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Does Making Work Pay *Still* Pay?

An Update on the Effects of Four Earnings Supplement Programs on Employment, Earnings, and Income

Charles Michalopoulos

This report describes recent results from four studies of programs that supplemented the earnings of low-income adults. The four studies, which took place beginning in the early 1990s, are the Canadian Self-Sufficiency Project (SSP), the Minnesota Family Investment Program (MFIP), Milwaukee's New Hope Project, and Connecticut's Jobs First program. The programs' supplements were intended to encourage work and to boost the income of adults who worked. Each was studied using a reliable research design that randomly assigned people to a program group that was eligible for earnings supplements or to a control group that was not. This report updates effects on economic outcomes after the earnings supplement programs ended.

Main Findings

- **The programs increased employment, earnings, and income.** Adults who were offered earnings supplements were more likely to work, earned more, and had more income than control group members. In some cases, however, earnings supplements allowed parents to cut back their hours of work while maintaining their family's income.
- **Effects on welfare receipt varied with the structure of the earnings supplement offer.** For example, families in SSP had to leave welfare to receive the program's earnings supplement, and SSP reduced welfare use. Families in MFIP had to remain on welfare to receive its earnings supplement, and MFIP increased welfare use above what it would have been.
- **The effects of the programs diminished over time.** Some policymakers hoped that people who were encouraged by the supplements to work would gain skills that would permanently lift them to higher-paying jobs. That does not appear to be the case.
- **Effects of the policies on employment and earnings were larger and more persistent for a group of very disadvantaged families.** The effects of the policies were generally larger and longer-lived for long-term welfare recipients with limited education and work experience.

Although the programs had positive effects on work and income, those benefits came at a cost, ranging from about \$100 to about \$2,000 each year per family. These costs can be reduced, however, by paying supplements only to those who work full time and only to those who are least likely to work on their own, such as long-term welfare recipients and the long-term unemployed. Such targeting, however, also reduces the number of families who are likely to benefit from the earnings supplements.