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TRENDS IN WELFARE-TO-WORK

The Benefits of Housing Subsidies for TANF Recipients: Evidence from New Jersey

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This brief is based on Mathematica's comprehensive evaluation of Work First New Jersey (WFNJ), the state's welfare reform initiative. Through a series of five annual surveys, the evaluation has tracked the progress of a representative statewide sample of 2,000 welfare recipients who received cash assistance in 1997 and 1998, during the first 18 months of the state's Temporary Assistance for Needy Families (TANF) program. The analysis relies on data from all survey rounds with this early group of TANF recipients, but it draws primarily from the study's fifth and final survey, which looked in depth at housing issues. The final survey was conducted in 2003, about five and a half years after clients entered the TANF program.

Subsidies Are an Important Support

Government housing subsidies are a major source of financial support for the low-income families that receive them. These subsidies, which come largely from the federal government and can be worth thousands of dollars over the course of a year, are designed to address the challenges families can face in obtaining good-quality, affordable housing. By substantially reducing housing costs, subsidies aim to help families afford appropriate housing and maintain stable living arrangements. Subsidies can be particularly important during the potentially challenging transition from welfare to work.

In this brief, we examine the use of housing subsidies in a large sample of current and former New Jersey welfare recipients during the five years after they entered the TANF program. New Jersey's housing costs are among the highest in the nation, making subsidies a particularly important issue in the state. First, we examine trends in housing subsidy receipt for an early group of the state's TANF recipients. We then look at how receipt of subsidies relates to housing outcomes—in particular, cost, stability, and quality.

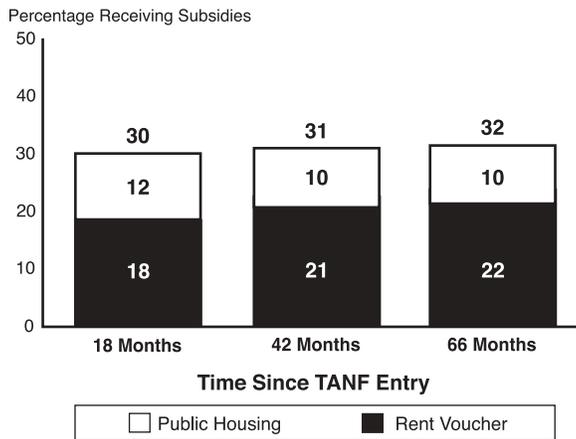
About a Third Received Subsidies

At any given point during the five years after entering the TANF program, about a third of New Jersey's welfare recipients were receiving a government housing subsidy (Figure 1). These subsidies take two forms: (1) residence in a government-owned housing unit managed by the local public housing authority; or (2) receipt of a rent voucher, such as those available through the federal Housing Choice Voucher Program (usually referred to as "Section 8," after the section of the U.S. Housing Act that created the program). Rent vouchers allow a low-income family to seek privately owned housing on the open market.¹ These vouchers were much more common than public housing for those in our study, with 22 percent receiving a voucher and only 10 percent residing in public housing at the end of the study period (Figure 1).

Even though current and former TANF recipients' incomes increased substantially during the study—rising 40 percent in four years, on average—their rate of housing subsidy receipt remained relatively constant. This pattern is in stark contrast to their

¹In some cases, these rent vouchers are associated with specific rental units and do not move with a tenant. The analysis is unable to distinguish between these vouchers and those that move with a tenant.

Figure 1: Housing Subsidy Receipt



receipt of other types of government assistance, such as TANF, food stamps, and Medicaid, which declined substantially during this period. One possible explanation is that families typically can qualify for housing subsidies at higher income levels, but lose eligibility for other government benefits when their incomes rise. In addition, housing subsidies are less closely tied to TANF receipt than are some other government benefits—such as food stamps, child care subsidies, and Medicaid. As a result, housing subsidy receipt may be less likely to end when recipients leave cash assistance.

Because of funding constraints, many more families are eligible for housing subsidies than receive them. Long waiting lists for this kind of assistance are common. Recent estimates suggest that only about one in four eligible families nationally receives a housing subsidy. During the period covered by the study, New Jersey tried to increase the supply of rent vouchers by accessing both federal and state funds. This process may have alleviated the shortage and may help explain why the use of vouchers held steady (and even increased somewhat) for the clients in our study during a period when their incomes were also rising substantially.

Subsidies Reduce Housing Costs

Current and former TANF recipients who received housing subsidies faced much lower housing costs

than those who did not. Those living in public housing paid the least, with an average monthly out-of-pocket housing cost of \$336 at the end of the follow-up period. Those using a rent voucher averaged \$450 in monthly housing costs (Table 1). In contrast, costs for those living in unsubsidized housing were much higher, averaging \$739 per month.

Not surprisingly, clients who received subsidies also had much lower incomes than unsubsidized clients. The average monthly income for those in unsubsidized housing was \$1,815 at the end of the follow-up period, compared with \$1,187 and \$1,340 for those in public housing and using rent vouchers, respectively (Table 1).

	Housing Subsidy Status		
	No Subsidy	Public Housing	Rent Voucher
Average Monthly Income	\$1,815	\$1,187*	\$1,340*
Average Monthly Housing Costs, Including Utilities	\$739	\$336*	\$450*
Housing Costs Are More Than:			
30 Percent of Income	70%	35%*	51%*
50 Percent of Income	42%	21%*	28%*
Difficulty Paying Rent and Utilities	23%	16%*	17%*

Note: Income and housing costs reported in 2003 dollars.

*Significantly different from the “no subsidy” group at the .01 level.

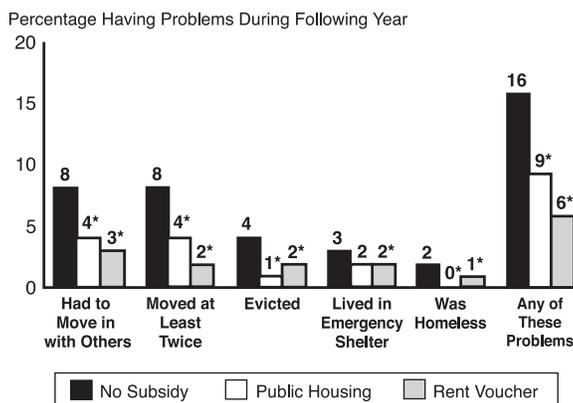
Despite their lower incomes, those receiving subsidies devoted a substantially smaller portion of their overall incomes to housing. Spending more than 30 percent of income on housing is typically considered a high housing cost burden. By this definition, housing costs placed a high burden on 7 out of 10 of those living in unsubsidized housing (Table 1). In contrast, for those living in public housing or using a rent voucher, the proportions were 35 and 51 percent, respectively.

Perhaps because they had lower housing costs relative to their incomes, WFNJ clients receiving housing subsidies were substantially less likely to report difficulty paying their rent or utility bills. For example, among those not receiving a housing subsidy, 23 percent reported having difficulty paying these bills in the past year (Table 1). For those living in public housing and those using rent vouchers, the percentages were 16 and 17 percent, respectively.

Housing Situations: More Stable

Another important goal of government subsidies is to improve housing stability for low-income families. Lower housing costs should make it less likely that families will face eviction or homelessness or need to double up with friends or relatives. Our results suggest that subsidies may be successful in achieving this goal.

Figure 2: Housing Stability Problems by Subsidy Status



Note: For this analysis, subsidy status was measured at the fourth survey, while the prevalence of housing instability was measured one year later, at the fifth survey.

*Significantly different from the “no subsidy” group at the .01 level.

WFNJ clients who received subsidies had much more stable housing situations than those living in unsubsidized housing, despite their substantially lower incomes. For example, in a one-year period, eight percent of clients living in unsubsidized housing moved in with friends or relatives to save on rent, and a similar percentage moved two or more times (Figure 2). In contrast, only four percent of those living in public housing had to move in with

friends or relatives during this period, and the same percentage moved two or more times. The percentages were even lower for clients using rent vouchers—at three and two percent, respectively (Figure 2). Clients receiving housing subsidies were also significantly less likely to be evicted, spend time in emergency shelters, or experience homelessness than those who did not receive them.

Housing Quality: A Link

Affording good-quality housing can be a substantial challenge for low-income families. To stretch their limited budgets, families may need to choose smaller or physically substandard housing, or a neighborhood in which crime and safety are concerns. Government housing subsidies are designed to address some of these issues and enable families with limited incomes to afford better-quality housing.

	Housing Subsidy Status		
	No Subsidy	Public Housing	Rent Voucher
Housing Has Substantial Physical Problems ^a	20%	20%	20%
Housing Is Overcrowded ^b	17%	11%*	8%*
“Bothered a Lot” by Neighborhood Crime	21%	42%*	25%*
Does Not Feel Safe in Home at Night	7%	13%*	7%
Average Rating of Neighborhood Quality on 1-to-10 Scale	7.4	6.2*	7.0*

^aIncludes problems with plumbing, electrical or heating systems, kitchen facilities, or general upkeep.

^bMore than one person per room.

*Significantly different from the “no subsidy” group at the .01 level.

Despite the much lower incomes of clients who received housing subsidies, the physical condition of their housing was similar to that of clients who did not receive subsidies. For both groups, 20 percent lived in housing with substantial physical problems (Table 2). In addition, clients living in public housing or using rent vouchers were less likely (at 11 and 8 percent, respectively) than unsubsidized clients (17 percent) to live in overcrowded conditions (Table 2).

Housing quality was similar for those who did and did not receive housing subsidies, but neighborhood quality appeared to be quite different. In particular, those living in public housing rated the quality of their neighborhoods as much lower than those living in unsubsidized housing and—to a somewhat lesser extent—those using rent vouchers. In addition, they had more concerns about neighborhood crime and safety. For example, they were substantially more likely to report that crime and drugs were serious problems in their neighborhoods (42 percent, versus 21 to 25 percent for those living unsubsidized and receiving rent vouchers, respectively). They were also more likely not to feel safe in their homes at night (13 percent, versus 7 percent for the other two groups—see Table 2).

Policy Implications

Maintaining affordable, quality housing can be a substantial challenge for low-income families. Many face high housing costs relative to their incomes, putting them at risk of eviction and other housing stability problems. Our analysis suggests the following:

- **Government housing subsidies are an effective tool for reducing housing cost burden and improving housing stability.** Clients in our study who received housing subsidies (either through a rent voucher or residence in public housing)

devoted a substantially smaller fraction of their family budgets to housing costs—despite their lower incomes. They were also at much lower risk of housing instability than those living in unsubsidized housing.

- **Rent vouchers may be a desirable alternative to public housing.** They appear to allow families to live in neighborhoods with higher average incomes and lower rates of crime than those in which public housing is located. These neighborhoods are likely to offer better schools, better access to jobs, and other advantages. These results suggest that the shift in federal housing policy during the past 30 years—away from funding construction of government-owned public housing units and toward funding rent vouchers—has been appropriate.
- **Large cuts in government funding for housing subsidies could have adverse effects.** Congress has recently considered additional changes to federal housing policy, including the possibility of substantial reductions in funding for rent vouchers. Even though government resources are tight, it is important for lawmakers to keep in mind the important potential benefits of rent vouchers. Large reductions in the number of vouchers available to low-income families may create substantial increases in housing instability, overcrowding, and other undesirable outcomes for this population.

The WFNJ evaluation is funded by the New Jersey Department of Human Services (NJDHS). The opinions expressed here are those of the authors and do not necessarily represent the views of NJDHS. A more detailed presentation of these findings is included in the report, “WFNJ Clients and Welfare Reform: A Final Look at an Early Group,” available at www.mathematica-mpr.com. For more information on this brief, contact Robert G. Wood at (609) 936-2776 or rwood@mathematica-mpr.com. For more information on the full WFNJ evaluation, contact Anu Rangarajan at (609) 936-2765 or arangarajan@mathematica-mpr.com.

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