

Chapter 2

Summary of the Experimental Study

The experimental component of the CSDE is designed to assess the effects of a full pass-through/disregard. One feature of Wisconsin's welfare reform program, Wisconsin Works (W-2), is that for most mothers participating in it, any child support paid on behalf of their children is passed through to them and is disregarded in the calculation of their W-2 cash payments (that is, payments are not reduced by the amount of child support received).⁴ As discussed in Chapter 1, to evaluate the impact of the full pass-through, the W-2 child support policy was implemented as a random-assignment experiment. Most W-2 participants received a full pass-through of child support, but a randomly selected control group received a reduced amount. Because assignment to the experimental (full pass-through) and control (partial pass-through) groups was random, any differences in outcomes between the two groups can be attributed to the difference in the treatment of child support. The CSDE was designed to evaluate a variety of impacts of this new approach to child support, beginning with the direct effects of the new policy on child support paid and received. The study also includes measures of a wide range of potential secondary effects—on mothers' and fathers' employment and earnings, on parents' interactions, and on the well-being of their children. These effects were evaluated using state administrative records and a survey of W-2 families, primarily covering outcomes in 1998 and 1999.

The results of the experimental analysis were presented in the CSDE Phase 1 Final Report (Meyer and Cancian, 2001). In this chapter we focus primarily on the experimental results that are most readily compared with the results of nonexperimental analyses. The experimental outcome variables that best correspond to those used in the nonexperimental studies include child support paid and received and paternity establishment. In these areas, the experimental analyses showed significant effects of the full pass-through. In 1998, mothers eligible for the full pass-through received about \$150 dollars more in child support than did those in the control group. Since only those W-2 families receiving a cash payment (as opposed to those who receive only case management services) were subject to a reduced pass-through if they were in the control group, a separate analysis was done for those cases entering W-2 in a paid placement. Among those in that group, the difference was about \$200. Differences were somewhat smaller, but remained significant, in 1999.

Differences in amounts of child support received by mothers are due in large part to the mechanical effect of the full pass-through. However, there was also a significant increase in the percentage of nonresident fathers paying child support. These differences were statistically significant, but fairly small, in the full sample: 52 percent of fathers of children in the experimental group and 50 percent of fathers of children in the control group paid child support in 1998. However, among those more likely to be new to the child support and welfare systems, the differences were more substantial: among those cases in which the mother had not received AFDC in the two years prior to entering W-2, 58 percent of fathers with children in the experimental group, compared to 48 percent of fathers with children in the control group, paid child support in 1998. These differences remained significant and in many cases increased in 1999. Finally, there were also significantly higher rates of paternity establishment for those in the experimental group in 1998, although the difference declined and was not statistically significant among most subgroups in 1999.

The experimental analyses showed less consistent evidence of secondary effects, although in selected areas there was substantial evidence that the experiment had the expected impact. It was hypothesized that an increase in child support received would reduce the need for cash payments. There

⁴As of March 2000, child support is also disregarded in W-2 eligibility determination.

was evidence of this effect in 1998, with significant and larger differences among those mothers who received a W-2 cash payment and among mothers with a history of higher child support amounts. There was also some evidence of the expected effects on nonresident fathers' informal employment: fathers with children in the experimental group appeared to be substantially less likely to have informal earnings.

In other areas, little consistent evidence of an experimental impact was found. There were few significant impacts on mothers' employment or earnings, perhaps because increases in child support receipt were not sufficiently large to have such secondary effects, or perhaps because the increase in child support simultaneously helped facilitate employment and reduced the incentive to work. There were few consistent impacts on child well-being—although there was some evidence of fewer health limitations and improved educational outcomes for children in the experimental group. Most measures of nonresident fathers' relationships with the mother and child revealed few differences among the two groups. However, there was some evidence of higher informal transfers made by fathers in the experimental group, suggesting that formal and informal transfers are complements rather than substitutes.

While there were significant differences in some of the components of total government costs, there was no difference in overall government costs. Although more child support was passed through to those in the experimental group, not all of this was at the expense of the government, since some consisted of additional support that would not have been paid in the absence of the full pass-through. More important, the reform also generated cost savings in other areas, especially W-2 cash payments.

The effects shown in the experimental analyses are likely to understate the expected effects of the policy change in Wisconsin. First, the analysis shows larger effects among cases new to the welfare system. The effects of the experiment might be greater among those who have not already established behavioral patterns in response to the old system—a growing proportion of all cases over time. Second, W-2 involved dramatic changes in the administration and structure of welfare programs and payments. Especially in Milwaukee, where most participants reside, it appears that many caseworkers did not initially understand the CSDE or explain the implications of their experimental status to clients. In preliminary analysis of cases assigned as part of a later cohort of participants, after W-2 was more fully implemented and staff received additional training, there was some evidence of greater effects.

For a number of reasons the effects of the experiment may understate the effects of a full pass-through were it to be implemented in other states. First, the difference in the pass-through to those in the experimental and control groups in Wisconsin was more modest than the likely difference in other states. Even those in the control group received the greater of up to \$50 per month or 41 percent of child support paid. Under TANF, most states are neither passing through nor disregarding any child support. Second, to the extent that participants in other states might receive cash payments for a longer period, the effects of the policy change might also be greater. Third, because Wisconsin's caseload decline has been so steep, the state's current TANF recipients may be more disadvantaged than those in other states. This may mean that the amount of child support that nonresident parents could potentially pay may be lower, and thus the effects of a full pass-through may be lower in Wisconsin than elsewhere. Some of the factors that suggest greater potential impacts in other states could also lead to higher government costs than found in Wisconsin.