



POVERTY SOLUTIONS

UNIVERSITY OF MICHIGAN

Poverty Solutions at the University of Michigan
Working Paper Series

#3-19

April 2019

**Barrier Busters:
Unconditional Cash Transfers as a Strategy to Promote Economic
Self-Sufficiency**

Stephanie S. Moore, Michael Gordon, Elise Gahan, & Julie Gowda

This paper is available online at the Poverty Solutions Research Publications index at:
poverty.umich.edu/publications/working_papers

Any opinions, findings, or recommendations expressed in this material are those of the author(s) and do not necessarily reflect the view of Poverty Solutions or any sponsoring agency.

Barrier Busters:

Unconditional Cash Transfers as a Strategy to Promote Economic Self-Sufficiency

Stephanie S. Moore, Michael Gordon, Elise Gahan, & Julie Gowda

Neighborhood Network (NN) was launched in 2012 as a strategy to promote economic self-sufficiency among residents of a low-income neighborhood in Detroit. NN, a program convened by a nonprofit human services agency in the city, coordinates various services provided by seven nonprofit organizations and connects residents with resources that help them work toward their goals. NN Coordinators met regularly with participants to set goals, discuss progress, and connect them with appropriate resources, such as entrepreneurship training, financial literacy resources, and childcare. NN participants also had the option of participating in additional programs, including group sessions intended to strengthen relationships and build accountability among members as they make progress towards their goals. NN has served over 350 residents and facilitated significant positive changes in participants' employment, income, and community involvement (Sobeck, Brown, & Capps, 2015).

Yet, seemingly small barriers often present major obstacles that prevent NN participants from progressing toward their goals. These barriers can take many forms, including low wages, limited education, and debt. In many cases, these barriers could be overcome with relatively small amounts of money. The NN Barrier Busters (NN-BB) program was introduced as a strategy to help NN participants overcome these barriers and pursue long-term economic self-sufficiency. NN-BB provides small, one-time cash awards for residents to use as they see fit.

This paper explores the NN-BB program from the perspectives of participants' needs, goals, and the barriers they confront, as well as exploring the program's effects on participants'

self-sufficiency. Findings suggest that programs like NN-BB may be an effective strategy for promoting self-sufficiency.

Poverty in the United States

More than 43 million Americans – nearly one in seven – live in poverty (Proctor, Semega, & Kollar, 2016). One and a half million households live in extreme poverty, surviving on \$2 per day in cash income per family member (Edin & Shaefer, 2015). Tragically, one-third of those in poverty are children (Proctor, Semega, & Kollar, 2016). At 39.4%, the rate of poverty in Detroit, Michigan is more than three times the national average of 12.7% (United States Census Bureau, 2017).

Common misfortunes, such as a broken car or an injury, can have catastrophic effects for people living in poverty (Stiglitz, 2012). Financial fragility refers to the inability of a household to withstand a financial shock and is commonly measured by asking whether an individual would be able to come up with \$2,000 in one month to meet an emergency need (Lusardi, Schneider, & Tufano, 2011). In 2015, nearly one-third of Americans were considered financially fragile (Gupta, Hasler, & Lusardi, 2018). Financial fragility impacts people across all incomes, with 30% of middle-income families being financially fragile. In a related study that focused on individuals' ability to *immediately* come up with funds, the Federal Reserve Board reported that 47% of Americans would need to borrow money or sell some of their possessions to pay for a \$400 emergency (Gabler, 2016).

The consequences of financial fragility are compounded by the fact that poverty tends to affect families across multiple generations. People who live in poverty are likely to have parents who are also poor and therefore unable to provide a financial safety net in times of emergency. Among Americans raised by parents in the lowest economic quintile, 43 percent remain in the

bottom quintile as adults and 70 percent remain below the middle quintile (Urahn et al., 2012). As compared to people in other OECD countries, American children born to poor parents are more likely to be in poverty as adults (Stiglitz, 2012).

Barriers to Economic Self-Sufficiency

Economic self-sufficiency means having adequate resources to provide for oneself and one's family without the assistance of income-based government benefits (Hawkins, 2005). Unemployment and under-employment present major obstacles to self-sufficiency. Other barriers include low wages, limited education, financial systems, income volatility, and debt (Mitnik & Gruesky, 2015). These barriers, which often occur together, can trap individuals and communities in generational poverty (Bowles, Durlauf, & Hoff, 2006).

Low wages. Although employment is an important step towards economic self-sufficiency, it is not enough. In 2016, approximately 7.6 million Americans (approximately 4.9% of the labor force, and nearly 19% of all people in poverty) were among the working poor, meaning that they spent at least 27 weeks of the year working or looking for work and still had incomes below the poverty level (Bureau of Labor Statistics, 2018). In the United States, 33.2% of jobs pay less than \$12 an hour and are not sufficient to keep a family of four above the poverty line (Economic Policy Institute & Oxfam America, 2016a). Overall, the United States has the highest percentage of low-wage jobs of any wealthy country in the world. In Michigan, 31.3% of workers have an hourly rate of \$12 or less and 45.8% earn \$15 or less (Economic Policy Institute & Oxfam America, 2016b). Women and people of color are particularly concentrated in these low-wage roles. Between 1979 and 2016, wages for hourly workers have grown by only 0.2% per year, whereas wages for the top quintile of workers have increased by 27% (Schanzenbach, Nunn, Bauer, & Mumford, 2017).

What little money low-income individuals take home does not go far. People in the bottom economic quintile spend 82% of their income on basic needs, including housing, food, transportation, health care, and clothing (Schanzenbach et al., 2017). This percentage is even larger than for middle-income and high-income individuals and leaves little for discretionary spending or saving. A single earner working 40 hours a week at slightly above minimum wage will have less than \$3 per day per family member after paying for his or her family's necessities (Stiglitz, 2012).

These financial stresses make it difficult to develop savings. Without savings, individuals are susceptible to emergencies that increase their debt and have limited ability to plan for long-term goals or move up the economic ladder (Gottschalk & Moffitt, 2009). Individuals in the lowest income quintile have a median savings rate of 0.14%, whereas the median savings rate for individuals in the middle quintile is 11.1% and for the highest quintile it is 23.6% (strikingly, the median savings rate for the top 1% of earners is 51.2%; Dynan, Skinner, & Zeldes, 2004). For those with little or no savings, there is little margin for error when unexpected costs arise, as they inevitably do.

Limited education. Limited education, often driven by inability to pay for higher education or skills training, may prevent people from rising out of poverty. On average, people with a college degree earn 82% more than those with only a high school diploma (Economic Policy Institute, 2018). Educational attainment is also a strong predictor of the economic well-being of one's children (Huggett, Ventura, & Yaron, 2011) and can help break cycles of generational poverty. Researchers using data from the Panel Study of Income Dynamics found that nearly three-fourths of people with college degrees earned more than their parents did at comparable ages, compared to fewer than two-thirds of those without a college degree (Haskins,

2008). Among people raised by parents in the bottom income quintile, only 16% of college degree-holders remained in the bottom quintile, as compared to 45% of individuals without college degrees. The number of single, Black mothers whose income rose at least one quintile was nine times higher (83%) for women with college degrees than for those without (Urahn et al., 2013)

Financial systems. Additional barriers to economic self-sufficiency arise from challenges of accessing formal financial institutions. Formal financial institutions are licensed banks and credit unions that offer familiar financial products such savings accounts, checking accounts, and loans. Seven percent of Americans are unbanked and more than 19 percent are under-banked, meaning they use a combination of formal and alternative financial services (Burhouse et al., 2016). In fact, these national statistics obscure the true magnitude of the situation among lower-income populations – nearly 75% of low-income and 13% of moderate-income households do not have a bank account and rely on alternative financial services (Bucks, Kennickell, Mach, & Moore, 2009). Reasons that individuals avoid formal financial institutions include beliefs that they lack enough money to use them (49% of the unbanked) as well as a general lack of trust in these institutions (44%; Klapper, 2012).

Among those who do use banks, rules and regulations that provide increasing protections for banks have de-risked lending and thus encourage lending that preys on the most financially vulnerable (Stiglitz, 2012). Even individuals who declare bankruptcy still owe lenders for their student debt, thus encouraging lax loan underwriting. The situation has been exacerbated by the rollback of the protections of the Consumer Financial Protection Bureau. Borrowers, especially poor borrowers, are the ones who suffer.

Low- and moderate-income individuals frequently resort to expensive financial services such as advanced paycheck loans and car title loans. These services reduce their effective take home pay, carry exorbitant interest rates or fees, and put their tangible assets at risk (Collins J Michael and Gjertson, 2013). Furthermore, these alternative financial systems inhibit individuals' opportunities to develop savings that could serve as important economic safeguards.

Income volatility. Income volatility, pay that fluctuates 25% above or below one's average monthly income, presents an additional barrier to achieving economic self-sufficiency (Morduch & Schneider, 2017). Hourly wages with non-guaranteed hours, working for commission, or working under contract all contribute to this phenomenon. Half of all working adults and 64% of working, low-income individuals experience income volatility for at least one month of the year (Maag et al., 2017). Since expenses do not rise and fall with one's income, income volatility often creates an inability to plan, save, or have the financial slack necessary to deal with unpredictable hardships such as medical expenses, home repairs, or even parking tickets (Barr, 2012).

Debt. Low-income individuals may take on debt to make investments in education, homes, or for purchases they hope will increase their income. Often, these debts become additional burdens, as immediate needs such as food, housing, and transportation are given priority (Seefledt & Sandstrom, 2015). Unless these investments pay off quickly, financial hardships may compound, spilling over to other parts of borrowers' lives and leading to increased familial stress, depleted savings for future emergencies, and fewer opportunities to invest in human capital, such as a children's college funds (Iversen, Napolitano, & Furstenberg, 2011).

Unconditional Cash Transfers to Promote Self-Sufficiency

The United States has developed numerous programs to address poverty, including the earned-income tax credit, Medicaid, Supplemental Nutrition Assistance Program, and Social Security. Yet, none of these strategies is sufficient to address the magnitude of the problems, all have been cut back, and all are under threat politically. The United States spends 8% of gross domestic product on all social protections, which is less than 26 of 34 OECD countries (Stiglitz, 2012). Moreover, as Edin and Shaefer (2015) explained, “[SNAP and Medicaid] just aren’t the same as cash. They don’t offer the flexibility of cash — [which] is crucial. For many ... families, their downward spiral into \$2-a-day poverty might have been reversed by a timely infusion of cash” (p. 168).

Unconditional cash transfers offer flexible financial assistance to low-income individuals by giving them money to use as they see fit. In contrast with conditional cash transfers, these awards are not contingent participants’ ability to meet performance measures. Unconditional cash transfers have been used widely in Africa, Asia, and Latin America and is demonstrably effective. GiveDirectly is one organization that provides unconditional cash transfers to the extreme poor. Recipients receive transfers of approximately \$1,000, roughly the equivalent of one year’s budget for a typical household. The organization monitors the exchange to ensure that funds are received and it addresses various administrative issues, but decisions about the use of funds are left to the recipients. Based on rigorous evaluation and review of the research, GiveDirectly (n.d) states that “cash transfers have arguably the strongest existing evidence base among anti-poverty tools,” adding that they “have been thoroughly and rigorously shown to reduce poverty and improve lives”.

Unconditional cash transfers promote improvements over a range of outcomes for children, adults, and communities. For instance, a randomized-control trial in Western Kenya

found that unconditional cash transfers increased household savings, spending, and food security, leading to measurable increases in well-being. Spillover effects were also felt in the community through increased spending (Haushofer & Shapiro, 2013). These positive effects are lasting. Many recipients save or invest part of the cash transfer, which generates long-term gains in income. For example, a program that gave one-time grants ranging from \$100 to \$200 to people in Sri Lanka found that, five years later, businesses owned by men who received grants were more likely to survive and made \$8 - \$12 more per month than businesses owned by men who did not receive grants (de Mel, McKenzie, & Woodruff, 2012). Contrary to stereotypes, recipients neither decrease the hours they spend working (Ardington, Case, & Hosegood, 2009) nor use the cash for purchases such as alcohol or tobacco (Evans & Popova, 2014).

Unconditional cash transfers are used only in rare circumstances in the United States. The Alaska Permanent Fund, funded by a tax on oil, provides money to all citizens and its effect on labor markets has been examined (Bunker, 2018). To our knowledge, no nonprofit service providers have issued unconditional cash transfers to support the communities they serve and so this means of support has remained unstudied as a tool for such purposes. In this study, we aim to shed light on the short-term implications of unconditional cash transfers by exploring the impact of the NN-BB program on economic self-sufficiency. Unlike community action agencies, local foundations, or social service agencies that provide emergency funds to prevent eviction or utility shut-offs, or provide for medical needs or transportation, NN-BB awards help individuals proactively overcome barriers that impede their progress toward their goals, allowing them, for instance, to pay for tuition or training programs or repair a car so they can pursue a new work opportunity. Whereas many unconditional cash transfer programs distribute predetermined amounts of funding to people with certain characteristics (e.g., people living in extreme poverty,

elderly people living in poverty), NN-BB was intended to meet the needs of individuals who faced specific barriers that were obstructing their progress toward specific goals. Participants identified those barriers at the outset and requested the specific amount of money that they believed would allow them to overcome the obstacle.

Current Study

The current study explores two strategies for promoting economic self-sufficiency. We considered whether participation in NN, a program designed to promote social capital, was associated with improved self-sufficiency. We then considered whether receiving unconditional cash transfers through the NN-BB program led to additional benefits to self-sufficiency.

Due to the nature of unconditional cash transfers (whose use is determined by recipients) and because there is limited literature on their use in the United States, it was important to first create a descriptive account of participants' experiences with the NN-BB program, including their anticipated and actual uses of these awards. To learn about participants' experiences, we explored these questions using qualitative data:

1. What *goals* did participants set out to achieve and what *barriers* did they anticipate?
2. How did participants use NN-BB awards?
3. Did NN-BB help participants progress toward their goals?

Next, we used quantitative data to examine the effectiveness of the NN and NN-BB for promoting self-sufficiency across multiple domains. We tested the hypothesis that self-sufficiency would increase over time for NN participants and would increase more for participants who also participated in NN-BB.

METHODOLOGY

Procedures

The study used an experimental design in which participants were randomly assigned to one of two groups. One group of participants (*treatment*) participated in NN and received NN-BB awards, and the other (*comparison*) participated in NN without receiving the NN-BB awards. All participants lived in Detroit's HOPE Village and/or had children who attended school in the neighborhood.

Procedures for participant recruitment and selection and disbursement of awards were developed by the NN Action Committee, a group of leaders from NN partner organizations. First, NN Action Committee members nominated HOPE Village community members who they believed, based on their understanding of the individual's goals, would make use of NN-BB funds to overcome a barrier and reach a specific goal related to economic self-sufficiency. Funds could be used to cover a variety of needs that were unaddressed by existing community resources, such as unmet needs for transportation, childcare, documentation and licenses, training, and housing improvements. The NN Action Committee nominated a total of 24 individuals. Individuals were not informed that they had been nominated for the study.

Next, nominees were randomly assigned to either the treatment or comparison group. Those assigned to the treatment group were informed by a representative from a NN partner organization that they were being considered for a NN-BB award. They then filled out an application detailing their goals, the amount of money they were requesting, and how they would use that money to overcome a barrier that impeded their progress toward their goals. All treatment group participants were then notified that they would receive a NN-BB award for the amount requested, which ranged from \$500 to \$2,000. Treatment group participants received the amount of money they requested. The average amount awarded was \$863 ($SD=540.65$). NN agencies distributed awards directly to treatment group participants. Participants in the treatment

group received a \$10 cash incentive for participating in the post-program interview, but no additional payment for the pre-program interview.

Individuals assigned to the comparison group were contacted by a NN staff member and invited to participate in a research study evaluating the NN program. Comparison group participants were not informed about the additional NN-BB intervention and did not know that participants in the treatment group members were receiving monetary awards. Seven of the twelve individuals invited to be part of the comparison group agreed to participate in the study. Participants in the comparison group received \$10 cash incentives for participating in both pre- and post-program interviews

All participants completed a structured, in-person *pre-program* interview. Eleven of the twelve treatment group participants (92%) accepted the invitation to take part in a similar *post-program* interview six months later, as did four of the seven comparison group participants (57%). This study is based on data only from participants who completed both pre- and post-program interviews.

The interview process for this study built on the established procedure for NN participants, which involved meetings with the NN Coordinator every three months to discuss goals and progress. Participants' questioning followed the same protocol as in typical NN meetings, with the addition of a few questions designed for the purpose of this study. Pre- and post-program interviews were conducted by the NN Coordinator, who had years of experience working with NN, a deep familiarity with the assessment tool, and had established trust within the neighborhood.

After the post-program interviews, four participants were invited to participate in in-depth, semi-structured *follow-up* interviews that would provide additional information about

their experiences with NN and NN-BB. Each participant represented one of four conditions: (a) a treatment group member who achieved their goal, (b) a treatment group member who did not achieve their goal, (c) a comparison group member who achieved their goal, and (d) a comparison group member who did not achieve their goal. The four participants invited for follow-up interviews all agreed to participate. Follow-up interviews took place approximately three months after the post-program interview and participants received an additional \$20 cash incentive.

Participants

To be selected to participate in the study, individuals had to be residents of HOPE Village or have a child that attended school in the neighborhood. Some participants were already members of NN and others joined at the time they were invited to participate in the study.

The fifteen participants in the final sample ranged in age from 24 to 73 years, with a mean age of 54.27 ($SD=15.55$). Twelve were female. Twelve participants reported their ethnicity as African-American, one as Biracial, one as Hispanic, and one as Other. Five were single, five were divorced, four were married, and one was widowed. Five of the fifteen had at least one child under the age of 18.

The demographics of the four participants who participated in follow-up interviews closely approximated the overall sample.

Goals and Barriers

Open-ended questions were used in pre- and post-program interviews to understand the lives and needs of participants, in particular their goals and the barriers associated with reaching them. In the pre-program interview, participants were asked to describe one or more goals that

they hoped to accomplish along with dates by which they hoped to accomplish them. Goals were categorized according to domains of self-sufficiency.

Use of NN-BB Awards

Prior to receiving NN-BB awards, participants in the treatment group completed applications in which they listed the amount requested and explained how they would use the award and how it would help them reach their goals. In post-program interviews, treatment group participants were asked open-ended questions about their actual use of the cash awards, including whether the award was used as planned and whether it helped them achieve the goals they defined at the outset.

Progress Toward Goals

In pre-program interviews, participants were asked to describe action steps they planned to take to achieve their goals. In post-program interviews, they were asked whether they achieved the goals they previously described. Those who had achieved their goals were asked to share their experiences. Participants who had not achieved their goals were asked to share ideas about what would have helped them reach their goals and to reflect on their confidence about whether they would achieve their goals at some point in the future. All participants described the steps that they took in pursuit of their goals and any barriers that arose, as well as their responses to each.

The four individuals who participated in follow-up interviews were asked additional open-ended questions exploring why they had chosen particular goals, how they went about pursuing them, the barriers they faced, and what was most helpful in making progress toward their goals.

Economic Self-Sufficiency

In order to learn whether NN-BB awards were helpful in advancing participants' economic self-sufficiency, we also collected quantitative data. We gauged participants' self-sufficiency across multiple domains during pre- and post-program interviews using the NN Self-Sufficiency Matrix, which reflects the domains that were most relevant to the community served by NN. This tool was adapted from the Arizona Self-Sufficiency Matrix (Culhane, Gross, Parker, Poppe, & Sykes, 2008), developed to comprehensively address self-sufficiency among homeless populations. The four domains of primary interest in the current study were income, housing, education, and credit history. Participants were assessed on seven additional domains (employment, food, career training, financial literacy, health care, community involvement, and safety) to permit us to calculate a *total* self-sufficiency score as the sum of scores across all 11 domains.

All interviews were conducted by the NN Coordinator, who was already trained and had substantial experience using the NN Self-Sufficiency Matrix. For each domain, the interviewer asked the participant a series of structured questions and then used a rubric to rate the participant's level of self-sufficiency on a five-point scale (1=Crisis, 2=Stable, 3=Sufficiency, 4=Self-Sufficiency, 5=Sustainable Self-Sufficiency). Cronbach's alpha for total self-sufficiency was 0.80, indicating a high degree of internal consistency across the eleven domains. Descriptive statistics are shown in Table 2.

FINDINGS

Goals and Barriers

The number of goals set by participants during pre-program interviews varied, ranging from one to four. Goals also varied in the level of specificity (e.g., "open own business" versus "open consignment or resale shop focusing on high-end fashion"). Goals were categorized

according to the 11 domains represented in the NN Self-Sufficiency Matrix, as well as an “Other” category for goals that did not explicitly align with the existing categories (e.g., health).

Table 1 provides an overview of the number of participants with goals in each domain. Education goals were the most common, with eight participants identifying at least one goal related to furthering their education. Goals did not appear to differ systematically between participants in the treatment and comparison groups.

Table 1. Participant Goals by Domain

Goal Domain	Participants	Examples
Education	8	Earn GED. Get CNA license. Enroll in hair school. Return to school for Master’s.
Other	7	Lose weight. Travel. Enjoy retirement. Be a great father.
Employment	6	Get a job. Start a business. Open resale shop.
Credit History	4	Improve credit score. Pay off hospital bill.
Community Involvement	2	Volunteer. Become a Notary Public.
Housing	2	Repair porch. Get basement in order.
Income	2	Increase income. Be more self-sufficient.

As shown in Table 2, the type of barrier most frequently anticipated by participants was not having enough money (n = 9 out of 15), followed by transportation (n = 3) and health problems (n = 3). Participants also anticipated barriers presented by poor credit, limited education, limited time, and getting “sidetracked” (categorized as Other). In post-program interviews, finances were the most frequently reported type of barrier (n = 12), again followed by transportation (n = 6) and health (n = 4). More participants reported experiencing barriers in the top three categories than initially anticipated those barriers. Notably, no comparison group participants anticipated financial barriers, but three of the four reported experiencing them.

Although participants anticipated their limited education and not having enough time being barriers, neither type was reported at post-program surveys. Five participants reported experiencing “Other” barriers, including procrastination, inability to access a credit report, difficulty finding a house, and childcare. Overall, participants in both the treatment and control groups encountered more barriers than they initially anticipated.

Table 2. Barriers Anticipated and Experienced by Participants

Type of Barrier	# of Participants	
	Pre-Program	Post-Program
Finances	9	12
Transportation	3	6
Health	3	4
Credit	2	1
Education	2	0
Time	2	0
Other	1	5
<i>Total</i>	22	28

Use of Awards

Proposed award uses and actual uses are shown in Table 3. The most common use of awards was paying off debt or bills (n = 6). Four of those participants had not listed debt or bills as an anticipated use in their applications. Two participants did not specify the type of bills paid and, although we categorized this use as inconsistent with their proposed use, it is possible that the bills actually included costs for their proposed uses (e.g., car repairs).

Of the 11 participants who received NN-BB funds, at least six used their cash award in the way they initially planned (e.g., porch repair, pay ticket, bills). Due to the limited details

available about how awards were used (e.g., bills), this count may underestimate the number of participants who used their awards as planned. Three of the six participants used the funds for the initially intended purpose as well as additional purposes. For example, one participant had the goal of returning to school and initially planned to use the award for transportation to school. In addition to the intended use, they applied funds to hospital bills, car repairs for their child, and a pair of shoes.

Five participants used the funds in ways that were not identical to the uses proposed in their application for funds, although most were closely related. For example, one participant had the goal of returning to school and initially planned to use the award to pay for internet costs to allow them to access online courses at home. Instead, they used the award to pay the cost of enrollment in the courses. Another participant had a goal of improving their credit score and initially planned to use the award to have a civil judgment removed from their credit report, but instead used the award to pay off outstanding debt in service of their goal.

Table 3. Use of Barrier Busters Awards

Amount	Proposed Use	Actual Use	Match
\$2,000	Porch repairs	Porch repairs	Yes
\$1,760	Remove civil judgment from credit report	Paid off outstanding debt	No
		Opened a savings account	
\$1,000	Pay for CNA certification	School books, uniform, shoes	No
		Groceries	
\$960	Transportation to school	Hospital bills	Yes
		Pair of shoes	

		Gave child \$200 for car repair	
		Transportation to school	
\$780	Pay internet costs	Paid for first module of school	No
		Saved money for second module	
	Car repairs		
\$500	School uniforms and shoes for children	Bills	No
		Gas for car	
\$500	Purchase car	Children's school supplies	No
		Bills	
		School clothes for grandchildren	Yes
\$500	Car maintenance (oil change, tire replacement, brakes)	Maintained car	
		Groceries	
\$500	Pay ticket	Paid ticket	Yes
	Pay smallest bills first, then payment plan for remaining balance		Yes
\$500		Bills	
\$500	Purchase insurance to become Notary Public	Notary Public insurance, license, and equipment	Yes

Use of NN-BB funds in Supporting Progress Toward Goals

Of the 11 participants who received NN-BB awards, ten took the actions they listed during the pre-interview as being necessary to accomplish their goals. Three participants successfully reached their goals (e.g., becoming a Notary Public, repairing a porch, and paying

off a credit card and repairing a car) and seven made partial progress. The size of the NN-BB award did not seem to be associated with whether or not participants accomplished their goals.

The complexity of goals varied widely and NN-BB awards helped some participants make progress toward more complex and long-term goals that required more time than the six month period of this study (e.g., starting a business). Paying bills and paying off debts were the most common uses of NN-BB awards and were often seen as necessary steps to achieve longer-term goals, often related to education or employment. For example, one participant's goals were to clean up her credit, attend ProsperUS (a training program for entrepreneurs), return to college, and open up a consignment or resale shop. At the follow-up interview, she reported having been able to pay off four bills and start ProsperUS. While her goal of opening a consignment shop was not accomplished during the six month study period, she believed she was on her way. She said the award "help(s) individuals who are less fortunate to overcome long term and short-term goals by removing barriers that arise" and that she is confident that in five years she will be able to open the consignment shop.

Another participant used the award to repair her porch and in doing so, made her home safer, reduced insurance costs, and made progress toward her longer-term goal of retirement. When asked how she would have repaired the porch without the award, she said, "Probably paying someone off for a lifetime! Maybe a good friend would have come by and do this little bit – and then when I get some more money, do more." Instead, she was able to have the repairs completed within the six months. By covering the cost of her porch repairs, the award not only made her house safer, but also meant that she would be able to save more money—both because she did not need to save for the porch repair and because of the reduced insurance costs—and

brought her closer to her goal of retiring. She now feels more confident that she will be able to retire and remain in her home.

Economic Self-Sufficiency

To test our hypothesis that economic self-sufficiency would increase over time for all NN participants and more for participants who received NN-BB awards (treatment group), we conducted a series of ANOVAs. Two-way repeated measures ANOVAs with one between-subjects independent variable (group) and one within-subject independent variable (time) were fit for the overall self-sufficiency score (total self-sufficiency) and for each of the four focus domains (income, housing, adult education, credit history). Descriptive statistics and ANOVA results are displayed in Table 4.

For total self-sufficiency, ANOVA revealed a main effect of time, indicating an increase in self-sufficiency among participants during this study, $F(1) = 4.81, p = 0.047$. In addition, the group x time interaction was significant for total self-sufficiency, $F(1) = 6.42, p = 0.02$, indicating that the total self-sufficiency score increased more for participants in the treatment group than in the comparison group. Indeed, an examination of the results shows a slight drop in total self-sufficiency among comparison group participants (from a mean of 37.50 to 37.25), meaning that the main effect of time was entirely due to increases in scores of treatment group members.

The group x time interaction was significant for credit history, $F(1) = 5.44, p = 0.04$, indicating that scores related to self-sufficiency concerning credit improved more for participants in the treatment group than for those in the comparison group (in fact for the comparison group they declined). ANOVAs revealed no main effects for either group or time for any of the four focus domains and no interaction effects were apparent for income, housing, or education.

To reduce the possibility of Type I error across the five ANOVAs, we also interpreted results using the Bonferroni Correction. Once the correction was applied and outputs were assessed at the $p = 0.01$ level, no main effects or interaction effects were significant.

Table 4. Descriptive Statistics and ANOVA Results for Self-Sufficiency by Group and Time

Group	<i>n</i>	Income		Housing		Education		Credit		Total Self-Sufficiency	
		<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>
Treatment											
Pre-Program	11	2.27	1.19	3.45	1.29	3.91	1.04	2.09	0.30	32.82	6.43
Post-Program	11	3.27	0.65	4.00	1.00	3.92	1.14	2.55	0.52	36.27	4.96
Comparison											
Pre-Program	4	3.00	0.82	4.00	1.41	4.00	1.15	2.50	0.58	37.50	8.51
Post-Program	4	3.00	0.82	4.00	1.41	3.50	1.00	2.25	0.50	37.25	7.04
Source	df	SS/MS	F	SS/MS	F	SS/MS	F	SS/MS	F	SS/MS	F
Group	1	0.30	0.23	0.44	0.16	0.15	0.07	0.02	0.07	46.97	0.62
Time	1	1.47	3.81	0.44	1.69	0.37	1.06	0.06	0.46	15.06	4.81*
Group x Time	1	1.47	3.81	0.44	1.69	0.37	1.06	0.73	5.44*	20.13	6.42*

* $p < 0.05$

Note: SS/MS: Sum of Squares and Mean Square are equivalent because each source has one degree of freedom.

DISCUSSION

To our knowledge, this study is the first to explore the use of unconditional cash transfers in the United States. Although the study is small and its results should be regarded as preliminary, we believe it begins to shed light on this practice and its potential to help people achieve economic self-sufficiency.

This study describes participants' goals, the barriers they anticipated, and ways that participation in NN-BB helped them progress toward their goals. Goals related to education were most frequent, followed by goals related to employment (often specifically related to starting a business). Finances presented the most frequently anticipated barrier and also the most frequently experienced, with an increased number of participants identifying finances as a barrier at the end of the study period.

It is important to understand that NN-BB was part of the broader Detroit-based NN program, a unique collaboration between service organizations with the aim of promoting economic self-sufficiency among community members. As members of NN, all participants had periodic meetings with a NN staff member and some also chose to participate in groups where they helped one another work toward personal goals. Participants in this study reported that NN facilitated their progress toward goals by helping them articulate goals and action steps, providing encouragement and accountability, connecting them with resources needed to move toward their goals, and supporting the development of relationships among participants. Any effects of the NN-BB financial awards must be understood in this larger context.

NN-BB was designed to promote autonomy and puts the responsibility on award recipients to use the money as they fit. Not only did participants have the autonomy to decide how they planned to use the award, but they also had the freedom to adjust their plans after

receiving the award. The expectations of participants to act autonomously are consistent with the ideas of (Edin & Shaefer, 2015; Ellwood, 1988) to promote economic self-reliance and are likely an important element in the design of effective programs offering unconditional cash transfers.

The majority of participants used the awards as they initially intended. Some participants used the awards differently than they planned, but these uses were, nevertheless, typically similar and contributed to the same end goal, often addressing immediate needs that arose during the study period. These findings are contrary to criticisms rooted in negative stereotypes that contend that low-income people will use unrestricted funds for recreational purposes. Moreover, these findings suggest a major benefit of unrestricted cash transfers, in that they allow recipients to address immediate needs that may arise and interfere with progress toward their primary goals.

Importantly, we found that the distribution of unrestricted cash awards improved the overall economic self-sufficiency of recipients. As we use the term, overall self-sufficiency is a summary statistic derived from factors including one's income, housing, credit history, education, career training, health care, and other factors related to making ends meet in a particular locale. The use of such a statistic has had broad application in areas such as policy formulation, case management, and research (Schoenfeld, 2017). This finding is particularly striking given the small sample size and suggests that unrestricted cash awards may be a powerful tool for improving self-sufficiency among low-income populations.

Limitations

One limitation of this study is the small sample size. The size of the study was already limited by the amount of funds available for NN-BB awards. Given our decision to fully meet treatment participants' financial requests, the sample size became even smaller when the initial participants who were randomly selected for the treatment group requested larger amounts of

money than we anticipated. This dynamic created smaller treatment and comparison groups, but also indicated that the barriers individuals faced were more significant than we anticipated. It is particularly notable that we found statistically significant differences between groups given this small sample size, although the significance did disappear when considered according to the most rigorous standard and adjusted to account for multiple comparisons.

Participant retention was lower than expected, with one participant from the treatment group not completing the post-program interview and eight participants from the control group not completing the post-program interview. Because participants were randomized, there is not thought to be a fundamental difference between the two groups that hinders internal validity. Nonetheless, this did create limitations in data analysis.

Although small (\$10) cash incentives were provided, comparison group participants were particularly difficult to recruit and retain. Of the twelve NN members invited to take part in pre-interviews as comparison-group members, seven accepted; of the seven, only four also took part in the post-interviews. These four members may be less than representative of the broader NN population in ways we don't understand — possibly being more conscientious or having more flexible schedules. Providing larger cash incentives may improve response and retention rates in future studies.

An additional limitation is present in the fact that all information was self-reported. Scores on the NN Self-Sufficiency Matrix and descriptions of how NN-BB awards were used are based on participants' interview responses, which the research team did not attempt to verify. This process invites the possibility that participants might have answered in ways that were socially desirable, possibly making themselves look more (or less) economically self-sufficient and possibly obscuring their actual use of funds. They also may have given inaccurate

descriptions due to misremembering. Most participants had a positive, pre-existing relationship with the NN staff member who conducted the interviews, which we believe reduced the likelihood that participants would intentionally misrepresent their situation. Moreover, participants knew that they were permitted to use the awards as they saw fit and would face no consequences for deviating from their original plans, so they had no motivation to conceal the truth. Future researchers might consider using additional forms of data to corroborate participants' responses.

Recommendations for Practice

Because this was a research project, we used an experimental method for participant selection. Individuals were nominated by partner organizations and then randomly selected to receive the awards. If this program were to continue or be adopted by other practitioners, purposeful selection criteria might be used. For example, people who are interested in receiving awards might submit applications directly to the organization and be selected based on pre-determined criteria such as the relationship between their request and a goal or prioritization of requests in certain domains. Selection criteria should be identified through close collaboration between participating organizations and community members.

Debt was a consistent theme for participants. Understanding the financial background of participants and their ability to maintain progress, especially when trying to pay off significant amounts of debt, could be an important step in future NN-BB programs. Financial literacy classes are a part of NN service activities, but were not required for participants. Combining financial literacy classes and distribution of unrestricted cash awards could be a powerful strategy for promoting economic self-sufficiency and helping people overcome debt.

This study gave participants complete autonomy in goal selection and how they used their awards. This practice is supported by research regarding the link between individuals' autonomy in goal setting and their motivation to pursue the goal (e.g., Koestner, Otis, Powers, Pelletier, & Gagnon, 2008). However, future practitioners might consider providing additional support or guidance in this process. It may be useful for practitioners to think about the desired outcomes and to understand that there are some goals that an award may help more than others. Participants had positive interactions and relationship with NN coordinators, and this relationship could be leveraged to direct goal choices, especially if goals were chosen after the self-sufficiency scores had been calculated. It will be important for practitioners to balance the organization's knowledge and preferences while respecting the lived-experience of participants.

Recommendations for Research

This pilot research project raised questions that warrant additional research. Future work should examine the how unrestricted cash awards are used, including whether they are used retrospectively (e.g., to pay off debt or an overdue bill) or prospectively (e.g., for education or a home repair). Understanding the longer-term impacts of these different uses can provide information about whether there is a best use of the funds and may provide valuable information to guide the disbursement of unrestricted awards or inform additional programs that target specific funding needs. Because bills occur monthly, it is also important to consider how recipients who used their funds for bills and debt are prepared to handle these situations in the future, as well as whether financial education might help them.

Our understanding of unrestricted cash award programs would also benefit from research with larger samples. Future studies might explore relationships among participant characteristics, self-sufficiency scores, goals, use of funds, and outcomes. For example, children create

additional expenses and, in this study, the two individuals who did not use the award as anticipated had children. Research with a larger sample can contribute to a deeper understanding of how children create financial pressures that may direct where money flows. Having more participants may also generate more data about ways that encountering emergencies influences how cash awards are used and hopefully inform strategies that might help people stay on track financially, even when faced with such emergencies.

More qualitative research would provide greater insight into individuals' experiences and inform strategies by which community organizations might best serve low-income communities and help residents work toward their goals. In-depth interviews, such as those conducted as part of the US Financial Diaries (Morduch & Schneider, 2017), for example, could provide information about individuals' goals, the barriers they face, and the strategies that they think could be most beneficial in helping them overcome those barriers.

Providing cash awards directly to low-income individuals is likely to be controversial, and rigorous research that can demonstrate the value of these program will be important in bringing this type of program to scale. Researchers should compare the cost of providing cash awards to the cost of other anti-poverty interventions, as well as the impact of various strategies. Additional research could be conducted to further corroborate the underlying assumption that low-income recipients of unrestricted cash awards will use the funds responsibly, rather than on recreation or as a way of supplanting pay for work. If researchers are able to document positive effects of unrestricted cash awards, their work may inform anti-poverty policy by reinforcing the (seemingly obvious) idea that low-income individuals often know what they need to reach their goals and overcome the barriers they face.

Conclusion

This study introduces NN-BB, a program that provides unrestricted cash awards to help people overcome barriers and meet their goals, as a strategy for promoting economic self-sufficiency among residents of a low-income neighborhood in Detroit. Findings indicate that programs like NN-BB can help people make progress toward economic self-sufficiency and suggest that providing unrestricted cash awards in the context of a network that encourages development of social capital is a strategy with the potential to reduce poverty in the United States. Hopefully this study will encourage interest from practitioners, funders, researchers, and policymakers in implementing, studying, and refining this promising practice.

REFERENCES

- Ardington, C., Case, A., & Hosegood, V. (2009). Labor supply responses to large social transfers: Longitudinal evidence from South Africa. *American Economic Journal: Applied Economics*, 1(1).
- Barr, M. S. (2012). *No slack: The financial lives of low-income Americans*. Washington, DC: Brookings Institution Press.
- Bowles, S., Durlauf, S. N., & Hoff, K. (Eds.). (2006). *Poverty traps*. Princeton, NJ: Princeton University Press.
- Bucks, B. K., Kennickell, A. B., Mach, T. L., & Moore, K. B. (2009). Changes in U.S. family finances from 2004 to 2007: Evidence from the Survey of Consumer Finances. *Federal Reserve Bulletin*, 95(February), 1–56.
- Bunker, N. (2018). How does unconditional cash affect the labor market? Retrieved from <https://equitablegrowth.org/how-does-unconditional-cash-affect-the-labor-market/>
- Bureau of Labor Statistics. (2018). A profile of the working poor, 2016. *Report 1074*. Retrieved from <https://www.bls.gov/opub/reports/working-poor/2016/home.htm>
- Burhouse, S., Chu, K., Ernst, K., Goodstein, R., Lloro, G., Northwood, J., ... Weinstein, J. (2016). *FDIC national survey of unbanked and underbanked households*. Retrieved from <https://www.fdic.gov/householdsurvey/2015/2015report.pdf>
- Collins, M. J. & Gjerston, L. (2013). Emergency savings for low-income consumers. *Focus*, 30(1), 12–17.
- Culhane, D. P., Gross, K. S., Parker, W. D., Poppe, B., & Sykes, E. (2008). *Accountability, cost-effectiveness, and program performance: Progress since 1998*. Philadelphia, PA: National Symposium on Homelessness Research.

- de Mel, S., McKenzie, D., & Woodruff, C. (2012). One-time transfers of cash or capital have long-lasting effects on microenterprises in Sri Lanka. *Science*, 335(24), 962–966.
- Dynan, K. E., Skinner, J., & Zeldes, S. P. (2004). Do the rich save more? *Security*, 112(2), 397–444.
- Economic Policy Institute. (2018). Wages by education. *State of Working America Data Library*. Retrieved from <https://www.epi.org/data/#?subject=wage-education>
- Economic Policy Institute, & Oxfam America. (2016a). *Few rewards: An agenda to give America's working poor a raise*. Retrieved from www.oxfamamerica.org/lowwagemap.
- Economic Policy Institute, & Oxfam America. (2016b). Michigan state scorecard. Retrieved from <https://policy-practice.oxfamamerica.org/work/poverty-in-the-us/low-wage-map/scorecard/?state=MI>
- Edin, K. J., & Shaefer, H. L. (2015). *\$2 a day: Living on almost nothing in America*. Boston, MA: Mariner Books.
- Ellwood, D. T. (1988). *Poor support: Poverty in the American family*. New York, NY: Basic Books.
- Evans, D. K., & Popova, A. (2014). Cash transfers and temptation goods: A review of global evidence. *World Bank Policy Research Working Paper 6886*. Retrieved from <http://documents.worldbank.org/curated/en/617631468001808739/pdf/WPS6886.pdf>
- Gabler, N. (2016, May). The secret shame of middle-class Americans. Retrieved from <http://www.theatlantic.com>
- GiveDirectly. (2018). Research on cash transfers. Retrieved from <https://www.givedirectly.org/research-on-cash-transfers>
- Gottschalk, P., & Moffitt, R. (2009). The rising instability of U.S. earnings. *Journal of Economic*

Perspectives, 23(4), 3–24.

Gupta, R., Hasler, A., & Lusardi, A. (2018). *Financial fragility in the US: Evidence and implications policy brief*. Retrieved from <http://gflec.org/wp-content/uploads/2018/04/Financial-Fragility-Policy-Brief-04-12-18-Final2.pdf?x87657>

Haskins, R. (2008). *Education and economic mobility*. Retrieved from https://www.brookings.edu/wp-content/uploads/2016/07/02_economic_mobility_sawhill_ch8.pdf

Haushofer, J., & Shapiro, J. (2013). Household response to income changes: Evidence from an unconditional cash transfer program in Kenya. *Massachusetts Institute of Technology*, 24(5), 1–57.

Hawkins, R. L. (2005). From self-sufficiency to personal and family sustainability: A new paradigm for social policy. *Journal of Sociology and Social Welfare*, 32(4), 77–92.

Huggett, M., Ventura, G., & Yaron, A. (2011). Sources of lifetime inequality. *American Economic Review*, 101(7), 2923–2954.

Iversen, R. R., Napolitano, L., & Furstenberg, F. F. (2011). Middle-income families in the economic downturn: Challenges and management strategies over time. *Longitudinal and Life Course Studies: International Journal*, 2(3), 286–300.

Klapper, L. (2012). Why are so many Americans unbanked? Retrieved from <http://blogs.worldbank.org/allaboutfinance/why-are-so-many-americans-unbanked>

Koestner, R., Otis, N., Powers, T. A., Pelletier, L., & Gagnon, H. (2008). Autonomous motivation, controlled motivation, and goal progress. *Journal of Personality*, 76(5), 1201–1229.

Lusardi, A., Schneider, D., & Tufano, P. (2011). Financially fragile households: Evidence and

- implications. *Brookings Papers on Economic Activity*, 2011(1), 83–134.
- Maag, E., Peters, H. E., Hannagan, A., Lou, C., Siwicki, J., Holub, K., ... Williams, D. (2017). *Income volatility: New research results with implications for income tax filing and liabilities*. Retrieved from https://www.urban.org/sites/default/files/publication/90431/2001284-income-volatility-new-research-results-with-implications-for-income-tax-filing-and-liabilities_0.pdf
- Mitnik, P. A., & Grusky, D. B. (2015). *Economic mobility in the United States*. Retrieved from http://www.pewtrusts.org/~media/assets/2015/07/fsm-irs-report_artfinal.pdf
- Morduch, J., & Schneider, R. (2017). *The financial diaries: How American families cope in a world of uncertainty*. Princeton, NJ: Princeton University Press.
- Proctor, B. D., Semega, J. L., & Kollar, M. A. (2016). Income and poverty in the United States: 2015. *U.S. Census Bureau; Report P60-256*. Retrieved from <http://www.census.gov/content/dam/Census/library/publications/2016/demo/p60-256.pdf>
- Schanzenbach, D. W., Nunn, R., Bauer, L., & Mumford, M. (2017). *Where does all the money go: Shifts in household spending over the past 30 years*. Retrieved from http://www.hamiltonproject.org/assets/files/where_does_all_the_money_go.pdf
- Seefeldt, K. S., & Sandstrom, H. (2015). When there is no welfare: The income packaging strategies of mothers without earnings or cash assistance following an economic downturn. *The Russell Sage Foundation Journal of the Social Sciences*, 1(1), 139–158.
- Sobeck, J., Brown, C., & Capps, R. (2015). *Third year report on the evaluation of the HOPE Village Initiative Neighborhood Network*. Detroit, MI: The Center for Social Work Research.
- Stiglitz, J. E. (2012). *The price of inequality: How today's divided society endangers our future*. New York, NY: W. W. Norton & Co.

United States Census Bureau. (2017). QuickFacts. Retrieved December 14, 2018, from <https://www.census.gov/quickfacts/fact/table/detroitcitymichigan/PST045217>

Urahn, S. K., Currier, E., Elliott, D., Weschsler, L., Wilson, D., & Colbert, D. (2012). *Pursuing the American dream: Across economic mobility generations*. Retrieved from https://www.pewtrusts.org/~media/legacy/uploadedfiles/wwwpewtrustsorg/reports/economic_mobility/pursuingamericandreampdf.pdf

Urhan, S. K., Plunkett, T., Currier, E., Elliot, D., Sattelmeyer, S., & Wilson, D. (2013). *Faces of economic mobility*. Retrieved from <https://www.pewtrusts.org/en/research-and-analysis/data-visualizations/2013/faces-of-economic-mobility#>