How Failures Helped Lead to Success in New York's War on Poverty

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One year into creating a citywide apparatus to fight poverty, New York City Mayor Michael Bloomberg launched an experiment that, while popular in Mexico and Brazil, met with cynicism in America's largest city. The program—Family Rewards—provided cash payments to the poor if they took such positive actions as sending children to school. Not everybody liked the idea. New York's two major tabloids published opinion columns critical of the give-away nature of the program.

"You might say, why should we pay people for doing what they are supposed to do?" Bloomberg asked a crowd at the National Press Club in Washington, DC in August 2007. "I think it is a fair question."

Unfortunately, Family Rewards did not, in fact, become the success that was hoped for. But Bloomberg's willingness to try something bold – and potentially even controversial – was central to New York City's eventual success in driving down its poverty rate at a time when poverty rates nationally were rising. Even today, New York City's poverty rate is among the lowest in the nation's 20 largest metro areas.

As President Franklin D. Roosevelt famously said when he launched the great experiments of the New Deal, "Do something. If it works, do more of it. If it doesn't, do something else." This was the same animating philosophy of our work in New York.

This spirit of innovation is evident from the sheer number of programs launched during the Bloomberg Administration's campaign against poverty. Over 8 years, the city's Center for Economic Opportunity (CEO) launched more than 60 new initiatives, some of which have already become a national model for success or are showing enormous promise for their scalability and replicability across the country.

New York City Mayor Michael Bloomberg launched a controversial program to pay poor residents for positive behavior. While this program wasn't as successful as hoped, but the willingness to experiment proved effective.

One of these successes was the Office of Financial Empowerment (OFE), the first initiative launched by CEO. OFE's goal was to educate, empower and protect low-income New Yorkers so they can build assets and make the most of their financial resources. The idea grew out of a Brookings Institute study that pointed to the poverty-alleviating effect that even a small amount of asset development could produce for the working poor and that explored strategies private institutions could employ to help.

No one imagined at the time that cities might play a role – the government did not often get involved in the personal level of helping households manage their money and instead left the poor to navigate these challenge, and fend off abuses, like pay-day lending, on their own. But we asked: Why not?

After a few years, we could begin to see what worked and what did not. We had evidence. The CEO monitoring and evaluation team and City agencies actively tracked progress. We also worked with several external evaluation firms, including MDRC, Westat, Metis Associates, and Harvard's Education Innovation Laboratory.

We were heartened by some early findings. The Office of Financial Empowerment quickly built a national reputation and led to a Coalition of Financial Empowerment in cities across the country. The first study of results in New York City showed a cumulative $22.5 million debt reduction and $3 million in savings for the 22,000 clients served.

Another strategy, which focused on "making work pay" by expanding income supplements for the working poor through outreach, and enrollment for public health insurance, the earned income tax credit, food stamp benefits, and child care assistance, greatly increased resources in low-income households. These government-provided supports made the total return for work significantly higher than what wages alone provided. As part of this initiative, every welfare office prominently displayed a poster showing how this package of work supports could almost double the annual value of a minimum wage job.

A third success, also launched in CEO's first year and now proving to be one of our most successful efforts, is "CUNY ASAP," a program aimed at supporting low-income young New Yorkers enrolled in community college. For low-income young adults, community college is the primary path to degree attainment – yet a scandalous 83% of students nationally who enroll in community college never get a degree.

With the partnership of CUNY Chancellor Matt Goldstein, who stepped forward to put his legacy on the line, CUNY ASAP brought to the table a very structured new approach to helping students succeed. Rather than go-it-alone, students would be educated in tightly knit cohorts, provided stronger counseling plus peer engagement, and modest stipends for books, transportation and tuition not covered by financial aid. Starting with six campuses and 1,200 students, Goldstein promised to increase the associates' degree achievement in three years from 20% to 50%.

The initial results exceeded the target with an astounding 53% graduation rate of the very first cohort. A later random control evaluation by MDRC, a national research and evaluation firm, showed graduation rates 84% higher than the traditional community college approach.

One of the students who benefited from this new approach was Loukman Lamany, a recent immigrant from Togo who considered Bronx Community College but had been unable to afford the costs. He worked various jobs until 2009. "I was searching for a better life," he recalls, "when I received a call from an ASAP outreach coordinator at Bronx Community College who informed me that I may be eligible to apply for the program and invited me to join an information session. I learned about the benefits and responsibilities of being an ASAP student and decided to join."

As a CUNY ASAP participant, Loukman matriculated without the financial burden of college and with the support of monthly Metrocards and free textbooks. **"**Dedicated advisement was by far the most useful aspect of ASAP," he says. "My advisor was instrumental in helping me understand how college works, guiding me in matters from academics to family, and pointing me in the direction of other campus resources when necessary."

He graduated from Bronx Community College in two years with an associate degree in Business Administration and went on to earn a bachelor's in Management – Entrepreneurship with a focus on Small Business Management from Baruch College in 2014. Loukman is now a business development analyst at the National Community Reinvestment Coalition (NCRC).

CUNY ASAP is now available system wide at 24 campuses and will be available to every one of the 17,000 full time entering students this year. President Barack Obama has cited the program as a best practice approach, and other systems across the country have begun following this model.

Yet another CEO initiative – which has taken far longer to reach the demonstration project-testing phase, but, if successful, could have a much broader impact – is an experimental expansion of the Earned Income Tax Credit (EITC). Started 40 years ago to offset payroll taxes, the EITC has become one of the nation's most successful antipoverty policies. Yet noncustodial parents and single individuals receive an EITC of one-tenth the full value, hardly enough to fatten a paycheck. While the EITC was a powerful tool for helping women and dependent children, it was far less beneficial to fathers of noncustodial children. As Bloomberg said at the National Press Club in August 2007, "Fathers are missing from our strategy to drive down the poverty rate."

We began by advocating an expansion of the federal EITC for single workers and noncustodial fathers, with the goal of attracting more men into full-time employment and providing them with enough earnings to be a meaningful presence in their children's lives. The end result would be a reduction of poverty in both parents' households.

But when our proposal went nowhere, we conceded that the best path to overcoming resistance was to prove it worked at a smaller scale and use the evidence to advance it further.

Long a proponent of expanding the refundable tax credit, Gordon Berlin at the nonprofit MDRC worked with us to revise the program proposal. Today, "Paycheck Plus," a pilot program to simulate an expanded EITC for low-income single workers without dependent children, is being implemented and evaluated in two cities. The pilot test in New York City began in late 2013 and in Atlanta, Georgia, in October 2015.

"Trying out large-scale initiatives before they become national policy can also help policymakers identify unanticipated consequences," Gordon says. MDRC is tracking the progress of Paychecks Plus. If it proves effective, there will finally be concrete evidence that the EITC should be further reformed and expanded on the federal level.

As with each of CEO's successes, the beneficiaries won't be just the residents of New York City but – potentially – low-income Americans throughout the country.