

Examining the Effects of the TANF and W-2 Laws

Jon Peacock and Michael Pancook, August 2006

Politicians tend to fixate on caseload trends as a measure of the success of welfare reform efforts. We examine those trends in another brief in this series. However, parents who are no longer receiving cash assistance are not necessarily on their way to self-sufficiency and may not even be holding down a job. Thus, it is important to look at other measures to try to gauge the impact of the TANF and W-2 laws.

In this paper we briefly summarize what is known about the effects in Wisconsin of the federal TANF law and the W-2 program – beyond the cash caseload reduction. We focus in this brief on the objective evidence rather than general critiques or anecdotal examples of how families have been affected. It is important to note that the limited data on outcomes make it difficult to reach conclusions, and we discuss that problem in more depth in another brief.

Self-Sufficiency

A comprehensive report on the W-2 program issue by the Legislative Audit Bureau (LAB) in April 2005 included a section on “program effectiveness.” The LAB examined the effect of W-2 in helping people become self sufficient, and it found the following:

- “approximately 20.0 percent of former participants earned more than the poverty level in the year after they left W-2, while the majority did not;
- the percentage of former participants with incomes above the poverty level increased slightly each year from 2000 to 2003; and
- 42.1 percent of those who left W-2 in 1999 earned more than the poverty level in 2003, after the inclusion of several tax credits.”¹

The audit report went on to note that *“the extent to which former participants subsequently return to subsidized placements provides another indication of how well W-2 has helped participants achieve economic self-sufficiency. Returning participants increased from 38.6 percent of all subsidized placements in June 2000 to 52.3 percent in June 2004.”*

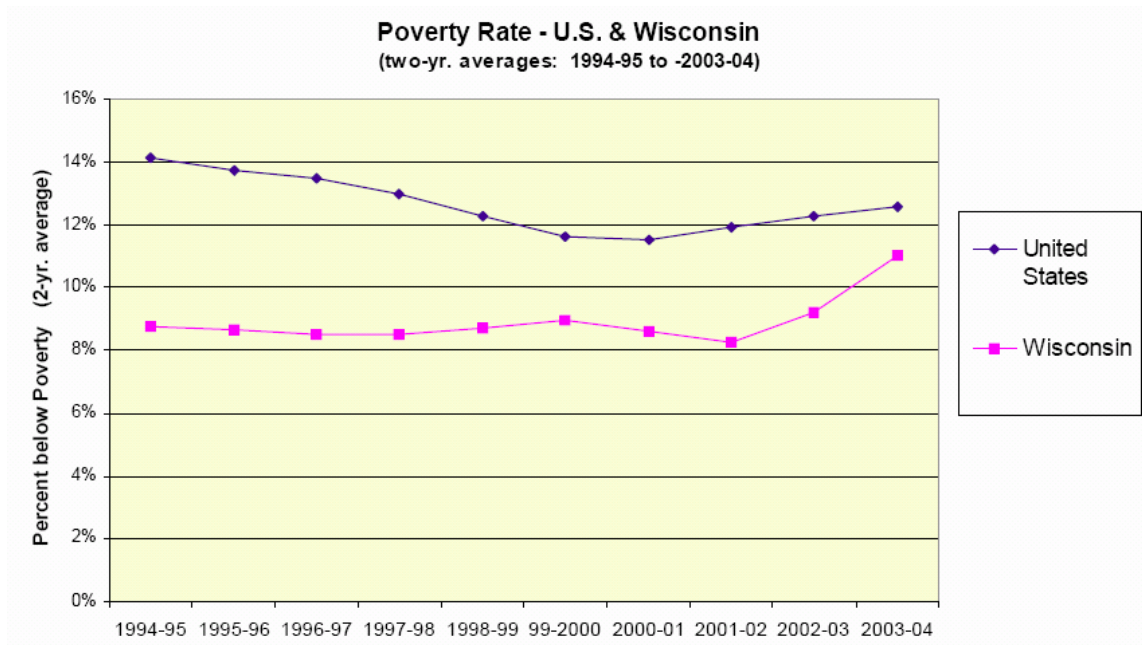
Poverty

Information from the United States Census indicates that, since the enactment of the W-2 and TANF legislation in 1997, poverty in Wisconsin has increased in relation to the poverty rate in the nation. While the national rate fell from slightly less than 14 percent to under 12 percent between 1996 and 2000, Wisconsin’s rate remained fairly constant between 8 and 9 percent. Since 2001, the poverty rate in Wisconsin has risen at a greater pace than that of the nation overall.

Statistics on the percentage of children in poverty and extreme poverty (families with incomes less than 50 percent of the poverty level) show a similar trend of Wisconsin gaining on the nation as a whole. The percentage of Wisconsin children in poverty rose from 12 to 14 percent between 2000 and 2004, while the national rate grew from 17 to 18 percent. Whereas Wisconsin’s rate of children

¹ Legislative Audit Bureau, *Wisconsin Works (W-2) Program*, p. 5.





in extreme poverty was less than half that of the nation in 2000 (3 percent vs. 7 percent), it was almost the same in 2004 (7 percent vs. 8 percent).² Although many factors affect the percentage of children in poverty, TANF and W-2, whose goals are to assist families in gaining sustainable employment and achieving self-sufficiency, play an important role.

Child Welfare

A longitudinal study of Milwaukee County parents who applied to W-2 between March and August of 1999 indicated a number of trends detrimental to child welfare. A lead author, Mark Courtney, noted the program’s inability to address family tension: the study found that *“there was evidence of serious stress at home. More than half the parents had already been investigated for child maltreatment when they applied for welfare. Two of five were investigated in the next five years, and about one-sixth had a child placed in foster care.”* After following the families for four years, the researchers discovered that *“the parents were no better off financially. By 2003, the sample’s median income from earnings and welfare payments had actually fallen. Eighty-six percent were raising children on incomes below poverty level.”*³

Conclusion

Although the cash assistance caseloads have dropped sharply, welfare reform does not appear to have succeeded in reducing poverty in Wisconsin or enabling many former W-2 participants to move toward self-sufficiency. In fact, poverty has increased sharply in Wisconsin in recent years, and there has been an especially disturbing increase in children living in extreme poverty.

Looking ahead to the next ten years of welfare reform, Wisconsin should put more emphasis on giving low-income families the skills and assistance they need to climb toward self-sufficiency. That will require improving the training and education opportunities for W-2 participants, and continuing to refine and improve the state’s recent efforts to gather better data on the effectiveness of the services offered by W-2 agencies.

² Annie E. Casey Foundation, *2006 KIDS COUNT Data Book*

³ The study was administered by the University of Chicago’s Chapin Hall Center for Children. Source: Mark E. Courtney, *Welfare Reform in Wisconsin showed early flaws*, Milwaukee Journal Sentinel, July 29, 2006