



# *The Wisconsin Works Applicant Study*

October 17, 2008

# Background

- Researchers at the UW Institute for Research on Poverty (IRP) are studying the W-2 application process
- Earlier reports document the W-2 application process and examine when and why some applicants drop out before completing the process
  - Based on site visits, review of CARES case notes, interviews with agency staff and with applicants who dropped out
- Today's presentation: Report on Post-Application Income and Earnings of W-2 Applicants
  - Builds on analysis of application process; uses administrative data to measure post-application income and earnings

# W-2 Application Process: Two Potential Paths

## 12-Day Process

- Agency appointments
- Job search activities

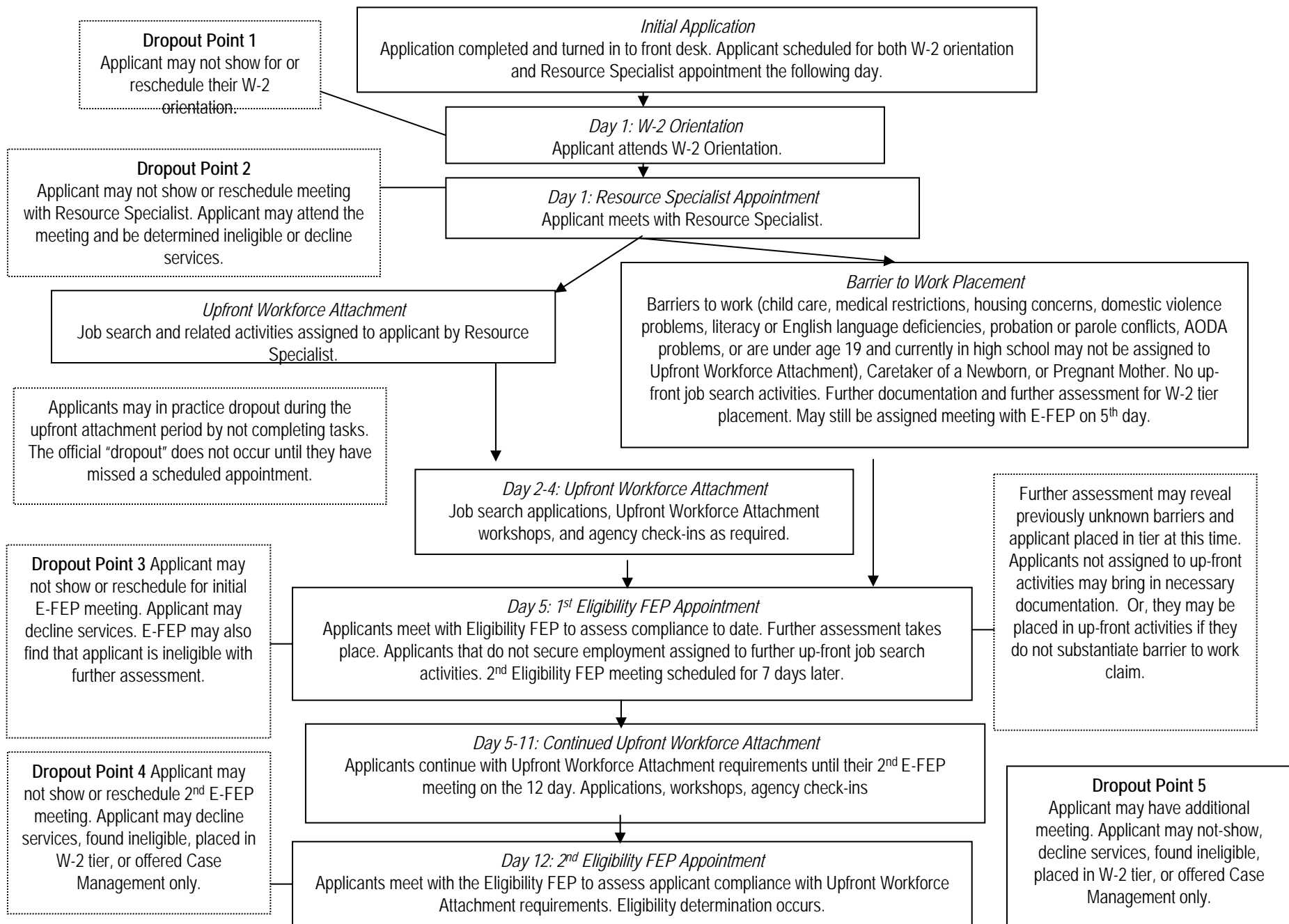
### W-2 Participant

- Completes pre-eligibility application process
- Receives placement
  - W-2 Cash Tier
  - W-2 Non-Cash Tier (CMS)

### W-2 Dropout

- Does not complete pre-eligibility application process
- Does not receive a placement

# Figure 1: W-2 Application Process Chart



# Potential Dropout Junctures by Dropout Reason (Table 1)

| Reason for Drop out   | Potential Drop-out Juncture |                     |                                 |                                 |           |
|---|-----------------------------|---------------------|---------------------------------|---------------------------------|-----------|
|   | Orientation                 | Resource Specialist | 1 <sup>st</sup> Eligibility FEP | 2 <sup>nd</sup> Eligibility FEP | Other FEP |
| No show (schedules but does not attend or reschedule appointment) | ✓                           | ✓                   | ✓                               | ✓                               | ✓         |
| Determined ineligible   |                             | ✓                   | ✓                               | ✓                               | ✓         |
| Declined services   |                             | ✓                   | ✓                               | ✓                               | ✓         |
| Denied services   |                             |                     | ✓                               | ✓                               | ✓         |
| Attends appointment, no placement or subsequent appointment occur | ✓                           | ✓                   | ✓                               | ✓                               | ✓         |

\*A check indicates that a drop out could occur at that juncture for the intersecting reason.

# Post-application Earnings and Income

- W-2 applicants in fall of 2006 followed in 2007 to measure income and program participation
  - Compare drop-outs and W-2 participants
  - Compare drop-outs who exit at different points in the process and participants who enter different tiers of W-2
- Measures include 2007
  - Earnings
  - Income (Earnings, EITC, Food Stamps, Child Support, W-2 )
  - Other Benefits (Medical Assistance, Child Care)

# Data and Sample

- Individuals who applied for W-2 in September and October 2006 (N=1,683, excludes two-parent households, male participants, and applicants determined ineligible for services)
- Administrative data from:
  - Unemployment Insurance program (UI) wage records
  - CARES records of W-2 cash benefits, Food Stamp, Medical Assistance and Child Care benefits
  - KIDS measures of child support received
- Cannot interpret differences in outcomes as due to W-2 participation/nonparticipation

# W-2 Applicant Characteristics

- At application:
  - 66% have earnings in the past year
  - 36% have received W-2 benefits in the past year
  - 90% have never been married
  - 75% have child under 6
  - 66% have less than high school degree
- Of all applicants:
  - 55% drop out (N=907)
  - 45% enter W-2 (N=776)
    - W-2 cash-tier placements: N = 673 (87%)
    - W-2 CMS placement: N = 103 (13%)
- Drop outs somewhat younger, and less likely to be pregnant at application (5% v. 24%)

**Table 2: Comparing Demographics of W-2 Dropouts and Participants**

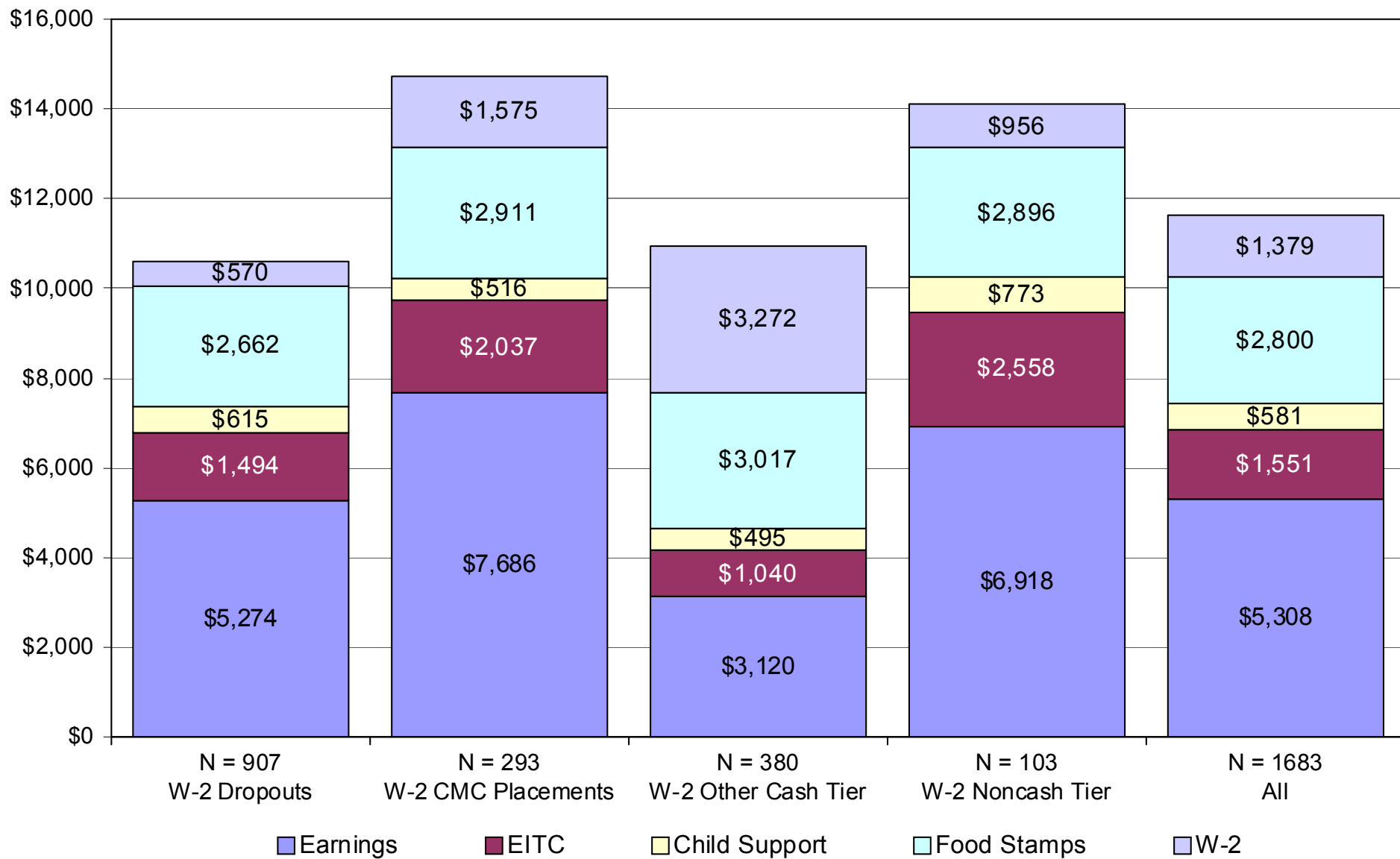
| <i>CHARACTERISTICS</i>                    | <i>W-2 PLACEMENTS</i> |      | <i>W-2 DROP OUTS</i> |      | <i>OVERALL</i> |      |
|---|-----------------------|------|----------------------|------|----------------|------|
|   | N                     | %    | N                    | %    | N              | %    |
|   | 776                   | 44.7 | 907                  | 55.3 | 1683           | 100  |
| <i>Age***</i>                             |                       |      |                      |      |                |      |
| <=18 years                                | 91                    | 11.7 | 64                   | 7.1  | 155            | 9.2  |
| 18-24 years                               | 319                   | 41.1 | 329                  | 36.3 | 648            | 38.5 |
| 25-32 years                               | 225                   | 29.0 | 268                  | 29.6 | 493            | 29.3 |
| =>33 years                                | 141                   | 18.2 | 246                  | 27.1 | 387            | 23.0 |
| <i>Race</i>                               |                       |      |                      |      |                |      |
| White                                     | 73                    | 9.4  | 71                   | 7.8  | 144            | 8.6  |
| AA  | 617                   | 79.5 | 725                  | 79.9 | 1342           | 79.7 |
| <i>Marital Status-Never Married**</i>     | 713                   | 91.9 | 793                  | 87.4 | 1506           | 89.5 |
| <i>Pregnant at time of Application***</i> | 186                   | 24.0 | 43                   | 4.7  | 229            | 13.6 |
| <i>Ed. Level*</i>                         |                       |      |                      |      |                |      |
| <HS                                       | 510                   | 65.7 | 607                  | 66.9 | 1117           | 66.4 |
| <i>Employed in previous 4 Quarters**</i>  | 543                   | 70.0 | 567                  | 62.5 | 1110           | 65.9 |
| <i>W-2 Receipt in previous 12 months*</i> | 253                   | 32.6 | 349                  | 39.5 | 602            | 35.8 |

Levels of significance: \*\*\* p<.001; \*\*p<.01;\*p<.05

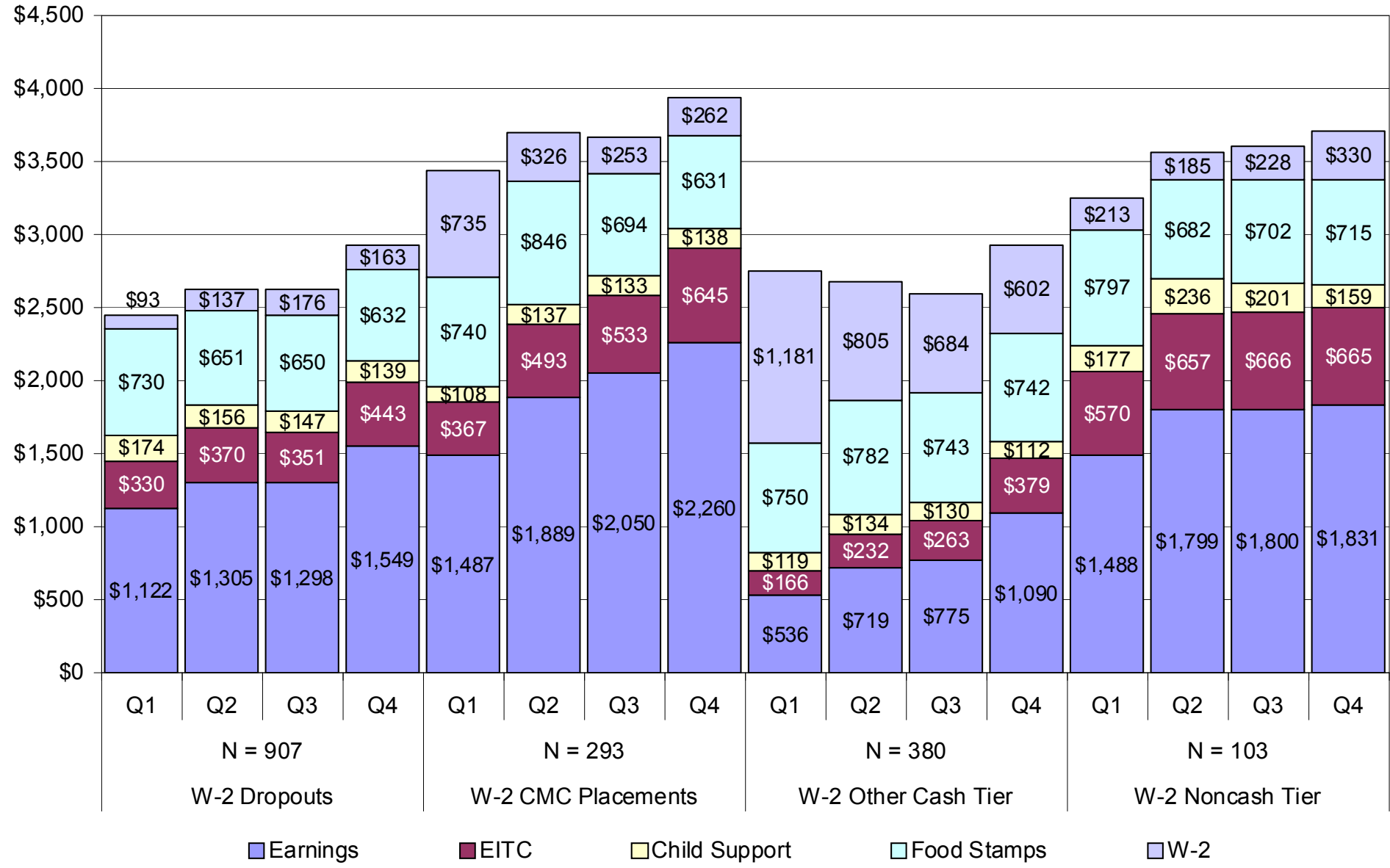
# Average Annual Income (Figure 2)

- Total average income: about \$11,600 in 2007
  - CMC: \$14,726
  - CMS: \$14,101
  - Other W-2 cash tier: \$10,945
  - Dropouts: \$10,615
- Income Sources
  - Earnings and Food Stamps most important
  - Less common sources important for some:  
W-2 (~\$3000, for 47%); CS (~\$1500 for 39%)

**Figure 2**  
**2007 Annual Earnings and Income by W-2 Dropouts and Participant Groups**



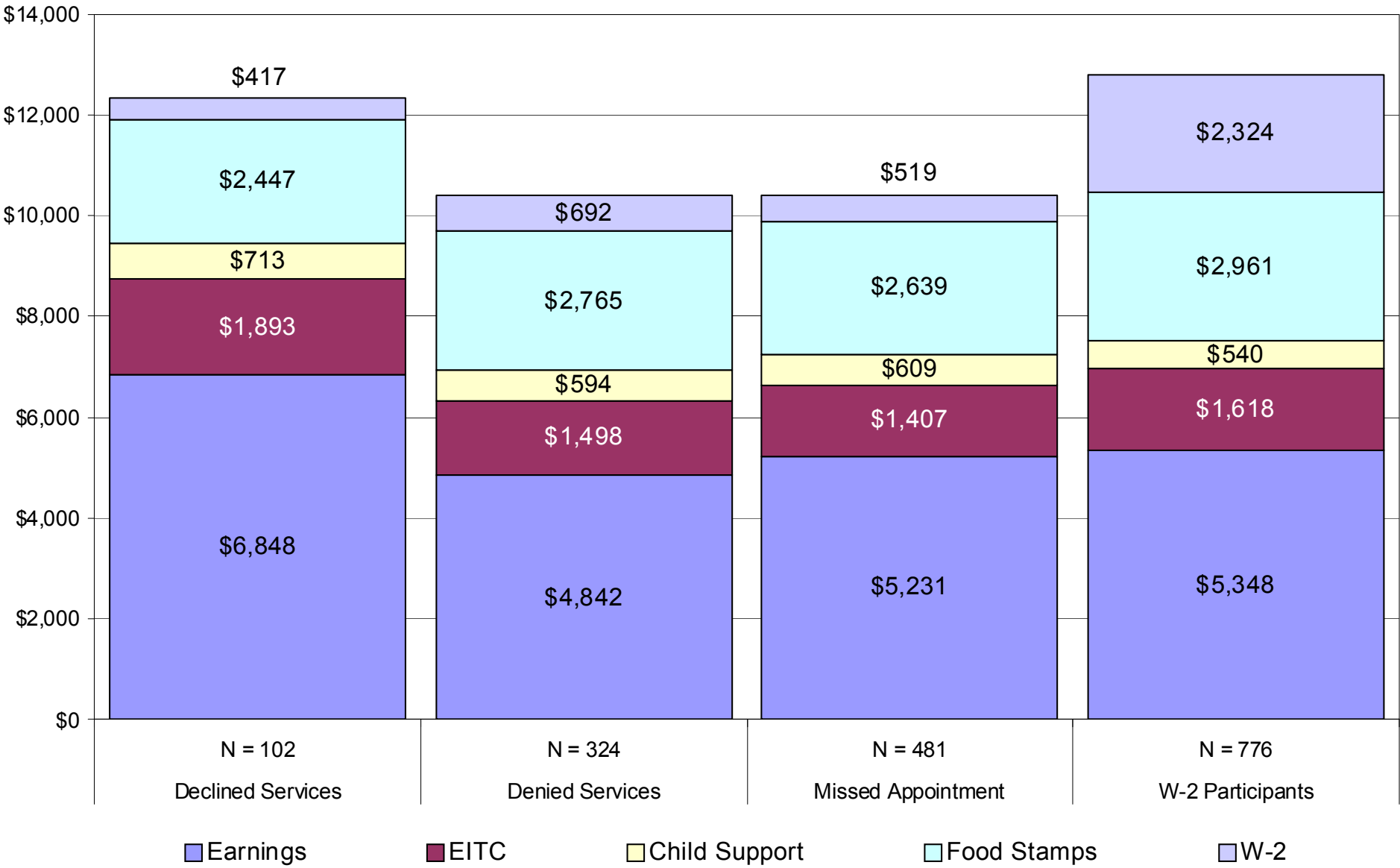
**Figure 3**  
**2007 Quarterly Earnings and Income by W-2 Dropouts and Participant Groups**



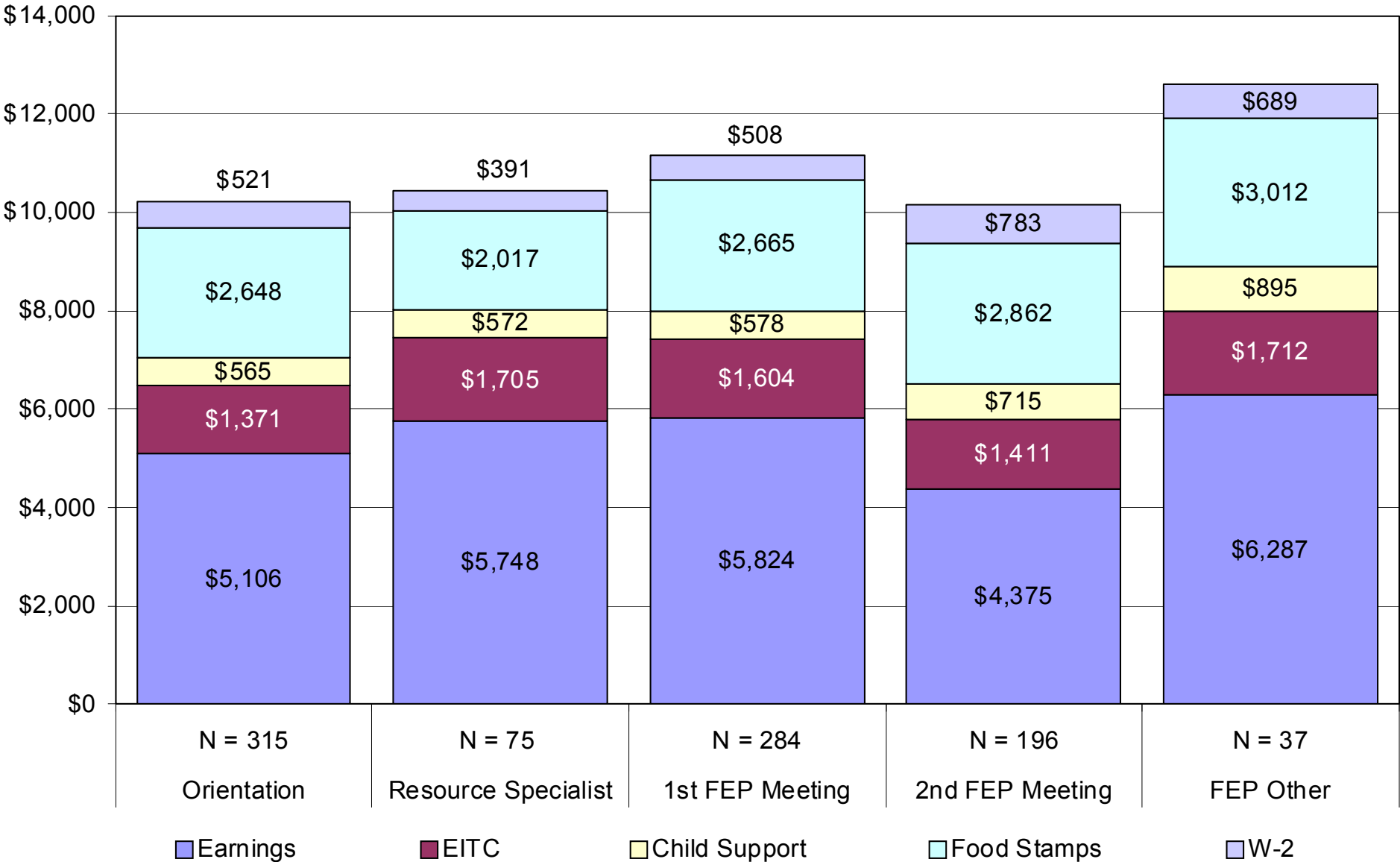
## 2007 Earnings and Income by Drop-Out Reason and Juncture

- Those who decline services have higher post-application income primarily due to higher earnings (Figure 4)
- Only modest differences in post-application income by drop-out juncture (Figure 5)

**Figure 4**  
**2007 Annual Earnings and Income by Drop-Out Reason**



**Figure 5**  
**2007 Annual Earnings and Income by Drop-Out Juncture**



## Substantial Differences in Poverty Rates (Table 3)

- Measure “poverty” and “deep poverty” by comparing our measure of total income to 100% and 50% of Federal Poverty Line (\$17,170, \$8,585 for mother with 2 children)
- W-2 participants and dropouts have similar proportions below poverty line (77% and 80%)
- Dropouts more susceptible to deep poverty (32% compared to 54%)
- Rates of poverty vary by W-2 participation type
- Rates of poverty vary by the reason the drop out occurred

### Table 3: Poverty Rates

|                                       | <i>Below FPL</i> | <i>Below 50% FPL</i> |
|---------------------------------------|------------------|----------------------|
|                                       | %                | %                    |
| All (N = 1683)                        | 77.0             | 43.8                 |
| W- 2 Placements (N = 776)             | 74.1             | 32.4                 |
| <i>By Placement Type</i>              |                  |                      |
| CMC Placements (N = 293)              | 61.8             | 27.7                 |
| W-2 Other Cash-Tier ( N = 380)        | 84.5             | 37.1                 |
| W-2 CMS (N = 103)                     | 70.9             | 28.2                 |
| W-2 Drop Outs ( N = 907)              | 79.5             | 53.6                 |
| <i>By Juncture</i>                    |                  |                      |
| Orientation (N = 315)                 | 81.3             | 57.5                 |
| Resource Specialist (N = 75)          | 80.0             | 50.7                 |
| 1 <sup>st</sup> FEP Meeting (N = 284) | 76.1             | 52.1                 |
| 2 <sup>nd</sup> FEP Meeting (N = 196) | 81.6             | 54.1                 |
| Other FEP Meeting (N = 37)            | 78.4             | 35.1                 |
| <i>By Reason</i>                      |                  |                      |
| Declined Services ( N = 102)          | 69.6             | 46.1                 |
| Denied Services (N = 324)             | 80.9             | 53.1                 |
| Missed Appointment ( N = 481)         | 80.7             | 55.5                 |

# Medical Assistance and Child Care Subsidy Receipt

- Medical Assistance
  - High levels of participation overall
  - W-2 participants somewhat higher and more consistent participation (99% v. 91%)
  - Drop-outs who missed an appointment least likely to receive MA (88%)
  - Many lose coverage in late 2007– recertification issues?
- Child Care Subsidies
  - W-2 participants more likely to receive Child Care Subsidies (54%) than are dropouts (34%)
  - Average 6-7 months of benefits in 2007 among those receiving any

# Summary

Economic status of applicants?

- Average income 2007: \$11,600
- Earnings most important source of income followed by food stamps and the EITC
- W-2 and CS important for some
- High levels of poverty overall, but substantial and growing earnings across groups

# Is the application process working?

## Some good news:

- Only about 20% of drop-outs enroll in W-2 in the following year; “diversions” are mostly long-term
- Most families who do not receive W-2 are getting Food Stamps and MA, and a substantial minority receive child care subsidies
- Those who decline services have average incomes above the average for all applicants
- Applicants placed in W-2 CMS have average earnings (and incomes) above the average for all applicants

# Is the application process working?

## Some concerns:

- High levels of *deep* poverty; many diverted families do not appear to be accessing alternative sources of support.
- 54 percent of drop-outs face deep poverty
  - Declined Services 46.1
  - Denied Services 53.1
  - Missed Appointment 55.5
- What is the right comparison?

# Next Steps

- Addition of WiSACWIS data to track child welfare involvement (USDHHS/ACF grant)
- Analysis of a more recent cohort of applicants, following W-2 policy change (USDHHS/ACF grant)
- Examine the dynamics of W-2 participation and receipt of other benefits (MA, Child Care Subsidies, Food Stamps)