

In recent decades, government has instituted a number of highly effective anti-poverty policies. However, we know all too well that poverty persists, and it is critical that we continue to develop approaches to advancing low-income families. To help ensure that taxpayer dollars support meaningful and effective programs and policies, we recommend the creation of Federal Urban Innovation Fund to fight poverty.

Create a Federal Urban Innovation Fund to fight poverty

The New York City Center for Economic Opportunity (CEO), a public/private partnership within the Office of the Mayor, has become a leader in the advancement of innovative urban anti-poverty work by piloting and testing strategies, rigorously evaluating their impacts, and making funding decisions based on performance.

Replication of CEO's Innovation Fund at the national level would allow the federal government to:

- Strategically invest in new and innovative anti-poverty initiatives in cities across the country;
- Rigorously evaluate the outcomes of these new investments to determine which are successful; and
- Direct funding to proven programs that will result in long-term cost savings.

This approach will create an evidence-based foundation from which we can build the next generation of government-funded, anti-poverty policies.

City governments nationwide are already experimenting with bold, new, anti-poverty strategies to engage disconnected youth, incentivize work, build human capital, and end the cyclical nature of poverty. Many of these local ventures have yielded promising results, but there is no national infrastructure to ensure that our local efforts advance one another, nor are there sufficient city resources to pilot and evaluate many of the most promising ideas.

A coordinated effort led by the federal government would help ensure that taxpayer dollars are spent in a judicious and cost-effective way.

Structure and Design

Poverty reduction has historically, and mistakenly, been approached by silos within government. To ensure a more collaborative and comprehensive effort, we believe that the Fund should be administered by the White House, which has the unique capability to ensure that new investments enhance and complement each other. Agency-led implementation of initiatives in the following areas could make a major difference for our cities and their residents.

Work opportunities for high-need populations. The Fund should focus on identifying strategies that promote stable employment, wage progression, and opportunities for the "hard to employ."

Enhanced youth employment. The Fund should invest in new initiatives that, through job experience, training, and internship opportunities, will prepare at-risk and disconnected youth for self-sufficient adulthoods.

Improved school to work linkages. The Fund should identify ways to help students complete their degrees and prepare for the jobs of tomorrow, rather than forgoing education and training to settle for low-paying, low-growth jobs just to make it through the recession.

Community service initiatives. The Fund should support service projects whose benefits are two-fold: helping at-risk individuals stay on track for success while strengthening communities in need.

Incentives to work. There is evidence that earnings supplements and other financial incentives can boost employment and earnings, reducing poverty. The Fund should support pilots that improve work supports and public assistance programs that address disincentives to work.

The City of New York's Proposal for a Federal Urban Innovation Fund

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A thoughtful, coordinated effort, led by the federal government, would help ensure that taxpayer dollars are spent in a judicious and cost-effective way.

Structure & Design

Poverty reduction has historically, and mistakenly, been approached by silos within government. To ensure a more collaborative and comprehensive effort, CEO is housed in the Office of the Mayor, where it oversees evaluation, ensures communication, and enforces accountability. In turn, we believe that the Fund should be administered by the White House, which has the unique capability to ensure that new investments enhance and complement each other. In the model of CEO, government agencies would partner with City governments and contractors on the design and implementation of initiatives.

In order to maximize resources, programs funded by the Innovation Fund should have demonstrated promising results through pilots at the local level. In addition, program proposals must include a plan for evaluation to determine which warrant replication and expansion, and to feed into a growing literature of best practices.

Drawing from CEO's experience designing more than forty new anti-poverty programs, we have identified five areas that could make an enormous difference of lifting, and keeping, families out of poverty. These topics are outlined below. In light of the ongoing mortgage crisis and rising personal debt, financial literacy, appropriate asset development and safe savings education should be woven into initiatives.

Areas of Focus

Work opportunities for high-need populations.

In the more than 10 years since welfare reform, states' welfare caseloads have reduced dramatically. For the most part, these reductions have been the result of new policies, a strong labor market, and the expansion of benefits and supports for low-wage workers. The next step is to identify strategies that promote stable employment, wage progression, and opportunities for the "hard to employ," individuals facing significant barriers to employment including chronic unemployment, underemployment, disability, and histories of incarceration.

Research suggests that the most effective welfare-to-work programs included work requirements, job search assistance, short-term education or training, and financial incentives to supplement low-paying jobs. In developing the next generation of workforce initiatives, cities must not only adopt these best practices, but also target growth economic sectors, including new "green jobs" and projects supported by new investments in infrastructure. Cities must also pursue new training initiatives that improve both technical and soft skills. To best achieve these goals and support high-needs populations, cities should consider place-based interventions and leverage existing community-based organizations and networks.

In recent years, urban poverty has become increasingly concentrated, but place-based initiatives may be effective at halting this trend. Place-based interventions in high-poverty areas may help cities to address certain location-related challenges to employment. Furthermore, place-based initiatives are well positioned to take advantage of local organizations and networks; community-based organizations, often intimately familiar with neighborhoods, housing developments, and city services, seem effective vehicles for mobilizing and delivering employment programs to local residents.

Promising results from one large-scale demonstration project, called "Jobs-Plus," show the power of place-based employment initiatives. The Jobs-Plus project established employment and training centers in selected public housing developments in six diverse cities across the United States (Baltimore, Chattanooga, Dayton, Los Angeles, St. Paul, and Seattle). The model also amended public housing rent rules, reducing disincentives to employment and included a community building effort. The social research organization MDRC, in partnership with the Rockefeller Foundation and the U.S. Department of Housing and Urban Development (HUD), conducted a random assignment study of the success of Jobs-Plus, finding that the program increased public housing residents' income over \$1,100 per year, helping residents to obtain, maintain, and upgrade their jobs.

This promising model is now ripe for national replication, and includes many of the key elements found in successful welfare-reform era programs, such as job assistance and financial incentives. Furthermore, the model allows for easy collaboration with local community organizations. Since the program requires little space (in some cases one or two unoccupied units) and services are usually provided by existing city employees, this model can be quickly implemented and studied in developments across the country.

The New York City's "CBO Outreach" pilot reveals the effectiveness and efficiency that can result from working with local organizations. This new initiative is built on the understanding that community-based organizations (CBOs) have access to a large pool of jobseekers, and that by directing a small, coordinated team of city employees to establish clear linkages between CBOs, the public workforce system, and employers, vacant jobs can be filled by job-ready candidates residing in high-poverty areas. Working with organizations and residents in high-poverty neighborhoods, the CEO-funded small CBO outreach team exceeded both its job placement target and its referral-to-placement rate. Even with an abbreviated planning phase, the small CBO outreach team was able to work quickly, establishing relationships with organizations in targeted neighborhoods and supporting the employment efforts of very low-income residents. Similar outreach teams should be created and their impact tracked in communities across the country, in order to efficiently support other new employment and workforce development investments.

Enhanced youth employment.

In the 50 largest U.S. cities, the high school dropout rate is around 50 percent; and nationwide teenagers' employment rates have plummeted to their lowest level in 60 years.^[1] Despite the crises of declining youth employment rates and high dropout rates, there are few systems in place for disconnected youth - those young adults that are neither enrolled in school, nor work, and many of whom already have high school or General Equivalency diplomas - and little evidence for what programs work to reengage this population.

Without targeted opportunities for increased education and skill development, these young adults are at risk for long-term joblessness and economic hardship. Young adults that come of age during an economic crisis are set even further back because those who don't have work experience by their mid-twenties are at much greater risk for permanent unemployment. The Innovation Fund should fund new initiatives to support youth employment, paying special attention to disconnected youth.

School dropout and youth unemployment lead to the same misfortune – future labor market problems for disadvantaged youth. In an attempt to tackle both problems at once, a number of local governments (including the Cities of Denver, Baltimore, and Cincinnati, and rural counties in Mississippi) and the U.S. Department of Labor collaborated in the 1970s to design the Youth Incentive Entitlement Pilot Projects (YIEPP) demonstration. The goal of this bold \$240 million experiment was to reduce school dropout rates and eliminate the racial disparity in employment rates. Through the initiative, 76,000 low-income youths, aged 16-19, throughout 17 different locations, were offered minimum-wage jobs, part-time during the school year and full-time during the summer, on the condition that they remain in or return to high school and meet academic and job performance standards. The project generated high participation rates (56 percent overall and 63 percent for black youth) and eliminated black/white employment gaps. Unfortunately, before final conclusions were made about the long-term effects of the job guarantee, a new political Administration took office and the project was prematurely ended.

This initiative is ripe for replication as it offers great likelihood of repeated success while presenting an opportunity to finally address the questions that were left unanswered by the first iteration. In addition, this project could be adapted for at-risk/disconnected youth ages 18-24 by incorporating lessons learned since the 1970s about performance-based scholarships as conditional cash transfers. For example, those students who re-engage in school or work could receive financial incentives conditioned on continued progress. Or students who graduate from high school could be eligible for performance-based scholarships as an incentive to pursue secondary education.

Another youth employment program ready for swift expansion and replication is the CEO project, the Young Adult Internship Program (YAIP). As recent research suggests that about half of the disconnected 16-24 year-olds in NYC have either a high school or GED diploma^[2], YAIP was designed to reach young adults who are already equipped with the basic skills needed to enter the labor market and need only a short-term intervention to connect to sustainable employment or educational or training opportunities to advance their career potential. YAIP consists of three phases of services and offers job readiness workshops and activities; individual support, counseling, and assessments; paid internships (at NYC's minimum wage of \$7.15/hour); case management; and follow-up. Early evaluation results are very promising, with 85% of participants completing their internship.

The goal of the YAIP program is to reengage and employ disconnected youth in a very short period of time, so while providers were expected to serve young people with a range of educational abilities, the understanding was that the intervention would likely work with more job ready individuals. A federally funded program could parallel this structure, and be consistent with the mission of the stimulus efforts.

^[1] Gordon Berlin, *Poverty and Philanthropy: Strategies for Change*, Prepared for the Charles Stewart Mott Foundation's "Defining Poverty Reduction Strategies" Project MDRC October 2, 2008.

^[2] Sum, Andrew, Neeta Fogg, and Garth Mangum. "Confronting the Youth Demographic Challenge: The Labor Market Prospects of Out of School Young Adults." Johns Hopkins University, Sar Levitan Center for Social Policy Studies, 2000. [Http://eric.ed.gov/ERICDocs/data/ericdocs2/content_storage_01/0000000b/80/0d/9b/96.pdf](http://eric.ed.gov/ERICDocs/data/ericdocs2/content_storage_01/0000000b/80/0d/9b/96.pdf).

Improved school to work linkages .

New education programs that engage traditional students, as well as disconnected or high-risk youth, will improve the employment prospects of all youth, including school drop-outs. While it is worthwhile to direct funding to employment programs, we must also encourage students to re-enroll or stay in school. In a deteriorating economy, the most productive use of time for school-age individuals is to get a degree.

The most affordable and accessible institutions in higher education are community colleges, which enroll 40 percent of all college students nationwide. An associate's degree from a community college is highly valued, increasing average earnings by \$8,500,^[3] when compared to an individual with a high school diploma. Unfortunately, only 17% of students who enroll in a community college nationwide receive an Associate's degree within six years^[4].

The barriers to completing a degree can be lumped into three categories: cost, inadequate preparation for college-level courses, and need for advising, mentoring and personalized attention. State and local institutions determine how to teach courses and what kinds of supports to provide to students. The federal government, however, can play a powerful role in encouraging bold experimentation to learn what supports will help our urban and poor youth earn a degree and secure a job that allows them to be self-sufficient. The Fund should support programs that teach policymakers how to move students through remedial education into college-level courses and ultimately to graduation, and what type of advising and support programs will help students succeed.

One successful strategy for advancing students from matriculation to graduation is the performance-based scholarship model, which offers monetary rewards to community college students for successful course completion. Opening Doors, implemented at two colleges in the New Orleans area, Delgado Community College and the Louisiana Technical College-West Jefferson is one example of this. The program aimed to increase financial support available to low-income students, while creating an incentive for such students to complete their courses and make more timely progress toward degrees. Students who received the scholarship were more likely to enroll in college full time, exhibited higher rates of semester-to-semester retention, passed more courses and earned more college credits.

Based on the positive findings that emerged from the evaluation of this program the CEO, the Bill and Melinda Gates Foundation and other funding partners are testing variations of the performance-based scholarship at six colleges, including two community colleges in New York City.

CEO, along with the City University of New York (CUNY), created The CUNY ASAP program, a holistic response to the difficulties confronting community college students. In a pre-college summer program, cohorts of participants get a head start on their college coursework (remediation) and become familiar with the intellectual and behavioral demands of college. Then, peer cohort groups of 25 students with similar academic interests attend classes on the same schedule and on a timeframe that accommodates their work schedules. In addition, students receive dedicated tutorial support; regular case management by academic advisors, social workers and job developers; and free public transportation and books. The goal is for students to earn an Associate's Degree within three years.

Early evaluation results show that the program has great potential. When compared to a control group, CUNY ASAP students show higher retention rates, credit accumulation and GPAs. The Fund should implement and evaluate initiatives, such as those described above, that will strengthen community colleges and teach policymakers what new approaches will get low-income students through school and to work.

^[3] MDRC. "Fast Fact: How Much Is a College Degree Worth?" New York: MDRC, April 24, 2007.

^[4] U.S. Department of Education. "Beginning Postsecondary Students Longitudinal Study of 1996-2001." 2003.

Community and national service.

Engaging middle and high school students, high-risk youth and elderly residents in community-based programs has the dual benefit of helping individuals by giving them a sense of purpose while contributing to the benefit of the larger group or neighborhood. The Innovation Fund should support community and national service projects, which, aside from helping individuals and neighborhoods, will also help invest in the development of the nonprofit community service field which currently has a handful of national leaders but has great room, and reason, to grow. The infrastructure built to support these programs will have long-term effects for residents and communities.

Service Learning (SL) programs offer youth an opportunity to participate in community service combined with a structured curriculum that seeks to develop leadership skills, civic engagement, and social responsibility. Challenging activities and supportive programming can help promote problem-solving and critical thinking skills that help youth enrolled in these programs stay on track. Youth driven programs allow adolescents to make decisions and provide time for reflection, and in doing so foster engagement and promote responsible behaviors.

Research suggests that Service Learning programs can have a positive impact in the short term. For example, a study of the Teen Outreach Program (TOP), a nationally implemented model reaching an estimated 20,000 youth, found that during the academic year that students were enrolled in the program, there was a substantial reduction in the rate of teen pregnancy, course failure, and school suspension for participants, when compared to a control group.^[5] These findings are substantiated by other research. A study of another nationally implemented model, Learn and Serve, found that participants in the program had lower pregnancy rates during the school year in which they participated. These results are of critical importance as the correlation between poverty and teen pregnancy, as well as poverty and school suspension, is great.

CEO funds a SL program for over 3,100 young adults titled Teen Action (Achieving Change Together In Our Neighborhood). The initiative employs an asset-based approach that is aimed at expanding the scope of things young people can do. It promotes positive life skills, a sense of efficacy and self-worth, responsible citizenship among participants and leadership with the goal of preventing negative outcomes such as teen pregnancy and school suspension. Early evaluation of the Teen Action program shows that it is having a positive impact on participants. This template, as well as a host of others found across the country, would be perfectly suited for quick national replication.

Incentives to work.

Poverty rates in the United States have been persistent in recent years – a challenge now compounded by rising national unemployment, stagnating incomes, and an increasing number of displaced workers. There is evidence, however, that earnings supplements and other financial incentives, such as the Earned Income Tax Credit (EITC), can boost employment and earnings, reducing poverty. New efforts must be made to improve work supports and training programs to ensure that both include attractive incentives to work.

The federal Earned Income Tax Credit is the largest anti-poverty tool in the country, utilized by more than 20 million tax payers each year. The EITC is notable because it creates a safety net associated with employment, as only people with earnings can claim the credit. Integrating EITC, child care subsidies, and other benefits to programs can improve employment prospects and income. Furthermore, by transforming Workforce Investment Act (WIA) programs to help not just the unemployed, but also to advance low-wage workers, providing performance-based incentives and scholarships to students, and offering additional incentive to low-

^[5] Allen, Joseph P., Susan Philliber, Scott Herrling, and Gabriel P. Kuperminc. "Preventing Teen Pregnancy and Academic Failure: Experimental Evaluation of a Developmentally Based Approach" *Child Developments*, Vol. 68, No. 4. (Aug, 1997), pp.729-742.

wage workers to enroll in training course, new workforce initiatives can upgrade help displaced workers and upgrade skills.

Although the Earned Income Tax Credit (EITC) is one of the most cost-effective anti-poverty programs in the country, younger workers who are either single or non-custodial parents presently have limited access to the credit. This disparity creates a disincentive to work in the formal labor market and for low-income couples to marry and cohabitate. A pilot in selected cities (where a local income tax makes implementation at the local level possible) that tests the expansion of the EITC for both parents and individuals, and that holds married and single couples to similar standards, could confirm that the EITC could be doing more to increase employment and earnings.

An interesting pilot that tests the impact of incentives on employment and training is currently underway in New York City. The pilot, Opportunity NYC, is a random assignment experiment that provides incentives to encourage a range of health, education and work activities, including \$150 per month to individuals who work 30 hours each week and \$300 or more to individuals who engage in education and training while employed. The pilot, built on the model of conditional cash transfer (CCTs) programs used in more than 20 countries worldwide, holds promise for incentivizing work and training in new ways. A broader test, focused on improving employment and skills, could be key to addressing rising unemployment and stubborn poverty rates.
