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Paycheck Plus: A New Antipoverty Strategy for Single Adults in New York City

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MDRC and New York City are launching a pathbreaking demonstration project that is rigorously testing a new earnings supplement for low-income single adults — mostly men — with the goal of promoting work and reducing poverty. The project is a direct response to the downward trend in employment, wages, and earnings among the least skilled. As a new form of labor market policy (rather than income maintenance policy), it could have important implications for a next generation of interventions aimed at inequality in an information economy.

Background

The federal Earned Income Tax Credit (EITC), which provides up to \$6,000 a year to low-income working families, is the largest and most successful antipoverty program in the U.S. The EITC lifted 6.6 million people out of poverty in 2011 while promoting work and reducing the need for public assistance. But the federal EITC for single tax-filers, which is capped at a maximum annual payment of \$487, is much less generous and as a result less effective at increasing employment and reducing poverty.

Over the past several decades, real wages for workers with less than a college education — particularly men — have fallen sharply. A typical male worker with a high school diploma, for example, earned 11 percent less in 2007 than he did in the early 1970s. This decline in the payoff to work may have contributed to reduced employment rates, increased criminal activity, and reduced marriage rates. Many less-skilled men do not live with dependent children, and thus do not qualify for the generous EITC for families. Research suggests that for single adults an enhanced EITC could increase employment and incomes by as much as 10 percent.

The Demonstration

The New York City Center for Economic Opportunity (CEO) has selected MDRC to implement and evaluate a pilot program to create an EITC-like earnings supplement for low-income workers without dependent children, with the goal of increasing employment and earnings and reducing poverty. The demonstration will offer up to \$2,000 a year for three years to participants with earnings up to \$29,863 per year, with the maximum payments targeted to those earning between \$6,667 and \$18,000.

The pilot will include 6,000 participants, with 3,000 eligible for the supplement and 3,000 forming a control group. MDRC will follow the program and control groups for four years using government records to measure quarterly earnings, child support payments, and other outcomes. The evaluation will also include a follow-up survey to measure critical outcomes that are not captured in government records — for example, job characteristics, material hardship, marriage, and fertility. Study enrollment began in fall 2013, and supplement payments will be issued in 2015, 2016, and 2017.