Cash incentives boost time spent on schooling and reduce problem behavior for teenagers, study shows

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How can you get low-income teenagers to spend more time on school work? "Pay them," according to a recent study released by MDRC and coauthored by NYU Steinhardt researchers J. Lawrence Aber and Pamela Morris.

Following a two-year study of the Opportunity NYC-Family Rewards Program, a comprehensive conditional cash transfer (CCT) program launched in 2007 by the Center for Economic Opportunity (CEO) in the New York City Mayor's Office, findings showed that monetary incentives to low-income families changed how teenagers spent their time. These incentives increased the proportion of those teenagers who

spent most of their time on schoolwork and reduced the proportion of teenagers who spent most of their time with friends. The incentives didn't make teenagers more anxious, and they even reduced teenagers' substance use. Additionally, the program increased parents' spending on school-related expenses and the proportion of parents who saved for their children's education.

"Despite a large body of research on conditional cash transfers in a number of countries, the processes by which these incentives affect targeted outcomes is not well understood," said Aber, author of the report and NYU Steinhardt distinguished professor of applied psychology. "This study sheds light on what happens when we attempt to change poor families' investment in their children's 'human capital.'"

CCT programs aim to break the cycle of intergenerational poverty. The Family Rewards core evaluation, led by MDRC, involves approximately 4,800 families and their 11,000 children, who were randomly assigned to receive the offer of incentives or to a control group that was not. The program was targeted to families who lived in selected high-poverty community districts and who had incomes at or below 130 percent of the federal poverty level.

The incentives provided rewards to parents and children in the areas of health, education, and work. Health-focused conditions included maintaining health insurance coverage for parents and their children as well as obtaining age-appropriate preventive medical and dental checkups for each family member.

Education-focused conditions included meeting goals for children's attendance in school, achievement on standardized tests, and other school progress markers, as well as parents' engagement with their children's education. Workforce-focused conditions included parents' full-time work and participation in education or job training activities.

"What is unique about this study is our attention to behaviors that were not directly targeted by the program. Despite the fact that incentives were focused on children's education, the program had surprising reductions in aggression as well as in alcohol and drug use among teenagers, which could make a big difference for them long-term," said report co-author Pamela Morris, professor of applied psychology at NYU Steinhardt and MDRC senior fellow.

An evaluation of the first two years of the Family Rewards program, published in 2010 by MDRC, found that it had positive effects on families' economic well-being and mixed effects on children's education, family health care, and parents' employment. A 2011 report drew on in-depth interviews with families to describe how parents and children responded to the education incentives. The next report on Family Rewards will examine the results after three years of the program; a final report will include two years of post-program follow-up.

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