



The Daily Dish

The Results Are In for Paycheck Plus

DOUGLAS HOLTZ-EAKIN | SEPTEMBER 26, 2018

Eakinomics: The Results Are In for Paycheck Plus

The Earned Income Tax Credit (EITC) is the most successful federal anti-poverty program. It uses the tax system — in the form of a refundable tax credit — to subsidize the wage earnings of those low-income Americans who choose to work, and the evidence suggests that it raises the fraction of the population who choose work. In its current configuration, however, the program focuses on families with children, especially single mothers. A single mother can receive as much as roughly \$5,600. In contrast, a childless adult would receive only \$500. Given the historically low rates at which prime-age men and women participate in the labor force, there has been interest in expanding the EITC to augment labor market attachment — House Speaker Paul Ryan [proposed](#) an expansion, for example.

A drawback in evaluating these proposals has been the paucity of evidence regarding their potential impact. So it is of considerable interest that MDRC released its final [report](#) on the impacts of the Paycheck Plus demonstration program in New York City. Paycheck Plus provides a credit of up to \$2,000 for low-income workers without dependent children. The report presents findings of a randomized trial lasting three years, in which over 6,000 low-income single adults enrolled and half of them were selected at random to be eligible for a Paycheck Plus bonus for three years.

What happened? The good news is that Paycheck Plus increased after-bonus earnings (earnings after accounting for taxes and the bonus) by roughly 6 percent, on average. In the process, it reduced severe poverty by 3.4 percentage points. As with the EITC, Paycheck Plus appears to be a potent anti-poverty program. It also increased employment rates by 2.6 percentage points in year 2 and 2.1 percentage points in year 3 (there was no significant effect in the first year). Overall, the average increase was just under 2 percentage points. Of note, the program had no significant effect on most men. Instead, the employment effects are driven by increased employment rates among all women (up to 4.6 percentage points) and among “disadvantaged” men (up to 5.8 percentage points). The latter group is defined to include noncustodial parents and those who have been incarcerated. (Paycheck Plus also increased child support payments among noncustodial parents.)

A second demonstration project is underway in Atlanta. But the New York City results alone suggest that it is possible to have an effective, pro-work safety net program for the poorest and most disadvantaged.