

**New Hope for the Working Poor**  
**Effects After Eight Years for Families and Children**

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## Overview

Conceived of in the late 1980s and implemented in 1994 in two inner-city areas in Milwaukee, Wisconsin, New Hope was an innovative program designed to address problems in the low-wage labor market. Based on the simple premise that people who work full time should not be poor, New Hope provided full-time workers with several benefits: an earnings supplement to raise their income above poverty, low-cost health insurance, and subsidized child care. For those unable to find full-time work, the program offered help in finding a job and referral to a wage-paying community service job when necessary. During the demonstration project, each of these benefits was available for up to three years.

New Hope's designers expected that its combination of benefits and services would have the direct effects of increasing parents' employment and income and their use of health insurance and licensed child care. These effects, in turn, might influence the well-being of these adults and their families. MDRC, along with researchers from the University of Texas at Austin, UCLA, Northwestern University, and the University of North Carolina, examined New Hope's effects in a large-scale random assignment study. This report, the final one in a series, summarizes the program's implementation and effects over eight years — the first three years while the program operated and five years after it had ended. The findings show that work supports can have a range of positive effects on low-income families and their children. Although the economic effects on employment and income lasted for most families only during the three years in which New Hope operated, some effects on children lasted into the longer term:

- **Employment, income, and parents' well-being.** Adults in the New Hope program were more likely to work than their control group counterparts, and the combination of earnings supplements and the Earned Income Tax Credit also resulted in higher incomes. Less consistently, New Hope also had some effects on parents' well-being. Most of these effects did not last beyond the three years that the program operated — except for a subgroup of individuals facing moderate barriers to work, for whom New Hope increased employment, earnings, and income through Year 8.
- **Children's environments.** New Hope affected children's environments by increasing parents' use of center-based child care — an effect that persisted through Year 5, or two years after New Hope child care subsidies had ended. By Year 5 and lasting into Year 8, New Hope led children and youth to spend more time in structured, supervised out-of-school activities.
- **Children's development.** Positive effects on children's academic performance and test scores were evident at the two- and five-year marks. By Year 8, effects on performance had faded, and new effects had emerged. New Hope children reported being more engaged in school than control group children, and their parents were less likely than control group parents to report that their children had repeated a grade, received poor grades, or been placed in special education. New Hope also improved children's positive social behavior, effects that lasted through Year 8. At the eight-year point, New Hope adolescents were less likely than their control group counterparts to have cynical attitudes about work and were more likely to have taken part in employment and career preparation activities.



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## Preface

For many Americans, even full-time work is no ticket out of poverty. In some cases, wages are too low; in others, earnings are offset by the cost of such necessities as health care or child care. This reality belies a cherished American ideal: that anyone who works hard need not be poor. The principle guiding the New Hope Project, a demonstration program implemented in Milwaukee from 1994 through 1998, was to make this ideal a reality by virtually guaranteeing income above the poverty level to poor people who were willing to work full time. It also offered health insurance and child care subsidies, as well as community service jobs for participants who lost their jobs or could not secure unsubsidized employment.

The project was launched by a community-based organization that believed in the effectiveness of this bold approach to encouraging work while reducing poverty and was committed to having it rigorously assessed. MDRC conducted an evaluation of the program in partnership with researchers at the University of Texas at Austin, UCLA, Northwestern University, and the University of North Carolina. Because New Hope served an unusually diverse cross-section of low-income people (including single adults as well as working parents), the findings have wide-ranging implications for policies affecting the poor.

This final report offers findings eight years after random assignment, fully five years after the program ended. Like other earnings supplement programs that have been rigorously evaluated, New Hope's strongest effects on employment, earnings, and income occurred while the program was operating and then faded for most participants after the program ended. Although the economic effects on employment and income lasted for most families only during the three years in which New Hope operated, some effects on children — where and how they spend their time — and on their well-being lasted into the longer term.

These results from the New Hope Project add to a remarkably strong body of research — much of it based on large-scale, well-implemented, experimental research designs — showing that supplementing the earnings of parents helps raise families out of poverty and can improve the well-being of children. MDRC hopes to build on this encouraging evidence about earnings supplements in current and future studies, including of an innovative conditional cash transfer program in New York City called Opportunity NYC.

Gordon L. Berlin  
President



## Acknowledgments

The New Hope Project and evaluation benefited from an uncommon, engaged collaboration among program staff, the evaluation team — which includes MDRC staff and university researchers from various disciplines — and numerous advisers. At the New Hope Project site in Milwaukee, Executive Director Julie Kerksick provided firsthand information on the project's history and goals, explained program procedures, pushed the evaluation team to clarify its work, and provided ongoing, thoughtful reviews of earlier reports. Tom Back, Associate Director, initiated and maintained the financial supplement system, provided data for the evaluation, offered valuable reviews, and answered innumerable questions throughout the process. Other staff at the New Hope Project supported this research by participating in interviews and focus groups and by facilitating the exchange of information among MDRC, university researchers, and the New Hope Project. In the early stages of the project, significant assistance was provided by Sharon F. Schulz, the former Executive Director, and Don Sykes, Executive Director during the project's pilot phase.

The evaluation's funders have provided indispensable support. They are acknowledged at the front of the report.

We are deeply grateful to the people in the study sample. Whether participating in the New Hope program or as members of the control group, these Milwaukee residents went through the random assignment process, granted us access to confidential information about themselves, and participated in surveys, focus groups, individual interviews, and ongoing ethnographic research. Without them, this research would not have been possible.

The Child and Family Study was initially made possible by the MacArthur Foundation Research Network on Successful Pathways Through Middle Childhood. The network provided the opportunity to form a highly successful collaboration among researchers from different disciplines, and it provided significant funding for the project. A grant from the National Institute of Child Health and Human Development (R01 HD 36038) to the University of Texas at Austin supported the five- and eight-year follow-up studies and reports.

At MDRC, we thank Gordon Berlin, John Hutchins, Charles Michalopoulos, and Pamela Morris for comments on earlier drafts of this report and the working papers on which it is based. We also thank Lisa Gennetian for providing comments on earlier drafts of the working papers.

The two-year survey was conducted by Westat, under the direction of David Maklan and Alexa Fraser, and the five- and eight-year surveys were conducted by Survey Research Management, under the direction of Linda Kuhn. Research associates, graduate students, and

staff at the University of Texas at Austin selected and prepared measures and survey forms for the in-home survey, collected the mailed teacher surveys, and analyzed data. They include Chantelle Dowsett, Anjali Gupta, Jessica Thornton, Amy Imes, Sylvia Epps, and Alison Bentley.

The State of Wisconsin and the County of Milwaukee provided invaluable data. We want to thank staff at the Wisconsin Department of Workforce Development, Wisconsin Department of Health and Family Services, Wisconsin Department of Revenue, and Milwaukee County Department of Human Services as well as other state, county, and city agencies, all of which provided specific information on Wisconsin and Milwaukee public assistance programs and policies. We are especially indebted to individuals in these departments who provided technical information about administrative records and data on Medicaid and Earned Income Tax Credits.

Qualitative data from the ethnographic study made up an integral component of the evaluation. The ethnography is led by Tom Weisner. Lucinda Bernheimer coordinated the ethnographic fieldwork, and Eli Lieber consulted on the fieldwork data analysis. Victor Espinosa, Christina Gibson, Eboni Howard, Katherine Magnuson, Jennifer Romich, and Devarti Syam conducted the fieldwork.

At MDRC, Colleen Sommo managed the quantitative data. Jenny Au was responsible for combining and processing data from numerous sources into data files for analysis and managing these files for the researchers and for assisting in the data analysis. Robert Weber edited the document, and David Sobel prepared it for publication.

The Authors

## Introduction

As a result of long-term structural changes in the U.S. economy, a large segment of the nation's workforce does not earn enough to lift their families out of poverty. In 2005, for example, one out of four workers were paid a wage that, if earned for full-time, full-year work, would not put a family of four above the poverty line.<sup>1</sup> Such a family would also probably not be covered by employer-provided health insurance. Rising health care costs have meant that fewer and fewer employers are providing coverage for their workers, with coverage rates falling the most for non-college-educated workers and those at the bottom end of the wage scale.<sup>2</sup> Although strong economic growth of the late 1990s helped increase wages to some extent, progress has stalled since 2001. Indeed, there is no sign that the low-wage labor market is going away anytime soon: 18 of the 30 occupations with the largest projected job growth over the next 10 years are low-paying jobs that do not require more than a high school diploma.<sup>3</sup>

Conceived of in the late 1980s and implemented in 1994 in two inner-city areas in Milwaukee, Wisconsin, New Hope was an innovative program designed to address these problems in the low-wage labor market. Based on the simple premise that people who work full time should not be poor, New Hope provided full-time workers with several benefits: an earnings supplement to raise their income above poverty, low-cost health insurance, and subsidized child care. For those unable to find full-time work, the program offered help in finding a job and referral to a wage-paying community service job when necessary. During the demonstration project, each of these benefits was available for up to three years.

New Hope's designers expected that its combination of benefits and services would have the direct effect of increasing parents' employment and income and their use of health insurance and licensed child care. These effects, in turn, might influence the well-being of these adults and their families. It was hoped that the ultimate beneficiaries of the program would be the children, whose development might benefit from reduced poverty, changes in the home environment, improved health care, and increased time in licensed child care. The challenges facing children in low-income families have been well documented. Children living in poverty are at risk of low educational attainment. They enter school less prepared than their more advantaged peers, and they fall further behind as they age. By late adolescence, many of these young people have become "disconnected" — without work, not in school, or otherwise lacking connections to mainstream society. Whether a program like New Hope could help reverse some of these effects was an open question.

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<sup>1</sup>Mishel, Bernstein, and Allegretto (2007), Table 3.7.

<sup>2</sup>Mishel, Bernstein, and Allegretto (2007), Table 3.7.

<sup>3</sup>Dohm and Shniper (2007).

Indeed, it was uncertain what effects New Hope would have overall, and the goal of the evaluation was to provide credible information to policymakers on the effects of this approach to making work pay. How many eligible individuals would take up New Hope's benefits? Would individuals be encouraged and able to move into full-time employment? Would the program increase family incomes and reduce poverty? Would these effects then spill over to affect other aspects of family life and, ultimately, children's development and well-being? Finally, how much would such a program cost?

This report is the final one in a series evaluating the New Hope Project. It summarizes the program's implementation and effects over eight years — the first three years while the program operated and five years after it had ended. The report draws on a variety of sources: an implementation report,<sup>4</sup> two- and five-year impact reports,<sup>5</sup> and a series of recently completed working papers examining the program's effects through eight years.<sup>6</sup>

## **Findings in Brief**

The findings show that work supports can have a range of positive effects on low-income families and their children. Although the economic effects on employment and income lasted for most families only during the three years in which New Hope operated, some effects on children's environments — where and how they spend their time — and on their well-being lasted into the longer term.

### **Employment, Income, and Parents' Well-Being**

New Hope increased work and income. Adults in the New Hope program were more likely to work than their control group counterparts, and the combination of earnings supplements and the Earned Income Tax Credit (EITC) also resulted in higher incomes. Less consistently, New Hope also had some effects on parents' well-being. For example, during the program, New Hope parents were less likely to have spent time without health coverage. At different points in time, they reported lower levels of general stress and depressive symptoms as well as more feelings of efficacy. Most of these effects on work, income, and well-being did not last beyond the three years that the program operated. The exception to this is for a subgroup of individuals facing moderate barriers to work, for whom New Hope increased employment, earnings, and income through Year 8.

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<sup>4</sup>Brock, Doolittle, Fellerath, and Wiseman (1997).

<sup>5</sup>Bos et al. (1999); Huston et al. (2003).

<sup>6</sup>Duncan et al. (2008); Huston et al. (2008a); Huston et al. (2008b); McLoyd, Kaplan, and Purtell (2008).

## **Children's Environments**

New Hope affected children's environments by increasing parents' use of center-based child care — an effect that persisted through Year 5, or two years after New Hope child care subsidies had ended. By Year 8, the children were 9 to 19 years old and had largely aged out of formal child care. However, by Year 5 and lasting into Year 8, New Hope led children and youth to spend more time in structured, supervised out-of-school activities. These effects had been evident for older children at the two-year mark, but they did not show up for the full sample until later years, when the sample as a whole had aged into adolescence.

## **Children's Development**

New Hope had a range of positive effects on children's development — effects that changed in nature over time. Positive effects on academic performance and test scores were evident at the two- and five-year marks. By Year 8, effects on performance had faded, and new effects had emerged. New Hope children reported being more engaged in school than control group children, and their parents were less likely than control group parents to report that their children had repeated a grade, received poor grades, or been placed in special education. Thus, as found for many other interventions, New Hope's lasting effect in this area was to help counteract the increasing school failure and disengagement that many low-income children experience as they age. New Hope also improved children's positive social behavior, and these effects lasted through Year 8. Finally, New Hope appears also to have stemmed disengagement from the world of work. At the eight-year point, New Hope adolescents were less likely than their control group counterparts to have cynical attitudes about work and were more likely to have taken part in employment and career preparation activities. In several areas, New Hope's effects were larger or more consistent for boys than for girls.

New Hope's benefits were added to a range of work supports that already existed in Wisconsin, so it is especially noteworthy that they had added effects beyond this relatively high bar. In fact, further expansions occurred during the demonstration period, moving programs for all families closer to what New Hope had to offer. The findings lend support to these expansions and to federal actions that expanded work supports for poor families through the early 2000s, including increases in the value of the EITC and expansions in eligibility for Medicaid and child care subsidies beyond only welfare recipients to all low-income families. As policy has moved more and more toward providing benefits conditional upon work, the results of New Hope are especially relevant, showing that a model of work-centered support for adults is consistent with the goal of improving the lives of low-income children.

## The New Hope Model

Unlike many policies for low-income populations that seem to come largely from the top down, the idea for New Hope grew out of street-level experience with the low-wage labor market. This experience came from the direct service work of the Congress for a Working America (CFWA), founded in 1979 and headquartered in Milwaukee. Although established in large part to develop and promote public policies to support low-wage workers, CFWA also provided job placement and other employment services to low-income individuals. This work helped CFWA staff and founders to learn directly about the problems facing low-wage workers.

Based on this work and other research, David Riemer, a founding member of CFWA, wrote the book *The Prisoners of Welfare* in 1988. He argued that policies designed to reduce poverty should focus on structural deficits in the labor market, such as falling wage levels and the lack of affordable health care and child care, rather than only on the perceived skills deficits of low-wage workers. In his proposed model, which he argued should replace the welfare system, individuals who are able to work full time should be given earnings supplements, to increase their family income above poverty; affordable health insurance; and affordable child care. Those who are able and willing to work but are unemployed or working only part time should be provided community service jobs (CSJs) to allow them to work full time and receive the other benefits.<sup>7</sup> At the heart of Riemer's proposal was the idea that people who can work full time should be able to do so and that they should not be poor when they do.

A group of community organizers proposed New Hope as a policy demonstration based on Riemer's ideas. It went through several rounds of review over the subsequent years, first from community groups and then from various business and government organizations within the city. The Greater Milwaukee Committee — an organization of high-level business executives — was asked to endorse the plan and agreed on the condition that a demonstration New Hope program be rigorously evaluated. A panel of social policy experts was formed, and members concluded that New Hope represented an important next step in social policy. They recommended evaluating the program using an experimental design, stating: “. . . no project or experiment in the country . . . stood so firmly on the principle that income support should come only through work. . . .”

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<sup>7</sup>For those unable to work, such as the elderly and the disabled, Riemer (1988) proposed cash benefits to lift them out of poverty.



After a small pilot of the model in 1992 proved that the program could be successfully started and operated, the New Hope Project began in late 1994, six years after the idea was conceived. The final New Hope model consisted of four key components:

- **Earnings supplements.** New Hope offered monthly cash payments to participants when they worked at least 30 hours per week and their earnings left the household below 200 percent of the poverty line. Combined with the EITC, New Hope's earnings supplements raised most participants' annual household income above the federal poverty threshold.
- **Health insurance.** New Hope offered a health insurance plan to participants who worked at least 30 hours per week but were not covered by employers' health insurance or Medicaid. Participants were required to contribute toward the health insurance premium on a sliding scale that took into account their income and household size; New Hope subsidized the remainder. This benefit could also be used to pay part of the participant's cost for employer-provided insurance if that amount was greater than the required co-pay.
- **Child care assistance.** New Hope offered financial assistance to cover child care expenses for parents working at least 30 hours per week. Participants were asked to pay a portion of the cost, based on their income and household size, and New Hope covered the remainder. New Hope provided assistance only for child care provided in state-licensed or county-certified homes or child care centers.
- **Job access (CSJs).** Participants who were unemployed or who wanted to change jobs received individualized job search assistance. If they could not find work in the regular job market after an eight-week job search, they could apply for a community service job (CSJ) in a nonprofit organization. These opportunities were also offered to participants who were between jobs or who were employed but not working the 30-hour minimum. The CSJs paid minimum wage and might be either full time or part time.

Participants in New Hope who met the 30-hour work requirement could use any number or combination of program benefits and services, depending on their needs. Benefits were administered by project representatives who could provide advice and information about employment (for example, help in finding a job), child care, or other topics. As noted below, the program was notable for the helpful and supportive services provided.

## The Evaluation

The New Hope evaluation was built around an experimental design. Applicants who met the eligibility criteria were randomly assigned, in a lottery-like process, either to a program group that could participate in New Hope or to a control group that could not. By comparing the outcomes of the two groups over time, it is possible to distinguish the effects specific to New Hope from changes that might have occurred for other reasons, because the random assignment process ensures that, on average, the characteristics, backgrounds, and motivation levels of program and control group members did not differ systematically at the beginning of the study. After random assignment, the only difference between the program group and the control group was that the former had access to New Hope. Therefore, any significant differences in outcomes that emerge over time — such as in employment rates or income — between the adults or children in the two groups can be attributed to the New Hope intervention.

Eligibility for earnings supplements, health insurance, and child care assistance lasted for three years. The time limits reflected funding constraints and were not considered integral to the program’s design. Rather, New Hope’s designers assumed that benefits would need to be available as long as individuals met the eligibility criteria, if New Hope were to become ongoing policy.

### Targeted Populations and Areas

Individuals were eligible for New Hope if they lived in one of the targeted neighborhoods, were age 18 or older, had earnings of less than 150 percent of the federal poverty level, and were willing and able to work full time.<sup>8</sup> Unlike many programs at the time and still today, New Hope eligibility did not depend on the presence of children or family structure. It was open to men and women who were working or not, on welfare or not, married or unmarried, and living with or without children. New Hope was ahead of its time in opening up eligibility to childless individuals.

The two targeted neighborhoods were selected to provide racial and ethnic diversity and to concentrate the program on inner-city, high-poverty areas. As they are referred to in the New Hope implementation report, the “Northside” consists of the area just above Interstate Highway 94, and the “Southside” includes the neighborhood just below the highway. Both neighborhoods are relatively poor and, according to the 1990 Census, contained large pockets of concentrated poverty. The Northside was predominantly African-American, and

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<sup>8</sup>Although eligibility for study entry was limited to those with household earnings of less than 150 percent of the federal poverty level, the earnings supplements did not phase out until earnings reached 200 percent of the poverty level.

the Southside was largely Hispanic. A neighborhood survey done for the evaluation indicated that nearly half of survey respondents were not working, with unemployment rates being especially high among African-American residents. The survey data suggested that about 60 percent of adult residents in these two neighborhoods would be eligible for New Hope.

### **Expected Effects for Adults and Children**

It was expected that New Hope's benefits and services would lead to higher employment rates and reduced poverty relative to what would have happened in the program's absence. Through these effects on work and income, New Hope might also affect adult well-being, improving health and reducing stress and material hardship. Thus, the first task of the evaluation was to track New Hope's effects on participants' take-up of New Hope's benefits and services and their employment rates, hours worked, and poverty status.

New Hope was also expected to affect children's well-being through a variety of avenues. (See Figure 1 for the conceptual model underlying the evaluation.) Increased family income, for example, might lead parents to move to better housing or allow them to purchase more educational materials and experiences for their children. Child care assistance might enable parents to place their children in formal care settings, which might in turn enhance the cognitive stimulation and socialization to which they are exposed. Increased employment by parents might lead to a restructuring of chores and family routines or it might increase children's aspirations for their own futures. Changes in children's contexts might then affect children's school performance, psychological well-being, social skills, and health. Improvements in these areas could lead to fewer behavior problems and less deviant behavior as children move into adolescence.

### **Tracking New Hope's Effects**

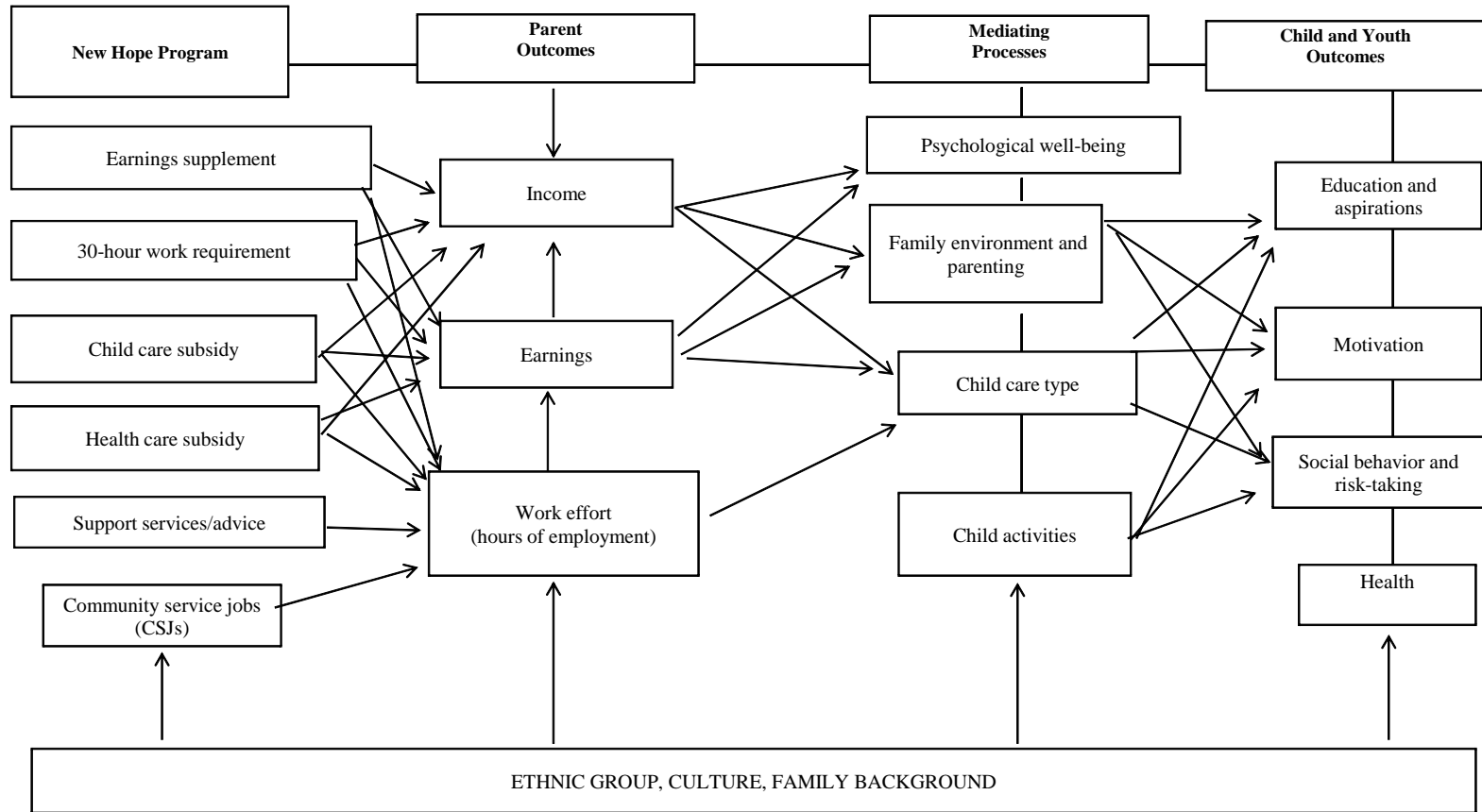
Given the random assignment of individuals to either a group eligible for New Hope's benefits or a group not eligible for New Hope, the effects of the program are estimated by tracking differences in a range of outcome measures between the two groups after program entry. With eight years of follow-up data, it is possible to consider both the effects while the program was operating (Years 1 through 3) and any lasting effects after it ended (Years 4 through 8).

The evaluation makes use of several data sources. Information about the members of the research sample at enrollment, or "baseline," came from the *Background Information Form*, which individuals completed prior to random assignment. *New Hope program data* provide information on participants' use of the program's benefits and services. *State ad-*

The New Hope Project

Figure 1

Conceptual Model for the New Hope Evaluation



*ministrative records* provide records of employment and receipt of welfare and food stamp benefits for the full eight years.

Because of the expected effects on parents and children, all families with at least one child in the age range of 1 year, 1 month, to 10 years, 11 months, at program entry were selected for the *Child and Family Study (CFS)*.<sup>9</sup> In-person surveys — given to parents and children at two, five, and eight years after random assignment — obtained information on families' receipt of New Hope benefits, parents' employment and earnings, family functioning, and parent-child relations. The ages of the children at each assessment point are shown in Figure 2. For up to two “focal” children in each family, the surveys also collected information from both parents and children on participation in child care and other activities as well as behavior and school performance. For school-age children, teachers were also mailed surveys asking about the children's school performance and social behavior.

Finally, an ethnographic sample of 44 families was drawn from the CFS sample. These families — half of whom were in the New Hope group and half of whom were in the control group — were followed from the third year, or the final year of the New Hope program, through the fifth year, and they were interviewed again in the eighth year. The ethnographic data include extensive field notes and focused interviews covering a wide range of topics, including parents' experiences with New Hope and information about their family routines, work experiences, family relationships, child care arrangements, and goals for the future.

## **The Research Sample**

As with many programs serving a low-income population in a given geographic area, recruiting interested and eligible individuals for the evaluation proved to be a major challenge for New Hope staff. The goal for the evaluation had been set at 1,200 individuals. Recruitment began in August 1994 and continued for 16 months until more than 1,300 individuals had been randomly assigned either to New Hope or to the control group. The CFS sample represents just over half of the full sample and includes 745 families with at least one child age 1 to 11 at program entry.

Staff began with broad community outreach strategies, making presentations in local churches and social service organizations as well as mailing invitations to public assistance recipients. These initial efforts did not bring in as many people as expected. After the first few months of intake, New Hope managers made several changes to the recruitment

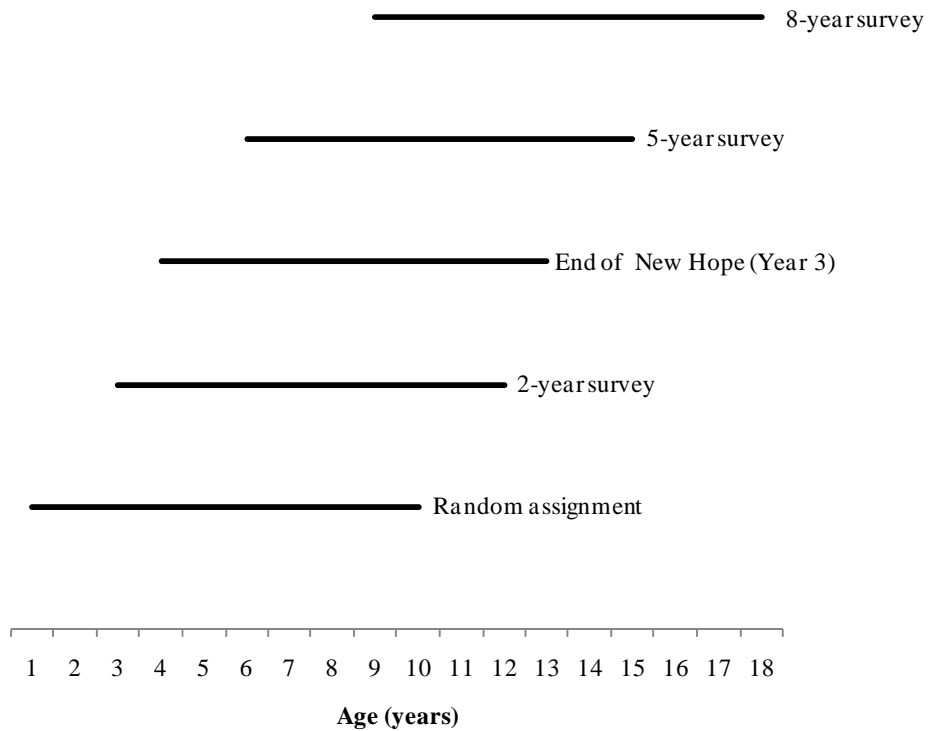
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<sup>9</sup>The CFS sample excluded 67 Asian-American families. The great majority of them were Hmong refugees from Laos and Cambodia, for whom the child and family measures were culturally inappropriate.

**The New Hope Project**

**Figure 2**

**Age Range of Children at Each Assessment Point**



strategy by (1) expanding the target areas to include the entire zip codes in the two target neighborhoods, (2) opening a satellite office in the Southside neighborhood, and (3) hiring temporary recruitment staff. Expanding the target areas proved to be most important for increasing intake.

Despite New Hope’s broad community outreach, staff faced a variety of challenges in communicating the New Hope offer. A key challenge was the complexity of the program, with its offer of several benefits. Combined with media reports on welfare reform at the

state and federal levels, New Hope often had trouble standing out.<sup>10</sup> Other challenges included skepticism that the offer was genuine and, among recent immigrants in the Southside area, reluctance to disclose household information.

Table 1 describes the sample that was eventually recruited into the evaluation. Data are presented for the full sample and the CFS sample. Although a diverse group, the majority are women and single mothers. Most participants are either African-American or Hispanic, reflecting the two targeted neighborhoods, and most were receiving some type of public assistance at program entry. More than half were not working at the time they entered the study, although a majority had worked at some point in the prior year.

Why did people apply for New Hope and what services were they interested in? Staff reported that most enrollees were interested in one or two services, while few were interested in the entire package. Help in finding a job, child care, and health insurance seemed to be the most sought-after benefits. Many applicants were also in the process of going to work — if leaving welfare, for example, or changing jobs — and saw New Hope as a way to help in this transition.

## **Delivering New Hope's Services**

Despite being a complex program with multiple components, New Hope was successfully implemented, and each of its benefits was made available to participants. The main challenge in delivering services was the difficulty faced by participants in understanding each of the components and how they worked, as well as understanding what New Hope did not offer (for example, education and job training). Staff found that it took continued effort to educate participants about the benefits and services available and how to use these services when their needs and circumstances changed. The next sections — drawn largely from the New Hope implementation report<sup>11</sup> — discuss each New Hope component in turn, describing the benefit in somewhat more detail, its implementation, and its take-up by participants.

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<sup>10</sup>Even before the 1996 passage of the federal legislation (the Personal Responsibility and Work Opportunity Reconciliation Act, or PRWORA), the State of Wisconsin had moved to reform its Aid to Families with Dependent Children (AFDC) program. A welfare reform known as “Pay for Performance,” which tied the receipt of AFDC benefits to work, began in 1996.

<sup>11</sup>Brock, Doolittle, Fellerath, and Wiseman (1997).

## The New Hope Project

**Table 1**

### Characteristics of Study Participants at Random Assignment

Characteristic	Full Sample	CFS Sample
Female (%)	71.6	89.8
Never married (%)	59.8	62.2
Race/ethnicity (%)		
African-American, non-Hispanic	51.4	55.0
Hispanic	26.5	29.3
White, non-Hispanic	13.8	12.5
Asian	5.8	-
Age (years)	31.8	29.4
High school diploma or GED certificate (%)	57.3	59.5
Children in household (%)	71.0	100.0
Youngest child in household is under age 2 (%)	46.4	48.2
3 or more children in household (%)	31.5	45.9
Receiving AFDC, GA, food stamps, or Medicaid (%)	62.9	80.7
Employed (%)	37.5	36.5
Worked in prior year (%)	71.4	66.8
Total earnings in prior year (\$)	5,581	4,885
Sample size	1,357	745

SOURCES: New Hope Background Information Form and Wisconsin unemployment insurance (UI) records.

NOTE: All dollar amounts are expressed in 2005 dollars.

### The Earnings Supplement

The New Hope earnings supplement was designed so that, in combination with a participant's earnings and expected Earned Income Tax Credit (EITC) payments, it would bring his or her income above the poverty line. Although fairly complicated in practice, the supplement was similar in structure to the EITC, with a phase-in rate, a maximum supplement, and a phase-out rate. However, it differed from the EITC in several ways. First, the



supplement was given only for full-time work, whereas the EITC has no minimum-hours requirement.<sup>12</sup> Second, New Hope's supplement was available to single earners without children, whereas this group is eligible for nominal EITC benefits. Third, the supplement was separated into a wage supplement portion, which phased in and out with earnings, and a child allowance portion, which also required full-time work but depended on the number of children in the family and phased out as income increased. Finally, the wage supplement part of the payment depended only on the individual worker's earnings and not on household structure or income.<sup>13</sup>

Each month, participants who had worked an average of at least 30 hours per week could receive a supplement check from New Hope. They were required to submit proof of their hours and earnings, usually through pay stubs, by the fifth day of the month. New Hope staff then reviewed the information and determined the amount of the supplement. Supplement checks were sent to staff by the twentieth of the month, and they were delivered to participants in person or by mail. Supplement checks were delivered with a monthly benefits statement, showing participants the dollar value of benefits received that month.

Overall, the process of generating and delivering the supplement payments went smoothly. The main problem operationally was getting participants to submit pay stubs by the fifth of the month. New Hope staff eventually imposed a 90-day time limit on the submission of pay stubs, to discourage the practice of submitting two or more at a time. Participants sometimes had difficulty understanding how the supplements were calculated and why they varied from month to month. On the whole, however, participants reported that the extra money helped make ends meet or provided some additional breathing room, and they used it to buy staples, pay bills, pay off debt, or provide such important "extras" as children's birthday presents, new rather than used clothes, and an occasional fast-food restaurant meal.

None of the participants described the supplements as making the difference between being poor and not poor, which is not surprising, since the amounts were not large. In addition, because they were designed to top up the EITC, the supplements diminished considerably after the EITC expansions of 1996. In 1994, for example, one wage-earner working at \$5 per hour for 30 hours per week would earn a supplement of \$184; by 1997, the payment would have been \$124 per month. A parent earning \$7 per hour at 30 hours per week would have received \$93 in 1994 and no supplement in 1997. Thus, the expansion of the EITC

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<sup>12</sup>The full-time work requirement seeks to weaken the incentive that individuals might have to reduce their work hours after receiving additional income.

<sup>13</sup>The wage supplement was designed in this way to minimize the incentives for family breakup.

meant that the “treatment difference,” or the difference between what the program offered and what was available outside New Hope, diminished over time.

The supplement was the most commonly received New Hope component, with 81 percent of participants receiving at least one payment over the three-year period.<sup>14</sup> In any given month, however, only about 25 percent to 35 percent of participants received a payment, indicating that many individuals dipped in and out of the program or received payments for only a few months. Among those who received a supplement, the average amount ranged from \$120 to \$130 per month over the three-year period.

Figure 3 presents supplement take-up rates for people in the New Hope group, analyzing the rates by whether or not participants were employed full time at program entry. Take-up was fairly quick for those employed full time, increasing to 60 percent by Month 3. In contrast, rates of take-up increased more slowly for those who had to either find a job or increase their hours in order to become eligible. For this group, receipt rates in any given month ranged between 20 percent and 30 percent. Receipt rates were higher for the employed group but fell considerably from their peak of 60 percent in the early months to about 45 percent in Month 6 and to 40 percent by Month 12. Employment rates for this group do not appear to have fallen quite so dramatically over this period, suggesting that many people either earned their way off supplement eligibility or decided that the amount they were eligible for was not worth the effort.

### **Low-Cost Health Insurance**

New Hope’s health insurance was seen by many participants and staff as the most valuable component of the program, especially for people outside the welfare system who did not qualify for Medicaid or for an employer’s plan. New Hope initially offered a choice among four plans, each run by a health maintenance organization (HMO), but eventually restricted the offer to the two most popular plans. The most commonly chosen plan — perhaps because it was the most familiar — was the one run by the same HMO that contracted with Milwaukee County to cover Medicaid recipients. For participants already covered by an employer’s plan, New Hope would help defray the cost of premiums.<sup>15</sup>

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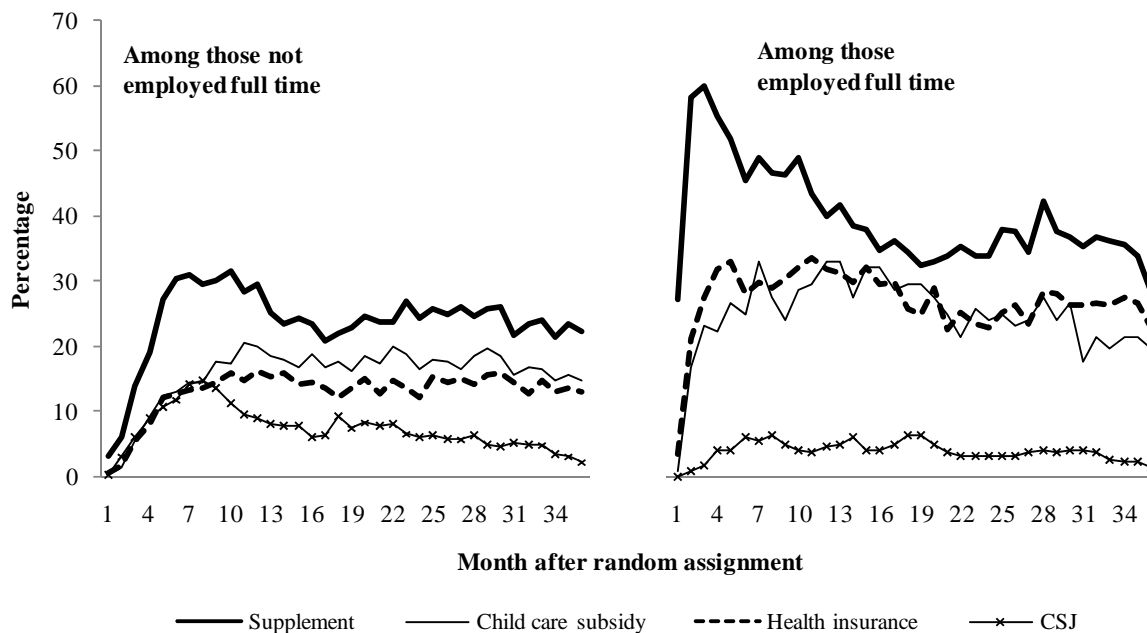
<sup>14</sup>The take-up rates presented here do not necessarily match those presented in the five-year report, which focuses only on respondents to the five-year survey.

<sup>15</sup>Specifically, if participants wished to use an employer’s health plan that charged higher premiums than the co-pay for New Hope’s insurance, the program would reimburse them for the difference between these two amounts.

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Figure 3

Benefit Take-Up, by Employment Status at Baseline



SOURCES: New Hope Background Information Form and Management Information System (MIS) client-tracking database.

NOTES: Child care subsidy take-up rates are presented for the CFS sample. Take-up rates for all other benefits are presented for the full sample.

Individuals who enrolled in one of New Hope’s health insurance plans were required to contribute a co-pay, the amount of which depended on their income level. Participants receiving an earnings supplement had the co-pay deducted from their supplement amount, while those not receiving a supplement had to pay New Hope. The co-pay amounts were determined using average employee contributions to HMO premiums in the area. For a two-person family, for example, the co-pay started at a low of \$112 per year and increased with income until it reached a cap of \$685 per year.<sup>16</sup>

Participants were required to work an average of at least 30 hours per week in a given month in order to enroll or stay enrolled in New Hope’s health insurance plan. If they

<sup>16</sup>The co-pay was held fixed at the lower amount until income reached \$8,000, and then it began increasing with income.

stopped working, the official policy was to let their coverage continue for three more weeks, although, in practice, coverage extended for longer periods if participants were actively looking for work.

The health insurance benefit was generally implemented smoothly. The only issue that arose was some confusion by participants about whether they could continue receiving coverage if they left their jobs. Overall, 56 percent used New Hope's health insurance benefit at some point during the three-year period. As shown in Figure 3, rates of take-up were highest and increased the most rapidly for those employed full time at program entry, leveling off to about 25 percent by Year 2. Although not shown, 25 percent to 30 percent of those receiving benefits did not enroll in New Hope's insurance but continued using their employer-provided coverage and used New Hope benefits to help defray the cost of employer premiums. Take-up rates for those not employed full time at program entry hovered around 15 percent throughout the period. By the end of the period, about a third of the benefit for this group was in the form of contributions to employer premiums (not shown).

### **Child Care Subsidies**

Child care benefits were available to parents who had at least one child under the age of 13. New Hope did not provide child care or referrals to providers. Instead, the program reimbursed providers (only those who were state-licensed or county-certified) at the county's rate for care provided to Aid to Families with Dependent Children (AFDC) recipients, and participants were required to contribute a co-pay; the amount depended on family income and the number of children in care. A parent with one child in care would pay a minimum of \$33 per month. This amount would increase until income reached 200 percent of the poverty line, which was higher than the maximum income used to determine eligibility for the county assistance available to the control group. At this point, the New Hope subsidy would end, and the family would pay the full cost of child care.

Participants were expected to find a child care provider and make arrangements for payment. Once the provider submitted a voucher indicating the hours of care provided in a given month, the participant paid the co-pay amount directly to the provider. Providers also received payments directly from New Hope for the program's portion of the cost. If the participant did not work 30 hours on average over the month, child care assistance could be extended for part-time care for three weeks, and, in practice, the program sometimes continued to pay for full-time care in order to avoid disrupting the child care arrangement.

Although this component of the program was generally implemented well, some problems arose when child care providers did not get the full payment due them. This occurred for two reasons. First, the program initially paid providers with two-party checks,

which some participants did not promptly sign over to the providers. New Hope eliminated the two-party check system midway through program operation and began paying providers directly. Second, although New Hope reimbursed providers at the county's maximum rate, its rules were stricter than county rules. In contrast to the county's practice of reviewing arrangements and adjusting payments as needed every six months, New Hope reviewed eligibility and payments every month. In some cases, participants' failure to work 30 hours on average or their failure to submit pay stubs meant that the provider did not get reimbursed by New Hope at the maximum rate. The program began meeting with providers in 1995 to clarify program rules and ease any tensions that had arisen.

Participants responded favorably to the child care assistance, and many liked having the flexibility to choose their child care provider. New Hope's payments were available for any licensed provider, not just those with subsidized slots. Among the Child and Family Study (CFS) sample, about 48 percent of parents used New Hope's child care benefits at some point during the three-year period, while rates in any given month ranged from 16 percent to 24 percent.<sup>17</sup> Take-up rates for the CFS sample by employment status at program entry are shown in Figure 3. Take-up rates for those employed full time increased to about 30 percent by Month 7. The slower rate of increase, compared with that for other benefits, may reflect the time it takes to find or change child care arrangements. Among those not employed full time, take-up rates increased more slowly and stayed at around 20 percent over the period.

### **The Community Service Jobs**

Participants were referred to community service jobs (CSJs) if they were unemployed at program entry and had not found a job after eight weeks of job search, if they lost a job and could not find another one after three weeks of job search, or if they were working part time and needed the extra hours to qualify for New Hope's benefits. The CSJs paid the minimum wage (\$4.25 in 1994) and lasted no longer than six months. Participants could repeat a CSJ once, for a total of 12 months over the three-year period. The use of CSJs was not guaranteed; participants had to interview for the positions and could be fired from them as well.

The New Hope program developed a number of CSJ slots prior to the start of the demonstration, based on estimates of how many participants would eventually need them. The employers that they targeted were other nonprofit, community-based organizations, in keeping with New Hope's overall mission of giving back to the community. In general, re-

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<sup>17</sup>This rate does not match the rate presented in the five-year report, which focuses only on respondents to the five-year survey.

cruiting employers to be CSJ sponsors was not difficult, given that New Hope already had ties to many of the agencies and had a good reputation within the community. New Hope also did not require that the employer hire the CSJ participants as permanent employees after their placement.<sup>18</sup> Most of the CSJ assignments were for office and clerical jobs, and the next most common assignments were in property maintenance and building construction or rehabilitation.

Overall, most work site sponsors were pleased with the CSJ participants assigned to them, although a few did drop out of the program after finding that the participants required too much supervision or did not stay long enough. Employers also reported that the positions were “real work” involving productive activities. Data from the first two years of the program suggest that the CSJs did serve to some extent as a bridge to unsubsidized employment. Nearly 40 percent of CSJ users transitioned to unsubsidized jobs, while another 25 percent used a CSJ as a filler between two stints of unsubsidized work. However, a third of CSJ users did not make the transition to unsubsidized work.

About a third of New Hope participants used a CSJ at some point during the three-year period. A little over half of those who worked in CSJs did so for six months or less, while a quarter used CSJs for 10 months or more. Take-up rates are shown in Figure 3. For the group not employed full time at program entry, CSJ use peaked at 15 percent in Month 8. In contrast, use for the employed group was never above 7 percent in any month.

### **Summary of Service Delivery**

In sum, New Hope was well implemented by staff. In addition to successfully delivering and administering program services and benefits, the project representatives emerged as an important part of the intervention. (See Box 1.) The annual cost of providing New Hope’s benefits to eligible families in the CFS sample was \$5,300 (per family), and the largest component of these costs was the child care subsidies.<sup>19</sup>

Although a majority of participants used a benefit at some point during the three-year period, take-up was far from universal, and take-up rates were lower than expected in any given month. The program was designed as separate components in order to provide participants with the flexibility to dip in and out of services as needed, and it was never expected that most individuals would use or need the entire package. Although some participants undoubtedly used benefits strategically in this way, many others did not understand

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<sup>18</sup>In addition, the Milwaukee Private Industry Council acted as the actual “employer” and handled the payroll, using funds provided by New Hope. The work site sponsor was responsible only for developing slots and supervising participants.

<sup>19</sup>Huston et al. (2003).

### Box 1

#### **An Important Component of New Hope: The Project Reps**

Although not listed as a program component, the frontline New Hope staff — referred to as “project representatives” (or “reps”) — played an important role in the program. In fact, when participants were asked about their favorite part of the program, the most common answer given was “help from staff.”

Once people were randomly assigned to the program, the project rep served as their ongoing point of contact with New Hope. With a caseload of about 75 people, project reps spent about 25 percent to 30 percent of their time processing benefits, with the remainder spent interacting with participants in small-group or individual sessions. In these interactions, project reps encouraged participants to use the maximum benefits available to them, which often meant repeated efforts to explain the New Hope offer and each of its services. The project reps also regularly inquired about changes in participants’ status, such as a change in employment or family status, that might affect their eligibility for benefits.

Project reps also served as job coaches, providing unemployed participants with job leads or referring them to local resources in the community and helping them to prepare résumés and develop interview skills. They also attempted to engage participants in ongoing conversations about work and career advancement. As a group, the project reps shared strong beliefs that all New Hope participants were employable, that almost any job was better than unemployment, and that every employment experience was a learning opportunity. Many participants tended to see the project reps’ role in this area as largely motivational.

Finally, project reps often served as counselors, listening to participants discuss their personal problems. Although not trained as professional counselors, project reps felt that it was useful simply to serve as a sounding board for participants but also sometimes referred them to other organizations for help with more serious issues, such as substance abuse or domestic violence. Many participants reported that the attention and encouragement that they received from their project reps was in stark contrast to the stigmatizing environment of other employment and welfare programs.

that they could do so. Participants who lost their jobs, for example, were not always aware that they were eligible for a CSJ slot. The complexity of the offer once again was a key challenge. It is not possible to determine how many people were not using the benefits because they did not meet the work-hour requirement and how many were not receiving benefits for other reasons.

In addition to those who lacked the information to take full advantage of program services, the ethnographic study identified several other family “types” that determine take-up, such as families with significant instability, those who explicitly weigh the benefits versus the costs of taking up benefits, and those who take up benefits only if they helped to

sustain the family's daily routine. Figure 4 presents the intensity of take-up for selected subgroups of the sample. Overall, about 19 percent of participants never used a New Hope financial benefit (supplements, health care, or child care), while 45 percent used at least one benefit for 12 or more months. Continued use appears to be most strongly associated with employment status at program entry, which is correlated with the ability to take up benefits quickly but may also be associated with the employment and personal instability barriers identified in the ethnographic work. Participants with higher education levels were also more likely to take advantage of New Hope's offer, as were participants with children.

## **New Hope's Effects**

The next several sections present New Hope's effects eight years after the point of random assignment. The research sample was tracked for this period using administrative records on employment and earnings and three surveys administered at the two-, five-, and eight-year points. Using these data, effects can be divided into those that occurred while the program was operating, or within the first three years, and those that occurred after the program ended, or in Years 4 through 8. When describing effects, individuals who were randomly assigned to be eligible for New Hope are referred to as the "New Hope group," while those who were not assigned to the program are referred to as the "control group." As noted above, the control group outcomes indicate what would have happened to a similar group of individuals who were not eligible for New Hope. Therefore, comparing outcomes for the two groups after random assignment provides a valid measure of the program's net impact.

Results are first discussed for the full sample and then for subgroups when relevant. Since the start of the evaluation, key subgroups for measuring adult outcomes have been defined by full-time work status at program entry, race and ethnicity, and the number of barriers to employment. The barriers distinction arose from the ethnographic research. As fieldworkers met families in the ethnographic study, they learned about family circumstances and experiences with New Hope and other social service agencies and noted the range and combinations of barriers to employment that parents confronted.<sup>20</sup> Although family circumstances varied, overall, it appeared that the number of barriers to employment was an important determinant of who benefited economically from New Hope.<sup>21</sup> Those with

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<sup>20</sup>Magnuson (1999).

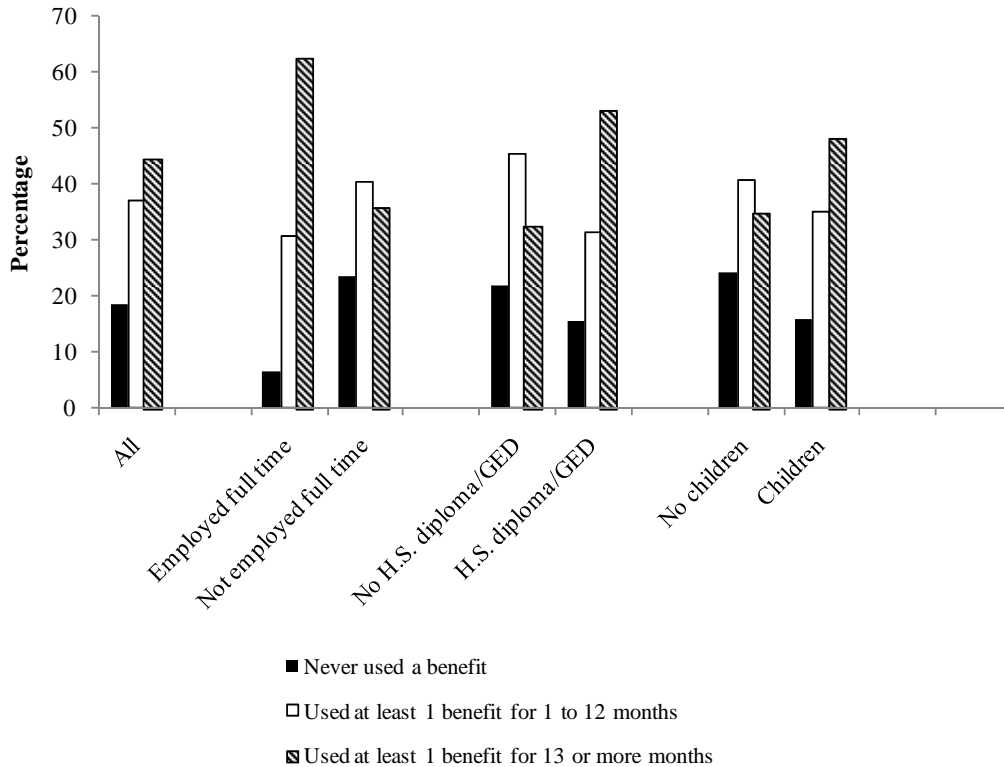
<sup>21</sup>The list of potential barriers includes an arrest record, a long period of unemployment, having many or young children, having been fired from the period of longest employment, and not having a high school diploma or General Educational Development (GED) certificate. These were selected partly because New Hope was designed to address them. Fieldworkers identified additional barriers, including depression, alcohol and drug abuse, physical health problems, lack of transportation, and domestic violence, but New Hope was not designed to address these barriers, and most of them were not measured on the baseline questionnaire.



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Figure 4

Benefit Use for Selected Subgroups



SOURCES: New Hope Background Information Form and Management Information System (MIS) client-tracking database.

no barriers would likely need little assistance to move into work, while those facing many barriers may have needed something more than New Hope. For those facing only one barrier to work, however, New Hope may have provided the extra assistance needed to help them move into or sustain work.

For children, subgroups include boys versus girls and preschool-aged versus elementary-school-aged at the point of random assignment. Finally, while effects on employment and earnings are presented for the full sample, or for all adults with or without children, effects on parenting and children’s well-being are estimated for the CFS sample, or

those families with at least one child between ages 1 and 11 at program entry.<sup>22</sup> By the time of the eight-year survey, these children would have been between ages 9 and 19.

### **Employment, Income, and Poverty**

During the period in which the program operated, or Years 1 through 3, New Hope had a range of effects on participants (Table 2). The New Hope group worked more than the control group — an effect that appears to be driven largely by the availability of CSJs for the unemployed. The New Hope group also had higher incomes, owing to a combination of increased earnings, New Hope supplements, and EITC benefits. As a result, New Hope families were less likely to be in poverty.

Not surprisingly, the effects on employment and earnings were concentrated entirely on the group not employed full time at program entry (not shown). The program had no effect overall on employment or earnings for those employed full time when they entered the study. However, survey data for this group reveal some small effects at the job level. As shown in the two-year impact report, the New Hope group worked fewer hours in Year 1 than the control group, owing to a reduction in overtime work (defined as working more than 40 hours per week).<sup>23</sup> In addition, the New Hope group had somewhat lower wages and was less likely to have fringe benefits, including health insurance. Thus, the program's benefits allowed participants to cut back on very high work hours but also may have reduced the incentives to find higher-quality jobs, such as jobs providing health benefits.

Although most of the economic effects had faded by Year 5, a few effects remained.<sup>24</sup> The New Hope group as a whole had higher hourly wages than the control group, perhaps owing to their more stable work up to that point. New Hope also continued to reduce poverty. The poverty reductions came about through modest increases in income for the full sample that are not statistically significant, as well as through a reduction in the number of families with very low incomes. Effects such as these on the lower part of the income distribution are not always captured by a comparison of averages.

From the start, and as hypothesized, New Hope was found to have larger effects on moderately disadvantaged individuals, or those with only one barrier to employment. The large effects for this group stood out over time, persisting through Year 5 and growing larger by Year 8 (Table 2). Effects on employment and earnings for the other two groups — those with no employment barriers and those with some barriers — were generally nega-

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<sup>22</sup>New Hope's effects on employment, earnings, and income for the Child and Family Study subgroup used to present the findings for children later in this report are similar to those for the full sample presented here.

<sup>23</sup>Bos et al. (1999).

<sup>24</sup>See Huston et al. (2003).

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Table 2

Impacts on Employment, Earnings, and Poverty  
Over Eight Years

Outcome	Full Sample			One-Barrier Group		
	Program Group	Control Group	Difference	Program Group	Control Group	Difference
Percent of quarters employed (%)						
Years 1 to 3	72.7	67.2	5.5 ***	74.1	65.1	9.0 ***
Year 5	67.0	66.6	0.4	69.3	62.8	6.5 *
Year 8	56.3	54.2	2.1	60.1	46.7	13.4 ***
Average annual earnings (\$)						
Years 1 to 3	9,756	9,259	497	10,380	8,518	1,862 ***
Year 5	11,961	11,795	166	12,766	10,891	1,875 **
Year 8	11,319	11,031	288	12,455	9,442	3,012 ***
Average records-based total income <sup>a</sup> (\$)						
Years 1 to 3	14,971	13,921	1,051 ***	15,255	12,986	2,269 ***
Year 5	14,584	14,371	214	15,105	13,321	1,784 **
Year 8	13,595	13,285	311	14,458	11,472	2,986 ***
Total records-based income below the poverty standard <sup>a</sup> (%)						
Years 1 to 3	60.9	71.6	-10.7 ***	57.2	78.8	-21.6 ***
Year 5	59.3	64.6	-5.3 *	55.2	68.0	-12.7 ***
Year 8	63.1	67.1	-4.0	56.9	72.3	-15.3 ***
Sample size	1,357			580		

SOURCES: New Hope Management Information System (MIS) client-tracking database and Wisconsin unemployment insurance (UI) records.

NOTES: Statistical significance levels are indicated as: \*\*\* = 1 percent; \*\* = 5 percent; and \* = 10 percent.

Estimates presented for the full sample.

All dollar amounts are expressed in 2005 dollars.

<sup>a</sup>"Records-based income" is defined as the sum of UI-based earnings, New Hope earnings supplements, EITC benefits, and public assistance benefits.

tive, although rarely statistically significant.<sup>25</sup> The program seems to have given the one-barrier group a permanent leg up in the labor market, leading to higher employment rates, earnings, and income even five years after the program ended. Effects of this duration are unusual.<sup>26</sup>

<sup>25</sup>Duncan et al. (2008).

<sup>26</sup>Evaluations of other financial incentive programs have found that effects on employment and earnings tend to last longer for relatively disadvantaged subgroups, although they gradually diminish over time even for these

(continued)

## **Adult and Family Well-Being**

Material well-being, physical and mental well-being, and stress levels and coping strategies are included in the realm of adult and family well-being. Effects on family and child well-being are presented using CFS sample respondents to the follow-up surveys. At the two-year mark, New Hope had positively affected individuals in a number of ways. Compared with the control group, the New Hope group was less likely to have spent some time without health care coverage and was less likely to report unmet medical and dental needs. They did not differ from control group members on other indicators of material hardship (for example, food insufficiency or housing problems). Although these effects on health care coverage and unmet health needs did not persist beyond the two-year survey mark, at the five-year point, adults in the New Hope group reported better overall health than those in the control group (Table 3). Although the program increased health care coverage, there was, at the two-year point, a substitution out of employer-provided plans and into New Hope's plan, particularly for the group employed at program entry. In other words, the New Hope group was less likely than the control group to be covered by an employer-provided health care plan. A similar substitution occurred around child care subsidies, with the New Hope group's being less likely to receive assistance from the welfare department, perhaps because the income eligibility level for New Hope was higher and the child care payments were made automatically when a participant certified full-time employment.

There were scattered and generally small effects on psychological well-being. The New Hope group reported less general stress and less financial stress and worry, particularly around the areas of medical care and overall financial security. These positive effects on material well-being generally occurred for all individuals and not just for those unemployed at program entry, but they did not persist beyond the end of the program. At the two-year point, New Hope parents expressed more hope and feelings of efficacy in achieving their goals; at the five-year survey, there was a reduction in depressive symptoms, but there were no effects on other measures of well-being, including self-esteem and a sense of mastery. No effects persisted to the point of the eight-year survey.

A final and somewhat lasting effect of New Hope relates to the support and assistance that it provided to participants. At the two-year mark, the New Hope group had con-

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groups (Michalopoulos, 2005). The exception to this is the Minnesota Family Investment Program (MFIP), in which effects for a most disadvantaged subgroup persisted and grew through Year 6 (Gennetian, Miller, and Smith, 2005); effects in subsequent years have not been examined.

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Table 3

Impacts on Parents' Well-Being

Outcome	Two Years			Five Years			Eight Years		
	Program Group	Control Group	Difference	Program Group	Control Group	Difference	Program Group	Control Group	Difference
<b>Material well-being</b>									
Material hardship <sup>a</sup>	1.29	1.37	-0.09	0.18	0.18	0.00	0.17	0.17	0.00
Satisfied with standard of living	3.54	3.63	-0.09	3.80	3.73	0.07	--	--	
Financial worry	2.92	2.96	-0.04	2.50	2.55	-0.05	2.52	2.45	0.07
<b>Physical well-being</b>									
Physical health of parent	--	--		3.53	3.35	0.18 *	3.20	3.22	-0.02
<b>Coping strategies and instrumental behaviors</b>									
Social support scale	29.47	19.17	10.30 ***	--	--		--	--	
Sustainability <sup>b</sup>	--	--		3.03	2.98	0.05	--	--	
Awareness of helping resources	--	--		1.98	1.88	0.10 **	--	--	
<b>Psychosocial well-being</b>									
General stress	2.67	2.82	-0.15 *	2.49	2.48	0.01	2.62	2.56	0.06
Depression	16.88	16.92	-0.04	14.32	15.86	-1.54 *	17.36	17.33	0.03
Hope	2.95	2.85	0.10 **	3.00	3.03	-0.03	2.92	2.94	-0.02
Sample size	289	301		277	276		343	348	

SOURCES: New Hope two-, five-, and eight-year surveys.

NOTES: Statistical significance levels are indicated as: \*\*\* = 1 percent; \*\* = 5 percent; and \* = 10 percent.

Estimates presented for survey respondents from the CFS sample.

Actual sample sizes for individual measures may vary as a result of missing data.

<sup>a</sup>Material hardship was measured on a different scale for the two-year survey.

<sup>b</sup>"Sustainability" refers to the ability to manage an everyday routine of family life, which includes juggling social and material resources to achieve one's goals and provide stability.

siderably higher perceptions of social support, in the form of advice or counseling from any social service staff. At the five-year mark, individuals in the New Hope group were more likely to be aware of helpful resources in the community — knowing, for example, where to turn for help with housing problems or legal issues.

### **Children’s Environments**

New Hope’s effects on income, employment, and parents’ psychological well-being are pathways through which the program might influence children’s environments (Figure 1). The availability of child care subsidies can reduce reliance on informal care provided by siblings or relatives and increase the use of paid, organized care in centers and after-school programs. Indeed, many low-income parents — especially working parents — prefer center care to informal care, and they use it when they can. This was the case in New Hope as well. Parents in the ethnographic sample and in focus groups talked about being able to work without worrying about their children and about the things that the children were learning in child care. In fact, the use of center-based care played an important role in changing children’s environments.

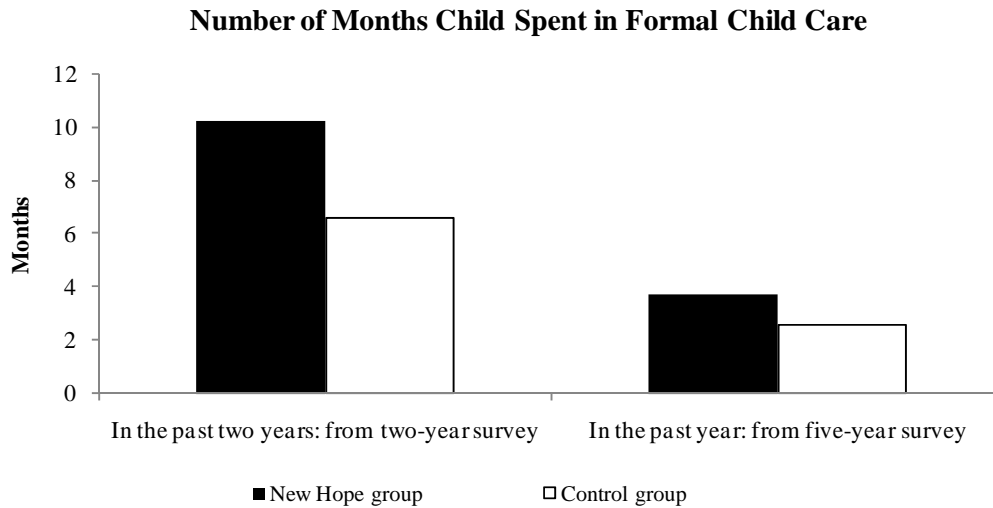
At the two-year mark, children in the New Hope group were more likely than those in the control group to be in formal care settings, such as center-based care, preschool programs, after-school programs, and Head Start (Figure 5). Remarkably, even as the children began to age out of child care, these effects were still apparent at the five-year mark, after New Hope’s subsidies had ended. At that point, New Hope families were no more likely than control group families to be receiving county subsidies. New Hope families may have continued using formal care because they liked its stability and predictability, and they may have perceived some positive effects of such care for their children.

New Hope also had lasting effects on whether children spent their time away from home in structured, supervised activities (Table 4). At the two-year mark, older children (9- to 12-year-olds) in New Hope were more likely than their control group counterparts to take part in structured activities, such as organized sports, religious classes, and clubs — effects that were larger for boys than for girls. As children aged over the follow-up period, these effects on structured activities (particularly religious activities) were evident at both the five- and the eight-year survey points.

In contrast to its effects on children’s environments outside the home, New Hope had fewer effects on home environments as measured by parenting and parent-child relations. Parenting practices were measured using a range of well-tested items to capture the amount of cognitive stimulation provided in the home, parental warmth and discipline, parents’ knowledge about their children’s friends and activities, and parenting stress. Parent-

## The New Hope Project

Figure 5



SOURCES: New Hope two- and five-year surveys.

child relations were measured using several questions asking children about their home life and the quality of interactions with their parents.

In general, New Hope had few effects on parenting and parent-child relations, but one consistent pattern emerged over time. As children moved into adolescence, New Hope parents were increasingly likely to report “effective child management”; that is, their children were obedient, did not require discipline, and caused them less stress than control group children caused their parents. Program impacts on these effective child management indicators were evident for 13- to 15-year-olds at the five-year follow-up survey and for the whole sample of children at the eight-year survey. The impacts were especially pronounced for children ages 13 to 18. These program effects on parents’ reports of child management may well have resulted from program-induced changes in children’s behavior, which were evident from the two-year survey on.

### Children’s Well-Being

The final branch of the conceptual model (Figure 1) includes children’s developmental outcomes. By increasing parents’ employment, income, health care coverage, and child care choices, the program was expected to increase their material and psychological well-being, which, in turn, was expected to affect parenting, the home environment, and the

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**Table 4**

**Impacts on Children's Participation in Structured Activities**

Outcome	Program Group	Control Group	Difference
<b><u>Two-year survey (N = 559)</u></b>			
All children	2.37	2.23	0.13
Children ages 6 to 8	2.13	2.10	0.03
Children ages 9 to 12	2.56	2.31	0.25 **
Boys	2.39	2.16	0.23 **
Girls	2.37	2.27	0.10
<b><u>Five-year survey (N = 830)</u></b>			
All children	2.42	2.33	0.09
Children ages 6 to 8	2.16	2.17	-0.01
Children ages 9 to 12	2.6	2.47	0.13
Children ages 13 to 16	2.57	2.27	0.30 **
Boys	2.42	2.29	0.13
Girls	2.41	2.38	0.03
<b><u>Eight-year survey (N = 1,097)</u></b>			
All children	2.40	2.30	0.10 *
Children ages 9 to 12	2.53	2.45	0.08
Children ages 13 to 18	2.30	2.18	0.12
Boys	2.41	2.36	0.05
Girls	2.40	2.23	0.17 **

SOURCES: New Hope two-, five-, and eight-year surveys.

NOTES: The outcome is based on parents' reports of children's participation in structured activities during the school year.

Estimates presented for survey respondents from the CFS sample.

Statistical significance levels are indicated as: \*\*\* = 1 percent; \*\* = 5 percent; and \* = 10 percent.

Actual sample sizes for individual measures may vary as a result of missing data.



type and quality of children’s activities. These effects, in turn, were expected to improve children’s educational performance, psychological well-being, and social behavior. Each survey included measures of three major domains: (1) school achievement, (2) educational motivation, and (3) psychological well-being and social behavior (both positive and problem behavior). In later surveys — as children reached adolescence — measures of youths’ employment, future orientation, attitudes about work, and deviant behavior were added. New Hope had some lasting effects on children’s school achievement, motivation, and social behavior, but the nature of the effects changed from the two-year to the eight-year point, as New Hope continued in various ways to improve some indicators of children’s educational progress, engagement in school, aspirations for the future, and positive social behavior (Tables 5 and 6).

One of the most striking findings from the earlier evaluation reports was New Hope’s positive effects on children’s academic achievement at the two-year mark, in the form of increased teacher-rated academic skills, and at the five-year mark, in the form of higher standardized reading test scores (these tests were not administered at Year 2) and higher parent-reported grades in reading. However, these effects did not persist to Year 8, at least for the full child sample, although there were continued small effects on reading test performance for boys. No effects on math test performance were found. Overall, there was a tendency for impacts to be greater for boys than for girls.

Although there were no statistically significant effects on tests or teacher reports at the eight-year mark, there was evidence of an emerging impact on the likelihood of serious school failure as children entered the adolescent years. New Hope children were less likely than control group children to experience “negative school progress,” that is, to have experienced one or more of the following: received poor grades, repeated a grade, or been placed in special education. These findings are in line with many early-intervention studies, in that they show fading impacts on test performance as children age but more lasting effects on such minimal performance indicators as staying on grade, not being in special education, and graduating from high school. For children from low-income families, these programs appear to reduce the overall tendency (also evident among the New Hope control group children) toward increasing failure with age.<sup>27</sup>

Throughout the evaluation period, there were some positive impacts on boys’ educational motivation but mixed effects for girls. At all three follow-up survey points, New Hope boys had higher expectations for educational attainment (how far they would go in

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<sup>27</sup>For example, in the control group, the average score on the standardized tests of achievement was at the national average for 6- to 8-year-old children, but it was almost a full standard deviation below average for 16- to 19-year-olds.

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Table 5

Impacts on Children's Achievement

Outcome	Five Years			Eight Years		
	Program Group	Control Group	Difference	Program Group	Control Group	Difference
<b><u>Woodcock-Johnson broad reading score</u></b>						
All children	98.05	96.01	2.05 *	93.31	91.86	1.45
Boys	97.74	94.85	2.88	93.35	90.98	2.37 *
Girls	98.71	96.94	1.78	93.46	92.56	0.89
Children ages 6 to 8	103.00	100.25	2.75	--	--	
Children ages 9 to 12	97.62	95.25	2.37	95.97	94.92	1.04
Children ages 13 and older <sup>a</sup>	91.78	91.57	0.21	90.95	89.40	1.55
<b><u>Negative school progress</u></b>						
All children	0.19	0.21	-0.02	0.22	0.25	-0.03 *
Boys	0.23	0.26	-0.03	0.27	0.30	-0.03
Girls	0.15	0.14	0.01	0.17	0.20	-0.03
Children ages 6 to 8	0.14	0.14	0.01	--	--	
Children ages 9 to 12	0.20	0.18	0.01	0.19	0.20	-0.01
Children ages 13 and older <sup>a</sup>	0.24	0.32	-0.08 **	0.25	0.30	-0.05 *
<b><u>School engagement</u></b>						
All children	4.02	3.93	0.09	3.86	3.71	0.15 **
Boys	4.09	3.86	0.23 *	3.81	3.70	0.12
Girls	3.93	4.00	-0.07	3.91	3.74	0.17 *
Children ages 6 to 8	--	--		--	--	
Children ages 9 to 12	4.24	4.17	0.07	4.08	3.90	0.18 **
Children ages 13 and older <sup>a</sup>	3.83	3.57	0.26 *	3.66	3.58	0.09
Sample size	424	419		541	556	

SOURCES: New Hope five- and eight-year surveys.

NOTES: Statistical significance levels are indicated as: \*\*\* = 1 percent; \*\* = 5 percent; and \* = 10 percent.

Estimates presented for survey respondents from the CFS sample.

Sample sizes reflect the full sample and not the gender and age subgroups.

Actual sample sizes for individual measures may vary as a result of missing data.

<sup>a</sup>At the five-year wave, the category "children ages 13 and older" represents ages 13 to 16; at the eight-year wave, it represents ages 13 to 18.

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Table 6

Impacts on Children’s Social Behavior

Outcome	Five Years			Eight Years		
	Program Group	Control Group	Difference	Program Group	Control Group	Difference
<b>Positive Behavior Scale</b>						
All children	3.89	3.81	0.08 *	3.84	3.77	0.08 **
Boys	3.83	3.76	0.07	3.82	3.71	0.12 **
Girls	3.95	3.87	0.08	3.86	3.83	0.02
Children ages 6 to 8	3.93	3.90	0.03	--	--	
Children ages 9 to 12	3.86	3.80	0.06	3.85	3.83	0.02
Children ages 13 and older <sup>a</sup>	3.87	3.73	0.15 **	3.83	3.72	0.11 **
Sample size	404	394		541	556	

SOURCES: New Hope five- and eight-year surveys.

NOTES: Statistical significance levels are indicated as: \*\*\* = 1 percent; \*\* = 5 percent; and \* = 10 percent.

Estimates presented for survey respondents from the CFS sample.

Sample sizes reflect the full sample and not the gender and age subgroups.

Actual sample sizes for individual measures may vary as a result of missing data.

<sup>a</sup>At the five-year wave, the category "children ages 13 and older" represents ages 13 to 16; at the eight-year wave, it represents ages 13 to 18.

school) and for achievement (how likely they were to succeed in English and math), but the impacts on these indicators of educational motivation were slightly negative for girls. There were few effects in the earlier years on school engagement (that is, feelings of belonging and participation in school), but, by the eight-year mark, youth of both sexes in New Hope reported more engagement in school and more optimism for the future.

New Hope had lasting impacts on some aspects of social behavior, especially positive behavior and especially for boys. At the two-year survey, teachers and parents rated New Hope boys higher than control group boys on positive social behavior (compliance, social skills, and autonomy) and lower on problem behavior. These effects lasted for positive behavior but not for problem behavior, largely because control group boys improved. At both two and five years, however, teachers rated New Hope girls as having more problem behavior than girls in the control group. At eight years, there were no impacts on teachers’ reports for either gender.

Effects on parents’ reports of children’s behavior did not tend to differ by child gender (Table 6). At each survey point, New Hope parents rated their children higher on

positive social behaviors than control group parents did. There were no impacts on parents' reports of problem behavior. At the eight-year point, New Hope youth reported more satisfactory relationships with peers and a greater sense of hope than did control group youth, suggesting better emotional well-being. By contrast, there were no impacts on such deviant behaviors as self-reported delinquency, drug use, or risky sexual behavior, nor were there any impacts on parents' reports of children's contacts with the law, suspension from school, or other forms of deviant behavior.

By the time of the eight-year survey, the children in the sample were between ages 9 and 19, meaning that many would have entered the world of work or at least had begun considering employment and career preparation. At the eight-year follow-up, New Hope had a range of positive effects on adolescents' work orientations. Compared with control group youth, New Hope youth were less likely to have cynical attitudes about work and were more likely to have taken part in employment and career preparation activities (Table 7). These effects occurred largely for boys. Boys in New Hope also worked for pay more than control group boys did during the summer and the school year, and they were more likely to engage in responsible economic behavior (for example, having a savings account). Although there is some disagreement about whether work during the teenage years has a positive or negative effect on youth well-being, research on low-income youth suggests that it has positive effects on both school completion and future employment.<sup>28</sup> In addition, more positive future orientations and expectations are associated with a range of positive outcomes among adolescents.<sup>29</sup>

## Conclusion

The New Hope program was an ambitious and innovative social policy experiment that attempted to make work pay for low-income adults. As a demonstration of an employment-based poverty intervention, and not a welfare or welfare reform program, it offered a cafeteria of benefits designed to provide important work supports to people working full time. It provided supplements to augment low wages, work for those who could not find jobs, and key work supports that are becoming increasingly out of reach for low-income families: affordable health care and child care. It was not clear at the outset what effects New Hope would have, and eight years of research have provided considerable insight into how the program affected families while it operated and after it ended.

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<sup>28</sup>Bauermeister, Zimmerman, Barnett, and Caldwell (2007); Entwisle, Alexander, and Olson (2000); Leventhal, Gruber, and Brooks-Gunn (2001).

<sup>29</sup>Wyman, Cowen, Work, and Kerley (1993).

**The New Hope Project**

**Table 7**

**Impacts on Adolescents' Career Preparation and Attitudes About Work**

Outcome	Program Group	Control Group	Difference
<b><u>For children ages 9 and older</u></b>			
<b>Cynicism about work</b>			
All children	2.49	2.56	-0.07 *
Boys	2.50	2.62	-0.12 **
Girls	2.47	2.50	-0.03
<b>Pessimism about future employment</b>			
All children	1.98	2.07	-0.09
Boys	1.94	2.12	-0.18 **
Girls	2.03	2.00	0.03
Sample size	514	525	
<b><u>For children ages 12 and older</u></b>			
<b>Employment and career preparation</b>			
All children	2.35	2.26	0.09 *
Boys	2.41	2.24	0.17 **
Girls	2.28	2.27	0.01
Sample size	378	373	

SOURCE: New Hope eight-year survey.

NOTES: Statistical significance levels are indicated as: \*\*\* = 1 percent; \*\* = 5 percent; and \* = 10 percent.

Estimates presented for survey respondents from the CFS sample.

Actual sample sizes for individual measures may vary as a result of missing data.

The great majority of individuals who enrolled in the program used at least one New Hope benefit, with the earnings supplement being the most common. Consistent take-up of benefits was far from universal, however, and many families received benefits for only a few months. Information about the reasons for take-up, or lack of take-up, is sparse, but ethnographic interviews offer some insights. Some individuals did not work enough hours to be eligible; some no longer needed benefits; some moved out of the area; some did not consider the benefits worth the effort of monthly reporting; and some did not understand the New Hope offer. Some people had barriers to working that New Hope was not designed to address (such as mental health or drug abuse problems).

New Hope was not intended to be a time-limited “inoculation” but a model policy that would be available as long as people needed it. Nonetheless, New Hope only secured funding for a time-limited test of the concept. The results show that this time-limited version of the intervention did, in fact, increase employment and incomes and reduce poverty but that, for most families, these effects occurred largely during the three years of program operation. Would the effects have lasted longer had the program been permanent? Evidence from a range of incentive programs suggests that the effects on income probably would have persisted through the continued receipt of supplements, health insurance, and child care but that the effects on employment probably would not have lasted.<sup>30</sup> In many of these programs — New Hope included — the employment effects began fading before the program ended, at least in part because of increased employment among the control groups. In addition, in the New Hope study, work supports available to the control group became more generous during the evaluation period, reducing the difference between the policies and supports available to New Hope participants and those available to the comparison group.

Nevertheless, many people lost jobs over time and might have been helped back into work if the program had still been available. The community service jobs might play an important role in this respect. CSJs, which were important in generating the program’s employment effects, were used by a third of the sample and might have been used even more widely had the Milwaukee economy not been fairly strong when New Hope started. A program that offers New Hope-type benefits without the offer of jobs as a last resort would probably not generate the type of employment effects seen here. Many participants lacked high school diplomas or had criminal records — both of which pose barriers to getting a job, even in a strong job market. CSJs offered an opportunity to establish a work record that could serve as a basis for further employment.

During its operating period, New Hope had strong effects on the children of participants. Some of these impacts lasted over the eight years; some faded; and others emerged

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<sup>30</sup>Michalopoulos (2005).

anew as the children moved into adolescence, with all its challenges. New Hope children performed better academically in Years 2 and 5 and, by Year 8, were more engaged in school and less likely to be failing than control group children. Throughout the eight years, New Hope children were rated higher by their parents on positive social behavior and, at eight years, had more friendships with peers. At Year 8, in comparison with control group adolescent boys, New Hope boys were more likely to be employed, had higher educational aspirations, had more positive views about work, and were more likely to have taken part in career preparation activities.

Throughout the eight years of follow-up, many of the positive effects of New Hope were greater for boys than for girls. The greater impacts on boys can be interpreted in light of boys' greater risk of low achievement and negative social behavior. On many measures, control group boys were considerably below control group girls. The program brought New Hope boys' scores close to the levels already attained by girls in both the New Hope group and the control group. Whatever the reasons, the positive impacts on boys are especially important because of boys' greater risk.

The lasting impacts on children occurred primarily for "positive" aspects of development: achievement, positive social behavior, educational motivation, and attitudes about work. There were few effects on the "negative" indicators that are often featured in policy research on children from low-income families: problem behavior, delinquency, and early pregnancy. It is not clear why New Hope had differential effects on positive and negative behavior, but these findings suggest that policy research and discussions should go beyond examining negative adolescent behavior to addressing concerns about positive youth development.<sup>31</sup>

There are several possible explanations for New Hope's lasting effects on children. With the program's effects on employment and income fading after Year 3, it is unlikely that the initial experiences in New Hope produced a permanent change in children without some continuing support from family, school, and out-of-school environments. There are several ways in which long-term changes in these supports might have occurred. First, New Hope generated increases in family income and changes in children's environments — specifically, an increase in the use of formal child care during the preschool or early school years. Some of these changes in family experiences and children's experiences outside the family — such as time spent in structured activities — lasted throughout the eight years and may have sustained positive trajectories for children. Second, the initial effects on children's achievement and behavior may have started a spiral as children's own behavior generated more positive experiences with parents, school, and peers. For example, boys' reduced behavior problems at two years

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<sup>31</sup>Positive youth development is a focus of a number of successful interventions with adolescents (Derlak et al., 2007; Gestsdottir and Lerner, 2007).

were associated with more positive parenting at five years.<sup>32</sup> Finally, the ethnographic evidence suggests that the flexibility of New Hope benefits allowed families to use them in many ways that met particular family needs. Hence, there is no one pathway by which effects occurred. Some parents had consistently higher incomes because of New Hope; others had new social contacts from going to work; and others experienced improved psychological well-being and pride in their ability to support their families.

The problems of the low-wage labor market that were highlighted by David Riemer in 1988 led to the New Hope Project, which proposed a new social contract based on the idea that people who work full time should not be poor. In meeting its obligation, the program did not try to change the realities of the modern-day labor market but to make up for some of its failings. Twenty years later, many of same problems still exist or have gotten worse. Many families work full time yet struggle to make ends meet, and more and more are not offered or cannot afford health care and child care.

The findings from the New Hope demonstration lend support to policies that increased the EITC and expanded access to Medicaid and child care subsidies during the 1990s — an expansion that slowed considerably after about 2002. The findings suggest that a model of work-based supports can be especially helpful to the large number of adults, many of whom are parents, who work at low-paying jobs and eschew welfare. Such a program can have positive effects on children living in poverty, who face tremendous risks of failure in school and the labor market. Helping to protect against some of these risks may be some of New Hope's most important effects.

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<sup>32</sup>Epps and Huston (2007).



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## About MDRC

MDRC is a nonprofit, nonpartisan social and education policy research organization dedicated to learning what works to improve the well-being of low-income people. Through its research and the active communication of its findings, MDRC seeks to enhance the effectiveness of social and education policies and programs.

Founded in 1974 and located in New York City and Oakland, California, MDRC is best known for mounting rigorous, large-scale, real-world tests of new and existing policies and programs. Its projects are a mix of demonstrations (field tests of promising new program approaches) and evaluations of ongoing government and community initiatives. MDRC's staff bring an unusual combination of research and organizational experience to their work, providing expertise on the latest in qualitative and quantitative methods and on program design, development, implementation, and management. MDRC seeks to learn not just whether a program is effective but also how and why the program's effects occur. In addition, it tries to place each project's findings in the broader context of related research — in order to build knowledge about what works across the social and education policy fields. MDRC's findings, lessons, and best practices are proactively shared with a broad audience in the policy and practitioner community as well as with the general public and the media.

Over the years, MDRC has brought its unique approach to an ever-growing range of policy areas and target populations. Once known primarily for evaluations of state welfare-to-work programs, today MDRC is also studying public school reforms, employment programs for ex-offenders and people with disabilities, and programs to help low-income students succeed in college. MDRC's projects are organized into five areas:

- Promoting Family Well-Being and Child Development
- Improving Public Education
- Raising Academic Achievement and Persistence in College
- Supporting Low-Wage Workers and Communities
- Overcoming Barriers to Employment

Working in almost every state, all of the nation's largest cities, and Canada and the United Kingdom, MDRC conducts its projects in partnership with national, state, and local governments, public school systems, community organizations, and numerous private philanthropies.