

Mexico's *Oportunidades* Program Fails to Make the Grade in NYC

By Brett Fawley and Luciana Juvenal



Children in school in Norogachi, Mexico.

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New York City Mayor Michael Bloomberg announced in March that his city would not be extending the program Opportunity NYC-Family Rewards. Aimed at alleviating the burden of poverty among the city's most disadvantaged citizens, the privately funded conditional cash transfer (CCT) program was introduced in September 2007 as the first comprehensive initiative of its kind to be attempted in the developed world.¹ Three years later, the program that many, including the mayor, had hoped would compete for public funding is instead scheduled to end in August.

Meanwhile, in Mexico, the CCT program that directly inspired its New York cousin is widely considered a success. Fourteen years

on the receipt of that cash force investment in "human capital," ideally lessening future dependence on the state. To infer that Opportunity NYC failed due to fundamental differences between rural poverty in Mexico and urban poverty in the United States, however, neglects that—beyond name, objective and CCTs—the programs themselves were fundamentally different. The purpose of this article is to clarify why the programs must be considered independently and to highlight one story that the data from Opportunity NYC told.²

***Oportunidades*: Enabling**

Each year, teenagers around the globe drop out of school not because they fail to

percent, and by 17 it was 26 percent. Where did they go? At 11 years of age, 4.26 and 1.69 percent of boys and girls, respectively, reported being employed. By age 16, those numbers were 48.65 for males and 13.22 percent for females.³

The *Oportunidades* program was designed to address the financial constraints preventing students from continuing their education. Every two months, eligible mothers of students with attendance of at least 85 percent received a cash subsidy. This subsidy, compensating for approximately 40 percent of the child's lost wages, increased with age and earning power, an acknowledgement of the root cause of dropping out.

Of the 506 very similar poor rural communities initially selected to receive the benefits of the program, eligible families in 320 randomly chosen communities were designated to receive the first round of benefits in 1998.⁴ Immediately, the "treated" villages saw a statistically significant increase in enrollment compared with the "control" villages, which did not receive cash subsidies. The percent of 14-, 15- and 16-year-olds enrolled in school increased by 16, 5 and 6 percent respectively.⁵

The potential for CCTs to positively influence school drop-out rates is not confined to the developing world. British and Australian programs that offered financially eligible students regular cash payments for staying in school are credited with an average four percentage point increase in the proportion of low-income students maintaining post-compulsory enrollment. The full impact is not completely ascribable to drawing employed students back to school (estimates are that two-thirds of the increase in U.K. enrollment is attributable to

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ago, *Oportunidades* (then PROGRESA) initiated cash payments to 300,000 impoverished rural families for actively managing their health and keeping their children in school. Today, having survived multiple political regimes, the program provides direct cash support to 5 million poor Mexican families (86 percent from rural areas) at an annual cost of \$3.62 billion.

The overarching objective and means of achieving that objective were the same in both programs: impede the intergenerational transmission of poverty by use of CCTs. Cash today lessens the strains of poverty immediately; conditions imposed

appreciate the opportunities education offers but because they cannot afford the investment. The economic concept of opportunity cost, which captures the mutually exclusive nature of decisions, permits this even when school is free. In developing countries such as Mexico, where compulsory education and child labor laws exist but are poorly enforced, the opportunity cost of education (not earning a wage) is often prohibitively high for the poor. Original survey data collected by *Oportunidades* demonstrates this. As late as 11 years of age, 92 percent of the rural Mexican children who were surveyed were still in school. By 15, that number dropped to 39

Effect on 9th-Graders Attempting and Earning 11 or More Units in the First Year of Opportunity NYC

	Academically Prepared		Academically Unprepared	
	% Attempting	% Earning	% Attempting	% Earning
Control Group	91.6	68.8	84.9	47.1
Program Group	95.7	77.6	90.5	43.6
Difference	4.1**	8.9**	5.6***	-3.5

SOURCE: MDRC calculations using data from New York City Department of Education administrative records

NOTES: ** and *** represent statistically significant differences between the control group and the program group at the 5 percent and 1 percent significance levels. "Academically Prepared" ninth-graders are defined as those students who were deemed proficient in math on their eighth-grade standardized tests. Results are qualitatively the same when proficiency in English is used instead.

previously inactive students), but the results nonetheless offer strong evidence that CCTs structured similarly to those of *Oportunidades* can make a difference in developed countries.

Opportunity: Incentivizing

The New York CCT program immediately diverged from *Oportunidades* by reinterpreting the conditions attached to cash transfers. Cash was used to incentivize achievement, not enable participation. Payments were made for attending school more than 95 percent of the time (\$25-\$50 per month), earning enough high school credits in a year to graduate on time (\$600) and passing standardized tests (\$300-\$600), among other accomplishments.

As indicated by the decision not to continue the program, the early numbers released in March fell short of expectations. Across elementary, middle and high school, students enrolled in the program showed no statistically significant increase in achievement on average. This does not mean, however, the incentives had no effect. Among high school students, who would have been most motivated by virtue of receiving cash payments directly, the fraction of students attempting 11 units (the number required for on-time graduation) and taking Regents Exams (students must pass at least five to receive a diploma) grew at statistically significant rates. The accompanying table reveals that the incentives' failure was not at getting people to try, but rather at getting them to consistently achieve.

Standardized test results from eighth grade allowed researchers to identify ninth-graders whom they termed "academically prepared." Compared with their equally prepared peers not in Opportunity NYC, an additional 8.9 percentage points of these students earned

11 or more credits. A 7.5 percentage point increase in the number of "prepared" freshmen passing at least one Regents Exam also occurred (not in the table).

There are two major conclusions to draw. First, independent of whether one believes in the appropriateness of external incentives in school, not all capable students are reaching their full potential without them.⁶ The ability of adolescents to recognize the full benefits of education on their own may be limited, and there is room even among the capable to improve performance. Second, and far more pressing, a great majority of underprivileged adolescents in New York outright lack the resources necessary for achievement. Without improving the education offered by schools or providing a support system for students beyond financial incentives, Opportunity NYC had an impact on "academically prepared" students that compares favorably with the accomplishments of whole-school reform movements such as the Talent Development Model and First Things First. Unfortunately, however, only a third of the student population meets this description. If the data accurately represent that the incentives were large enough to influence effort school-wide, then the implication is that by middle school a pronounced ability gap exists even within socioeconomically disadvantaged students.⁹

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ENDNOTES

- Beneficiaries of CCTs receive direct cash payments in return for taking specific actions to improve their general health and earning potential.
- Although this article is confined to the educational aspects of the New York and Mexican programs, both are comprehensive programs designed to holistically address the causes and consequences of poverty. The original name of the Mexican program, PROGRESA, is a Spanish acronym for health, nutrition and education. Our focus on education reflects that both programs' long-term goal was to break the cycle of poverty, and education is widely viewed as essential to this cause.
- This number misrepresents that enrollment dropped more precipitously for females than males. Presumably, many additional females were engaged in informal and unpaid household work. It's also likely that they perceived lower gains from education than their male counterparts did.
- Limited resources precluded an immediate full rollout. The others would be included in the program in 2000.
- The large increase for 14-year-olds reflects the critical transition from primary school to secondary school. The smaller number of secondary schools often meant traveling longer distances to attend, further discouraging enrollment.
- See Angrist and Lavy, as well as Jackson, for examples of other programs that reported success from financially rewarding students.

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