the patterns of incentives receipt; and so on. A basic cost analysis will also be conducted. Resources are also being sought to permit the evaluation to estimate impacts of the program on SNAP and TANF receipt using administrative records. (No survey of sample member is being planned at this time.)

In summary, the project has three intended products: (1) A model of broad-focus employment-related coaching with relevance beyond the initial target population, (2) rigorous evidence of impact of the coaching program as it evolves, and (3) improvement in the well-being of participants of sufficient magnitude to justify further attention to model development and application.

Sample enrollment for the study will begin by the fall of 2016 and will take up to one year to complete.

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## Appendix: Evidence on “What Works” for Assisted Tenants

A small number of rigorous studies have found that housing subsidies *by themselves* (i.e., in the absence of a work-focused intervention) do not improve employment outcomes for low-income adults, and even worsen them somewhat under some conditions.<sup>23</sup> An important lesson from that research is that increasing economic mobility among recipients of housing subsidies is likely to require interventions more directly focused on work.<sup>24</sup>

Encouragingly, as the studies summarized in this Appendix illustrate, the small but growing body of strong evidence on workforce interventions that either target subsidized tenants exclusively or that include such tenants among the people they serve shows that some interventions *can* make a difference: they produce statistically significant gains in tenants’ employment rates and average earnings. At the same time, in many cases the positive effects are limited to certain subgroups of tenants, are small or modest in size, and leave the majority of participants far from self-sufficiency. Thus, further innovation that can achieve bigger and broader success is essential.

### ***Welfare-to-Work Experiments***

A variety of welfare-to-work and other welfare reform experiments that began in the late 1990s included sizable numbers of families that also received federal housing subsidies.<sup>25</sup> This created an opportunity to assess whether the effects of the welfare reform differed for recipients with housing assistance and those without housing assistance. The reforms themselves varied. All included employment services such as job search help and participation mandates. Some also included financial incentives to work (in the form of higher earnings disregards in calculating welfare grant amounts) and/or time limits on the receipt of cash welfare. An assessment of the variation of impacts by housing assistance status revealed a striking pattern: In eight out of 10 experimental tests, welfare reform produced larger effects on the earnings of welfare recipients who were *also* recipients of housing subsidies (i.e., living in public housing or receiving Section 8 assistance) than on the earnings of welfare recipients with no housing subsidies. This was particularly noteworthy given that those receiving housing assistance were generally thought to be more disadvantaged and difficult to employ.<sup>26</sup>

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<sup>23</sup> See footnote 1.

<sup>24</sup> Riccio (2012).

<sup>25</sup> Verma, Riccio, Azurdia (2003); Wang et al. (2003); Gennetian, Miller, and Smith (2005).

<sup>26</sup> Verma, Riccio, Azurdia (2003). A study of housing assistance and welfare reform (including welfare time limits) in Indiana and Delaware, found some results consistent with this pattern and others inconsistent with the pattern (Wang et al., 2003).

## ***Jobs-Plus for Public Housing Residents***

Jobs-Plus is a placed-based intervention that combines employment services, rent-based work incentives, and neighbor-to-neighbor outreach in public housing developments. As a “saturation” model, it targets all working-age tenants in a housing development. In the late 1990s through the mid-2000s, the model was subjected to a careful test in six cities. The evaluation included a random assignment research design involving two to three matched housing developments in each city, one of which was chosen at random to operate Jobs-Plus, and the other one or two were allocated to the control group. The study paired this cluster-based random assignment strategy with a long-term comparative-interrupted time-series analysis in each city. The evaluation found that in the sites where Jobs-Plus was fully-implemented, it produced substantial earnings gains for a broad cross-section of public housing residents over a seven-year follow-up period. The program group’s average earnings were about 16 percent higher than the control group average of about \$8,125 per year (an estimate that included zero earnings for residents who did not work), and that positive effect persisted through the end of data collection three years after the intervention ended.<sup>27</sup>

## ***NYC’s Work Rewards Demonstration***

HUD’s Family Self-Sufficiency (FSS) program, established in the 1990s, continues to be the nation’s main work-focused intervention designed exclusively for subsidized tenants. It combines referrals to employment and other services with an asset-building “escrow account” component. Participants who increase their earnings and have their rent contributions (Total Tenant Payments) increased as a result, will have the cumulative value of those rental increases (which are held in escrow for them, with interest) rebated to them in a lump sum if they successfully complete the FSS program. To determine whether the program is effective, HUD has contracted with MDRC to conduct a national random assignment evaluation of FSS for recipients of Housing Choice Vouchers. That study is now underway in 18 cities, with the sample recruitment and random assignment process nearly completed.

In the meantime, evidence is accumulating from a separate study on the effects of New York City’s FSS program, and related interventions, as part of the Opportunity NYC—Work Rewards demonstration sponsored by the NYC Center for Economic Opportunity (CEO).<sup>28</sup> Work Rewards includes a test of the effects of the FSS program alone, as well as the effects of FSS combined with a set of special workforce incentives, or “reward payments.” In addition, the demonstration is testing the effectiveness of the same work incentives by themselves – that is, without an FSS component. All three interventions targeted voucher holders with household income under 130 percent of the federal poverty level.

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<sup>27</sup> Bloom, Riccio, Verma (2005); Riccio (2010).

<sup>28</sup> Verma et al. (2012).



Although the evaluation is ongoing, findings are now available on the effects of the various interventions during the first four years after random assignment.<sup>29</sup> FSS is designed as a five-year program, so the available results reflect only an interim assessment. So far, the study is showing that the FSS program alone has produced no overall gains in employment or earnings for the full sample of working-age/non-disabled participants. The same is true for those receiving the Incentives-Only intervention. In contrast, the combination of FSS services and work incentives produced large employment and earnings impacts for participants who were not already employed at the time of random assignment. Within that subgroup, the cumulative four-year earnings of participants in FSS+Incentives group were \$17,995, which is \$5,726 (47 percent) larger than the \$12,269 average four-year earnings of the control group. Exploratory subgroup analyses suggest that the impacts of FSS+Incentives were even larger among participants who were both not working *and* receiving SNAP at the time of random assignment. FSS-Only also had positive effects, though smaller, on that non-employed SNAP subgroup, increasing average quarterly earnings by 5.6 percentage points and average four-year earnings by 33 percent. Results from further exploratory analyses that focused on single mothers who had children under the age of 19 in the household *and* who were not working at the time of random assignment revealed were also encouraging. For that subsample, all three interventions (FSS-Only, FSS+Incentives, and Incentives-Only) produced large earnings gains.

### ***UK Employment Retention and Advancement Demonstration (UK ERA)***

Launched in 2003 in a sample of Jobcentre Plus offices that administer the British government's cash benefits and employment services, the UK Employment Retention and Advancement program (UK ERA) was envisioned as a "next step" in British welfare-to-work policies. Participants in UK ERA had access to a distinctive set of "post-employment" job coaching and financial incentives, which were added to the job placement services that unemployed people normally received through Jobcentre Plus. Once employed, UK ERA participants were offered at least two years of advice and assistance from an employment adviser to help them continue working and advance in work. Those who consistently worked full time could receive substantial cash rewards, called "retention bonuses." Participants could also receive help with tuition costs and cash rewards for completing training courses while employed. UK ERA was targeted at three populations: (1) unemployed single parents receiving income support, (2) single parents working part-time and receiving the Working Tax Credit (similar to the US EITC), and (3) long-term unemployed participants over the age of 25 (mostly men). A substantial portion of each targeted population lived in social housing, which is roughly akin to public housing in the US.

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<sup>29</sup> Nunez, Verma, and Yang (2015) .

A random assignment evaluation found that UK ERA produced short-term impacts on employment (particularly full-time work) and earnings for the two single-parent target groups. However, these effects generally faded after the program ended, largely because the control group caught up with the program group. More impressive were the results for the long-term unemployed participants (mostly men). For them, UK ERA produced modest but sustained increases in employment and substantial and sustained increases in earnings. These positive effects emerged after the first year and were still evident at the end of a five-year follow-up period. Moreover, most of these effects were concentrated in the subgroup of long-term unemployed participants living in social housing. For this subgroup, average earnings of UK ERA participants were about £3,313 (24 percent) higher over the follow-up period than the earnings of similar participants in the control group (£17,155 vs. £13,842, respectively). The earnings gains were accompanied by lasting reductions in benefits receipt, and the program proved cost-effective for the Government budget in addition to providing overall economic gains to participants.<sup>30</sup>

### ***Other Studies***

A number of experiments with work-related services and incentives have not been aimed specifically at families with housing subsidies but have included such families within a broader research sample. Special subgroup analyses have examined the effects of these programs on housing subsidy recipients, and they reveal, at best, modest positive effects, and in some cases no positive effects at all.<sup>31</sup>

The U.S. Employment Retention and Advancement (ERA) demonstration included 13 projects across 11 sites in the early 2000s.<sup>32</sup> ERA projects included a variety of “post-employment” services targeted principally to current or former TANF recipients to help them stay employed and get better jobs. The proportion of sample members who were subsidized tenants varied across ERA sites: 17 percent of the non-working TANF recipients enrolled in ERA in Corpus Christi, Texas, reported living in subsidized housing, while only 7 percent of the employed TANF recipients targeted in Riverside County, California, were receiving housing assistance. The Corpus Christi and Riverside programs produced some small but positive effects for housing subsidy recipients, but, unlike the earlier welfare reform studies, there was no pattern of larger effects for participants with housing subsidies versus those without housing subsidies.

A related project from mid-2000s, known as the Work Advancement and Support Center (WASC) demonstration, provided post-employment services for low-wage workers plus assistance in helping those workers access any SNAP, EITC, and subsidized child care benefits

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<sup>30</sup> Hendra et al. (2011).

<sup>31</sup> See Wiseman and Riccio (2014) for a summary of results.

<sup>32</sup> Hendra et al. (2010).

to which they may have been entitled. The demonstration took place in one-stop workforce agencies in Dayton, Ohio; San Diego, California; and Bridgeport, Connecticut.<sup>33</sup> Among WASC sample members, 22 percent reported living in some form of subsidized housing. In none of the cities did the program have sustained positive effects on the housing subsidy subgroups.

New York City's Opportunity NYC—Family Rewards program provided cash incentives for sustained full-time employment in the context of a broader portfolio of incentives for various health, education, and employment-related accomplishments. The workforce incentives were similar to those offered in the Work Rewards demonstration, but no workforce services or case management.<sup>34</sup> Slightly more than half of all Family Rewards participants lived in subsidized housing, and about 42 percent of this group lived in households receiving vouchers. The results so far from that study show that the full package of incentives produced not overall impact on subsidized tenants. However, it produced a small but statistically significant *reduction* in employment and earnings for subsidized tenants who were not working at the time of program entry.

These findings reinforce the importance of continuing to search for better strategies to help subsidized tenants improve their labor market outcomes and self-sufficiency.

### ***New Studies Underway***

HUD has contracted with MDRC to conduct two new randomized trials for voucher holders: one (as previously mentioned) is a multi-city test of the federal FSS program. The other is a test of an alternative rent policy.

- **The national FSS evaluation.** This study will test the effectiveness of the existing FSS program across 18 housing agencies that encompass the wide range of local circumstances in which FSS typically operates. No special enhancements are being made to the model, but the sites include some programs that provide a somewhat more enriched intervention than others, drawing on extra local resources and partnerships. The analysis will explore whether sites that are relatively better resourced and provide a more enriched intervention are more effective than more typical FSS programs.
- **The national Rent Reform Demonstration.** This study will test an alternative rent policy for non-elderly and non-disabled voucher recipients. One major goal of the policy is to promote tenant progress toward self-sufficiency with rent rules that are more supportive of work. The main way in which the alternative policy attempts to accomplish this is by extending the normal annual income recertification to a triennial review. During

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<sup>33</sup> Miller et al. (2012)

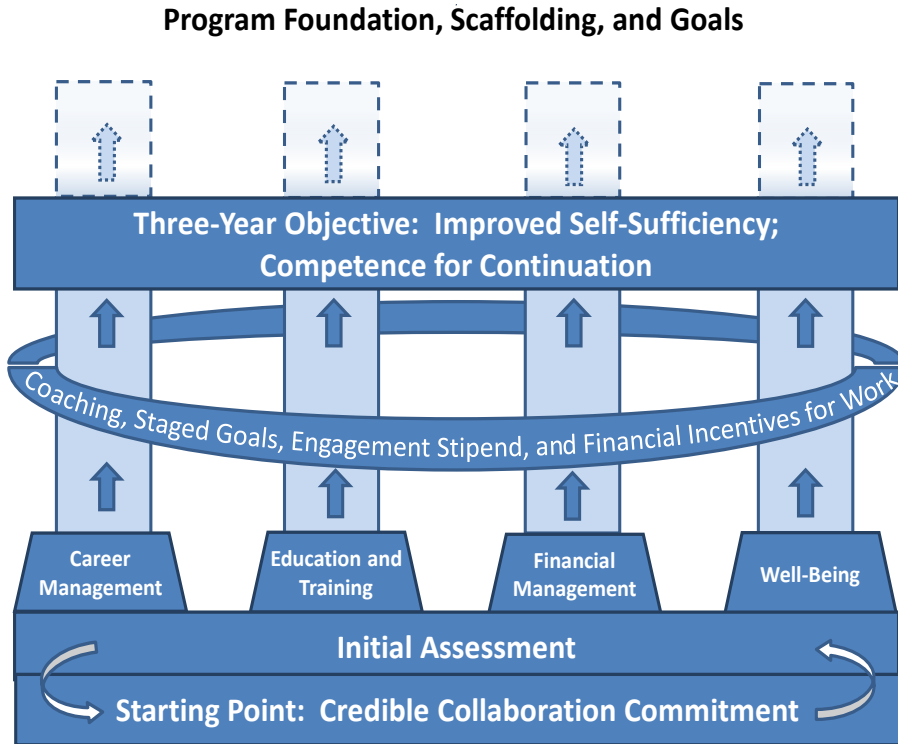
<sup>34</sup> Riccio et al. (2010, 2013).

the three-year period before the next recertification, tenants' share of rent and utilities is held constant if their earnings increase. And during that period tenants are not required to report any increases to the housing authority. The policy also includes a minimum rent feature (with hardship waivers) and a number of other provisions intended to help simplify the rent-setting process.

Both of these studies are underway and evaluation results will become available on a roughly similar schedule as the results from the FSS-X evaluation. This will make it possible to draw some insights (with the appropriate methodological caveats) several years from now about the relative effectiveness of these alternative types of interventions for low-income families receiving housing subsidies.

Graphs and Tables

Figure 1: Foundation, Domains, Coaching, and Objectives in FSS-X



**Figure 2: The Goal-Setting Matrix**

Goal-Setting Matrix													
Goal Domains	Sample Goals within Domain (Specific goals are collaboratively tailored to individual needs and capacities)	Year 1			Year 2			Year 3					
		Initial Assessment	Intermediate steps and goals*		First-Year Re-view**	Intermediate steps and goals*		Second-Year Re-view**	Intermediate steps and goals*		Final Re-view/ Transition**		
<b>1. Employment and Career Management</b>	<ul style="list-style-type: none"> <li>Find employment</li> <li>Move from part-time to full-time employment</li> <li>Advance in work (better wages, benefits, conditions)</li> </ul>		1	2	3		1	2	3		1	2	3
<b>2. Education and Training</b>	<ul style="list-style-type: none"> <li>Complete approved in-demand training</li> <li>Obtain GED or college degree</li> </ul>		1	2	3		1	2	3		1	2	3
<b>3. Financial Management</b>	<ul style="list-style-type: none"> <li>Improve budgeting skills</li> <li>Manage debt and saving</li> <li>Obtain needed work supports</li> </ul>		1	2	3		1	2	3		1	2	3
<b>4. Personal and Family Well-Being</b>	<ul style="list-style-type: none"> <li>Improve housing and family arrangements supportive of work (including child care)</li> <li>Improve relationships and networks supportive of work</li> <li>Improve physical/mental health supportive of work</li> </ul>		1	2	3		1	2	3		1	2	3
<p>* <b>Goals and steps</b> will vary among participants in quantity, content, and timing, with ongoing reassessments and goal-setting.</p> <p>** <b>Annual Reviews</b> will ensure a comprehensive assessment across all domains and a broader overall assessment of progress toward the ultimate program goal of improved self-sufficiency. Annual reviews will also be a time for certifying participants' goal achievements with official recognition.</p>													

**Table 1: Examples of Staged Goals across the Four Domains**

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**1. Employment and Career Management**

- Develop a career plan that identifies longer-term job of interest and types of jobs to aim for in the interim and a strategy for increasing earnings over time
- Prepare a resume, cover letters, and job search strategy
- Get referrals for work-appropriate clothing
- Attend a job fair and collect names of employers of interest
- Identifying 10 jobs of possible interest on internet job search sites
- Follow up with three connections from job fair and arrange regular or informational interviews
- Submitting job applications to 5 employers
- Meet with job placement agency and follow up on three employment leads
- Obtain letters of recommendations
- Obtain part-time or full-time job

**2. Education and Training**

- Investigate options for courses for new GED test or ESL instruction
- Research options for tutoring help
- Work with tutor 3 times a week
- Complete a GED or ESL course
- Explore opportunities for a certificate programs or college degree program and their entry requirements
- Apply to a certification program or college degree program
- Sustain participation in education or training program, with strong performance
- Complete core requirements of education or training program and obtain qualifications
- Complete a semester of college with at least 3 classes and a C+ average
- Obtain extension for college course completion
- Complete semester on dean's list
- Graduate with honors
- Research and apply for an apprentice or internship program in career field
- Study for, take, and pass driver's test
- Investigate and visit community college medical certificate programs
- Meet with college advisor to obtain academic probation and investigate opportunity to make up classes

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(Continued)

### **3. Financial Management**

- Develop plan to pay down a debt or enter into a payment plan for debt
- Identify how to pay for costs of an education or training program
- Complete a financial aid applications for training or college programs
- Increase FICO score by specified number of points
- Develop new budget to reflect increased earnings after obtaining job
- Budget the use of financial incentives earned in the program
- Complete a financial education course
- Open a bank account

### **4. Personal and Family Well-Being**

- Arrange child care for young child for hours when in work or training
  - Arrange after-school activity options for children for hours when in work or training
    - Work with doctor to develop and follow a smoking cessation program for three months. (Add savings from smoking cessation to debt payment plan) by doctor that you have not smoked in three months.
  - Develop a goal with therapist to work on job-related anxiety
  - Complete first-time home buyer's course
  - Obtain evaluation for child who is having difficulty in school
  - Research and enroll in an exercise course for a specified number of months
  - Obtain compliance for child's Individual Education Plan by working with advocate and attorney
  - Enroll in and complete a parenting course
  - Pass employment drug test (marijuana) by being drug-free for one month
  - Get referral for testing for learning disability
  - Relocate to safer location with her daughter
  - Obtain Section 8 transfer due to domestic violence
  - Join group of parents of children with special needs to work with child advocate for the group
  - Join – or help start – a peer support group with other program participants to reduce social isolation, improve supportive (coping) and instrument social networks that can help in dealing with family and relationship issues that can impede work and coping with the demands of work
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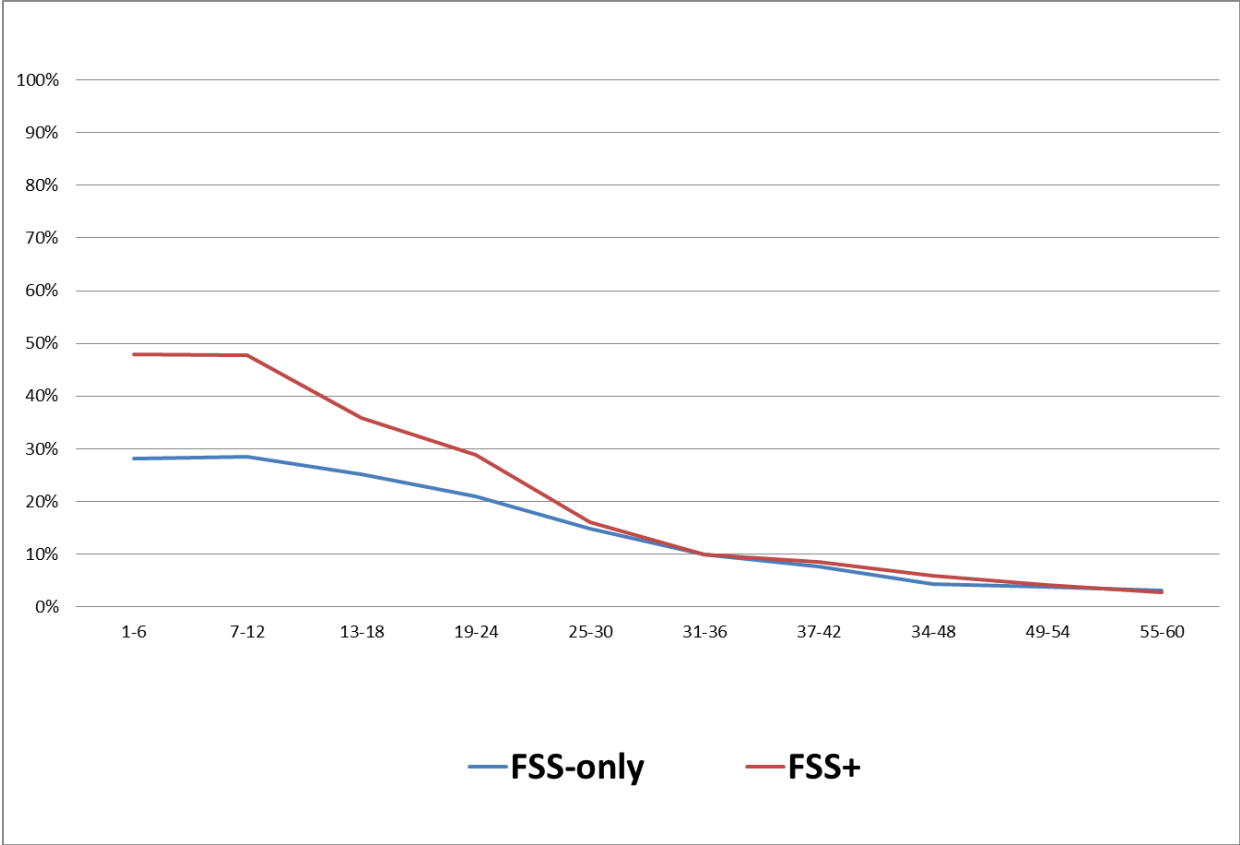


**Table 2: FSS-X Engagement Stipends**

**FSS-X Engagement Stipends**

- \$100 initial reward to complete first assessment and goals contract, and for opening up a low-cost bank account (or linking existing account to program) for this and future direct deposits.
- Monthly participation stipend at \$50/month for meeting minimum program participation/engagement standard (criteria TBD). Will help defray (somewhat) participants costs related to engaging with staff and following through on their plans (e.g., transportation costs, periodic child care costs), plus may serve as an inducement for more marginally engaged participants.

**Figure 3: Participant Engagement, NYC Work Rewards Project, by Month Following Initiation**



**Table 3: Financial Incentives for Increasing Work Hours and Retention**

<b>Financial Incentives for Increasing Work Hours and Retention</b>		
<u>Defining qualifying part-time and full-time jobs</u>		
<p><b>Part-time</b> = 21-34 hrs /week (3 days to less than 5 days at 7 hours/day)</p> <p><b>Full-time</b> = 35+ hrs /week (i.e., at least 5 days at 7 hours/day)</p> <p>[No rewards for self-employment?]</p>		
<u>Employment Change Bonus</u>		
<u>Paid at start of job, only once during program</u>		
<p>Not working to part-time work = \$100</p> <p>Not working to full-time work = \$200</p> <p>Part-time work to full-time work = \$200</p>		
<u>Retention Bonuses: Amounts</u>		
<p>Sustained part-time work = \$100/month</p> <p>Sustained full-time work = \$200/month</p> <p><i>Amounts will be adjusted when accounting period includes a combination of part-time and full-time work</i></p>		
<b>Staged Payment Conditions for Retention Bonuses</b>		
<b>First payment</b>	<b>Second payment</b>	<b>All subsequent payments</b>
<p>The first time that a participant achieves</p> <p style="text-align: center;"><b>3 months</b> employment retention</p>	<p>The second time that a participant achieves</p> <p style="text-align: center;"><b>3 months</b> employment retention</p>	<p>Every time that a participant achieves</p> <p style="text-align: center;"><b>6 months</b> employment retention, through end of 3 years</p>



**Figure 4: The FSS-X Logic Model**

