

## Executive Summary

In 1997 Wisconsin initiated a radically new approach to public assistance for low-income families, replacing Aid to Families with Dependent Children (AFDC) with Wisconsin Works (W-2). Critics charged that the AFDC program was expensive, discouraged work and marriage, and was ineffective at reducing high levels of poverty among children living in single-parent families. In addition, mothers may have had insufficient incentive to cooperate with the child support system, in that they did not fully profit from payments so long as they continued to receive benefits. W-2, in contrast, is a work-based program with time limits, so it was hoped that participants would increase their employment and earnings and decrease their reliance on public benefits. Moreover, because most W-2 participants are eligible to receive all child support paid on their behalf even when they are receiving cash benefits, it was hoped that the likelihood of paternity establishment and child support orders would increase, and that substantial amounts of child support would be collected. Some supporters also hoped that increases in earnings and child support would result in growth in total income, with concomitant declines in poverty and potential improvements in various measures of child well-being.

In this volume we report on several aspects of the lives of W-2 families participating in the first two years of W-2. Although the child support component of W-2 was the subject of an experimental evaluation (presented in Volume I of this report), no experimental evaluation of the overall W-2 program was implemented. Thus, we cannot formally evaluate the *impact* of the full W-2 program, because we do not have a clear counterfactual—that is, we cannot accurately predict what participants' lives would have been in the absence of W-2. However, we are able to assess a number of measures of economic success and general well-being, and to identify areas in which there is improvement in participants' lives over the first two years of the program. The chapters in this volume include reports on mothers' economic well-being, including their program participation, employment, and income, with particular emphasis on the receipt of child support. We discuss fathers' child support payments, employment, and relationships with their children. We also consider the extent to which children participating in W-2 have had paternity established, and several aspects of their well-being.

Each chapter in this volume was written by a team of researchers with particular expertise in the given area, and each uses somewhat different analytic methods and approaches. All draw on data from administrative records, from the Survey of Wisconsin Works Families, or both. Although it is impossible to summarize the findings of each chapter here, we highlight selected results.

### **Selected Findings: The Good News**

In part because of the substantial caseload reductions that preceded the implementation of W-2, many of the first participants in W-2 had low levels of education, substantial family responsibilities, and a history of reliance on welfare. Notwithstanding these barriers, we find *higher levels of employment* than have been found in other states, and *substantial growth in employment and earnings* over the short period considered. From 1998 to 1999, median wages grew from about \$7.00 per hour to about \$7.75 per hour, and average earnings for those who worked grew by more than \$2,000. *Average family income also increased*, rising from about \$12,000 in 1998 to nearly \$15,000 in 1999, and the poverty rate fell from 77 percent to 67 percent.

*Receipt of cash assistance payments declined dramatically* over the first 24 months after families entered W-2. At entry over 80 percent of mothers received cash payments, but in the twenty-fourth month only a fifth received any cash. Use of Food Stamps and Medicaid, potentially important supports even for families who have moved from welfare to employment, declined more modestly; by the twenty-fourth month, a little more than half the families continued to receive Food Stamps, and in about 80 percent of

families at least one individual was covered by Medicaid. Use of child care subsidies, another program that supports work, rose over the period, to about one-third of families. Despite reduced Medicaid coverage, *children were less likely to be uninsured* than children in low-income families nationally.

*Significant improvements in child support* occurred over the two years. If a child's father has not been legally established, no formal child support can be forthcoming; among families in the study, the percentage of children without established paternity declined from about 40 percent at entry into W-2 to less than 30 percent seven quarters later. Mothers were increasingly likely to receive child support: the percentage receiving something increased from 24 percent in the quarter of W-2 entry to over 35 percent seven quarters later. When child support was received, it was a significant part of a mother's income package, averaging \$1,500 in the first year and over \$1,750 in the second. Child support receipt was more common among W-2 participants than among the best available comparison groups nationwide.

### **Selected Findings: Concerns**

In spite of the improvements, the chapters highlight several concerns. Although family incomes were increasing, problems remained; *poverty levels were high, and significant economic hardships continued for many families*. Even in 1999, two-thirds of the families had incomes below poverty. About 15 percent of families said they sometimes or often did not have enough to eat, and about one in five had their gas or electricity turned off because they could not pay the bill. There is some evidence that the level of hardship declined over the two years, but the declines were small and in most cases not statistically significant. Mothers' personal incomes were fairly low, about \$10,000. They also show no growth between 1998 and 1999, because large increases in earnings and small increases in child support were offset by large declines in W-2 and small declines in Food Stamp receipt.

Another area of concern is that *mothers reported substantial dissatisfaction with W-2*. About two-thirds of mothers disagreed with the statement that "W-2 helped me get a job or get a better job," and nearly half disagreed with "I think I've been treated fairly on the W-2 program."

Although child support receipts in Wisconsin are above national figures and are improving over time, *continued improvement in child support may be very difficult*. Many fathers have no formal earnings, and those who do, have earnings that are quite low, a median of about \$9,000 per year. Those not paying support are particularly disadvantaged. Fewer than one-third of those not paying had formal employment, and most of those with employment had child support orders above 35 percent of their earnings. These findings suggest that remaining problems of nonpayment may not be addressed by policies that focus solely on enforcement tools linked to formal employment, because many nonpaying fathers are not linked to the employment system.

Another concern is the *high levels of conflict between the parents* in our sample: roughly two-fifths of mothers reported intense conflict with the children's father about some aspect of child rearing—a higher proportion than found in a national sample of resident mothers, perhaps as a result of the greater economic strain that low-income families, including these W-2 families, experience. Finally, for over one in ten children, health status was reported as fair or poor, a higher percentage than in a national sample of low-income families.

## **Conclusions**

This volume represents an initial effort to take advantage of the information gathered in the course of the child support evaluation to assess how W-2 recipients are doing. Much work remains to be done, and many of the key issues will not be resolved until the long-term implications of the policy changes can be measured. Nonetheless, our findings suggest the importance of comprehensive monitoring of welfare outcomes, even when an impact evaluation is not feasible. In considering potential policy changes, for example, in light of the upcoming debates over the reauthorization of the 1996 federal welfare law, it will be important to understand the ways in which Wisconsin's work-focused approach has been successful. The initial analyses in this volume illustrate the importance of taking a broad view and moving beyond simple measures of payment receipt and earnings.