

Executive Summary

With the introduction of Wisconsin Works (W-2) in 1997, Wisconsin initiated a radically new approach to public assistance for low-income families. W-2 replaced Aid to Families with Dependent Children (AFDC), the program that had previously offered cash to low-income, primarily single-parent families. W-2 participants are placed into one of four tiers of a “self-sufficiency ladder.” The two upper tiers, Unsubsidized and Trial (subsidized) Jobs, provide case management and associated programs, but no cash payment. The two lower tiers, Community Service Jobs and W-2 Transition, provide a cash payment in return for participation in worklike activities. W-2 also includes a unique child support component that is the subject of an experimental evaluation. This report presents the results of the second phase of the W-2 Child Support Demonstration Evaluation (CSDE). It includes results for two cohorts of cases; Cohort 1 cases entered during the first three calendar quarters of the experiment, and Cohort 3 cases entered during the sixth and seventh quarters of the experiment. Because some additional implementation training was done prior to the entry of Cohort 3 cases, comparing the early and later cohorts provides an opportunity to assess the effects of a more fully implemented program.

Welfare reforms such as time limits, work requirements, and the lack of an entitlement to cash assistance have made nonwelfare sources of income essential, and in turn have increased the potential importance of child support as an income source for low-income single-parent families. Wisconsin has both relatively stringent work requirements and a uniquely generous approach to child support. Mothers participating in W-2 have any child support paid on behalf of their children passed through to them, and disregarded in the calculation of their W-2 cash payments. In most other states, child support paid on behalf of children receiving cash assistance is kept by the government to offset welfare costs; thus the family receives no additional income from child support.

To evaluate the impact of the full pass-through, the W-2 child support policy was initially implemented as a random-assignment evaluation. From September 1997 through June 1999, most cases entering W-2 were assigned to receive a full pass-through of any child support paid, but a randomly selected control group was assigned to receive a reduced amount. These assignments remained in place until July 2002, when all cases began to receive the full pass-through. 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. In addition, an inadvertent suspension of random assignment in Milwaukee in the latter half of 1998 offered an opportunity to provide additional training to workers about the imperfectly understood pass-through policy, and then to create a new, later-entering cohort after random assignment was restarted in 1999. Although inclusion in the earlier or later cohort was clearly not random (and there are significant demographic differences between the two), we used regression analysis to attempt to isolate any differences between the two cohorts that were due to implementation changes rather than to demographic differences.

As shown in Chapter 2, although the full pass-through policy was well received among workers, understanding of the experiment was low among case managers, and worker understanding (never as great as would have been desirable for ideal implementation) actually declined between summer 2000 and spring 2002. Early results from the implementation study prior to the additional implementation training provided in late 1999 also showed low understanding of the experiment. Thus, it does not appear that the additional training had a strong effect on workers’ understanding of the pass-through policy and the experiment.

As shown in Chapter 3, we find evidence of the experiment's effects that is consistent with what has been found in earlier reports. Children in the full pass-through group were more likely to have paternity established than those in the control group, and a greater percentage of mothers in the full pass-through group both had child support paid on their behalf and received child support (the last being the mechanical effect of the full pass-through). These results were particularly apparent in the subgroups of cases that were likely to be new to the welfare system and those that had a history of higher child support paid on their behalf. Experimental effects were generally somewhat less apparent for the later-entering cohort, which could be partly due to the smaller sample sizes of that group.

We had hypothesized that the experimental effects would be stronger for the later-entering cohort than for the earliest entrants because of improvements in W-2 and in child support pass-through policy implementation. For the most part, we do not see this effect, and, in fact, in several instances the effects for the earlier cohort are stronger than for the later cohort. The one subgroup where the later cohort had stronger effects in child support outcomes consisted of cases that had a history of higher child support amounts. The lack of consistently stronger effects for the later cohort is not surprising in light of the findings of the implementation analysis reported in Chapter 2. That analysis showed that a lack of understanding of the experiment persisted even after the additional training.

The results of the CSDE presented here continue to demonstrate that Wisconsin's full pass-through has been able to increase child support amounts received among an economically vulnerable population. In many ways it is striking that we do find evidence of effects, given findings that the pass-through policy and experiment were not ideally implemented, the lack of a large difference in the policies faced by the experimental and control groups, the speed with which mothers have moved off W-2, and the relative socioeconomic disadvantage of W-2 participants. Now that the full pass-through policy is universal, and no cases receive a reduced pass-through, it should be easier to explain the policy to participants. Indeed, the state is currently undertaking a publicity effort aimed at increasing knowledge of the pass-through. This could increase the effects of the policy even beyond that shown in this report.

In most states, TANF participants do not receive any of the child support paid on behalf of their children. This no-pass-through policy generates revenue to offset the costs of providing public assistance and the costs of child support enforcement in the short run. Our results continue to suggest, however, that this policy has potentially detrimental effects on the development of child support as a long-run income source for single mothers and children. Given the time-limited nature of cash assistance, the benefits to government of retaining child support are also quite limited. In contrast, the benefits to children of establishing paternity and setting a pattern of child support payments are potentially more enduring. Especially for this reason, a full pass-through continues to appear to be a policy worthy of serious consideration by other states.