



# From Getting By to Getting Ahead

NAVIGATING CAREER ADVANCEMENT  
FOR LOW-WAGE WORKERS

by Betsy L. Tessler and David Seith

OCTOBER 2007

THE WORK ADVANCEMENT AND SUPPORT CENTER DEMONSTRATION



**The Work Advancement and  
Support Center Demonstration**

**From Getting By to Getting Ahead  
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Low-Wage Workers**

**Betsy L. Tessler  
David Seith**



**October 2007**

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## Overview

The Work Advancement and Support Center (WASC) demonstration presents a new approach to helping low-wage and dislocated workers take strategic steps to advance — by increasing their wages or work hours, by upgrading their skills, or by finding better jobs. At the same time, these workers are encouraged to increase and stabilize their income in the short term by making the most of available work supports, such as food stamps, public health insurance, subsidized child care, and tax credits for eligible low-income families. The WASC program — located mostly in the One-Stop Career Centers created by the Workforce Investment Act — is being delivered in four sites: Dayton, Ohio; San Diego, California; Bridgeport, Connecticut; and Fort Worth, Texas.

From just getting by at the end of each month to getting ahead is a hard climb for low-wage workers, often requiring several steps, and the key to making sustained progress is to reach high enough to make sure that each step actually leads to financial gain. But because of the complex ways in which earnings interact with taxes and the phase-out of work supports (what economists refer to as “high marginal tax rates”), it is difficult for workers to anticipate whether a given advancement step pays. This report analyzes the interaction between earnings and the full package of work supports for different types of families and explores how career coaches in two of the sites — Dayton and San Diego — help low-wage workers understand and negotiate these complex interactions and guide them to make the best advancement decisions possible.

## Key Findings

- For nearly all families, the way in which work supports phase in and out as earnings increase creates an incentive to advance when earnings are low. However, between the federal poverty line and the eligibility limits for most supports — as the Earned Income Tax Credit and food stamps simultaneously phase down — workers “take home” a relatively small proportion of their additional earnings, creating a possible disincentive to advance.
- Career coaches in WASC and similar programs can help workers make strategic advancement decisions by preparing them to transition from public health insurance and subsidized child care to alternate arrangements before reaching the “eligibility cliffs” for these programs and by comparing the take-home rates afforded by different advancement and training opportunities.
- The WASC Work Advancement Calculator — a custom-designed Web-based tool — estimates workers’ eligibility for work supports, identifies eligibility cliffs, and quantifies how changes in earnings will affect changes in total income. In practice, the calculator has not been used in Dayton and San Diego as consistently as envisioned.
- Career coaches in Dayton and San Diego report that their customers are taking up work supports and taking advantage of the often limited advancement opportunities available to them.

A report describing early impacts from the four WASC sites will be completed in late 2008.



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## Preface

For more than 40 years, the conventional wisdom has been that the best antipoverty strategy is to help the unemployed get jobs. And while work is a precondition to escaping poverty, getting a job is not the problem that it once was for *most* segments of the population, as the unemployment rate has remained historically low for a decade — between 4 percent and 6 percent. Rather, the key problems facing most poor people today are that they are working in jobs that don't pay enough and that they are not advancing up the career ladder.

The Work Advancement and Support Center (WASC) demonstration is one of three large studies that MDRC is conducting that are focused on learning how to help low-wage workers progress in the labor market. With generous support from the U.S. Department of Labor and a group of public and private funders, MDRC has developed in WASC a unique demonstration program that brings together workforce development and welfare agency professionals to provide intensive coaching to low-wage and dislocated workers. Located mostly in One-Stop Career Centers created by the Workforce Investment Act, WASC coaches encourage low-wage workers to take strategic steps to advance — by seeking increases in their wages or work hours, by acquiring additional education and new skills, or by finding better jobs — while increasing their income in the short term by accessing work supports like food stamps, public health insurance, subsidized child care, and tax credits for low-income families. But this is easier said than done. As earnings rise and work supports begin to phase out, the resulting high marginal tax rates can make workers wonder whether they're worse off financially. Moreover, the interplay between receipt of work supports and increased earnings is hard to understand — for low-wage workers and agency staff alike — leaving workers unsure about whether to accept advancement opportunities that might put their work supports at risk.

The conundrum of high marginal tax rates has paralyzed policymakers for decades. The WASC project attempts a bottom-up approach, equipping low-wage workers with the knowledge and tools to mitigate the resulting eligibility cliffs — in essence, by seeking wage and hours increases that allow workers to bridge the worst income drops. This report offers a nuanced yet accessible account of the complex relationship between work supports and advancement. Using simple examples and tools developed for the WASC demonstration (including the WASC Work Advancement Calculator), the authors explain how eligibility for work supports changes in predictable ways as earnings increase. The bottom line is that advancement *nearly always pays* and that WASC coaches (and other workforce professionals) can help low-wage workers make intelligent advancement choices that take into account the phasing in and out of work support benefits.

While it is still too early to judge whether WASC is making a difference for low-wage and dislocated workers, this report provides both a compelling theory and practical advice for combining work supports with advancement coaching, which should be of interest to workforce development professionals around the country.

Gordon L. Berlin  
President



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MDRC’s capacity to carry out a demonstration with an ambitious learning agenda depends heavily on the ongoing commitment of key funding partners. For WASC, ongoing support from the following people has been vital and is greatly appreciated: Maria Flynn and Roxie Nicholson at the U.S. Department of Labor; Steve Carlson and Erika Jones at the Food and Nutrition Service, U.S. Department of Agriculture; Naomi Goldstein, Nancye Campbell, and Patrice Richards at the Administration for Children and Families, U.S. Department of Health and Human Services; Helen Neuborne at the Ford Foundation; Jennifer Phillips at the Joyce Foundation; Darren Walker at the Rockefeller Foundation; and Bonnie Howard at the Annie E. Casey Foundation.

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John Hutchins, Caroline Schultz, and Donna Wharton-Fields. Zawadi Rucks coordinated the report's production, and she and Jeff Berman, Andrew Colopy, and Ed Wong helped produce the report's exhibits and fact-checked the report for accuracy. Daniella van Gennep prepared the cover design; Bob Weber and John Hutchins edited the final draft; and Stephanie Cowell and David Sobel prepared the report for publication.

Finally, we would like to pay special tribute to Ursula Weil, a beloved career coach from Dayton who passed away earlier this year. We particularly appreciated her enthusiasm for this demonstration and her role in it, as well as her openness and candor. Her customers continue to talk about her with gratitude and affection, and we will think of her as her work is carried on.

The Authors



# Executive Summary

## Introduction

With support from the U.S. Department of Labor and a group of public and private funders, the Work Advancement and Support Center (WASC) demonstration presents a new approach to helping low-wage workers take strategic steps to advance — by increasing their wages or work hours or by acquiring employer-provided benefits — and thereby increase their earnings in the long term. At the same time, these workers are encouraged to increase and stabilize their income in the short term by making the most of available work supports — public supports such as food stamps, public health insurance, subsidized child care, and tax credits for eligible low-income families. Building on the best elements of employment policy over the past several decades, WASC brings together the workforce and welfare systems to address two primary issues: First, many low-wage workers, whose numbers have grown during the past decade or so, are not earning enough to support themselves or their families and are not, for the most part, advancing on their own to better-paying jobs. Second, although the work support system has expanded greatly over the past 20 years, many low-wage workers are not taking up the work supports for which they are eligible and which could substantially increase their income and boost job retention. WASC's goals, therefore, are to increase the take-up of work supports among eligible workers to boost household income while also working with them to advance in the labor market and thereby increase their earned income.

This report provides details and illustrations of how work supports and advancement interact with each other, and it offers an early look at the implementation experiences of the first two sites in the demonstration — Dayton, Ohio; and San Diego, California — with coaching toward advancement.

## The WASC Model

The best path toward advancement is sometimes complicated — involving decisions about combining work, training, and work supports in an optimal way — and could be difficult to navigate on one's own. The interplay between increasing earnings and the receipt of work supports is such that as earnings increase, financial work supports decrease or disappear altogether. WASC, therefore, is designed to provide intensive career coaching to low-wage workers so that they can navigate successfully the often complicated interaction between advancement and work supports, ensuring all along that each step they take will increase their total income and improve the circumstances of their employment. Sites in the demonstration are building integrated teams of workforce and welfare agency professionals who are charged with offering intensive career and advancement coaching for low-wage workers, increasing the access to and

take-up of financial work supports, and building new linkages with employers in order to develop and deliver career advancement services — and work supports — directly at the work site.

“Advancement” in WASC is defined as obtaining an increase in wages or work hours, obtaining employer-provided benefits, or obtaining better work hours. The work support package offered by WASC includes food stamps, public health insurance, child care subsidies, the Earned Income Tax Credit (EITC), and the Child Tax Credit (CTC). To assist low-wage workers with advancement, career coaches have several tools at their disposal, including the Income Improvement and Advancement Plan (which helps customers identify their advancement goals, possible pathways to advancement, such as training, and their motivation to advance) and the Work Advancement Calculator (which quantifies the changes in income that would result from specific advancement moves, taking into consideration the loss of work supports and the increase in taxes). WASC’s integration of work supports and workforce services, through a variety of models, leads to an eased application process for work supports, thereby encouraging the take-up of those supports for which customers are eligible.

## **The WASC Evaluation**

WASC was designed so that the model could be tested for effectiveness and replicability. Because the sites are diverse with regard to their workforce and welfare agency structures, demographics, and labor markets — among other factors — they therefore should help test the adaptability and feasibility of the WASC program model in different contexts across the United States. The WASC evaluation is testing the program’s effectiveness using a random assignment research design, in which low-wage workers are assigned, using a lottery-like process, to either the WASC group or a control group, who are not eligible for WASC services but are eligible for existing services in the community. The findings from the full evaluation will be included in future reports.

MDRC selected the first two sites in the fall of 2003: the Job Center in Dayton, Ohio, and the South County Career Center in Chula Vista, California (part of San Diego County and commonly referred to as the “San Diego” site). In 2005, the Southwestern CTWorks Center in Bridgeport, Connecticut, and Workforce Solutions for Tarrant County in Fort Worth, Texas, were chosen as the third and fourth sites. These last two sites began to pilot the WASC demonstration during the summer and fall of 2006, while the first two sites — called the “learning sites” — began their pilots in January 2005 and have been operating full programs since spring of that year. Three of the four sites — those in San Diego, Bridgeport, and Dayton — offer their services at the One-Stop Career Centers created by the Workforce Investment Act (WIA) of 1998 and hope to offer them at employers’ work sites as well, while the fourth site (located in Fort Worth) is serving individuals entirely through an employer-based approach.

WASC aims primarily to reach low-wage workers — including both heads of households with children and single or married adults without children — who are relatively low-income and who have had limited prior connection with the welfare system. A second target group for WASC is reemployed “dislocated workers” — those who have lost better-paying (but often not highly skilled) jobs due to economic restructuring, as in the automobile industry. The new jobs of many of these workers pay wages that are below — often well below — the wages of their previous jobs. Actual characteristics to date of WASC research sample members vary somewhat from the target: They include somewhat higher-income workers than originally envisioned, and more individuals than expected have had experiences with the welfare system.

## **The Interaction Between Career Advancement and Work Supports**

From just getting by at the end of each month to getting ahead is a hard climb for low-wage workers, often requiring several advancement steps, and the key to making sustained progress is to reach high enough to make sure that each step pays. But because of the complex ways in which earnings interact with taxes and public benefits, it is difficult for workers to anticipate whether a given advancement step will actually improve their financial position. Career coaches in the WASC demonstration are expected to help workers understand the complex interaction between advancement and work supports:

- **The WASC package of work supports can substantially strengthen family income while workers take steps to increase their earnings.** For example, a single mother with one child living in Ohio and working 20 hours per week at \$9 per hour can boost her income by 36 percent by taking up the full package of work supports for which she is eligible. In particular, this individual would be eligible for approximately \$256 per month in food stamps and over \$2,700 in the annual Earned Income Tax Credit (EITC). In addition, she would be eligible for Healthy Start (Ohio’s children’s health insurance program) or Healthy Families (Ohio’s Medicaid program) and for subsidized child care.
- **The interplay between advancement and work supports is complicated, and the effects of advancement on take-home income are not always easy to predict.** As workers advance, the same supports that “make work pay” begin to phase out. Workers often do not understand how specific advancement decisions will affect total take-home income, given increases in taxes and decreases in work supports. As important, and often more so, are “eligibility cliffs,” whereby eligibility for certain work supports, such as

health care and child care subsidies, ends abruptly at specific (though often unknown) earnings levels.

- **For nearly all families, the way in which work supports phase in and out as earnings increase creates three distinct “advancement phases.”** To workers, it might seem as though the amounts of food stamps and tax credits bounce up and down randomly as earnings change, but each of the three work supports phases in and out in predictable ways as earnings increase, forming three distinct “advancement phases.” In the first phase, when customers’ earnings are low, the value of the full work support package increases with increasing earnings, providing strong advancement incentives. Advancement incentives are also high in the third phase, when the Earned Income Tax Credit and food stamps have completely phased out and customers have less to lose as their earnings increase. Thus, in the first and third advancement phases, workers can pocket a greater proportion of their increasing income (that is, they have higher “take-home rates”), which offers them stronger incentives to advance. But in the second advancement phase, when customers’ earnings are above the federal poverty guideline but below the upper income limit of work supports, food stamps and tax credits simultaneously phase out with increasing earnings, sometimes yielding particularly low take-home rates. WASC career coaches might have to work most closely with customers in this second phase, to prepare them for declines in work supports, to remind them that advancement still pays, and to encourage them to move toward the third phase.
- **It almost always pays to advance, but how much it pays depends on workers’ family composition and initial earnings levels.** How much a particular advancement step pays for a particular family is often difficult to decipher, given the patchwork system of work supports. For example, large families have the most to gain from the “full dose” of WASC services — advancement coaching and work supports — as they are eligible for relatively large amounts of work supports over a relatively broad spectrum of earnings. On the other hand, nonparents with relatively high wages have less to gain from work supports and, thus, less to lose from advancement.
- **Career coaches can use knowledge of the interplay between earnings and work supports to coach workers toward advancement.** As customers approach eligibility cliffs that end benefits, WASC career coaches can help them make advanced plans to maintain health insurance and child care coverage. Understanding how work supports increase and decrease over the

earnings trajectory enables coaches in WASC and caseworkers in similar programs to offer strategic advice about which advancement options will result in the highest take-home income. Messages for workers in the first advancement phase convey the strong advancement incentives conferred by the high take-home rates. While still emphasizing advancement, career coaches can help customers in the second phase to plan advancement steps more strategically, inasmuch as workers gain a little less than one dollar in take-home income for each additional dollar in earnings.

## Early Implementation Findings

Although the WASC demonstration is still in a relatively early stage of implementation, this report describes how WASC career coaches, particularly at the first two sites (Dayton and San Diego), are using the insights described above about the interaction of work supports and advancement to help customers make sound decisions:

- **Each of the four WASC sites has successfully implemented advancement-focused programs offering a single point of access for career services and work supports, though their models vary in the degree of staff cross-training versus specialization.** The three sites based at One-Stop Career Centers have successfully launched integrated career advancement and work support services with a strong emphasis on advancement. Whereas some sites have emphasized cross-training (the workforce and the welfare staff are trained to provide both advancement and work support services), other sites have emphasized specialization (the workforce staff specialize in advancement services while the welfare staff specialize in work support services, and customers see both types of staff during a visit). The learning sites in Dayton and San Diego have progressed further toward having each career coach able to provide the full spectrum of WASC services, though it has proved more difficult in all four sites to share responsibilities for work support eligibility than for career coaching services.<sup>1</sup> The Fort Worth site is developing a unique employer-based model.
- **The WASC Work Advancement Calculator — a custom-designed Web-based tool — estimates customers' eligibility for work supports and quantifies how changes in earnings will affect changes in total income,**

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<sup>1</sup>Eligibility for work supports is fairly complicated and tightly regulated; as a result, in both Dayton and San Diego, most of the responsibility for work support eligibility has fallen to the staff who come from that background and have experience with it.

**given the concurrent changes in work supports and taxes. Despite its potential, the calculator has not always been used as consistently as envisioned.** The Work Advancement Calculator consists of two components. The first component helps workers to determine whether they might be eligible for various work supports, based on a streamlined list of questions about each customer's household composition, income, and expenses. The second component enables customers to simulate the effects of changes in their jobs and employment circumstances on several elements of their monthly income: earnings, taxes, work supports, and work-related out-of-pocket expenses. Despite its potential, not all WASC coaches are using the calculator as envisioned. In general, it has been used more consistently in San Diego but less so in Dayton. Reasons for its inconsistent use in Dayton seem to include increasing caseloads, leading to not enough time during appointments with customers to go through the calculator; some discomfort with computers; staff turnover and insufficient staffing levels; and the need for staff to manage multiple programs and computer systems.

- **Career coaches report that customers are taking up work supports and taking advantage of advancement opportunities, but customers' short-term advancement options are often limited.** Career coaches in the Dayton and San Diego learning sites report that customers are often pleasantly surprised to discover the range of work supports available, particularly health care coverage and tax credits. Importantly, instances of customers using work supports to substitute for advancement have been rare, and coaches explain that customers approach advancement decisions with a pragmatic openness toward steps that might help them, but also with a sense of realism about opportunity constraints. Many customers are working in situations where there are few if any opportunities to advance. To move up, many customers must first complete education or training, which is a longer-term process.
- **Coaches' time for intensive career planning is limited.** Coaches have by and large enthusiastically embraced the goals of the demonstration — and they have made substantial progress in breaking out of old institutional roles and serving their customers in new ways — but in general they have not engaged customers as intensively as expected, nor have they engaged their full caseloads. The reasons are similar to those for the inconsistent use of the calculator, including staff turnover, vacancies that have not been filled, the need to spend more time than expected on recruitment, and administrative duties. Future implementation research and reports will explore these and a broader range of issues that could be affecting customer engagement.

## Conclusion

This report, the second one on the WASC demonstration,<sup>2</sup> illustrates, in theory, how knowledge about the interplay between advancement and work supports could help low-wage workers make the best possible advancement decisions. In practice, the four WASC sites are in different stages of their program; WASC staff vary in their use of available tools to assist with the coaching process; and WASC customers vary in their responses to the coaching they receive. Future reports will include a paper examining low-wage workers' experiences in WASC, scheduled for release in early 2008; an early-impacts and implementation report, also in 2008; a one-year impact report in 2009; and a two-year report in 2010.

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<sup>2</sup>The first WASC report is Jacquelyn Anderson, Linda Yuriko Kato, and James A. Riccio, *A New Approach to Low-Wage Workers and Employers: Launching the Work Advancement and Support Center Demonstration* (New York: MDRC, 2006).





## Chapter 1

# An Introduction to the WASC Demonstration

### Overview

Many low-wage workers, including many who work full time, do not earn enough money to meet the basic needs of their families; at the same time, some employers have higher-level jobs to fill for which they have difficulty finding qualified workers, and many have trouble retaining employees.<sup>1</sup> While public services are available and are targeted to individuals who are seeking jobs, to help them get training and find work, few services are targeted to people who are already working, to enable them to advance in their careers and increase their earnings — whether through training to acquire new skills, through coaching to help find better jobs with the same skill set, or simply through encouragement and guidance to make the move from part-time to full-time work. Likewise, financial “work supports,” such as the Earned Income Tax Credit and food stamps, which can increase income and ease financial pressures, are not taken up by all eligible families, and it can be difficult for working families to access some supports.<sup>2</sup>

This report describes a new approach to helping low-wage workers take strategic steps to advance — primarily by increasing their wages or work hours or by acquiring employer-provided benefits and/or better work hours — and thereby increase their earnings in the long term, while also increasing and stabilizing their income in the short term by making the most of available work supports.<sup>3</sup> The Work Advancement and Support Center (WASC) demonstration offers a service model that many policymakers believe is the next logical step in the development of the workforce system. Sites in the demonstration are building integrated teams of workforce and welfare agency professionals. These WASC units are charged with offering intensive career and advancement coaching for low-wage workers, increasing the access to and take-up of financial work supports, and building new linkages with employers in order to develop and deliver career advancement services — and work supports — directly at the work site. Three of the four sites (located in San Diego, California; Bridgeport, Connecticut; and Dayton, Ohio) offer their services at the One-Stop Career Centers created by the Workforce Investment Act (WIA) of 1998 and hope to offer them at employers’ work sites as well, while the fourth site (located in Fort Worth, Texas) is serving individuals entirely through an employer-based approach.

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<sup>1</sup>Washington State Workforce Training and Education Coordinating Board (2004); Deloitte/National Association of Manufacturers (2005).

<sup>2</sup>Bartlett, Burstein, and Hamilton (2004); Schott and Parrott (2005).

<sup>3</sup>See Chapter 3 for an expanded definition of how WASC defines “advancement.”

WASC aims primarily to reach low-wage workers — including both heads of households with children and single or married adults without children — who are low-income and who have had limited recent connection with the welfare system.<sup>4</sup> A second target group for WASC is reemployed “dislocated workers” — those who have lost better-paying (but often not highly skilled) jobs due to economic restructuring, as in the automobile industry. The new jobs of many of these workers pay wages that are below — often well below — the wages of their previous jobs. There are few programs in place to work with such individuals after reemployment to help them advance in their careers and regain their previous earnings levels.

WASC is the latest project in a portfolio of job advancement strategies being evaluated by MDRC. The other two are the Employment Retention and Advancement (ERA) project — which, through 15 experiments implemented in eight states, is testing innovative programs designed to promote employment stability and wage progression among welfare recipients or other low-income groups — and the United Kingdom Employment Retention and Advancement (UK ERA) demonstration, which focuses on low-income workers and unemployed individuals in welfare-to-work programs in six regions of Great Britain. Although all three interventions include intensive assistance to people while they are employed, WASC is the only one that focuses exclusively on a working population. Like the other two projects in this portfolio, the WASC model is being evaluated using a random assignment design, in which low-wage workers are assigned, using a lottery-like process, to either the WASC group, eligible to receive WASC services, or a control group, not eligible for WASC services but eligible to receive existing services in the community. Together, these three studies will contribute substantially to a growing body of knowledge about what works best to help low-wage workers advance.

The remainder of this chapter describes the goals, priorities, and desired outcomes of the WASC demonstration, labor market trends and policy changes over the last few decades that have affected low-wage workers, and the strategies WASC has developed to build on the best elements of those policy changes and help meet some remaining unmet needs of low-wage workers. It then describes the WASC evaluation, including the sites in the demonstration, the target population and sample members, the research design, and forthcoming reports.<sup>5</sup>

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<sup>4</sup>The agencies that are responsible for administering work supports — particularly child care subsidies, food stamps, government-sponsored health insurance, and Temporary Assistance for Needy Families (TANF) — vary by locality across the United States. This report refers to these entities collectively as “welfare” or “human service” agencies.

<sup>5</sup>“Sample members” in this report refers to everyone enrolled in the demonstration — members of both the WASC program group and the control group — in the Dayton and San Diego sites.

## Goals and Priorities of WASC

WASC's primary goal is to enable low-wage workers to advance in the labor market and thereby increase their earned income. WASC is designed to promote advancement in a number of ways, including:

- Coaching low-wage workers who work less than full time to increase their hours
- Encouraging participants to seek a wage increase (This includes coaching them to combine work with training so that they can gain new skills and better position themselves for a wage increase, either in the same job or in a new job.)
- Coaching toward the achievement of other advancement-related goals that are not necessarily financial but that still signal advancement in the labor market, such as obtaining employer-provided health care, paid time off, or better work hours

WASC's secondary goal is to increase household income by increasing the take-up of work supports for which individuals are eligible. Work supports not only increase income but also ease financial conditions, allowing workers to pursue advancement opportunities.<sup>6</sup> WASC is designed to promote the take-up of work supports in several ways, including:

- Determining eligibility
- Providing applications for all work supports at one location
- Providing dedicated staff to assist with work support applications
- Simplifying the paperwork required for applications

Within the two broad goals outlined above, the demonstration has a hierarchy of desired outcomes for WASC participants:

- The best outcome is for low-wage and dislocated workers to substantially increase their household incomes through earnings alone to the point that they are financially better off and no longer in need of — or eligible for — financial work supports.

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<sup>6</sup>The full package of work supports in WASC includes food stamps, subsidized child care, public health insurance, the Earned Income Tax Credit, and the Child Tax Credit. Although WASC targets low-wage workers who are not receiving TANF, each site can decide whether and when to include TANF as part of the work support package.

- WASC might also increase household income through a combination of increased earnings and increased use of work supports.
- Finally, in recognition of the fact that some low-wage workers are unlikely to advance in the labor market — even over extended time periods and even with access to services designed to help them do so — WASC might raise household incomes exclusively through participants’ increased use of financial work supports. These supports can help workers sustain their families while they continue to work at low wages.

The path to advancement is not necessarily linear or obvious. The interplay between increasing earnings and the receipt of work supports is such that as earnings increase, financial work supports decrease or disappear altogether. The best path toward advancement is sometimes complicated — involving decisions about combining work, training, and work supports in an optimal way — and could be difficult to navigate on one’s own. WASC is designed to provide intensive career coaching to low-wage workers so that they can navigate successfully the interaction between advancement and work supports, ensuring all along that each step they take will increase their total income and improve the circumstances of their employment.

## **Labor Market Trends and Policies for Low-Wage Workers**

Because of changes in the economy, many less-skilled workers, working full time, year-round, often earn too little to support a family. These low-wage workers make up a substantial segment of the nation’s workforce: According to the Bureau of Labor Statistics’ most recent wage report for 2005, a quarter of the nation’s labor force earned \$9.46 or less per hour, and a full 50 percent earned \$14.15 or less per hour.<sup>7</sup> At the bottom of the wage scale, 10 percent of workers earned \$7.26 per hour or less. On an annual basis, assuming full-time, full-year work, wages at the tenth and twenty-fifth percentiles bring in \$15,110 and \$19,680, respectively; for a family of three, these annual earnings hover just below and just above the federal poverty guideline.<sup>8</sup>

Indeed, in 2001, about a third of nonelderly working families with children had incomes lower than twice the federal poverty guideline, which is often used as an income sufficiency benchmark.<sup>9</sup> That same year, 59 percent of low-income families had one full-time, full-year worker. But even among this group of families with a full-time worker, less than half had em-

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<sup>7</sup>U.S. Department of Labor, Bureau of Labor Statistics (2005).

<sup>8</sup>These statistics include all workers, including single adults and youth who are working as well as heads of households with children.

<sup>9</sup>This paragraph about low-income working families borrows heavily from Acs and Loprest (2005).

ployer-sponsored health insurance. More than a third had no health insurance coverage, public or private. More than a quarter could be described as “food insecure,” meaning that they reported that they ran out of food by the end of the month, or that they worried that they would, or that they skipped meals so that they would not. A similar proportion could be described as “housing insecure,” meaning that they reported a time in the past year when they were unable to pay the mortgage, rent, or utility bill.

Several trends have affected the size and composition of the low-wage workforce. First, it is well documented that wage rates for less-skilled workers have fallen in real terms since the mid-1970s. For example, hourly wages (in 2005 dollars) for men with a high school diploma have fallen by 10 percent since 1973. In contrast, wages for men with a college degree have increased by 17 percent.<sup>10</sup> Second, between 1996 and 2001, the expanding economy and changes in workforce and welfare policies brought record numbers of less-skilled workers, including welfare recipients, into the workforce. Third, the subsequent recession also resulted in millions of workers’ being displaced, or losing their jobs and being reemployed, but often in jobs that paid substantially less than what they had earned previously.<sup>11</sup> In addition, many low-wage workers secure jobs with little opportunity for wage growth and advancement.<sup>12</sup> Thus, the workforce development and welfare systems — which have historically focused on providing pre-employment training and job placement services — are now challenged to respond to the needs of low-wage, low-income incumbent workers, including reemployed dislocated workers, and their families.

In response to these trends, federal and state governments have established policies and have harnessed public resources in two primary ways, discussed in the next two sections.

### **New (Though Limited) Retention and Advancement Services**

A few public agencies in collaboration with businesses have put job retention and advancement programs in place for low-wage workers. These programs tend to be located in sectors experiencing major job growth, such as health care, hospitality, and retail trade. While many businesses aim to increase job advancement through skills training and on-the-job training, these programs go further by attempting to reduce job turnover through early intervention

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<sup>10</sup>Economic Policy Institute (2006).

<sup>11</sup>According to the U.S. Department of Labor’s “Displaced Workers Summary”: “Of the 3.2 million re-employed displaced workers who lost full-time wage and salary jobs during the 2001-03 period, 2.6 million were working in such jobs in January 2004. Of these reemployed full-time workers, 43 percent were earning as much or more in their new jobs as they had earned on the job they lost. This was lower than the proportion recorded in the January 2002 survey (48 percent). In January 2004, 34 percent reported earnings losses of 20 percent or more” (U.S. Department of Labor, Bureau of Labor Statistics, 2004).

<sup>12</sup>Holzer (2004).

with employees and supervisors when problems arise. However, there are very few such programs, and they tend to be relatively selective, small, untested, and in an early stage of development — particularly those operated by public agencies. Indeed, most public workforce development programs offer no — or only very limited — advancement services to low-wage incumbent workers and their employers.

### **Financial Work Supports**

Since the 1960s, the federal government and several states have created financial work supports that can substantially increase the incomes of low-wage workers and their families. Key among these are taxed-based income supplements — the Earned Income Tax Credit and the Child Tax Credit — and public agency-administered work supports, particularly child care subsidies, food stamps, and health insurance. (Appendix A briefly describes each of these programs.) Research shows that income supplements tied to work can increase employment and earnings — and improve job retention — as well as improve the educational outcomes and behavior of younger children.<sup>13</sup>

These policies reflected three broad strategies. The first strategy was to use the tax system to reward work, thereby providing an earnings supplement for all low-wage working families that was separate from and unrelated to cash assistance. In 1993, Congress dramatically expanded the Earned Income Tax Credit (EITC), a federal antipoverty program that supplements low-income working families' earnings up to about 40 cents per dollar earned, to a maximum credit of \$4,500 for families with two children earning about \$15,000 or less.<sup>14</sup> Evaluations of the EITC have credited it with raising more than 5 million families out of poverty.<sup>15</sup> In 1997, Congress enacted the Child Tax Credit (CTC), a partly refundable credit of up to \$1,000 per child, to families with incomes of up to \$75,000 (for single heads-of-household) or up to \$110,000 (for married couples).

The second strategy was to ensure that working families could receive such work supports as child care assistance and Medicaid without enrolling in cash assistance. As part of the 1996 welfare reform legislation, Congress consolidated three child care subsidy programs into the Child Care Development Block Grant (CCDBG) and increased its funding to more than the previous three programs combined. Though noncash assistance child care subsidies were available before 1996, the creation and funding of the CCDBG enabled states to provide subsidies to low-income families on or off the Temporary Assistance for Needy Families (TANF) program, which replaced the old cash assistance program, Aid to Families with Dependent Children

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<sup>13</sup>Knox, Miller, and Gennetian (2000); Michalopoulos et al. (2002).

<sup>14</sup>U.S. Department of the Treasury, Internal Revenue Service (2002a).

<sup>15</sup>Meyer and Rosenbaum (2000).

(AFDC).<sup>16</sup> Many states, including the four WASC states, support parental choice by offering to reimburse a range of child care providers — from informal providers, such as relatives and friends, to formal daycare settings — with different certification and payment standards for each. The 1996 law also delinked Medicaid (the federal health insurance program for low-income families) from TANF, so that families leaving welfare did not lose health care coverage and low-income families did not have to enroll in TANF in order to get coverage. And, in 1997, Congress created the State Children’s Health Insurance Program (SCHIP) to expand health care coverage for low-income children.

The third strategy was to make work pay for welfare recipients. In the early 1990s, families on welfare who went to work lost as much as one dollar in cash assistance benefits for each dollar that they earned. This loss of public benefits was like an implicit “tax” on earnings, and it served as a strong disincentive to work.<sup>17</sup> State welfare agencies began experimenting with different ways to provide incentives to work by supplementing the earnings of welfare leavers, either through enhanced earned income disregards (allowing recipients to keep more of their benefits as their earnings increased) or through wage supplements. Rigorous experimental evaluations of several work incentive programs — including the Minnesota Family Investment Program (MFIP), the Milwaukee New Hope Project, and the Canadian Self-Sufficiency Project (SSP) — credited them with substantially increasing families’ employment, earnings, and income, along with improving measures of families’ and children’s well-being.<sup>18</sup> In 1996, the new TANF program established a 60-month lifetime time limit on federal cash assistance benefits and, compared with AFDC, gave the states more flexibility to develop work incentives for recipients. Nearly every state responded by increasing its TANF earned income disregard in order to make work pay for welfare recipients and to help families make the transition from welfare to work.

Implemented during a period of economic expansion, these “make work pay” strategies are believed to have been successful in encouraging employment, although there is debate about the relative importance of such other factors as the economy, welfare reform, and expansion of the EITC.<sup>19</sup> However, most of the target population for these strategies remained in low-wage

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<sup>16</sup>However, funding constraints remain in many states, and child care subsidies are not guaranteed to everyone who is eligible. This is discussed further below, in the section entitled “Increasing the Take-Up Rate of Work Supports.”

<sup>17</sup>Recognizing this, economists often describe the relationship between increasing earnings and declining benefits in a particular program as its “marginal tax rate.” In this case the “taxes” are deducted not from a family’s earnings but from their income, in the form of payments withheld by the government, rather than payments made to the government.

<sup>18</sup>Berlin (2000); Michalopoulos (2001, 2005).

<sup>19</sup>Many believe that positive employment outcomes during this period were a result of multiple and converging factors — particularly, a strong labor market, TANF and its accompanying policy changes, expansion  
(continued)

work, and the strategies did not address advancement. In theory, the work supports provided by these policies — particularly the EITC, the CTC, food stamps, child care subsidies, and access to medical insurance — should go a long way toward improving conditions for low-wage workers; however, for a variety of reasons, the take-up of some of these work supports is low — particularly of the nontax system supports — and the take-up of the full package of work supports is even lower.<sup>20</sup> Many working families are still struggling to meet basic needs and to move up the career ladder, presenting policymakers with two new challenges: (1) to ensure that working families take strategic advantage of the valuable supports that these last policy innovations produced — including food assistance and health care coverage, subsidized child care, and the work incentives that make work pay while helping children and increasing job retention; and (2) to take the workforce system to the next level by focusing it on the advancement of low-wage workers.

## The WASC Strategies

The Work Advancement and Support Center demonstration was designed to build on the best elements of the policy innovations from the last few decades and to address some of the difficulties that low-wage workers — particularly those who are low-income — continue to face in advancing and improving their incomes. These difficulties include the low level of advancement among low-wage workers and the low rate of take-up of many work supports for which they are eligible. The WASC demonstration is using innovative strategies to address these issues; the evaluation, discussed later in this chapter, will determine whether these strategies were successful.

### Increasing Advancement

The first and most fundamental objective for WASC is to improve the rate of advancement of low-wage workers into better-paying jobs.<sup>21</sup> To succeed, WASC must help more low-wage workers to advance, over a shorter period of time, than would do so on their own. Research on the employment trajectories of low-wage workers suggests that some will find better jobs and increase their earnings on their own. For example, one study finds that, among workers with three successive years of low earnings (less than \$12,000), half moved up to the point where they earned more than \$15,000 during one of the following six years, although no more than a quarter consistently did so.<sup>22</sup> Another study shows that workers with low skill levels who

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of the EITC, and an increase in the minimum wage. See, for example, Council of Economic Advisers (1999) and Burtless (2004).

<sup>20</sup>Zedlewski, Adams, Dubay, and Kenney (2006).

<sup>21</sup>Holzer (2004).

<sup>22</sup>Andersson, Holzer, and Lane (2005).



maintain steady employment experience wage growth rates during the first 10 years of their career that are similar to the rates of other workers — that is, wage growth of 4 percent to 6 percent a year.<sup>23</sup> The fact that some low-wage workers do eventually achieve earnings growth offers hope that WASC might help them to advance more quickly and further than they would without WASC, while increasing the proportion who advance at all.

WASC’s approach to providing this strategic assistance is *advancement coaching*. Skilled “career coaches” are trained to help participants identify a motivation for why they want to advance, identify short- and long-term advancement goals, and take the steps necessary to accomplish those goals. Coaches use a variety of methods to provide this assistance, from role-playing to help a customer practice asking a supervisor for more responsibility to facilitating the receipt of training in the customer’s field of interest. In addition, career coaches help participants identify and secure resources for education and training; WASC sites have set aside substantial resources for Individual Training Accounts (ITAs) and to underwrite a variety of training and education costs. Another integral aspect of advancement coaching is working to improve job retention and stability, inasmuch as advancement often depends, at least in part, on the length of time on the job. WASC’s career coaches are cognizant of the fact that increases in earnings affect the receipt of work supports, and they work closely with a customer to understand the effects of each advancement step on total income and to lay out a plan that will ensure that the customer’s increased earnings make up for the loss of work supports.

### **Increasing the Take-Up Rate of Work Supports**

The second major objective for WASC is to improve the take-up rate among low-wage workers of the full package of work supports for which they are eligible. In principle, work supports can help working families in several ways. Food stamps and Medicaid guarantee low-income families a minimum level of nutrition and health care coverage, thus alleviating some material hardships. Although these supports have not been shown to increase employment,<sup>24</sup> studies have shown food stamps and Medicaid to be highly efficient programs for improving the nutrition and medical care of low-income families and children.<sup>25</sup> The EITC and child care subsidies, on the other hand, were explicitly designed to encourage and enable families to work. A number of studies suggest that the EITC has increased employment stability.<sup>26</sup> Additionally, such work supports as food stamps have been shown to buffer the effects of downturns in the economy on family income, notwithstanding periodic fluctuations in earnings.<sup>27</sup>

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<sup>23</sup>Gladden and Taber (2000).

<sup>24</sup>Hagstrom (1996); Moffitt (2002); Gruber and Madrian (2002).

<sup>25</sup>Whitmore (2002); National Governors Association Web site, “Fact Sheet: Earned Income Tax Credit” (2003).

<sup>26</sup>Eissa and Liebman (1996); Hotz, Mullin, and Scholz (2003); Grogger (2003); Meyer and Rosenbaum (2000).

<sup>27</sup>Hoynes (2000).

Despite the positive effects that work supports can have for working families, relatively few families take advantage of the full package of work supports. Take-up rates vary from program to program; for example, 75 percent to 85 percent of eligible working families claim the EITC,<sup>28</sup> while less than half (46 percent) of eligible working families take up food stamps.<sup>29</sup> In the case of child care subsidies, funding is not available in all states to provide the subsidy to all eligible families. (One of the requirements for a site to be selected as a WASC demonstration site is that it had to guarantee child care subsidies for all participants who are eligible, though participants must find providers on their own or with the assistance of a resource and referral agency.) Even so, take-up rates of child care subsidies among eligible families in states that guarantee them for all eligible families have been around 40 percent.<sup>30</sup> This suggests that simply guaranteeing a child care subsidy may not be sufficient to encourage its take-up.

Although the reasons for nonparticipation in available work supports are not completely understood, research suggests a number of explanations. Some families do not understand the types and amounts of benefits for which they are eligible. One recent study found that over half of eligible but not participating food stamp households mistakenly believed that they were ineligible.<sup>31</sup> Other families resist taking up work supports — or acknowledging that they do — because of a perceived stigma about welfare; for example, studies have shown that individuals resist enrolling in programs such as Medicaid that are accessed at a “welfare” office.<sup>32</sup>

Further, some families are discouraged from taking up work supports by the high transaction costs in many places of applying for and maintaining work supports. For example, one recent study reports that over one-quarter of food stamp recipients drop out of the program because of some aspect of the application or recertification process, such as inconvenient hours and locations of human services offices, onerous income verification requirements, and long waiting lines.<sup>33</sup> Families have often raised similar complaints about Medicaid benefits.<sup>34</sup> One recent demonstration program found that efforts to simplify eligibility and to provide application assistance significantly increased food stamp take-up rates among eligible elderly households.<sup>35</sup> Indeed, many states have made substantial progress in simplifying the application process for numerous work supports. However, given the lack of coordination among benefit systems that persists in many states, a single mother with two children who wants to access SCHIP

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<sup>28</sup>Scholz (1994, 1997); U.S. Department of the Treasury, Internal Revenue Service (2002b).

<sup>29</sup>Cunningham (2004).

<sup>30</sup>Witte (2002). It is important to note that some children — for example, older children — do not need child care; therefore, the take-up rate is not expected to be 100 percent.

<sup>31</sup>Bartlett, Burstein, and Hamilton (2004); cited in Zedlewski, Adams, Dubay, and Kenney (2006).

<sup>32</sup>Stuber and Kronebusch (2004); cited in Zedlewski, Adams, Dubay, and Kenney (2006).

<sup>33</sup>Bartlett, Burstein, and Hamilton (2004); cited in Zedlewski, Adams, Dubay, and Kenney (2006).

<sup>34</sup>Kenney and Haley (2001); cited in Zedlewski, Adams, Dubay, and Kenney (2006).

<sup>35</sup>Cody and Ohls (2005).

and child care assistance for her children, career advancement services for herself, and food stamps for the family could easily make a half dozen trips to speak with just as many workers in three or four different offices.

WASC attempts to counter some of the potential sources of nonparticipation in work supports in a variety of ways, including better outreach, coordinated service delivery, simplified eligibility, application assistance, and career coaching — all in a nonstigmatizing environment. One key strategy of WASC is to *place the receipt of work supports in the context of pursuing an advancement plan* — in other words, to frame work supports as a short-term way to stabilize income while pursuing longer-term advancement goals — and to emphasize services rather than benefits, which differentiates WASC from welfare programs. WASC also helps reduce the stigma that families often report when associating with the local welfare office, by housing its teams of workforce and work support specialists in One-Stop Career Centers and at employers' locations. The program has partnered with community-based organizations to try to recruit low-income working families who are not already connected to public benefit systems. WASC sites offer customers a single point of access for intensive one-on-one career advancement coaching, including eligibility assistance for the full package of work supports.

Another key strategy of WASC is the *simplification of the work support application process*. The various sites that are part of the WASC demonstration, described briefly below, are taking different approaches to simplifying this process. All WASC sites have dedicated staff whose responsibility it is to assist with work support applications for all programs, eliminating the need for customers to go to several different offices and wait in several different lines for the appropriate staff person to assist them. Even before the WASC demonstration began, Ohio had developed a single combined application that included all work supports except for child care assistance; the Dayton WASC site now benefits from this development. The San Diego WASC site worked with relevant state agencies to simplify the paperwork required for applications for food stamps, Medicaid, and child care assistance, and it succeeded in combining three separate applications into one. Eventually, the hope is that all WASC programs will have participating employers that will offer on-site access to work support applications. Research on the barriers to work support participation among eligible families suggests that any one of WASC's key program elements might significantly increase the proportion of low-wage workers who take up work supports.<sup>36</sup> WASC is designed to offer a strong test of the full complement of these program elements, which are described in detail in Chapter 3.

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<sup>36</sup>Stuber and Kronebusch (2004); cited in Zedlewski, Adams, Dubay, and Kenney (2006); Parrott, Ross, and Schott (2005).

## Combining Advancement and Work Supports

A third challenge for WASC is that once low-wage workers take up work supports, some advancement moves could lead to a reduction in or loss of some of those work supports; this has the potential to reduce the incentive to advance. This goes to the heart of one of the toughest knots of employment and antipoverty policy: how to provide low-income families with assistance to meet their short-term needs in ways that encourage them toward self-sufficiency in the long run. To be successful, WASC must encourage families to make strategic use of work supports as part of an effective career advancement plan.

WASC recognizes that while work supports can ease conditions for low-wage workers and provide a much-needed supplement to their earnings or a cushion while they pursue advancement, only advancement can increase income enough to give low-wage workers an income that can truly sustain them and their families. WASC, therefore, encourages the take-up of the full package of work supports for which the worker is eligible, but this emphasis is secondary to the focus on advancement coaching. Nevertheless, though advancement is the primary objective, the assistance with the take-up of work supports occurs while advancement gains are being sought, and the receipt of work supports often occurs before advancement gains are achieved.

WASC's combination of advancement coaching and encouragement of work support take-up — with advancement as the primary priority and work supports as secondary — makes it unusual among programs designed to assist low-wage workers. One of the strategies that WASC uses to combine advancement and work support coaching is the *coordination of workforce and welfare staff/services*. Three of the four WASC sites have staff from both the workforce and the welfare system, many of whom have been cross-trained so that they are knowledgeable about programs and rules from both systems. These staff members can work with customers across the full spectrum of their needs and goals, ensuring that customers receive work supports for which they are eligible while also helping them toward their advancement goals. Fort Worth's WASC unit is staffed solely by workforce professionals, though they are trained to provide eligibility assistance across the full range of work supports.

WASC staff also have an unusual tool, developed specially for the demonstration, to assist with the combination of advancement and work support coaching: the *WASC Work Advancement Calculator*.<sup>37</sup> In recent years, organizations of various kinds have developed programs and tools to assist with the take-up of work supports. Several of these have developed calculators that determine an applicant's eligibility for work supports, simplify the application

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<sup>37</sup>The Work Advancement Calculator was developed by John Tapogna, Ted Helvoigt, Sam Boggess, and Carl Batten at ECONorthwest.

process, and even submit the application via the Internet.<sup>38</sup> WASC has taken an additional step in the creation of the Work Advancement Calculator. As do these other tools, the calculator takes information provided by the customer during a short question-and-answer session and estimates eligibility for work supports as well as dollar amounts. But rather than end with a discussion of eligibility and what is required for application, the WASC calculator then takes the customer to its Advancement Discussion screen, to enter the wages or work hours that the customer hopes to obtain in a target-job scenario. The calculator then displays the customer's net income — including the mix of earnings and work supports and taking into consideration work-related expenses and tax obligations — for both the current employment situation and the target job's wages and work hours.

Figure 1.1 shows an example of the Advancement Discussion screen from the Work Advancement Calculator. With this side-by-side comparison — in this scenario, the current job has an hourly wage of \$9 at 20 hours per week, compared with the same wage at 40 hours per week — the customer can see exactly what the difference in income would be from taking that advancement step: how earnings would increase, work supports decrease, tax credits increase or decrease depending on the credit and on earnings, and the effect on overall net income. For any given target scenario, the calculator displays the “take-home rate” (the amount of each additional dollar earned that the customer gets to keep, considering the reduction in work supports) as well as any “eligibility cliffs” that the customer might reach (the points at which eligibility for each work support ends). With this valuable information, the customer and the career coach can make the most informed decisions possible about advancement steps, to ensure that each step continues to improve the family's income. The Work Advancement Calculator and the scenario displayed in Figure 1.1 are described in detail in Chapter 3.

## The WASC Evaluation

### The WASC Sites

MDRC selected the first two sites for the WASC demonstration in the fall of 2003: the Job Center in Dayton, Ohio, and the South County Career Center in Chula Vista, California (part of San Diego County and commonly referred to as the “San Diego” site). After an intensive selection and review process, the Southwestern CTWorks Center in Bridgeport, Connecticut, and Workforce Solutions for Tarrant County in Fort Worth, Texas, were chosen as the third and fourth sites. These last two sites began to pilot the demonstration during the summer and

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<sup>38</sup>A few online examples are (1) the Family Resource Simulator, National Center for Children in Poverty: <http://www.nccp.org/modeler/modeler.cgi>; (2) *EarnBenefits*, Seedco: <http://www.seedco.org/earnbenefits/>; and (3) The Benefit Bank, Solutions for Progress: <http://www.thebenefitbank.com/> (see Quick Check).

## The Work Advancement and Support Center Demonstration

Figure 1.1

### The Advancement Discussion Screen of the Work Advancement Calculator

**mdrc** Income Calculator START OVER  
Session ID: 1176130076507

Work Supports Discussion | **Advancement Discussion** | My Scenarios | My Information | What to Bring

Target Scenario 1 Update | Print this page | Save and Quit Session

Test the Effect of Different Wage and Hour Combinations		<b>Cliff Alerts</b> <b>At 40 hours per week, eligibility for the following programs ends at*:</b> Medicaid Families \$6.58 per hour Healthy Start \$13.17 per hour Subsidized Child Care \$12.19 per hour
Target Wage:	\$9.0 /Hour	
Target Hours:	40.0 /Week	

[Click here to add/edit multiple jobs](#)

Child Care Needs		How much of each additional dollar that I earn do I get to keep: <b>\$0.44</b>	
	Current Job	Target Job	
Child number 1:	25.0 Hrs/Week	45.0 Hrs/Week	

Monthly Transportation Expenses		Current Job	Target Job
Work-Related Transportation Expenses/Month	\$35.0 /Month	\$50.0 /Month	

Income Calculation	Current Job	Target Scenario 1
Hourly Wage	\$ 9.00	\$ 9.00
Hours Per Week	20.00	40.00
Work Income (monthly) <a href="#">Calculate Weekly</a>	\$ 779.40	\$ 1560.00
Other Household Income (monthly)	\$ 0.00	\$ 0.00
<b>Non-Work Income</b>		
Ohio Works First	\$ 0.00	\$ 0.00
Food Stamps	\$ 284.00	\$ 0.00
Monthly EITC <a href="#">More Info</a>	\$ 160.25	\$ 93.45
Yearly EITC	\$ 2747.19	\$ 1601.93
Monthly Child Tax Credit	\$ 0.00	\$ 83.33
<b>Work Expenses</b>		
Federal & State taxes	\$ 61.56	\$ 141.15
Transportation Expenses	\$ 35.00	\$ 50.00
Out-of-Pocket Childcare Expenses	\$ 76.00	\$ 152.00
<b>Net Monthly Income</b>	<b>\$ 1051.09</b>	<b>\$ 1393.63</b>
<b>Hourly Wage With Work Supports</b>	<b>\$ 14.12</b>	<b>\$ 10.02</b>
<b>Net Yearly Income</b>	<b>\$ 12613.08</b>	<b>\$ 16723.56</b>
Eligible for Medicaid Families	Yes	No
Eligible for Healthy Start	Yes	Yes

\* These amounts represent the highest hourly wage rates that you could earn at the specified number of hours per week and remain eligible for the selected programs. The estimates take into account your family's unearned income, as well as, a spouse's earnings.

NOTE: The wage listed for the eligibility cliff for Medicaid Families reflects the eligibility limit in effect at the start of the demonstration, which has since changed from 100 percent to 90 percent of the federal poverty level.

fall of 2006, while the first two sites — called the “learning sites” — began their pilot projects in January 2005 and have been operating full programs since the spring of that year. Table 1.1 provides an overview of the institutions and local One-Stop centers that are involved in each of the four sites.

## The Work Advancement and Support Center Demonstration

**Table 1.1**

### The WASC Demonstration Sites

City	Local Agencies and State Partners	Local One-Stop Center
Dayton, Ohio	Montgomery County Department of Job and Family Services; Ohio Department of Job and Family Services	The Job Center
Chula Vista (San Diego County), California	San Diego Workforce Partnership and the San Diego County Health and Human Services Agency; California Department of Social Services	South County Career Center (operated by Arbor Education and Training)
Bridgeport, Connecticut	Connecticut Department of Labor, Connecticut Department of Social Services, and Workplace, Inc.	Southwestern CTWorks Center
Fort Worth, Texas	Workforce Solutions for Tarrant County	Services at employers' sites or at the One-Stop location most convenient to the customer

The institutional starting points for the WASC sites are state or county workforce and welfare agencies. Across the country, these agencies are very diverse in their policies and structures; in the content, administration, funding streams, and political priorities of their career advancement and financial work support programs and One-Stop centers; and in the demographic characteristics, local labor markets, and employment circumstances and service needs of the low-wage and dislocated workers with whom they work. Collectively, the WASC sites reflect some of this diversity and will, therefore, help test the adaptability and feasibility of the WASC program model in different contexts across the United States.<sup>39</sup> To the degree that this report is based on actual experiences of WASC sites, it reflects the experiences of the two learning sites: Dayton and San Diego. After Bridgeport and Fort Worth have had more time to operate their programs, their experiences will be reflected in future WASC reports.

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<sup>39</sup>For a more complete description of the WASC sites and the differences across them, see Anderson, Kato, and Riccio (2006).

## The Target Population and Research Sample

WASC was originally designed, and still aims, to reach the lower-income population among low-wage workers. Recognizing that there is considerable debate among policymakers and researchers who are concerned with the low-wage working population regarding what constitutes a *low wage* and precisely which workers are to be considered *low-wage workers*, WASC aimed to reach the large number of working people who manage to stay just above the poverty level. Accordingly, WASC's eligibility guidelines originally established a wage cap of \$9 per hour and a total household income cap of 130 percent of the federal poverty guideline (FPG). However, the two WASC learning sites had difficulty recruiting into the program enough individuals who met those guidelines. As a result, the designers of the demonstration raised the wage cap to \$15 per hour and the household income cap to 200 percent of the FPG — still widely considered to be low-income. Though a wage of \$15 per hour may not seem to be low-wage from some perspectives, a head of household working part time at that wage would still be low-income enough to fall into the target population that WASC hopes to serve. The new eligibility guidelines have resulted in some relatively higher-income sample members' being in the demonstration, but the target population remains at the lower end of the income spectrum.

Similarly, it would be desirable for the demonstration to recruit individuals who had never been connected to the welfare system — for example, to reach low-wage workers who could benefit from food stamps but who were unfamiliar with them previously. However, WASC's designers recognized that this would be an unrealistic eligibility criterion, and so they aimed to limit the recipients of welfare and work supports who were in the program in the following ways:

- TANF recipients are *not eligible* to enroll in WASC, even if they are currently working.
- A *maximum* of 50 percent of all WASC sample members in each site may be *former* TANF recipients (recipients in the past five years).<sup>40</sup>
- A *maximum* of 50 percent of all WASC sample members in each site may be *current* food stamp recipients.

(Text continues on page 21.)

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<sup>40</sup>“Former TANF recipients” are defined as any individuals who participated in TANF during the past five years or whose children received TANF assistance during the past five years.



**The Work Advancement and Support Center Demonstration**

**Table 1.2**

**Selected Baseline Characteristics of Sample Members in Dayton and San Diego,  
Compared with a Representative Sample of the U.S. Working-Poor Population**

Characteristic	United States <sup>a</sup>	Dayton	San Diego
<b><u>Demographic characteristics</u></b>			
Gender (%)			
Female	47.1	81.8	74.3
Age (%)			
18-24	6.1	34.2	17.7
25-34	27.2	36.6	27.0
35-44	29.0	18.2	27.4
45-62	35.0	11.0	27.9
Average age (years)	NA	30.5	37.0
Race/ethnicity (%) <sup>b</sup>			
Hispanic	12.2	0.0	68.7
White	81.9	25.5	10.1
Black	13.3	69.9	13.1
Asian	4.0	0.0	4.9
Other		4.6	3.2
Citizenship (%)			
Born in United States	84.3	98.2	50.2
Naturalized	6.7	0.0	21.3
Noncitizen	9.1	0.0	28.6
<b><u>Family status</u></b>			
Marital status (%)			
Single, never married	14.8	69.8	42.2
Married and living with spouse	66.8	9.2	21.9
Married but living apart from spouse	0.4	6.5	13.5
Legally separated	1.5	2.4	3.1
Divorced	8.3	11.4	18.1
Widowed	0.5	0.6	1.2
Living with a partner (%)	NA	5.9	5.5

(continued)

**Table 1.2 (continued)**

Characteristic	United States <sup>a</sup>	Dayton	San Diego
Average number of children	NA	1.4	1.5
Age of youngest child <sup>c</sup> (%)			
0-2	NA	33.4	23.3
3-5	NA	25.6	23.5
6-12	NA	26.9	32.0
13-18	NA	14.0	21.2
Average age of youngest child	NA	5.7	7.2
Family size (%)			
1	NA	34.3	28.4
2	NA	22.7	21.6
3	NA	20.3	20.3
4 or more	NA	22.8	29.6
<b><u>Education status</u></b>			
Highest grade (%)			
Grade 9 or less	NA	2.1	14.5
Grade 10 or 11	NA	6.8	8.3
Grade 12, no diploma or certificate	1.3	1.4	3.4
GED certificate	5.6	5.7	5.8
High school diploma	38.5	27.5	17.0
Some college or advanced training courses	13.3	45.8	38.4
Associate's degree	8.6	6.1	5.1
4-year college degree or higher	12.7	4.6	7.5
High school diploma, GED certificate, or above (%)	60.7	89.7	73.8
Currently enrolled in education or training program (%)	NA	35.2	23.8
<b><u>Labor force status</u></b>			
Current employment			
Number of jobs (%)			
1	NA	96.0	96.3
2	NA	4.0	3.2

(continued)

**Table 1.2 (continued)**

Characteristic	United States <sup>a</sup>	Dayton	San Diego
Number of months in current job (%)			
Less than 1	NA	2.5	7.3
1-3	39.4	20.1	19.6
4-6	20.8	14.4	12.8
7-12	19.9	19.1	16.7
13-24	16.3	15.7	14.3
25 or more	3.6	28.2	29.3
Average number of months in current job	NA	23.2	24.4
Hours per week of work (%)			
1-19	1.1	21.6	18.9
20-29	4.5	27.1	23.5
30-34	3.5	15.8	14.3
35-39	5.8	11.6	10.9
40-72	84.1	23.5	32.4
73 or more	0.1	0.3	0.0
Average hours per week	NA	28.0	29.1
Working full time (35 hours or more) (%)	NA	35.4	43.3
Work schedule (%)			
Fixed	NA	60.4	56.6
Hourly wage (%)			
Less than \$5.15	NA	2.4	2.6
\$5.15 - \$6.99	NA	19.2	11.5
\$7.00 - \$8.99	NA	33.5	38.4
\$9.00 - \$10.99	NA	28.2	30.7
\$11.00 - \$14.99	NA	15.5	15.8
\$15.00 - \$19.99	NA	1.2	1.2
Average hourly wage (\$)	NA	8.69	8.94
Weekly earnings (%)			
Less than \$100	NA	8.9	8.0
\$100 to less than \$200	NA	30.0	27.5
\$200 to less than \$300	NA	31.1	24.9
\$300 to less than \$400	NA	19.1	23.4
\$400 or more	NA	10.9	16.2
Average weekly earnings (\$)	NA	244	262
Fringe benefits from employer (%)			
Time off with pay	NA	45.9	37.5
Health plan offered	NA	49.8	37.3
Dental plan offered	NA	38.6	29.2
Retirement plan	NA	34.9	23.2
Other	NA	17.5	4.3
Employer-provided health or medical insurance plan (%)	NA	19.8	15.7

(continued)

**Table 1.2 (continued)**

Characteristic	United States <sup>a</sup>	Dayton	San Diego
<b><u>Circumstances that may affect job retention or job change (%)</u></b>			
Physical or mental health problem that limits work	5.3	4.6	7.8
<b><u>Dislocated Worker status</u></b>			
Became a Dislocated Worker during previous 2 years (%)	NA	21.4	27.3
<b><u>Income and work supports</u></b>			
Average monthly family income (\$)	NA	1,183	1,320
Family income exceeds (%)			
130 percent of federal poverty level	NA	19.2	21.4
200 percent of federal poverty level	NA	2.6	2.0
Currently receiving income or work support (%)			
Earnings from spouse or partner	NA	6.4	9.1
Food stamps	NA	40.4	19.5
Child support	NA	15.8	14.6
Child care subsidy	NA	17.1	9.7
Other types of assistance	NA	1.2	1.9
Received tax credits (%)			
Filed tax return during past 12 months	NA	86.6	80.9
Aware of Earned Income Tax Credit	NA	77.5	51.9
Claiming Earned Income Tax Credit	NA	52.9	41.1
Aware of Child Tax Credit	NA	42.0	41.5
Claiming Child Tax Credit	NA	26.2	37.4
<b><u>Health care coverage</u></b>			
Sample member has health care coverage (%)	NA	69.8	52.9
Employer-provided or other private health plan	74.1	33.1	22.3
Publicly funded coverage	7.4	40.0	33.5

(continued)

**Table 1.2 (continued)**

Characteristic	United States <sup>a</sup>	Dayton	San Diego
Sample member's children have health care coverage <sup>c</sup> (%)	NA	91.2	72.5
Publicly funded coverage	NA	78.4	59.6
<b><u>Housing status</u></b>			
Current living arrangement (%)			
Owns home or apartment	NA	11.5	6.6
Rents home or apartment	NA	62.3	62.4
Lives with family/friends and pays part of the rent	NA	11.0	18.0
Lives with family/friends and pays no rent	NA	13.2	10.9
Lives in a group shelter	NA	1.0	0.5
Has other housing arrangements	NA	0.9	1.5
Lives in public housing (%)	NA	10.3	13.0
Receives Section 8 rental assistance (%)	NA	7.4	6.2
Pays reduced rent because of low income (%)	NA	4.3	4.5
Sample size	1,562	958	588

SOURCE: MDRC calculations from WASC Baseline Information Form.

NOTES: Sample sizes vary because of missing values. Sample members randomly assigned before January 12, 2006, were not asked to report Dislocated Worker status. These sample members are assumed to be non-Dislocated Workers because the eligibility criteria before January 12, 2006, are the same as non-Dislocated Workers eligibility criteria. Sample members randomly assigned before November 22, 2005, were not asked to report their monthly family income.

<sup>a</sup>Preliminary estimates of the U.S. working-poor population based on the National Survey of America's Families (Urban Institute, 2002).

<sup>b</sup>Characteristics can sum to more than 100 percent because sample members can record more than one response.

<sup>c</sup>Child-related measures were calculated for sample members with children.

### **WASC Sample Members in Dayton and San Diego Compared with the U.S. Working Poor**

Table 1.2 introduces the Dayton and San Diego sample members who were randomly assigned in the first year of the program — that is, the earliest cohort enrolled in the first two WASC sites. Where possible, the table compares WASC sample members with a nationally representative group of working adults with family incomes of less than 200 percent

of the federal poverty line, which is of interest for two reasons.<sup>41</sup> Relatively little is known about the national population of the working poor, and future WASC reports will draw on survey data and administrative records of employment and food stamp receipt to offer comprehensive information about the household, employment, and income characteristics of the families introduced here. In addition, since the experiences of WASC sample members will offer some of the earliest evidence about the effectiveness of consolidated career advancement coaching and work supports, it is important to understand the ways in which the WASC sample members are similar to and different from the national working-poor population who might be eligible for similar services as similar programs are launched elsewhere.

Although the characteristics reported here represent the earliest cohort enrolled in the first two of the four WASC sites, it appears that the WASC research samples to date are broadly representative of the national population of the working poor, with just a few important differences, noted below.

- **WASC sample members are younger, on average, than the U.S. working poor, are more likely to be female, and are more diverse; the take-up rates of work supports may be lower in San Diego, given a relatively high proportion of noncitizens.** About three-quarters of WASC sample members in each site are women, and they are a little younger, on average, than working-poor adults nationally. About 70 percent of Dayton sample members are black; a quarter are white; and nearly all are U.S.-born citizens. In San Diego about 69 percent of sample members are Hispanic; 13 percent are black; 10 percent are white; and half are foreign-born, though most (71 percent) are citizens. Given San Diego’s higher proportion of adult noncitizens — who are ineligible for food stamps or Medicaid (and are less likely than citizens to rely on work supports) — the take-up rates of these supports might be lower in San Diego than in Dayton and, ultimately, in the other two sites as well.
- **WASC sample members are more likely than the U.S. working poor to be single parents with small families, and three-quarters of them have preschool-age children.** WASC sample members are much more likely than the U.S. poor to be single, and about two-thirds of the sample members in each site have children. When they entered the evaluation, more than three-quarters of WASC parents in each site had a child younger than 13 — young

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<sup>41</sup>Throughout this discussion, “WASC sample members” refers to enrollees in the demonstration only in Dayton and San Diego. Future reports will describe the characteristics of sample members in the other two WASC sites.

enough, that is, to be eligible for subsidized child care — and nearly half the parents in San Diego (47 percent) and more than half the sample members in Dayton (59 percent) had preschool-age children. Most sample members have small families, with two or fewer people per family in about half the San Diego households and in a little more than half the Dayton households.

- **WASC sample members have higher levels of education, on average, than the national population of the working poor.** WASC sample members in each of the sites have higher levels of education than working-poor adults nationwide. Nearly three-quarters (74 percent) of San Diego sample members and 90 percent of Dayton sample members have a high school diploma. A fifth of the San Diego sample members and nearly a third of the Dayton sample members were currently enrolled in an education or training program when they entered the evaluation.
- **WASC sample members are much less likely to be employed full time, and although they are more tenured than the working poor nationwide, only about a quarter have been in their current jobs for two years or more.** Nearly all sample members in each site work at just one job. When they were randomly assigned, WASC workers in each site were more than twice as likely as the working poor nationwide to have worked for their current employer for more than 12 months. More than a quarter in each site had worked for their current employer for more than 24 months. WASC sample members were less likely, however, to be employed full time. Less than a third of WASC sample members in San Diego and less than a quarter in Dayton were employed full time, compared with 84 percent nationally. Sample members in each site earned about \$9 per hour, on average, or approximately \$250 per week. Although nearly half of Dayton sample members reported that their employers offered health benefits, less than 20 percent enrolled. Similarly, 38 percent of San Diego sample members' employers offered a health plan, but only 15 percent enrolled. WASC sample members in San Diego were about as likely as the working poor nationwide to report a physical or mental health problem that limited their work. More than a quarter of San Diego sample members and about a fifth of Dayton sample members reported that they had become dislocated workers sometime within the two years before random assignment.
- **Family incomes of WASC sample members fell well within the lowest fifth of the U.S. income distribution; a substantial proportion in each site relied on food stamps, and, compared with the U.S. working poor, they were**

**considerably more likely to rely on public than private health insurance.** WASC sample members reported incomes of \$14,000 to \$15,000 per year, on average, which falls well within the lowest quintile of family incomes in the United States.<sup>42</sup> About a fifth of sample members in each site reported family incomes above 130 percent of the federal poverty guideline (which is also the federal gross income eligibility threshold for food stamps). Twenty percent of WASC sample members in San Diego and twice as many in Dayton reported receiving food stamps. Most WASC sample members in each site filed tax returns in the year before random assignment, but only 53 percent of Dayton respondents and 41 percent of San Diego respondents reported claiming the Earned Income Tax Credit, and even fewer (26 percent in Dayton and 37 percent in San Diego) reported claiming the Child Tax Credit. WASC sample members were less likely than the U.S. working poor to have health insurance coverage for themselves, and those with coverage were more likely to rely on public health insurance. Seventy percent of Dayton sample members and more than half of San Diego sample members reported that they had health insurance for themselves, and, of these, more than one-third in San Diego and more than two-fifths in Dayton relied on public health insurance. Nearly three-quarters of WASC sample members in San Diego and nearly all Dayton parents reported that their children were covered, and both sets of parents relied on public health insurance for their children.

- **Most WASC sample members are renters, and about a quarter participate in some form of subsidized housing program.** About two-thirds of WASC sample members in each site rent their homes. Less than 10 percent of San Diego sample members and 12 percent of Dayton sample members own their own homes. Nearly a quarter of respondents in each site participate in some form of subsidized housing program.

## **The Research Design**

The WASC demonstration is being evaluated using a rigorous random assignment design and includes an impact analysis and an implementation analysis. The research will attempt to answer such questions as: Does the WASC approach increase the skills of low-wage workers and the quality of jobs they obtain? Does it improve their overall net income, help reduce poverty, and lead them to greater success in the labor market? Does it increase their use of financial work sup-

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<sup>42</sup>For example, the upper family income limit of the lowest quintile of U.S. families was \$26,445 in 2006 dollars (U.S. Department of Commerce, Bureau of the Census, 2007).



ports and services above and beyond levels that they would have achieved in the absence of the intervention? And is the approach feasible to operate on a large scale in diverse localities?

The *impact analysis* will measure the program's effects on the rates of work support take-up, employment retention, earnings and wage gains, and various measures of household income for the full research sample in all four sites. It will measure these effects by comparing the outcomes of two groups that are comparable in every way, except that one group (the program group) will be eligible to receive WASC services and the other group (the control group) will not. The differences between the experiences of these two research groups will represent the impact of the program. The *implementation analysis* will document the sites' experiences in setting up and operating WASC and the participants' responses to what the program offers them. It will attempt to understand what it takes to implement the WASC model and operate it well. Specifically, the implementation analysis will examine the following: the institutional changes made at the sites to achieve the goals of WASC; the various strategies used by the sites to recruit, enroll, and serve low-wage workers; and workers' patterns of participation in WASC services and training. The implementation analysis will attempt to understand the impacts; for example, if a program is successful, the implementation analysis should help explain which features contribute most to its success.

In addition to examining effects on employment and work support receipt, a special study embedded in the demonstration will examine WASC's effects on the food stamp error rate.<sup>43</sup> Although one way in which WASC hopes to increase the take-up of food stamps is through simplified and streamlined application procedures, there is some concern that these steps might result in an increase in the percentage of food stamp payments that are made in error. The U.S. Department of Agriculture's Food and Nutrition Service provided a waiver regarding certain food stamp rules to Dayton and San Diego. The waiver involves (1) the elimination of face-to-face interviews, or replacement with phone interviews, at the time of recertification; and (2) the use of alternative quality-control review procedures. Approval was also granted to the State of Ohio to exclude WASC cases from counting toward its food stamp error rate. As part of the waiver agreement, MDRC will conduct a separate study in the San Diego and Dayton sites to compare error rates for recipients in the WASC program group and the control group.

### **Forthcoming Reports on the WASC Demonstration**

This is the second report from the WASC demonstration, building on an earlier report that describes the launching of the demonstration, the experiences of the two learning sites, and some key challenges that the sites were facing.<sup>44</sup> Future reports will include a paper examining

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<sup>43</sup>This study is funded by the U.S. Department of Agriculture's Food and Nutrition Service.

<sup>44</sup>Anderson, Kato, and Riccio (2006).

low-wage workers' experiences in WASC, scheduled for release in early 2008; an early-impacts and implementation report, also in 2008; a one-year impact report in 2009; and a two-year report in 2010.

## **The Remainder of This Report**

The balance of this report illustrates how low-wage workers can combine work supports with advancement steps to increase their net income, and it demonstrates how WASC is coaching customers regarding these issues. Chapter 2 explains how career coaches in WASC and similar programs can help workers to make strategic advancement decisions by understanding how food stamps and tax credits phase in and out as earnings increase. Most low-wage workers have a substantial amount to gain from work supports, but, as they advance, the same supports that make work pay begin to phase out. The key to ensuring that advancement pays is to make decisions that maximize the take-home rate — the proportion of a change in earnings that workers can pocket as increased income. When take-home rates are high, workers are often best advised to reach for more work hours and higher wages. When take-home rates are at their lowest, workers might be better advised to combine work and training.

Chapter 3 offers an early look at the implementation experiences of the two learning sites — Dayton, Ohio; and San Diego, California — centering on coaching toward advancement, including facilitating the take-up of work supports. It describes efforts to simplify the work support application process, education and marketing of work supports and advancement options, customer behavior and reactions, and staff approaches to coaching toward advancement. The chapter draws on qualitative data sources, including structured interviews of WASC unit staff and observations of customer-staff interactions. MDRC conducted these interviews and observations in Dayton and San Diego during January and June 2006.

As expressed throughout this first chapter, the WASC demonstration goes beyond the provision of income supplements to low-wage workers and places the emphasis on coaching toward advancement. It is hoped that this report's discussion of the interplay between earnings and work supports — and the methods that WASC uses to enable low-wage workers to navigate these complex interactions — will be of interest both to the circle of policymakers and practitioners immediately concerned with WASC and to the broader audience that is concerned about improving income for low-wage workers.

## Chapter 2

# Making Each Advancement Step Pay

As Chapter 1 describes, the Work Advancement and Support Center (WASC) demonstration is built on a service model that offers intensive career and advancement coaching to help low-wage workers access financial work supports and take strategic steps to advance — by gains in wages or work hours or by acquiring employer-provided benefits — thereby increasing their earnings and stabilizing their income by making the most of available work supports. Of the four WASC sites, three (San Diego, California; Bridgeport, Connecticut; and Dayton, Ohio) plan to offer services both at the one-stop career centers created by the Workforce Investment Act (WIA) of 1998 and at employers' work sites, while the fourth (Fort Worth, Texas) plans to serve participants entirely through an employer-based approach.

From just getting by at the end of each month to getting ahead is a hard climb for low-wage workers, often requiring several advancement steps, and the key to making sustained progress is to reach high enough to make sure that each step pays. But because of the complex ways in which earnings interact with taxes and public benefits, it is difficult for workers to anticipate whether a given advancement step pays. To complicate matters, sometimes a relatively small increase in earnings can cost families their eligibility for public health insurance or child care subsidies — supports that are worth as much as hundreds of dollars per month for families who rely on them.

When all is said and done, does it pay to advance in the workforce? This chapter shows that the general answer to that question is: Usually, but not always, and how much advancement pays — and under what circumstances — depends on a number of factors, particularly the ways in which work support eligibility rules interact with earnings levels and family size. This chapter explores these interactions. It concludes by identifying several key principles that should guide the kinds of advice offered to participants by WASC programs, or by other programs that try to help low-wage workers increase their “take-home income.”

This chapter considers various advancement steps that might be taken by two hypothetical families, the Wilsons and the Taylors:

- Yvonne Wilson is a single parent with one child. Yvonne works 20 hours per week at \$9 per hour.
- Jack and Diane Taylor are a two-parent family with two children. Jack works 40 hours per week at \$11 per hour; Diane cares for the children full time.

Both families live in Dayton, Ohio, where work support policies fall toward the middle of state policies nationwide in terms of generosity. Of the other three WASC sites, work support policies are more generous in San Diego and Bridgeport, where the cost of living is higher, but are a little less generous in Fort Worth, where the cost of living is lower.<sup>1</sup>

The chapter begins by demonstrating how the WASC package of work supports can substantially strengthen family income while workers earn their way up. As they do, work supports will phase out, which brings the discussion back to the essential question of the conditions under which advancement pays. The chapter then introduces the “take-home rate,” a relatively straightforward way of comparing the returns to different advancement decisions. The discussion shows how the same advancement steps can change the take-home rates of the Wilson and Taylor families in often unexpected, but nevertheless predictable, ways. To explain these effects, the chapter shows how work supports increase and decrease with increasing earnings, forming three distinct advancement phases. Although different types of families encounter these three advancement phases at different ranges of earnings, the general pattern holds across family types. The final section explains how understanding this pattern enables caseworkers in WASC and similar programs to offer insightful advice about how to make each advancement step count.

## **Work Supports Can Substantially Boost Family Income**

Drawing on the two hypothetical families introduced above, this section illustrates how work supports can substantially improve family income. There is a chance that neither Yvonne Wilson nor Jack and Diane Taylor have ever applied for work supports prior to WASC. As the program’s career coaches work with each family to develop a career advancement plan, they will also explain how work supports can help them stabilize income and meet expenses in the short term.

During the work support discussion with her career coach, Yvonne learns that she is likely to be eligible for approximately \$256 per month in food stamps and over \$2,664 per year in the Earned Income Tax Credit (EITC).<sup>2</sup> Together these supports boost the Wilsons’ monthly

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<sup>1</sup>Appendix C compares the effects of advancement on take-home income in the three WASC sites other than Dayton.

<sup>2</sup>Although most claimants elect to collect the entire EITC with their annual tax refund, this chapter, for simplicity, summarizes the monthly value of the EITC as one-twelfth the annual credit. Technically, workers could receive only up to one-twelfth of 70 percent of the credit ( $0.083 \times 0.7 = 0.058$ ) each month and the 30 percent remainder at tax time. Thus, the present monthly value of the end-of-year EITC may be 1 percent to 6 percent less than the values reported in this chapter’s bar graphs.

after-tax income by 36 percent, as shown in Figure 2.1.<sup>3</sup> In addition, Yvonne is eligible for Healthy Kids (Ohio’s health insurance program for children) or Healthy Families (its adult health insurance program) and for subsidized child care — each of which is potentially much more valuable than more easily monetized work supports like food stamps and tax credits.

Under the WASC model, Yvonne’s career coach will take the time to offer information about work supports, a discussion that often does not occur with eligibility staff in ordinary public benefit agencies. The coach can *explain the details of each of these work supports, before Yvonne applies*, including application and eligibility requirements, disbursement schedules, and redetermination periods. For example, Yvonne can choose whether to collect the entire EITC with her annual tax refund or apply to receive up to 70 percent of the EITC over the course of 12 months and the remainder at refund time. Similarly, the coach can explain the amount of child care subsidies and copayments and the wide range of child care arrangements that Ohio supports, from informal care provided by a relative or friend to care provided in a formal day-care setting. Second, the career coach can explain *how the amounts of each of the programs interact with each other and with changes in Yvonne’s income and household situation*.

Figure 2.1 also shows how the full package of work supports could boost the Taylor family’s after-tax monthly income by 7 percent, from \$2,419 to \$2,598. Given higher earnings, the Taylor family qualifies for a lower monthly food stamp grant than the Wilson family, but they are more than compensated for this by a higher EITC. In addition, because they have two children, the Taylor family qualifies for a larger Child Tax Credit.

## Does It Pay to Advance?

Like all workers, low-wage workers have to calculate how a job change will affect their take-home income after taxes and work expenses. Above and beyond taxes and work expenses, low-wage workers also have to estimate how a gain in earnings will affect their receipt of work supports. As workers advance, the same supports that “make work pay” begin to phase out. It is

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<sup>3</sup>As explained in Chapter 1, WASC encourages families to take advantage of the “full package” of work supports: food stamps, the EITC, the Child Tax Credit (CTC), child care subsidies, and Medicaid or the State Children’s Health Insurance Program (SCHIP). This chapter assumes that WASC families elect to take up the maximum amounts and coverage provided by each of these components. Obviously, families who elect not to take up a particular component (such as food stamps) will be eligible for less than the total value of work supports shown in the examples. See Appendix D for cross-site comparisons of advancement on the full package, including Temporary Assistance for Needy Families (TANF).

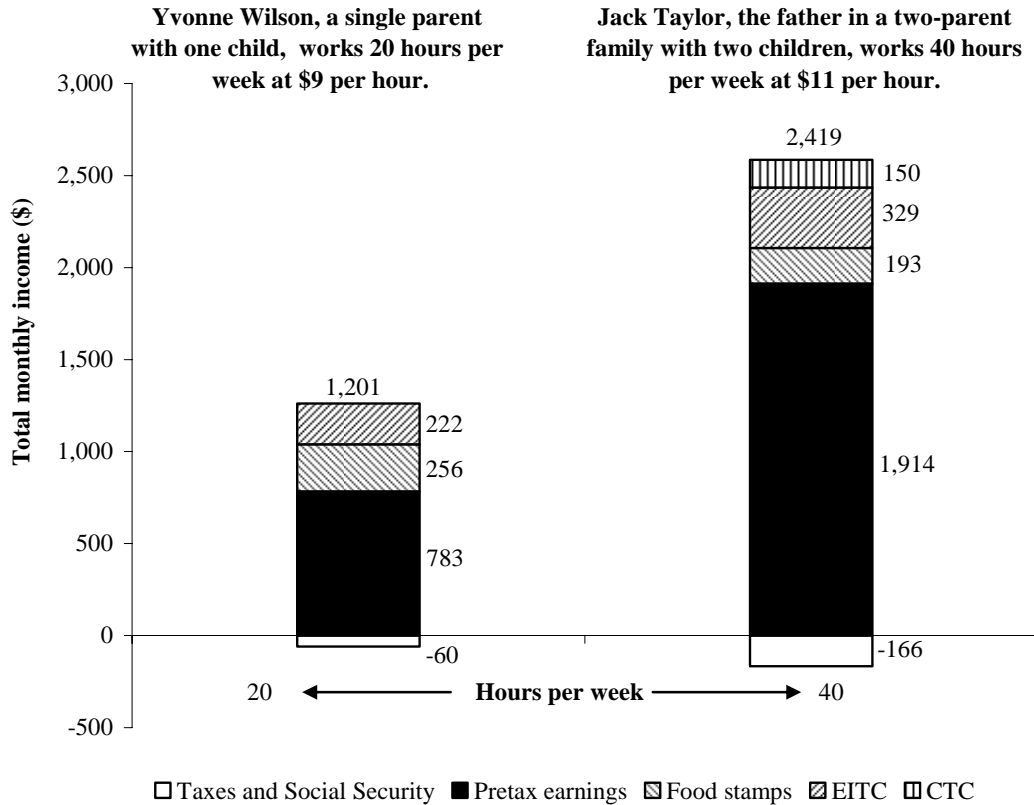
This chapter does not assign a monetary value to health care or child care coverage, which are nonetheless particularly valuable components of the full package. Since the public subsidies for these components are transferred directly to the providers, they do not affect family income. What are affected are families’ out-of-pocket expenses for health care or child care coverage, and these are difficult to estimate. Thus, although the chapter discusses customers’ eligibility for these supports, no monetary value is assigned to them.

## The Work Advancement and Support Center Demonstration

Figure 2.1

### Monthly Taxes, Earnings, and Work Supports for the Wilson and Taylor Families

#### Dayton



SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTE: Food stamp eligibility is based on assumptions of a monthly rent of \$525 (the median rent in Montgomery County as reported in U.S. Census 2000), the maximum standard utility allowance for heating/cooling (\$487), and child care costs for Yvonne (\$76).

difficult to understand how specific advancement decisions will affect total take-home income, given increases in taxes and decreases in work supports. As important, and often more so, are the “eligibility cliffs,” the income levels where eligibility ends for certain work supports, such as health care and child care coverage.

### The Take-Home Rate

One way to evaluate how much each advancement step pays is to calculate the “take-home rate” — the amount that total after-tax and work support income increases relative to each dollar increase in pretax earnings. The take-home rate is simply an arithmetic way to ask a question that workers implicitly ask themselves before making any advancement decision: “For each additional dollar that I earn, how much will my total income increase?” Formally, the take-home rate can be defined as follows.

$$\text{Take-home rate} = \frac{\text{Change in total income (earnings, taxes, and work supports)}}{\text{Change in pretax earnings}}$$

There are several important points to understand about the take-home rate:

- The take-home rate describes the relationship between a *change* in earnings and a *change* in income. For any given advancement decision, the take-home rate can range from much less than 1 to a little more than 1, depending on one’s earnings level, family size, and work support package. For example, if Yvonne increases her earnings by \$100 per month but loses \$24 per month in food stamps, she “takes home” \$76; in other words, her take-home rate is 0.76.
- In most advancement situations, total income *increases* with increased earnings but not quite to the same extent. Although there are a few situations in which a \$1 gain in earnings can trigger a greater-than-\$1 loss in total income (for example, at the eligibility thresholds for food stamps or the EITC), *most often both earnings and income increase*, though income usually increases by a little less. In other words, in most situations, the take-home rate reflects *how much of an increase in earnings is pocketed* as an increase in income, and *how much slips away* in increased taxes and lost work supports. In most advancement situations, a worker pockets at least some portion of the advancement gain and is better off.
- It is important to keep in mind that since most working families pay taxes, *most families take home less than 100 percent of their gross income*. Average net income for upper-middle-income families (those with average incomes of \$90,000 per year) is about 67 percent of their gross income, reflecting fed-

eral, state, and Social Security taxes. It is well established, however, that *low-income families typically keep much less of their gross income than higher-income families*. After federal, state, and Social Security taxes and tax credits, families who earn \$10,000 to \$40,000 per year typically achieve a net income of about 64 percent of their gross income. Average proportions of net income are lower — about 41 percent — for those who also rely on entitlement programs (such as food stamps, Medicaid, and the State Children’s Health Insurance Program [SCHIP]) and are lower yet — about 11 percent — for those who also rely on nonentitlement income supports (such as TANF, public housing assistance, child care subsidies, and the Women, Infants, and Children [WIC] program).<sup>4</sup>

- The take-home rate provides a simple, arithmetic model for comparing the short-term effects of different advancement decisions on income, but it does not take into account the full range of important, real-life rewards for advancement, such as fringe benefits, career development opportunities, and job satisfaction. Thus, while introducing the concept of the take-home rate as a tool for comparing the tradeoffs of different advancement opportunities, WASC career coaches also encourage customers to take these other factors into consideration. Many times, a lateral job move — and, in some cases, even a short-term income loss — can position a worker on a better long-term career advancement trajectory.

Consider how take-home income changes for the Wilson and the Taylor families as they weigh two different advancement decisions: increasing their work hours or accepting a job with a higher wage.

#### An Increase in Work Hours

Figure 2.2 shows what would happen if the two families each significantly increased their work hours.

- **Yvonne doubles her hours and gains \$433 per month (or \$5,196 per year), for a take-home rate of 55 percent; however, she loses adult Medicaid and subsidized child care.** Suppose Yvonne increases her hours from 20 to 40 per week. Figure 2.2 shows that she would gain \$783 in pretax earnings but would lose \$232 in work supports and \$118 in state and federal taxes and Social Security withholdings, for a net gain of \$433 per month

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<sup>4</sup>Carasso and Steuerle (2005).



The Work Advancement and Support Center Demonstration

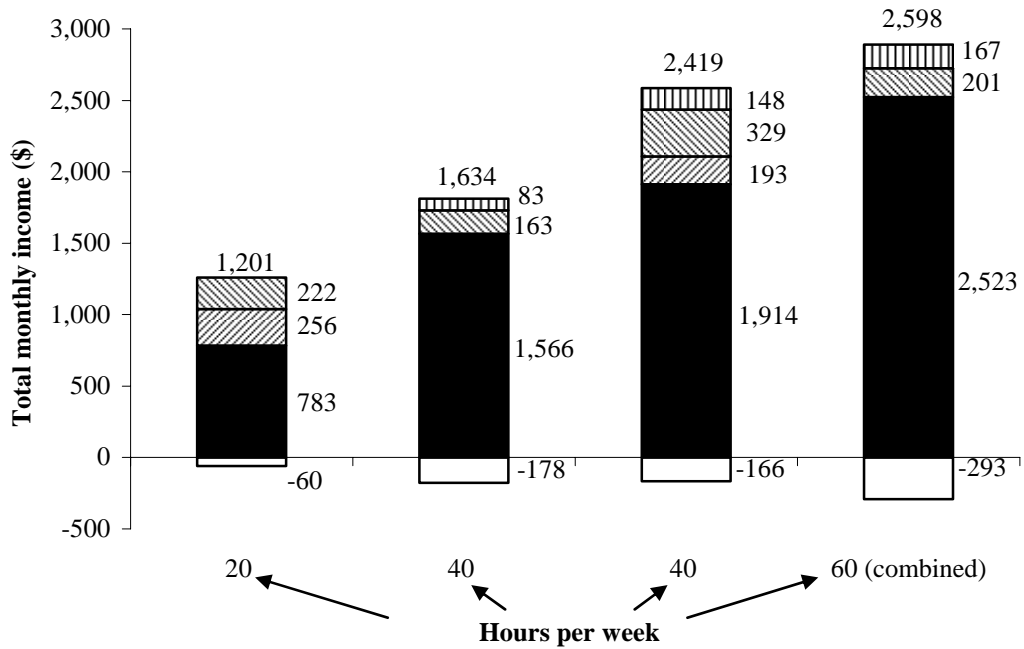
Figure 2.2

Changes in Taxes, Earnings, Work Supports, and Take-Home Income as the Wilson and Taylor Families Increase Their Weekly Work Hours

Dayton

Yvonne Wilson advances from 20 to 40 hours per week at \$9 per hour.

Jack Taylor maintains his job at \$11 per hour, 40 hours per week. Diane Taylor gets a job at \$7 per hour, 20 hours per week.



□ Taxes and Social Security ■ Pretax earnings ▨ Food stamps ▩ EITC ▮ CTC

SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTE: Food stamp eligibility is based on assumptions of a monthly rent of \$525 (the median rent in Montgomery County as reported in U.S. Census 2000), the maximum standard utility allowance for heating/cooling (\$487), and child care costs for Yvonne (\$76).

(\$5,196 per year). In other words, for each additional dollar that Yvonne earns from this advancement step, her total take-home income increases by \$0.55. While a \$5,196 increase in take-home income probably makes a substantial difference in Yvonne's quality of life, she will need to make a planned transition from public to private health insurance coverage for herself and a transition to unsubsidized child care for her daughter.

- **Diane Taylor takes a part-time job, but the family gains only \$179 per month, for a take-home rate of only 29 percent; in addition, the family loses subsidized child care.** With Jack and Diane's older child in school and their younger child now starting school at age 5, Diane considers returning to study part time to complete an associate's degree while also working part time. Figure 2.2 shows that if Diane works 20 hours per week at \$7 per hour, the Taylor family gains \$609 per month in pretax income but loses \$430 in work supports, taxes, and Social Security withholdings, for a net gain of only \$179 per month. In other words, for each additional dollar that Diane earns, her family gains only \$0.29; for each hour that Diane works, her implicit wage rate is only \$2.03 per hour.

Before Diane decides to get a part-time job, she and Jack might meet with the WASC career coach to make a plan that matches the family's goals: earning extra money for the family and helping Diane to complete an associate's degree.<sup>5</sup> The coach might then help Jack and Diane understand that they are entering a range of earnings where work supports will begin to phase out. The key to making sustained progress during this phase is to *reach high enough with each advancement step*. Together, they might decide that it makes more sense for Diane to arrange a full-time course of study to complete the associate's degree. As part of this plan, the career coach might also help Diane to secure an Individual Training Account (ITA) and financial aid package that will completely cover the cost of tuition and books. The following year, having completed the associate's degree, Diane might reasonably expect to secure a full-time job at \$11 per hour.

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<sup>5</sup>Although WASC career coaches officially serve the WASC participant — in this case, Jack — they also try to take the circumstances and goals of the family into account.

## An Increased Wage Rate

Another common advancement strategy is to secure a higher hourly wage, perhaps by changing jobs or earning a promotion.<sup>6</sup> Figure 2.3 shows what would happen if the earners in each family increased their hourly wages by \$2.

- **Yvonne earns a wage increase of \$2 per hour, gaining \$125 per month in take-home income, or \$1,500 per year, for a take-home rate of 72 percent; however, she loses eligibility for Medicaid.** Figure 2.3 shows that if Yvonne continues to work 20 hours per week but gains a wage increase of \$2 per hour, she earns an additional \$174 per month before taxes. She loses \$49 per month in taxes, Social Security withholdings, and work supports, however, for a net gain of \$125 per month, or \$1,500 per year. In other words, for each additional dollar that Yvonne earns from this advancement step, her take-home income increases by \$0.72 (a relatively normal take-home rate, even for middle-income workers). But Yvonne also loses Medicaid eligibility for herself.
- **Jack earns a wage increase of \$2 per hour but gains only \$29 per month, for an exceptionally low take-home rate of 8 percent.** Figure 2.3 shows that, with a wage increase of \$2 per hour, Jack earns an additional \$348 per month before taxes. His family loses \$319 per month in taxes, Social Security withholdings, and work supports, however, for a net gain of only \$29 per month. For each additional dollar that Jack earns from this advancement step, his take-home income increases by a mere \$0.08 (an exceptionally low take-home rate driven primarily by the gross income eligibility threshold for food stamps). In situations like these, WASC career coaches can help customers to identify supplemental advancement strategies, such as an investment in education or training. (Some workers might point out that even though the take-home rate is low, Jack has nothing to lose by taking the raise — he most likely does not have to increase his work effort — and the raise may put him on the path for more raises in the future.)

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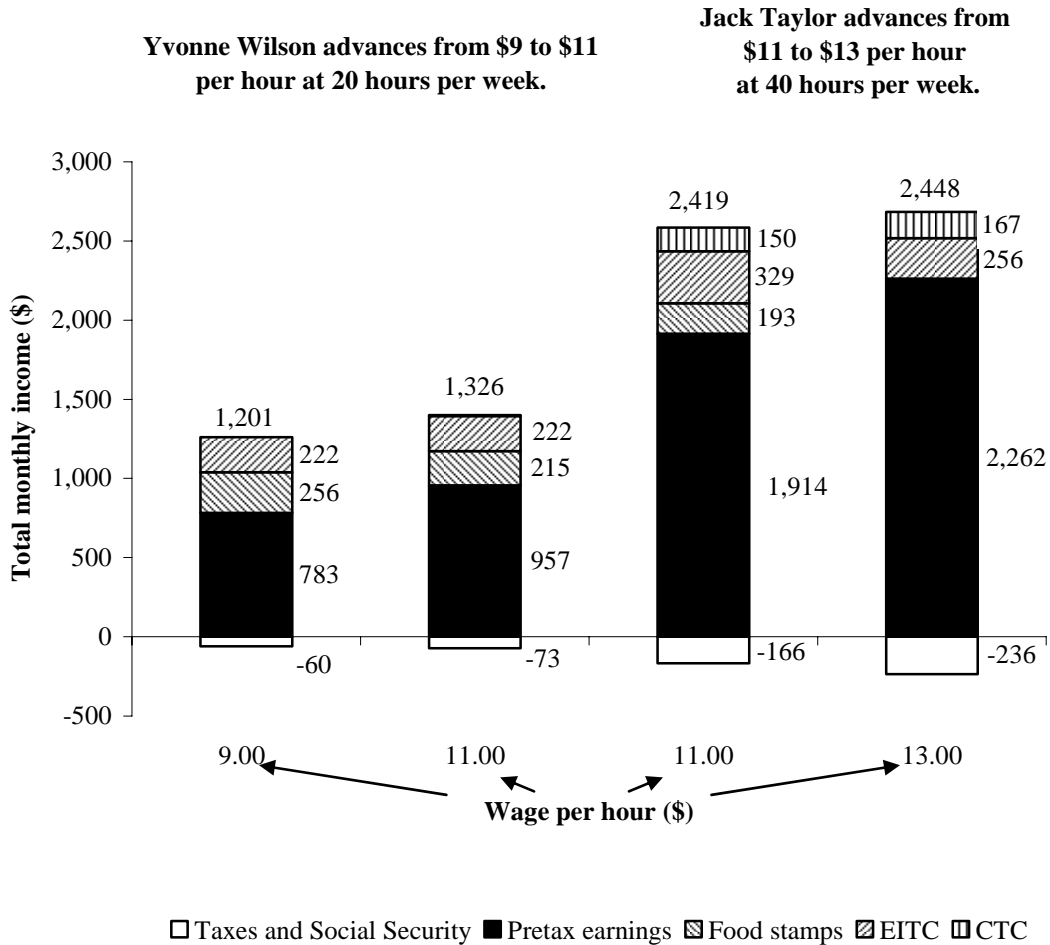
<sup>6</sup>Of course, most workers have far more control over their work hours than their wages, and they have only limited control over either. What WASC is testing is that a better understanding of how the work support system interacts with earnings can help workers to take the best possible advantage of the choices that present themselves.

**The Work Advancement and Support Center Demonstration**

**Figure 2.3**

**Changes in Taxes, Earnings, Work Supports, and Take-Home Income as the Wilson and Taylor Families Increase Their Hourly Wages**

**Dayton**



SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTE: Food stamp eligibility is based on assumptions of a monthly rent of \$525 (the median rent in Montgomery County as reported in U.S. Census 2000), the maximum standard utility allowance for heating/cooling (\$487), and child care costs for Yvonne (\$76).

## Phase-Out Schedules, Eligibility Cliffs, and Three Advancement Phases

Why do these simple advancement steps — an increase in work hours or in hourly wages — lead to such different take-home rates for the two families? This section illustrates how benefits phase in and out as monthly earnings increase and how these factors combine to create what can be thought of as the three “advancement phases.” Knowing these phases might help WASC career coaches to offer customers information about how to anticipate and plan for the changes that come with advancement.

### Eligibility Phase-Out Schedules

- Food stamps and tax credits phase out gradually as earnings increase. Figure 2.4 shows how the total amount of each of these work supports changes as Yvonne’s monthly earnings increase.<sup>7</sup> Three graph lines form three shapes in the figure, each of which represents the monthly value of one of the three work supports.
- Because the Food Stamp Program is designed to alleviate nutritional hardship, food stamp grants are highest for families with no other income, and they begin to phase out as families’ earnings increase. The dashed line in Figure 2.4 represents the maximum monthly food stamp grant.
- Note in Figure 2.4 that the dashed food stamp line is level at \$284 per month until Yvonne’s gross earnings reach about \$666 per month (the equivalent of 20 hours per week at \$7.70 per hour). Then it begins to phase down at  $-\$0.24$  per \$1 increase in earnings until her earnings reach 130 percent of the federal poverty guideline (which for Yvonne is the equivalent of 40 hours per week at \$8.26 per hour), when her food stamp eligibility ends.
- The Earned Income Tax Credit (EITC) phases in with increased earnings up until a maximum credit, levels out across an earnings range, and then phases down with further earnings gains. The dashed-and-dotted line in Figure 2.4, which takes the form of a trapezoid, represents the monthly value of the EITC. Unlike food stamps, the EITC increases with increased earnings to provide workers an incentive to advance. When earnings reach a certain amount (about two-thirds of the federal poverty guideline), the value of the EITC levels off across an earnings range — still rewarding work but no longer providing an additional advancement incentive for increased earnings.

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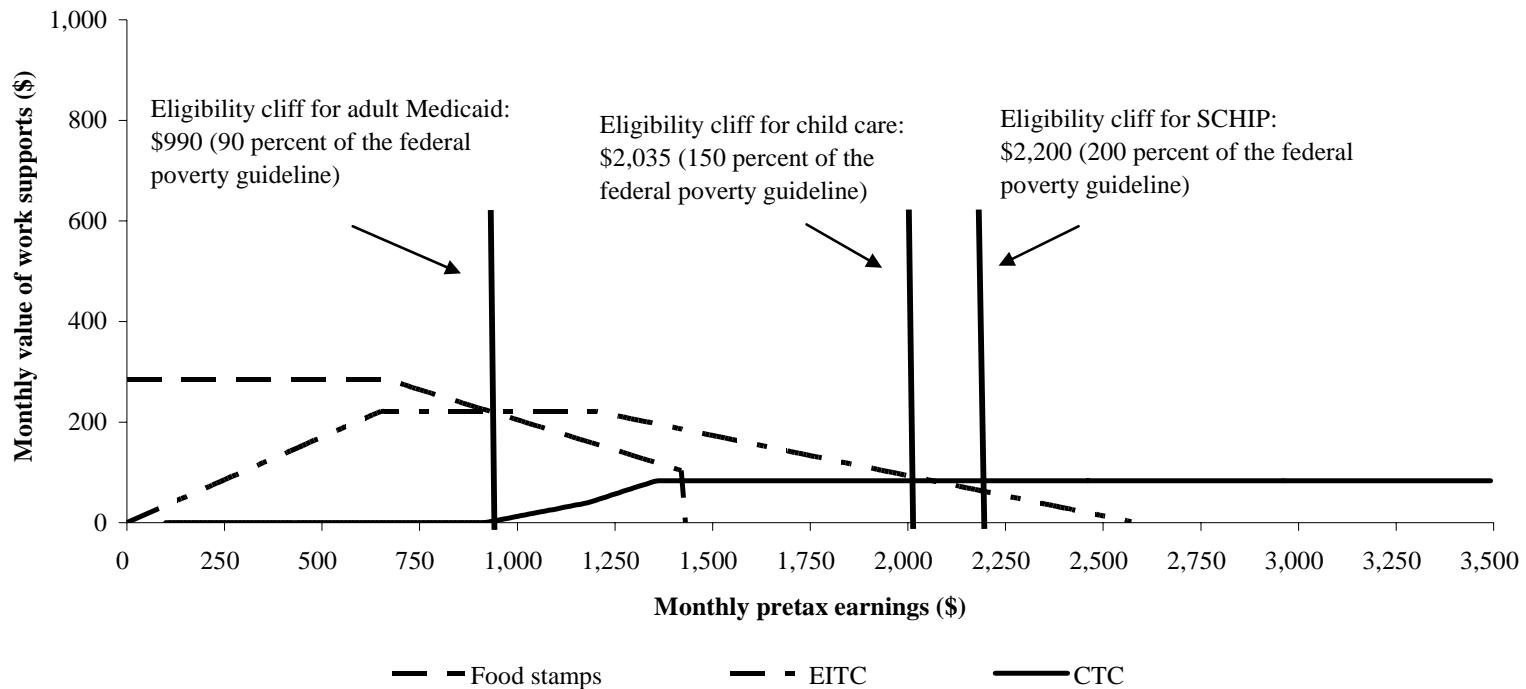
<sup>7</sup>Appendix Table A.1 compares the basic elements of the tax and benefit structure for single- and two-parent families of different sizes.

The Work Advancement and Support Center Demonstration

Figure 2.4

Work Support Phase-Out Schedule, by Monthly Pretax Earnings,  
for Yvonne Wilson, a Single Parent with One Child

Dayton



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SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTE: Food stamp eligibility is based on assumptions of a monthly rent of \$525 (the median rent in Montgomery County as reported in U.S. Census 2000), the maximum standard utility allowance for heating/cooling (\$487), and child care costs for Yvonne (\$76).

Above a certain level of increased earnings, the amount of the EITC begins to phase out.

- The Child Tax Credit (CTC) also phases in with increased earnings, but it levels out across a much wider range of earnings and does not begin to phase out until upper-middle-income levels. The solid graph line in Figure 2.4 represents the monthly value of the CTC. This credit does not begin to phase out until \$75,000 for single parents or \$110,000 for couples. Unlike the EITC, which is a fully refundable credit, the CTC consists of two components: a nonrefundable credit against tax liability owed and a refundable portion of up to 15 percent of earnings over \$11,000 per year. Thus, the CTC is weighted toward families with higher tax liabilities and with annual earnings above \$11,000 per year.

*Work supports phase out in similar patterns for larger families, like the Taylors, but at different levels of earnings.* This is because larger families are eligible for larger monthly amounts of work supports. For example, a comparison of Figures 2.4 and 2.5 shows that although the Taylors are eligible for a maximum monthly food stamp grant of more than 1.5 times the Wilsons' grant, food stamps phase out similarly with increasing earnings for both families. The EITC differs in several ways. For larger families like the Taylors, the EITC phases in at a faster rate and up to a higher maximum. As a result, the EITC provides stronger advancement incentives over a broader range of earnings for larger families, like the Taylors, than for smaller families, like the Wilsons. On the other hand, the EITC also phases out faster for larger than for smaller families. Obviously, the CTC is greater for families who have more children, but because it phases in with increasing tax liability, smaller families (with fewer tax deductions) reach the maximum sooner.

### Eligibility Cliffs

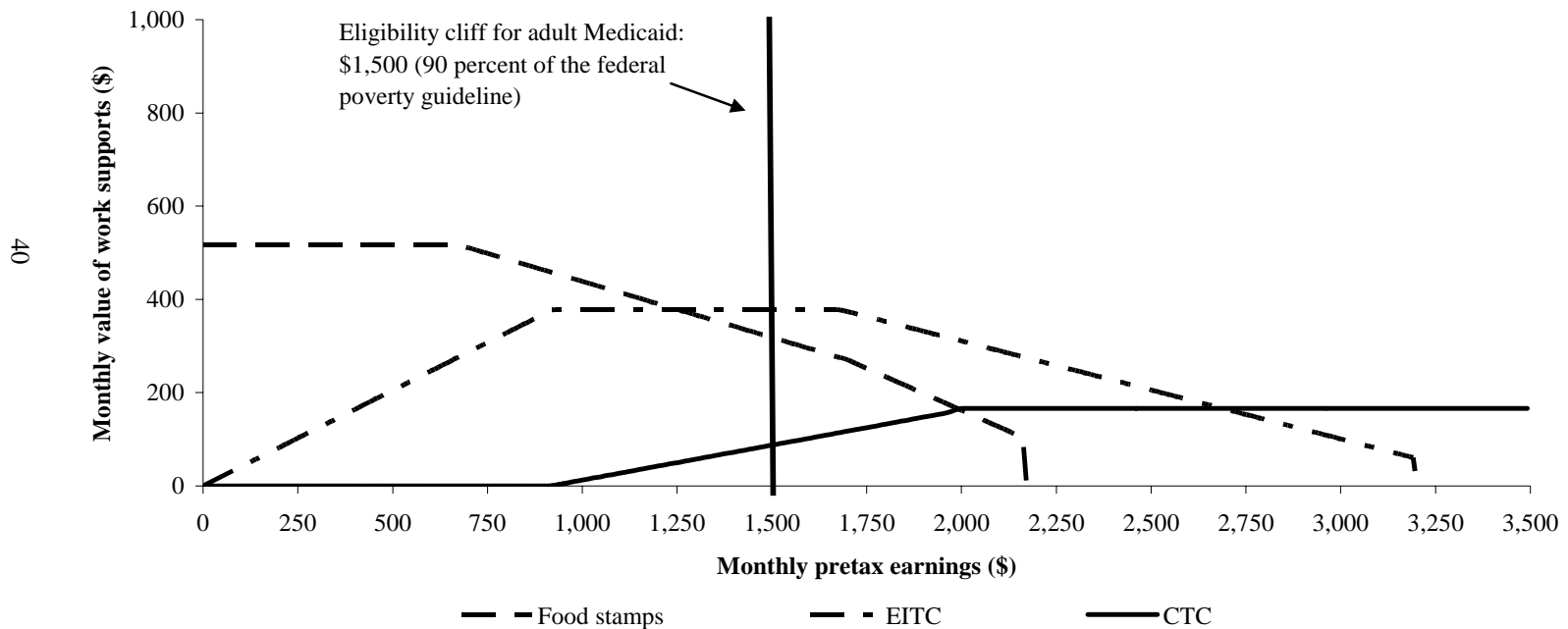
- Of course, as workers advance, they lose eligibility for work supports — some gradually and others abruptly — at different levels of monthly income for different types of families. Although eligibility limits for some programs, such as children's health insurance, have recently been expanded to cover most families in need (that is, with incomes up to 200 percent of the federal poverty guideline), most work supports (notably, Medicaid for parents and food stamps) are still restricted to poor or near-poor families.
- Some supports end entirely once families reach certain earnings thresholds, which policy researchers often refer to as “eligibility cliffs.” Of the five work supports in the WASC package, health insurance and subsidized child care pose eligibility cliffs. For example, in Ohio, Medicaid eligibility for parents is

**The Work Advancement and Support Center Demonstration**

**Figure 2.5**

**Work Support Phase-Out Schedule, by Monthly Pretax Earnings,  
for Jack and Diane Taylor, a Two-Parent Family with Two Children**

**Dayton**



SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTE: Food stamp eligibility is based on assumptions of a monthly rent of \$525 (the median rent in Montgomery County as reported in U.S. Census 2000), the maximum standard utility allowance for heating/cooling (\$487), and child care costs for Yvonne (\$76).



set at 90 percent of the federal poverty guideline. In 2006, 90 percent of the federal poverty guideline for a two-person family was \$11,880; so if Yvonne increased her annual earnings from \$11,800 to \$12,000, she would lose Medicaid.

*Eligibility cliffs are higher for larger families.* Because eligibility cliffs for adult Medicaid, child care, and SCHIP are indexed to the federal poverty guideline, and because the federal poverty guideline is higher for larger families, larger families are eligible up to higher income levels than smaller families. For example, note that while the Taylor family loses eligibility for adult Medicaid at \$1,500 per month (Figure 2.5), the Wilson family loses eligibility for adult Medicaid at \$990 per month (Figure 2.6).

### Advancement Phases

Although the series of work support fluctuations might feel random to workers, the three monetized supports in the WASC package — food stamps, the EITC, and the CTC — form three important advancement phases as they increase and decline over the earnings trajectory. Figure 2.6 shows how the combined amount of food stamps, the EITC, and the CTC change with Yvonne’s earnings. The vertical lines show the eligibility cliffs for adult Medicaid, child care, and SCHIP. Figure 2.7 shows how the amount of the full package of work supports changes with the Wilsons’ earnings.

- **Phase 1: During the first advancement phase, the full package of work supports increases sharply with each additional dollar, providing a strong incentive to advance.** For example, Figure 2.6 shows that, between monthly earnings of \$0 and \$670, the value of the full package of supports increases sharply with increasing earnings.

This “incentive phase” stretches over a wider range of earnings for larger families, like the Taylors, because they qualify for a higher EITC. Figure 2.7 shows that, for the Taylors, the incentive phase spans monthly earnings between \$0 and \$1,090. Moreover, the advancement incentives within this phase are stronger for larger families, like the Taylors, than for the Wilsons.

- **Phase 2: At higher wages, as the EITC and food stamps simultaneously phase out, total income increases more slowly with each additional dollar gained, until work supports phase out entirely.**<sup>8</sup> Yvonne encounters this phase over a range of monthly earnings between \$670 and \$2,590. As shown in Figure 2.6, the value of work supports falls over this range, and Yvonne loses eligibility for adult Medicaid, child care, and SCHIP.

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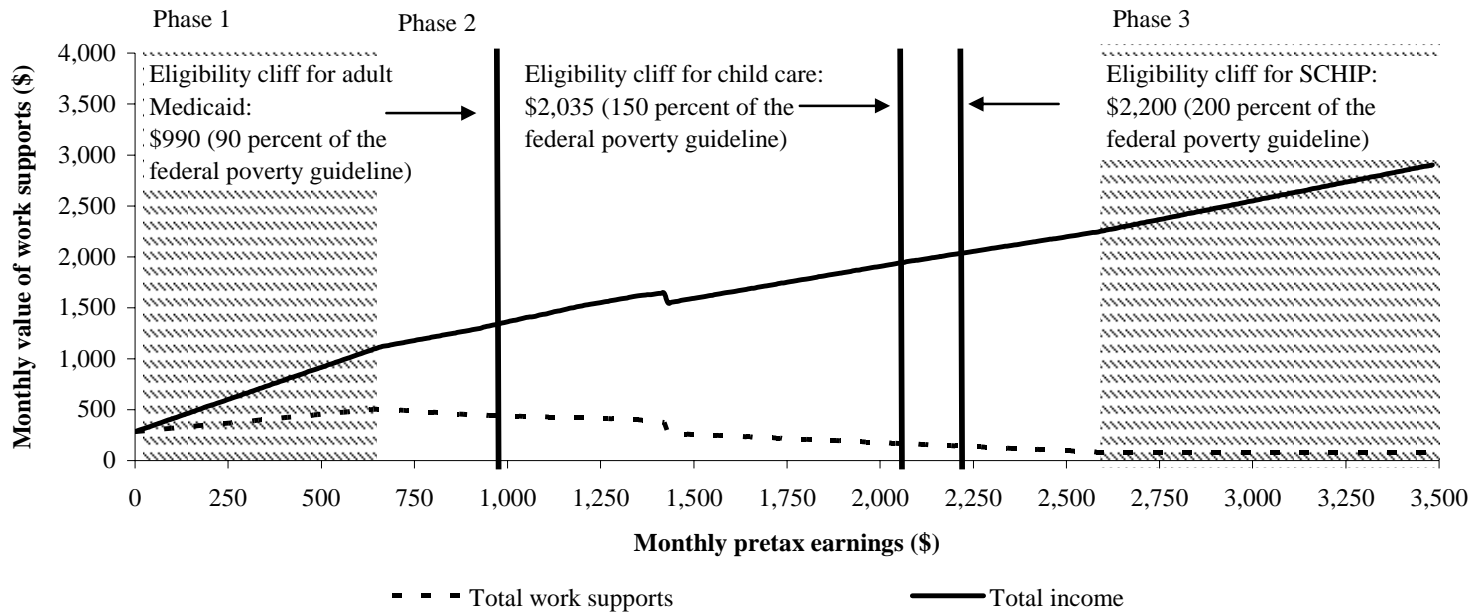
<sup>8</sup>See Wilson (2000) for a description of Minnesota’s response to the cumulative disincentives of these simultaneous phase-outs.

**The Work Advancement and Support Center Demonstration**

**Figure 2.6**

**Work Support Phase-Out Schedule, by Monthly Pretax Earnings,  
for Yvonne Wilson, a Single Parent with One Child**

**Dayton**



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SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTES: Food stamp eligibility is based on assumptions of a monthly rent of \$525 (the median rent in Montgomery County as reported in U.S. Census 2000) and the maximum standard utility allowance for heating/cooling (\$487). No child care deductions are included.

Total work supports include food stamps, the Earned Income Tax Credit (EITC), and the Child Tax Credit (CTC).

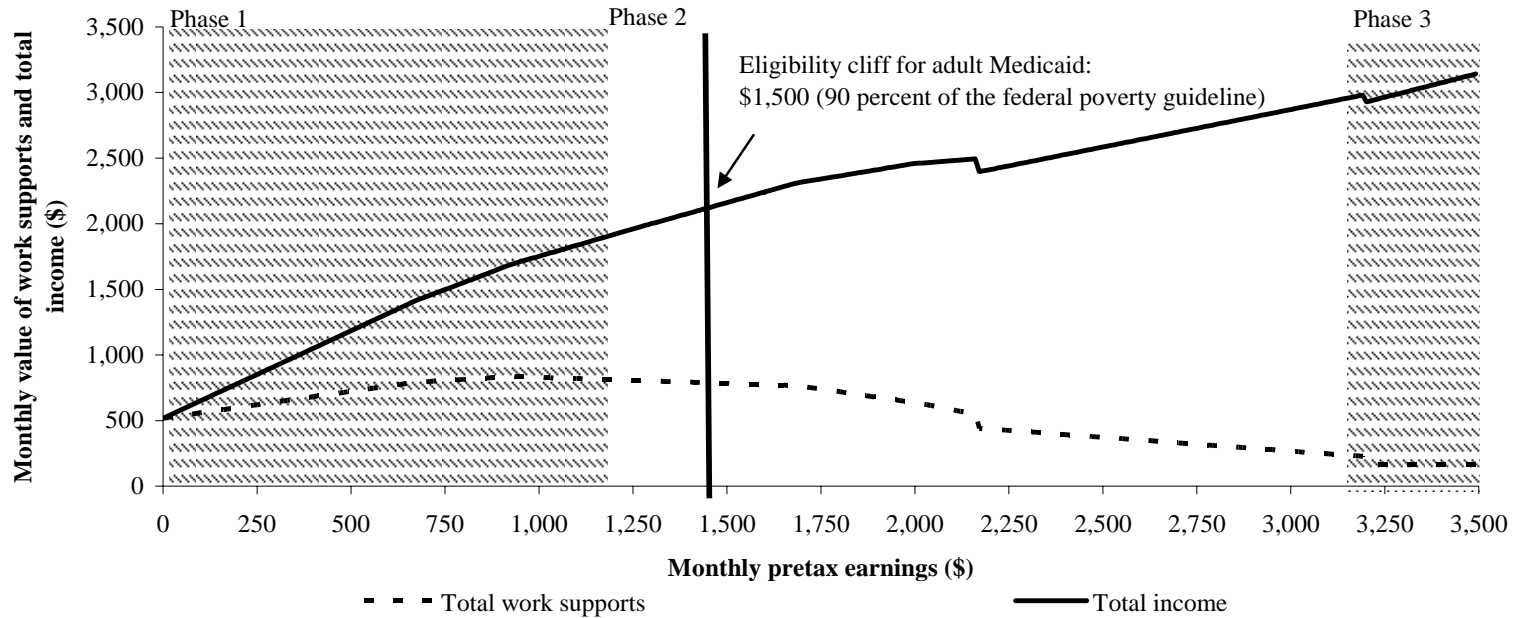
Total income includes monthly pretax earnings minus state and federal taxes and Social Security withholding plus total work supports.

**The Work Advancement and Support Center Demonstration**

**Figure 2.7**

**Total Monthly Amount of the Full Package of Work Supports, by Pretax Earnings, for Jack and Diane Taylor, a Two-Parent Family with Two Children**

**Dayton**



43

SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTES: Food stamp eligibility is based on assumptions of a monthly rent of \$525 (the median rent in Montgomery County as reported in U.S. Census 2000) and the maximum standard utility allowance for heating/cooling (\$487). No child care deductions are included.

Total work supports include food stamps, the Earned Income Tax Credit (EITC), and the Child Tax Credit (CTC).

Total income includes monthly pretax earnings minus state and federal taxes and Social Security withholding plus total work supports.

Larger families encounter a longer and steeper “transition phase” but at much higher levels of earnings. A comparison of Figures 2.6 and 2.7 shows that work supports begin phasing out at higher earnings levels for the Taylors (\$1,090) than for the Wilsons (\$670) but that the rate of decline is much steeper.

- **Phase 3: After food stamps and the EITC phase out, workers enter a second incentive phase, within which work supports no longer decline with increasing income.** Yvonne enters this phase at monthly earnings of \$2,580 (the monthly earnings equivalent of 40 hours per week at \$14.83 per hour), when the value of the EITC falls to zero. Of the WASC work supports, only the CTC is still available to Yvonne at earnings above this point (and since it remains level up until earnings of \$78,000 per year, it does not pose an earnings incentive or disincentive). The advantage of having progressed out of the range of eligibility for work supports is that Yvonne takes home \$1 for each \$1 gain in after-tax earnings (her taxes continue to increase, of course). For example, if Yvonne increases her earnings from \$2,600 to \$2,800 per month, the total monthly value of the CTC (the last effective work support) remains constant at \$83 per month.

Larger families, like the Taylors, encounter the third advancement phase at higher levels of earnings, but once they do, it offers them the same incentive — the independence to earn additional income without corresponding losses in work supports. Workers in Phase 3 can also take some satisfaction in a range of outcomes associated with replacing work supports with earnings. Earnings are less stigmatized than food stamps, and they can be used to purchase any market goods, while food stamps can be spent only on a limited range of food items.<sup>9</sup> Part of the deductions from gross earnings go toward social insurance programs like unemployment insurance and Social Security, which workers can draw down later. Perhaps most important, for many workers, increasing earnings accompany an increasing sense of self-reliance and future advancement opportunities that are predicated on taking this step.

*Higher take-home rates, such as those that characterize Phases 1 and 3, offer workers stronger incentives to advance.* In Phase 2, take-home rates are at their lowest, and WASC career coaches might have to work more closely with customers to prepare them for declines in work supports and to remind them that advancement still pays. It is important to emphasize that, even within the transition phase, workers are almost always better off advancing (that is, the take-up rate of work supports is almost never negative).

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<sup>9</sup>In fact, because food stamps are restricted to food items, public economists estimate that food stamp recipients value the subsidy at about 80 percent of its face value (Whitmore, 2002).

The exceptions are the eligibility cliffs shown in Figures 2.6 and 2.7 and the gross income eligibility thresholds for food stamps and the EITC. As workers approach eligibility cliffs for adult Medicaid, child care, and SCHIP or the eligibility cutoff levels for food stamps or the EITC, small advancement steps can result in disproportionate changes in total income and benefits. As discussed below, the key to navigating these transitions is advanced planning.

## How Do the Returns to Advancement Vary by Family Size?

Because work supports phase out at different levels for different families, the same advancement step (for example, an hourly raise of \$0.50 or an increase of 10 work hours) “pays” differently, depending on the presence or absence of children, total family size, and starting income level. How much a particular advancement step pays for a particular family is often difficult to decipher, given the patchwork system of work supports, but understanding the three advancement phases helps WASC career coaches and customers understand and anticipate these differences.

For example, Table 2.1 shows that, given the same starting wage, the same advancement decision (in this case, an increase of 20 work hours per week) yields different take-home rates for different types of families.<sup>10</sup> Note that the two lowest take-home rates for each type of family (that is, for each row) are indicated in bold print. As the preceding discussion explains, workers encounter these particularly low take-home rates during the second, “transition” phase of earnings, during which food stamps and the EITC simultaneously phase out with increasing earnings. For each family type, the take-home rates to the left of the bolded rates are within the first advancement phase, and those to the right of the bolded rates are within the third advancement phase. Comparing the take-home rates for the same advancement decision by family type and starting wage suggests some important differences:

- **For workers with larger families, the two WASC “treatments” — work supports and advancement services — complement each other over a much broader range of earnings.** As mentioned above, work supports offer larger families greater amounts of income and stronger advancement incentives over a broader range of earnings than they do for smaller families. Note in Table 2.1 that the lowest take-home rates for each family (shown in bold) form a diagonal line from left to right, top to bottom, and across each panel — reflecting the positive relationship between family size and the earnings levels at which workers encounter the transition phase. In practice, this suggests that,

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<sup>10</sup>The information shown for Dayton in Tables 2.1 and 2.2 is presented in Appendix C for the other three WASC sites: Bridgeport, Fort Worth, and San Diego.

The Work Advancement and Support Center Demonstration

Table 2.1

Take-Home Rate of Each Additional Dollar Earned, Given a 20-Hour Increase in Weekly Work Hours,  
for Workers with Identical Job Characteristics and Different Family Types

Dayton

		Starting Hourly Wage (\$)					
		5.15	7.00	9.00	11.00	13.00	15.00
Single-adult household increases hours from part time to full time (20 to 40 hours per week) with:							
	No children	0.70	<b>0.51</b>	<b>0.59</b>	0.67	0.75	0.74
	1 child	0.96	0.78	<b>0.55</b>	<b>0.55</b>	0.53	0.52
	2 children	1.21	0.97	0.76	<b>0.51</b>	<b>0.48</b>	0.47
	3 children	1.21	0.98	0.77	0.63	<b>0.48</b>	<b>0.48</b>
Two-adult household with one full-time worker; second parent takes part-time job at the same hourly wage (40 to 60 combined hours per week) with:							
	No children	<b>0.58</b>	<b>0.57</b>	0.79	0.77	0.75	0.73
	1 child	0.81	0.44	<b>0.42</b>	<b>0.58</b>	0.64	0.68
	2 children	0.84	0.73	<b>0.36</b>	<b>0.40</b>	0.55	0.62
	3 children	0.85	0.74	0.52	<b>0.41</b>	<b>0.45</b>	0.63

(continued)

**Table 2.1 (continued)**

	Starting Hourly Wage (\$)					
	5.15	7.00	9.00	11.00	13.00	15.00
Two-adult household with one full-time worker; second parent takes a full-time job at the same hourly wage (40 to 80 combined hours per week) with:						
No children	<b>0.56</b>	<b>0.68</b>	0.77	0.75	0.74	0.73
1 child	0.71	<b>0.53</b>	<b>0.52</b>	0.66	0.69	0.70
2 children	0.79	0.50	<b>0.47</b>	<b>0.51</b>	0.64	0.67
3 children	0.79	0.60	0.48	<b>0.52</b>	<b>0.59</b>	0.68

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SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTES: The take-home rate is calculated as the change in total income (after taxes and work supports) divided by the change in pretax earnings.

Bold type indicates the lowest take-home rates achieved among several job advancement scenarios for a particular type of household.

among full-time workers, larger families at lower wages will be most likely to benefit from the “full dose” of WASC advancement services and work supports, because they will secure relatively high take-home rates from advancement while relying on work supports.

- **Among full-time workers, those with children achieve the highest take-home rates within the first advancement phase, while those without children achieve the highest take-home rates within the third advancement phase.** Reading down the columns of Table 2.1 to compare workers with the same wage and different family types, it becomes clear that, within the first advancement phase (the rates printed to the left of the bolded rates), take-home rates increase with family size, while the opposite is true within the third advancement phase (the rates printed to the right of the bolded rates).<sup>11</sup> In practice, this suggests that WASC career coaches will find it easiest to encourage advancement among full-time working parents with low wages and among full-time working nonparents with relatively high wages.
- **Decisions about how many hours to work are more complicated for second earners in two-parent families with low earnings. Full-time work usually pays better than part-time work, but the take-home rates of the additional hours worked can be quite low.** Second earners often struggle with the decision of how best to divide their time between child care and work (while their children are young) and between work and education and training (when the children are older).

On the one hand, it is almost a truism that workers can achieve bigger gains in earnings by increasing their hours than by increasing their wages. Because most workers have far more control over their work hours than their wages, they can increase their hours by greater amounts than they can increase their wages. (For example, while many part-time workers could double their work hours, few could double their wages.) On the other hand, increasing work hours requires an increase in effort, while increasing wages often does not. Additionally, married couples who file joint tax returns achieve lower take-home rates than single parents in the same circumstances, which erodes some of the rewards of advancement.<sup>12</sup>

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<sup>11</sup>These differences arise for two reasons. The EITC phase-in rate is greater than the food stamp phase-out rate for working parents, but not for nonparents, and among working parents, the EITC phase-in rate is higher for those with two or more children. See Appendix Table A.1.

<sup>12</sup>Steuerle (2006) shows that tax credits like the EITC and the CTC provide “marriage bonuses” to couples with incomes less than \$10,000 and penalize higher-income couples, while programs like food stamps, Medi-  
(continued)



As was true for Diane Taylor in the discussion above, sometimes evaluating the take-home rate of different advancement scenarios helps to inform these decisions. The second panel of Table 2.1 shows the take-home rates for two-parent families with one full-time worker and one part-time worker (60 combined work hours per week), and the third panel shows the take-home rates for two-parent families with two full-time workers (80 combined work hours per week).

In addition to helping workers understand how much of additional monthly earnings will be pocketed in take-home income, *the take-home rate also shows how much workers take home for each additional hour of work*. For example, a worker with a take-home rate of 0.71 and an hourly wage of \$7.00 actually takes home \$4.97 ( $0.71 \times \$7.00$ ) for each additional hour of work. Because take-home wages are often much lower than nominal wages, it is important to present them to workers in ways that do not discourage advancement, by pointing out the standard caveats: The take-home rate shows the return on each additional hour of work; most families take home less than the nominal wage of each additional hour; and the take-home rate is just one consideration in any advancement decision. Applying the take-home rate to hourly wages is particularly helpful in decisions about how many additional hours to work. It helps workers to make the tradeoffs of earnings versus work-related expenses more explicit, in order to make more sustainable employment decisions.

In practice, WASC career coaches need to work individually with second earners, to help them evaluate the tradeoffs of full- versus part-time work. In some cases, second earners may find that the best plan over the long term is to invest a portion of their time in education and training activities in order to secure a higher wage.

Table 2.2 extends this comparison of the different returns to advancement by comparing the take-home rate of a \$2 hourly wage increase for different types of families. (Appendix C presents this information for the sites other than Dayton.) Each of the three differences observed for the advancement scenarios reflecting work hours also applies to the scenarios reflecting wages. In addition, the wage advancement scenarios illustrate the relatively high take-home rates available to part-time workers.

- **Single parents working part time should be encouraged to pursue wage increases aggressively, as they will achieve relatively high take-home rates up to relatively high levels of hourly wages.** As mentioned above, WASC career coaches actively encourage all customers to pursue advancement by all available means, but as workers enter the transition phase, career coaches need to offer more nuanced advice about the tradeoffs of different

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caid, and SCHIP impose substantial “marriage penalties” for most households. These mixed effects on take-home rates can be seen by comparing the first two panels of Table 2.1.

The Work Advancement and Support Center Demonstration

Table 2.2

Take-Home Rate of Each Additional Dollar Earned, Given a Wage Increase of \$2 per Hour, for Workers with Identical Job Characteristics and Different Family Types

Dayton

	Starting Hourly Wage (\$)				
	5.15	7.00	9.00	11.00	13.00
Single-adult household working part time (20 hours per week) with:					
No children	0.89	0.64	<b>0.46</b>	0.29	0.80
1 child	1.26	0.85	0.72	0.79	<b>0.71</b>
2 children	1.33	1.17	1.03	0.83	<b>0.66</b>
3 children	1.33	1.17	1.03	0.83	<b>0.69</b>
Single-adult household working full time (40 hours per week) with:					
No children	<b>0.45</b>	0.76	0.74	0.73	0.73
1 child	0.78	<b>0.30</b>	0.63	0.60	0.58
2 children	0.82	0.60	<b>0.19</b>	0.57	0.54
3 children	0.84	0.60	0.52	<b>0.26</b>	0.57
Two-adult household with 1 full-time worker (40 hours per week) with:					
No children	0.55	<b>0.41</b>	0.79	0.78	0.78
1 child	0.81	0.77	<b>0.16</b>	0.62	0.62
2 children	0.86	0.81	0.59	<b>0.08</b>	0.57
3 children	0.86	0.82	0.59	0.47	<b>0.23</b>
Two-adult household with 1 full-time and 1 part-time worker (60 hours per week combined) with:					
No children	<b>0.55</b>	0.78	0.76	0.73	0.73
1 child	<b>0.34</b>	0.63	0.55	0.74	0.73
2 children	0.71	<b>0.23</b>	0.57	0.52	0.73
3 children	0.71	0.47	<b>0.36</b>	0.54	0.74

(continued)

**Table 2.2 (continued)**

	Starting Hourly Wage (\$)				
	5.15	7.00	9.00	11.00	13.00
Two-adult household with 2 full-time workers (80 hours per week combined) with:					
No children	0.78	0.75	0.73	0.73	0.73
1 child	<b>0.43</b>	0.62	0.73	0.73	0.73
2 children	<b>0.29</b>	0.57	0.63	0.73	0.73
3 children	0.47	<b>0.43</b>	0.65	0.73	0.73

SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTES: The take-home rate is calculated as the change in total income (after taxes and work supports) divided by the change in pretax earnings.

Bold type indicates the lowest take-home rates achieved among several job advancement scenarios for a particular type of household.

advancement strategies, given the relatively low take-home rates. The first panel of Table 2.2 suggests that single parents working part time will not encounter the transition phase until wages at or above \$13 per hour. In practice, this suggests that *career coaches should offer single-parent, part-time workers a simple, categorical message to pursue wage advancements aggressively without hesitation.*

Obviously, as mentioned above, customers who can afford to work full time will advance much further by doubling their work hours than by earning a wage increase (simply because few workers can double their wages). But adding work hours means cutting time for nonwork responsibilities, and, for single parents especially, there's often a limit to how much this time can be cut back. The good news for single parents who cannot work full time is that *wage advancement strategies pay*; that is, part-time workers can often keep a substantial portion of the increased income that they earn through wage advancement. Moreover, *single parents working part time at wages anywhere between \$5.15 and \$15.00 per hour will not reach eligibility cliffs for adult health care coverage, child care, or children's health care coverage* (not shown).

- **In fact, regardless of family composition, customers earning less than \$7 per hour should be encouraged to pursue wage advancement without**

**worrying about losing eligibility for adult health care coverage, child care, or children’s health care coverage.** No household with one or more children (whether a single-parent or two-parent household) working 40 hours per week or less at wages of \$7 per hour or less will lose eligibility for these supports. It may be that, by simply reassuring these working parents of this basic fact, WASC career coaches might encourage some of them to take incremental steps toward advancement.

## Principles to Guide Advancement Coaching

One of the theories that WASC is testing is that clearer information and advice about take-home rates and eligibility cliffs will help low-wage workers to make more informed advancement decisions. The analysis above indicates that although the effect of advancement steps on take-home income can be difficult to anticipate, nearly all workers encounter varying take-home rates and eligibility cliffs. These patterns suggest two principles that career coaches in WASC and similar programs should follow as they offer advancement advice.

- **Plan smooth transitions from public to private health insurance and child care coverage.** As customers approach eligibility cliffs for work supports, WASC career coaches might help them to make advanced plans to maintain health insurance and child care coverage. Some workers might hesitate to increase their earnings and advance because they assume that an eligibility cliff is much lower than it really is. Simply by reassuring these parents of their continuing eligibility, WASC career coaches might be able to encourage some of them to take incremental steps toward advancement.
- **Understand which advancement phase a customer is in, and use this knowledge to help the customer make the best advancement decision.** Although the overriding emphasis of career coaching within WASC is on advancement, by helping families to understand how work supports phase in and out over the earnings trajectory, career coaches can offer more nuanced and strategic advice about advancement decisions.

Messages for workers in *Phase 1* might convey the strong advancement incentives conferred by the high take-home rates. Within this phase, workers gain more than a dollar in take-home income for every dollar gained in earnings. WASC career coaches might try to make the incentives of the full package clearer by emphasizing to workers that the more they earn, the more they take home.

While still emphasizing advancement, coaches in *Phase 2* might help customers to plan advancement steps more strategically, as workers gain a little less than one dollar in take-home income for each additional dollar in earnings. In this phase, one set of coaching messages might encourage customers to make each step count, for example, by choosing full-time work over part-time work, by taking higher-paying work shifts and jobs if possible, and by using the WASC Work Advancement Calculator (see Chapters 1 and 3) to compare the subtle tradeoffs of competing job offers. A second set of messages might help to prepare customers for changes in work supports (for example, by anticipating a smaller EITC in the following months). Using the calculator, WASC career coaches might explain that, in cases of unexpected job or earnings losses, workers will do much better by taking a job quickly. Even if the new job pays less in the short term than their previous job, work supports can help to make up the difference, so that workers can stay on top of their expenses until they find a better-paying job.

As workers approach and enter the third advancement phase, career coaches might clarify the *Phase 3* higher take-home rates of customers' earnings after they are no longer eligible for most work supports. As in the first advancement phase, coaches might explain that the more workers earn during this period, the more they will keep.

## Discussion

This chapter explains the dual goals of WASC: to connect low-wage workers with work supports in the short term, while helping them to make sound advancement decisions in the longer term, and to resolve the creative tension between work supports and advancement. On the one hand, receiving work supports for which they are eligible can substantially boost families' incomes. On the other hand, as workers advance, they lose eligibility for these work supports — in different ways for different types of families. And given the patchwork system of work supports, it is often difficult for workers to understand which advancement steps make the biggest difference in take-home income.

Although the work support system is disjointed and the interaction between work supports and advancement is complex, the WASC demonstration attempts to prove that it is possible to combine work supports with advancement and thus navigate this system effectively. WASC provides tools and training to enable teams of workforce and welfare agency professionals to help customers chart a career advancement plan that enables them to do three things: identify work support opportunities, make planned transitions from public to private health care and child care coverage, and take advantage of the incentives afforded by the complex yet predictable interplay of work supports and earnings. This chapter illustrates the opportunity for such planning. Chapter 3 explains how the WASC sites — particularly Dayton and San Diego — are beginning to offer such assistance to low-wage workers.



## Chapter 3

# The WASC Approach to Combining Advancement and Work Supports

### Overview

The Work Advancement and Support Center (WASC) demonstration is using a service model that gives low-wage workers intensive career and advancement coaching to help them access work supports that increase and stabilize their income while they take strategic steps to achieve gains in wages or work hours and acquire employer-provided benefits. Chapter 2 uses hypothetical scenarios involving different types of families and work situations to demonstrate the complexity of the interactions between work supports and advancement. On the ground, WASC must be able to help customers navigate these complexities so that they can improve their income in the short run and make the best possible advancement decisions over time.

This chapter highlights some ways that the two learning sites (Dayton, Ohio; and San Diego, California) and the two additional sites that recently began their WASC programs (Bridgeport, Connecticut; and Fort Worth, Texas) are coaching toward advancement. Focusing primarily on the first two sites, the chapter explains what WASC career coaches mean by “advancement,” describes the ways that the sites integrate coaching on advancement and work supports, demonstrates some of the tools that staff use to assist with coaching, and discusses customers’ reactions to coaching.

WASC staff attempt to coach customers toward advancement in the following ways:

- Helping customers identify clear, obtainable short-term and long-term advancement goals and the steps required to achieve them
- Marketing work supports as a way to increase income in the short term while pursuing longer-term advancement goals
- Simplifying the process of applying for and receiving work supports
- Educating customers about the interactions between advancement and work supports and preparing them for the loss of work supports as earnings increase

All these coaching methods are aided by a specially designed tool developed for the WASC demonstration — the Work Advancement Calculator — that demonstrates the value of taking up work supports, the mix of income made up of earnings and work supports, and the changes in this mix as earnings increase.

Marketing, simplification, education, and technology are all tools that WASC career coaches have available to coach customers on work supports and advancement. However, having a specially designed calculator does not guarantee that coaches will use it. And just because customers learn about the value of work supports and have access to a simplified application process does not mean they will be interested in applying for supports. There are many contending issues that customers bring to WASC (for example, the need to balance work with training and time for children, transportation challenges, varying financial pressures, housing issues) and many contending pressures on coaches (including growing caseloads, the need to manage multiple computer systems, and staff turnover and its consequences for the unit). MDRC is still providing technical assistance to the WASC sites as they continue to learn the most effective ways to manage these issues and pressures.

## How WASC Career Coaches View Advancement

WASC career coaches take a broad view of advancement that includes, but goes beyond, increasing one's earnings. Advancement in WASC can encompass all four of the following goals:

- **Increase wages.** Wage increases can occur in a number of ways; what probably comes to mind most often is *obtaining a promotion*, usually to a second-tier position, and it is certainly a goal of WASC to help customers achieve this. But even *improving job retention* can lead to a wage increase, as, typically, staying longer on the job leads automatically to pay increases, even if they are just cost-of-living increases. Therefore, a basic goal of WASC is to improve the employment retention and stability of its customers by addressing such issues as timeliness and resolving problems with such factors as transportation and child care. A wage gain can also be achieved by *increasing responsibilities within the job*, leading to a raise, but without necessarily obtaining a formal promotion, job change, or title change. Finally, customers can increase their wages by *moving into a new field and/or to a new employer that pays more*.
- **Increase hours.** For most low-wage workers who work less than full time, increasing their hours — if extra hours are available at their employer — will be the fastest way to increase their earnings. Of course, there are tradeoffs to increasing one's hours: Often this requires changes in child care arrangements, higher child care fees, or less time at home with children after school. If the increased hours involve working an additional day per week, this would likely also bring higher transportation costs.



- **Obtain employer-provided benefits.** While employer-provided benefits do not necessarily always translate into increased income, obtaining them is an important advancement achievement. Having time off with pay can help ensure that income remains stable and can also allow a worker to take less time off for illness or family obligations, improving job retention and therefore helping lead to wage advancement. For someone who pays for health insurance out of pocket, obtaining employer-provided insurance leaves more money for other expenses. For someone going without health insurance, obtaining employer-provided insurance will (hopefully) lead to better health maintenance and preventive care, which can contribute to improved job retention and advancement.<sup>1</sup>
- **Obtain better work hours.** Obtaining better work hours (day shifts versus night shifts) or more consistent hours (regular shifts versus split shifts) is considered an advancement achievement in WASC; though it may not increase income, it improves the customer's employment circumstances and, thus, job retention.

WASC coaches also recognize that customers can take steps like the following to position themselves for advancement in the future, even if the steps are not advancement per se:

- **Enroll and participate in education and/or training.** Often, some kind of education or training program is required for low-wage workers to gain the skills needed to move into a second-tier position or into a field of interest.
- **Change work hours or jobs to position oneself for a longer-term advancement move.** In some cases, reducing one's work hours can actually be considered a step toward advancement, if the hours that are freed from work are spent in education and training to prepare for a bigger advancement step in the future. Alternatively, a lateral job move sometimes helps to position a worker for a better advancement track. Even a move that might involve a slight pay decrease can be considered a step toward advancement — if it is a move into the worker's field of interest and out of a job that the worker is in danger of quitting.

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<sup>1</sup>Holzer, Stoll, and Wissoker (2001); Lee (2004).

## WASC's Service Integration: Models and Practice

As described in Chapter 1, WASC is unusual among public agency workforce and work support programs in that it offers customers a single point of access for intensive one-on-one career advancement coaching, including eligibility and application assistance for the full package of work supports.<sup>2</sup> Three of the four WASC sites (San Diego, Bridgeport, and Dayton) provide these services under one roof, at the local One-Stop Career Centers created by the Workforce Investment Act (WIA) of 1998, and they hope to offer services at employers' work sites as well, though the models vary across the sites. The fourth site (Fort Worth) is serving individuals entirely through an employer-based approach.

The WASC programs in Dayton and San Diego use a model in which the career coaches — who come from both the local workforce and the local welfare agencies — are cross-trained to provide both advancement coaching and work support services. This means that staff from a workforce background are expected not only to provide WIA services but also to screen for eligibility for work supports and to assist with the application process for them. Conversely, staff from a welfare background are expected not only to handle financial work support eligibility and applications but also to provide WIA services. *All* staff are expected to provide intensive advancement coaching and not to get stuck in “old habits” that focus primarily on the customers' employment barriers and crises or simply on processing applications.

In theory, all program staff were expected to feel comfortable providing the complete range of services; in practice, however, there has been some specialization among staff on either the workforce or the work support side, depending on the background of the career coach. In both Dayton and San Diego thus far, it has been more difficult for staff from a workforce background to take on the work support eligibility and applications than it has been for the work support staff to provide advancement coaching and process WIA applications to obtain funding for customers to participate in training activities. Eligibility for work supports is fairly complicated and tightly regulated; as a result, in both of the learning sites, most of the responsibility for work support eligibility has fallen to the staff who come from that background and have experience with it.

Furthermore, most staff from a work support background are already doing a broader range of eligibility work than they would be doing in a typical welfare office environment, where eligibility, application, and ongoing case management are often handled separately for each program. Whereas a typical welfare client could have between two and four separate

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<sup>2</sup>The full package of work supports in WASC includes food stamps, subsidized child care, public health insurance, the Earned Income Tax Credit (EITC), and the Child Tax Credit (CTC). Although WASC targets low-wage workers who are not receiving Temporary Assistance for Needy Families (TANF), each site can decide whether and when to include TANF as part of the work support package.

caseworkers for food stamps, Medicaid, child care assistance, and Temporary Assistance for Needy Families (TANF), applications for these benefits in WASC are all handled by a single career coach. In San Diego, for example, one coach explained that although her caseload is smaller than that of a typical human services worker, she handles a range of eligibility determination, application, and ongoing functions that are typically managed by four separate caseworkers in the county's Health and Human Services system. She handles this range of functions for five different work supports, whereas typical county caseworkers specialize in a single work support.

Bridgeport's WASC model is one of specialization, rather than cross-training, though the specialized staff are located in the same office. Two "career navigators" provide most of the advancement coaching and WIA services, while a part-time staff person from the local Department of Social Services (DSS) comes to the unit three half-days per week to screen for financial work support eligibility and to process applications. As the program is maturing, however, these roles are expanding a bit. The career navigators are becoming familiar enough with eligibility rules to do some basic screening and start the work support application process, though the actual eligibility determination and application must be completed by the DSS staff person. Likewise, when the DSS staff person meets with a customer to discuss work supports, this does not happen in a vacuum; she also contributes to the advancement coaching. Though Bridgeport's model was set up to be one of specialization, some cross-training is beginning to occur; likewise, while Dayton and San Diego staff were cross-trained to provide the full range of services, there is more specialization based on background than was anticipated. In a sense, these varying models resemble each other more than they were intended to — each has drifted toward a middle position, somewhere between cross-training and specialization.

Fort Worth's model is unique even in WASC in that all the advancement and work support services are being provided chiefly at employers' locations rather than at a WIA One-Stop Center. A team of three coaches — all with a WIA background — provides services at customers' workplaces and other convenient locations. In addition to providing the usual range of advancement services, the coaches have been trained to estimate eligibility for work supports, assist with completion of applications, and initiate the application process, which can be handled through the mail for several programs. The coaches prepare applications for child care assistance and submit them directly to other staff at the workforce agency, which administers child care subsidies in Fort Worth. The customer eventually needs to go to a Health and Human Services office to complete the food stamp application process, but the preparation of the application has already been completed.

## The WASC Coaching Experience: Models and Practice

Regardless of the particular configuration and roles of the WASC staff at each site, all staff are breaking new ground with their emphasis on advancement. This focus on advancement requires a “culture change” for most WASC staff, almost all of whom came from either an income maintenance/welfare background or the workforce system, neither of which involved active coaching. The focus on active coaching, rather than simply case *management* — often, in a public systems context, focused largely on eligibility, application, recertification, compliance, and sanctions — is new for WASC staff. Likewise, WASC customers also often need to adapt to the program’s expectations. Like the staff, most low-wage workers who have had experience with the welfare or workforce systems, or with any public agency, are accustomed to a certain kind of interaction with the staff that, again, is focused largely on compliance. It has taken some time for both staff and customers to become comfortable in an environment that encourages initiative, creativity, and trust.

Coaching on advancement and work supports in WASC is a bit like a dance — a step forward, a step to the side, a step to the other side, and another step forward (and occasionally a step backward, which hopefully will be followed by two steps forward). In other words, according to the WASC model, coaches should emphasize advancement and should start by discussing advancement goals; then they should discuss work supports — using the WASC Work Advancement Calculator to demonstrate the value of supports — and should facilitate the application process; finally, they then should move back to focusing on advancement. Though advancement is the highest priority in WASC, in practice, it takes some time to achieve an advancement goal; in contrast, applications for work supports can be processed fairly quickly, and the customer almost always receives the benefit of work supports before achieving an advancement goal. As customers prepare to make advancement decisions, the Work Advancement Calculator should be used again, to demonstrate the effects of each advancement option on total income and the mix of earnings and work supports.

Adherence to this model varies across sites and across career coaches. MDRC’s operations staff provide continual training and assistance to WASC staff in implementing the model. MDRC has also contracted with a workforce development consultant to develop and provide intensive trainings on the protocols for orientations and first meetings with customers, to develop the Income Improvement and Advancement Plan (discussed below) and train WASC unit staff to use it effectively, and to provide periodic refresher sessions.<sup>3</sup> WASC has a clearly developed model for interventions and service delivery that is expected to be consistent across

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<sup>3</sup>All materials and trainings mentioned here were developed and provided by Jodie Sue Kelly of Cygnet Associates (Web site: <http://www.cynetassociates.com/>).

sites. Overall, the WASC sites have adhered fairly closely to the model, although variations are discussed throughout the chapter.

The remainder of this chapter describes WASC coaching on advancement and work supports using a hypothetical customer and following the sequence of service delivery that the customer would experience: the discussion first of advancement goals; the discussion next of “income stabilization” goals, which include the take-up of work supports; coaching on the take-up of work supports; and then coaching on advancement.

### **The Income Improvement and Advancement Plan (IIAP)**

The first step toward advancement in the WASC model is meeting with one’s career coach and developing an Income Improvement and Advancement Plan (IIAP). This is a written plan that details short-term and long-term advancement goals and the steps to reach them, the customer’s motivation for participating in WASC and wanting to advance, and the customer’s work support goals. The IIAP lists the most typical advancement goals that low-wage workers express interest in, and it asks customers to choose the goals that apply. The upper portion of Figure 3.1 shows the Advancement Goals section of the IIAP.

After a customer identifies advancement goals, it is the job of the career coach to help the customer clarify which goals are more short term and which are more long term, and to prioritize the goals, and to identify the steps needed to reach them.

A key element of the advancement focus in WASC is helping customers identify a motivation for their advancement goals. A motivation goes beyond the simple expression of a goal (such as “I want to make more money”) to get at the *why* behind the goal — for example, “I want to feel better about myself”; “I want to be able to provide for my children better”; or “I don’t want to be dependent anymore on my family to help me get by.” WASC coaches are trained to return to discussing the motivation whenever a customer loses sight of an advancement goal, gets discouraged, or becomes disengaged from the program. The motivation is a resource to keep customers from getting bogged down by barriers and obstacles and to help them stay on an advancement course.

In practice, the Dayton and San Diego WASC sites complete an IIAP with nearly every customer. The customer signs the form as a way of affirming commitment to carry out the plan. The IIAP acts, in a sense, as a contract between the customer and the coach; each will have responsibilities and assignments to carry out before the next meeting, and each completed assignment should bring the customer one step closer to reaching a goal. After the IIAP is completed — which usually occurs during the first meeting — the customer and coach are to revisit the IIAP at each subsequent meeting, to check on their progress toward the goals and to update

**The Work Advancement and Support Center Demonstration**

**Figure 3.1**

**The Advancement Goals Section and the Income Stabilization Goals Section  
of the Income Improvement and Advancement Plan (IIAP)**

**Advancement Goals:** (Check all that apply)

- Promotion to \_\_\_\_\_
- Earn raise From \_\_\_\_\_ to \_\_\_\_\_
- Increase in hours from \_\_\_\_\_ to \_\_\_\_\_
- Education and skills training: \_\_\_\_\_
- Move into \_\_\_\_\_ job in \_\_\_\_\_ career
- Be awarded employer benefits: \_\_\_\_\_

**Income Stabilization Goals:** (Check all that apply)

- Child care and/or transportation assistance
- Assistance with food costs
- Health insurance for self and/or family
- EITC/Child Tax Credit
- Child support<sup>a</sup>
- Financial education<sup>a</sup>

NOTE: <sup>a</sup>Though child support and financial education are not key components of WASC, one of the sites wanted to include these as important “extra” services to provide to customers, if possible.

the document accordingly. For the most part, the WASC sites have been consistent in updating the IIAP and using it as an overall advancement plan for the customers.

As customers are pursuing their advancement goals, the other important role of the career coach is to encourage them to take up the full package of work supports that could increase their short-term income and ease financial pressures while they seek longer-term goals. The IIAP addresses work supports as “income stabilization goals”; that is, even the receipt of work supports is framed as a goal — just one goal among others, all aimed toward advancement. The lower portion of Figure 3.1 shows the Income Stabilization Goals section of the IIAP.

In most cases, it is at this point in the career coach’s meetings with the customer that the subject of work supports first comes up. The IIAP provides the first opportunity to educate customers about the value of work supports.

### **The Marketing of Work Supports: Educating Customers**

As WASC is a demonstration targeted to low-wage workers who are not currently receiving public cash assistance (TANF), it was anticipated that there might be a substantial number of WASC sample members who have never been connected with any kind of public system before, who do not know about various work supports that might be available to them, and who might even resist learning about or taking up work supports because of the stigma attached to welfare receipt.<sup>4</sup> Since a primary goal of WASC is to increase the take-up of work supports and thereby increase income and stability for low-wage workers in the short term, the WASC units and staff had to be prepared to actively market work supports and encourage their take-up.

Starting with their discussion of the IIAP, the career coaches in WASC explain the various work supports that could benefit customers and ask whether they are interested in pursuing them. Some customers know right away that they are interested; others do not know much about some work supports or have not heard about some of them at all; and still other customers are resistant to considering work supports. Regardless of a customer’s interest or reaction — but especially if a customer is unfamiliar with or resistant to some of the work supports — the Work Advancement Calculator is a useful tool that can demonstrate their estimated value.

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<sup>4</sup>Though this is the case for some WASC participants, many others are already connected with public assistance systems or have been in the past. As noted in Chapter 1, “sample members” in this report refers to everyone enrolled in the demonstration — members of both the WASC program group and the control group — in the Dayton and San Diego sites.

## Using the Work Advancement Calculator to Market Work Supports

The Work Advancement Calculator (referred to below as “the calculator”) is a Web-based tool that was designed specifically for the WASC demonstration. It contains two components: a work support screener and an advancement navigator. (The latter of these is discussed below, in the section “Coaching on Advancement.”) The screener portion of the calculator is extremely useful in educating customers about the value of work supports, because it clearly displays a customer’s income from earnings alone and compares it with income that could be obtained by combining earnings with work supports. The calculator is customized by site, so that each WASC site’s logo (if it has one) appears on the screen, and the local names of work support programs are used, when provided by the site. While no personal identifiers are used by the calculator, each customer’s session can be revisited by using a unique I.D. number that is assigned to it; all data entered into the calculator are stored in a database on the Web and can be edited in future sessions.

The opening screen of the Work Advancement Calculator lists all work supports that it monitors — for all sites. This includes (using local program names where available) food stamps, Medicaid for Families, Medicaid for Children, the State Children’s Health Insurance Program (SCHIP), Temporary Assistance for Needy Families (TANF), child care subsidies, the Earned Income Tax Credit (EITC), and the Child Tax Credit (CTC).<sup>5</sup> The coach then leads the customer through a series of screens that collect enough basic information about the customer to make some estimates about eligibility and the dollar amount of work supports. This information includes household composition, ages of the customer and children in the household, hours worked and earnings, other nonwork income, child care and transportation expenses, and rent and utilities. From this basic information — which usually takes 10 to 20 minutes to provide — the calculator produces a Work Supports Discussion screen that displays earnings, taxes, and work-related expenses (child care and transportation) for the customer’s current job and then compares it with income that the customer could receive by combining the current job with work supports.

The calculator contains language, reinforced by the coaches, that stresses that the estimates of eligibility for work supports are *estimates* only. For purposes of simplifying the calculator and the time it takes to use it, the calculations and estimates are based on certain assumptions that may not apply to each customer, and certain areas of eligibility rules have been simplified. But testing and use by the Dayton and San Diego WASC sites has indicated that the calculator’s estimates are usually accurate and, in most cases, give the customer a good sense of what could be gained by taking up work supports.

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<sup>5</sup>As stated above, TANF is not part of WASC model, but it is incorporated into the Work Advancement Calculator so that sites have the option to include it.



Figure 3.2 shows the Work Supports Discussion screen for Yvonne Wilson (introduced in Chapter 2) — a single parent with one child living in Dayton, Ohio, who works 20 hours per week at \$9.00 per hour. The calculator illustrates the value to Yvonne of taking up the full package of work supports.

The “Current Job” column shows that Yvonne is working 20 hours per week at \$9.00 per hour and that her gross monthly earnings are \$779.40. After taxes and paying for child care and transportation, her net monthly income is \$532.84 per month.

The “Current Job with Additional Work Supports” column shows how Yvonne’s income situation would change if she were to take up the full package of work supports for which she is eligible. It appears that she is not eligible for Ohio Works First (TANF); in most cases, coaches will not encourage their customers to take up TANF, unless the person loses a job and TANF can fill the gap in income temporarily. Yvonne is eligible for approximately \$284 per month in food stamps, which can ease the financial pressure she may be facing. She is also eligible for more than \$2,700 per year from the EITC. While the EITC is generally paid out annually in one lump sum, this amounts to the equivalent of \$160 per month, for the purpose of discussing monthly income.<sup>6</sup> Yvonne’s earnings have not yet reached the phase-in range of the Child Tax Credit; the calculator shows she is not eligible for this. If she takes up a child care subsidy, her monthly child care expenses drop from \$150 to \$76, again freeing up \$74 per month to meet other expenses. Finally, the last two rows of the screen (not shown) indicate that both Yvonne and her child are eligible for Medicaid.<sup>7</sup>

The bottom line for Yvonne is that taking up the full package of work supports available to her would increase the family’s net monthly income by \$518.25, from \$532.84 to \$1,051.09. Over the course of a year, this amounts to more than \$6,000 in additional income. As is indicated in the row labeled “Hourly Wage With Work Supports,” Yvonne’s implicit wage — after adding work supports to her earnings — is \$14.12 per hour. In other words, the value of the work supports to Yvonne is equivalent to an increase in her hourly wage from \$9.00 to \$14.12.

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<sup>6</sup>One who chooses to receive the EITC on a monthly basis will receive 70 percent of the total yearly EITC spread equally over 12 months and the remaining 30 percent of the yearly EITC in a lump sum payment. This explains why the monthly EITC amount shown is less than the yearly amount divided by 12.

<sup>7</sup>The check-boxes next to the work supports on the right-hand side of the screen are checked by default; this tells the calculator to include those work supports in the income calculations for the “Current Job with Additional Work Supports” column and for any future advancement scenarios. If a customer is not interested in taking up one of the work supports, the career coach would uncheck the box and update the page. That work support would no longer be included in the income calculations.

## The Work Advancement and Support Center Demonstration

Figure 3.2

### The Work Supports Discussion Screen of the Work Advancement Calculator for Yvonne Wilson

**Income Calculator**

Session ID: 1176130076507

START OVER

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Work Supports Discussion
Advancement Discussion
My Scenarios
My Information
What to Bring

Update Results
Print this page
Save and Quit Session

Program	Current Job	Current Job with Additional Work Supports	
Hourly Wage	\$ 9.00	\$ 9.00	
Hours per Week	20.00	20.00	
Work Income (monthly) <a href="#">Calculate Weekly</a>	\$ -9.40	\$ -9.40	
Other Household Income (monthly)	\$ 0.00	\$ 0.00	
<b>Non-Work Income</b>			
Ohio Works First	\$ 0.00	\$ 0.00	<input checked="" type="checkbox"/> Get Ohio Works First
Food Stamps	\$ 0.00	\$ 284.00	<input checked="" type="checkbox"/> Get Food Stamps
Monthly EITC <a href="#">More Info</a>	\$ 0.00	\$ 160.25	<input checked="" type="checkbox"/> Get EITC
Yearly EITC	\$ 0.00	\$ 2,417.19	
Monthly Child Tax Credit	\$ 0.00	\$ 0.00	<input checked="" type="checkbox"/> Get Child Tax Credit
<b>Work Expenses</b>			
Federal & State Taxes	\$ 61.56	\$ 61.56	
Transportation Expenses	\$ 35.00	\$ 35.00	
Out-of-Pocket Childcare Expenses	\$ 150.00	\$ 76.00	<input checked="" type="checkbox"/> Get Subsidized Child Care
<b>Net Monthly Income</b>	<b>\$ 532.84</b>	<b>\$ 1051.09</b>	
<b>Hourly Wage With Work Supports</b>	<b>\$ N/A</b>	<b>\$ 14.12</b>	
<b>Net Yearly Income</b>	<b>\$ 6394.04</b>	<b>\$ 12613.08</b>	

### Customers' Reactions to the Calculator and Work Supports

Career coaches in Dayton and San Diego have talked about what a difference the Work Advancement Calculator makes to customers who are able to see this visual demonstration of the value of taking up work supports. Customers often have a “Wow!” reaction after seeing just how much work supports could ease the financial pressure many of them are under. The coaches also report that most customers are subsequently interested in applying for the work supports for which they are eligible. However, customers’ knowledge of and interest in work supports varies. Most customers are already familiar with food stamps, Medicaid, and child care

assistance; many, but not all, are familiar with or already receiving the EITC; fewer are familiar with the CTC at the time they enter the program, and even fewer actually claim this credit.<sup>8</sup> Most popular of all the work supports, according to the coaches, is Medicaid, particularly for customers' children, and child care assistance is very popular in one of the learning sites but not in the other.<sup>9</sup> As is discussed more fully in the section below entitled "Coaching on Advancement," these are also the work supports that customers most fear losing as they advance; they are particularly concerned about Medicaid for their children.

The EITC is also very well received as a work support; for many customers previously unfamiliar with it, this tax credit is like found money. In fact, there has been at least one case of a coach's assisting a customer in filing for the EITC in arrears (up to three years' retroactive filing is permitted) and obtaining more than \$10,000 in back tax credits. Some career coaches have reported being involved in counseling their customers on how best to use their EITC refunds — though this is not specified as a WASC service — discussing the various advantages and disadvantages of using it to pay off debts or to pay for school or a training program, as opposed to using it for holiday spending or one-time "big-ticket" items.

According to some of the coaches, the one work support that has been met with the most resistance to date in the WASC demonstration — though the resistance is still relatively infrequent — is food stamps. It seems that food stamps are most closely associated with welfare in some customers' minds, and a sense of pride prevents some people from taking them up, at least initially. One customer in Dayton even reported that she would prefer to get food assistance from a food pantry rather than receive food stamps. For customers who have this reaction, a return visit to the calculator is often useful. The negative association with the *concept* of receiving food stamps can often be overcome by showing again the *dollar value* of this work support and the earnings it can free up for other expenses. In San Diego, some resistance to taking up food stamps has been related to confusion about immigration issues; some customers apparently feared that they would be barred from sponsoring family members to immigrate to the United States if they applied for any kind of public assistance, including food stamps. This is a situation of special importance to the San Diego site, due to its relatively high proportion of immigrants. In general, according to WASC staff, most customers eventually seem to be persuaded by the advancement ethos of the WASC coaching that food stamps are a valuable work support rather than a type of long-term public assistance. The difference in approach — combined with the clearly presented dollar value of the work support — seems to ease the apprehension about taking up food stamps that some customers initially exhibit.

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<sup>8</sup>Table 1.2, in Chapter 1, presents characteristics of the Dayton and San Diego WASC sample members' awareness and take-up of work supports; see the panel entitled "Income and work supports."

<sup>9</sup>Future implementation research will determine whether this remains the case or changes and, if it remains the same, why there is such a difference between the two sites.

Another hesitation that is sometimes expressed by customers relates to the application process for work supports and whether that process is worthwhile, given the amount of work supports for which they are eligible. As shown in Chapter 2, customers on the lower end of the earnings scale have more to gain by taking up work supports than customers on the higher end. For the former group, it should always be worth the effort to apply for work supports. But because WASC simplifies the application process, any customer who is eligible for work supports — regardless of the amount — is encouraged to apply. Even so, not all eligible customers are going to participate in work supports, for a wide range of reasons. Future WASC research will attempt to learn more about the take-up of work supports by focusing on which customers take up which supports and why.

### **Work Support Access and the Application Process**

WASC was designed so that working people would have simplified access to work supports. The simple fact of being able to apply for work supports outside a welfare office already eases access to them for many workers, by removing a substantial barrier: the resistance to entering a welfare office. As participants in WASC, customers have much quicker access to a staff person who can assist them with eligibility screening and application. In some welfare office environments, a client can be required to see as many as four different staff people to apply for a range of work supports, often waiting in long lines to see each worker and sometimes having to go to separate offices in different buildings to learn about each support.

In WASC, the customer comes to one location and meets with just one or two staff people, who handle everything from orienting the customer to the parameters of the WASC program to eligibility screening, application, and recertification for each of the various work supports being offered. One of the benefits of having a single staff person or a team of two working closely together to handle all these applications is that the customer can usually answer one set of questions, one time. Rather than having to provide the same information about family composition, earnings, and so on multiple times for different staff in different offices, most WASC customers can let their coach complete several applications by referring to the first application for information; the customer is asked each question only one time. In some sites, the applications for several programs have been combined or simplified, but, even without such accommodations, the process of applying for multiple work supports is greatly eased by involving only a single staff person.

Additionally, WASC makes it even easier for customers to apply for work supports by offering, in most sites, flexible hours or locations to meet with the career coach or work support specialist. Some sites are open late several evenings, are open occasionally on Saturdays, or have coaches go directly to the customer's home, workplace, or another mutually convenient location. This is a completely different experience from what is typical, and it is designed to

ease as much as possible the process of applying for and maintaining work supports for as long as they are necessary.

Finally, one of the most valuable elements of the WASC program for participants is immediate access to child care assistance. As is explained in Chapter 1, there are many more low-wage workers who meet the eligibility requirements for child care assistance than there is funding in most states to provide that subsidy. One of the requirements for selection as a WASC demonstration site was that the site had to guarantee child care subsidies for all eligible participants. In states with a waiting list for child care assistance, WASC moves its eligible customers to the top of the list.

### **Welfare as a Work Support**

The designers of the WASC demonstration determined that the program should focus on low-income workers who are not current recipients of TANF. Nevertheless, TANF can be an important work support for some people, especially if they experience job loss. As mentioned in Chapter 1, TANF has been transformed in some places into a work support, rather than just an income support, through high earnings disregards, whereby a worker can keep a larger portion of earnings and still receive TANF cash assistance. As a rule, however, sites are not promoting the take-up of TANF, for a variety of reasons. One reason is that a WASC customer who takes up TANF is assigned to a TANF caseworker. WASC career coaches would like to avoid coordination problems that may arise from having more than one “coach”; the two staff people have different approaches to working with the same customer, and the customer’s limited time for coaching is then reduced further by having to set aside time to meet with the TANF caseworker. Related to this is that WASC is attempting to differentiate itself from a “welfare” program and to keep the emphasis on working toward advancement. Finally, TANF’s large earnings disregard in some places, such as San Diego, could present a disincentive to advancement.

On a case-by-case basis, WASC sites have different approaches to TANF, and MDRC is neutral on whether or how sites should incorporate it into WASC. In Dayton, for example, customers are encouraged to take up TANF if they experience a short-term job loss. The career coaches work with the customers to ensure that they approach the take-up of TANF as temporary, and they help the customers become reemployed as quickly as possible. In San Diego, on the other hand, career coaches do not discuss TANF unless asked about it; nor do they identify TANF as a work support in the Work Advancement Calculator. Rather than referring to TANF by its local name — as Dayton (Ohio Works First) and Connecticut (Temporary Family Assistance) have done — San Diego’s calculator screens show TANF only as “OPA” (“other public assistance”). San Diego staff will, however, refer customers who are interested in TANF to the welfare office. Bridgeport has only just begun the delivery of WASC services, and the way that

TANF will be approached there will be of interest, inasmuch as Connecticut provides a 100 percent earnings disregard to TANF recipients for the first 21 months.

### **Coaching on Advancement**

In the advancement and work supports “dance,” the WASC customer has laid out an Income Improvement and Advancement Plan (IIAP), has learned about and applied for work supports, and is now ready to focus again on advancement. Typically, WASC coaches will go back to the IIAP and begin to work on next steps in the plan. If the customer chose “increase in hours” as the primary goal, then the coach would discuss how the customer could approach a work supervisor about increasing hours. Customers might be advised to let their supervisors know that they are willing to take on extra shifts, or fill in for someone who is sick, or change shifts to one that covers more hours. If the customer is focused on getting a raise at the current place of employment, then the coach might discuss the steps the customer can take to achieve that goal; for example, the coach might advise the customer to obtain a copy of the company’s personnel manual and learn when and how raises are approved. If the customer wants to change careers completely, then the coach might advise the customer to learn what kinds of skills are required in the new field, and together they would likely begin the process of enrolling the customer in appropriate training programs. Alternatively, the coach might suggest that the customer begin volunteering in a role that is a step up in job responsibilities from the current position. Depending on the customer’s goals, the career coaches have a variety of tools available to assist customers in moving in the direction they choose, including access to labor market information for their area, skills assessments, directories of training programs, and related materials.

### **Using the Work Advancement Calculator to Educate About Advancement**

Equipped with knowledge about the interplay between advancement and work supports, WASC career coaches and customers can work together to make the best advancement decisions. Consider Yvonne again — a single parent with one child in Dayton, Ohio, who works 20 hours per week and earns \$9.00 per hour. In following up on the goal of increasing her work hours, Yvonne reports to the career coach that another department at her company has an open position for which she thinks she is qualified; it offers 40 hours per week at the same wage rate. The coach then refers to the I.D. number recorded in Yvonne’s file for their previous session with the Work Advancement Calculator and clicks on the Advancement Discussion screen. Under “Target Scenario 1,” the coach enters the information for the new position: The target wage equals \$9.00 per hour, and the target hours are 40 hours per week. Because Yvonne is increasing her work hours, her child care needs and transportation expenses will change, so the coach makes appropriate entries in those boxes in the calculator and clicks on “Update”; the screen shown in Figure 3.3 appears.

## The Work Advancement and Support Center Demonstration

### Figure 3.3

### The Advancement Discussion Screen of the Work Advancement Calculator for Yvonne Wilson

mdrc

Income Calculator

Session ID: 1176130076507

Work Supports Discussion
Advancement Discussion
My Scenarios
My Information
What to Bring

#### Target Scenario 1

Test the Effect of Different Wage and Hour Combinations

Target Wage: \$9.0 /Hour  
Target Hours: 40.0 /Week

[Click here to add/edit multiple jobs](#)

#### Cliff Alerts

**At 40 hours per week, eligibility for the following programs ends at\*:**

Medicaid Families	\$6.58 per hour
Healthy Start	\$13.17 per hour
Subsidized Child Care	\$12.19 per hour

Update   Print this page   Save and Quit Session

#### Child Care Needs

	Current Job	Target Job
Child number 1:	25.0 Hrs/Week	45.0 Hrs/Week

#### Monthly Transportation Expenses

	Current Job	Target Job
Work-Related Transportation Expenses/Month	\$35.0 /Month	\$50.0 /Month

#### How much of each additional dollar that I earn do I get to keep: **\$0.44**

Income Calculation	Current Job	Target Scenario 1
Hourly Wage	\$ 9.00	\$ 9.00
Hours Per Week	20.00	40.00
Work Income (monthly) <a href="#">Calculate Weekly</a>	\$ 779.40	\$ 1,560.00
Other Household Income (monthly)	\$ 0.00	\$ 0.00
<b>Non-Work Income</b>		
Ohio Works First	\$ 0.00	\$ 0.00
Food Stamps	\$ 284.00	\$ 0.00
Monthly EITC <a href="#">More Info</a>	\$ 160.25	\$ 93.45
Yearly EITC	\$ 2,747.19	\$ 1,601.93
Monthly Child Tax Credit	\$ 0.00	\$ 53.33
<b>Work Expenses</b>		
Federal & State taxes	\$ 61.56	\$ 141.15
Transportation Expenses	\$ 35.00	\$ 50.00
Out-of-Pocket Childcare Expenses	\$ 76.00	\$ 152.00
<b>Net Monthly Income</b>	<b>\$ 1,051.09</b>	<b>\$ 1,393.63</b>
<b>Hourly Wage With Work Supports</b>	<b>\$ 14.12</b>	<b>\$ 10.02</b>
<b>Net Yearly Income</b>	<b>\$ 12,613.08</b>	<b>\$ 16,723.56</b>
Eligible for Medicaid Families	Yes	No
Eligible for Healthy Start	Yes	Yes

\* These amounts represent the highest hourly wage rates that you could earn at the specified number of hours per week and remain eligible for the selected programs. The estimates take into account your family's unearned income, as well as, a spouse's earnings.

NOTE: The wage listed for the eligibility cliff for Medicaid Families reflects the eligibility limit in effect at the start of the demonstration, which has since changed from 100 percent to 90 percent of the federal poverty level.

The columns at the far right, below “Cliff Alerts” (which is discussed below), compare Yvonne’s current employment situation — including the mix of earnings and work supports that she is now receiving — with the mix of earnings and work supports that she would receive

if she took the target job in the other department.<sup>10</sup> Yvonne’s earnings alone would increase by \$780.60 per month. Although she would no longer be eligible for food stamps, that loss is more than recovered by the gain in earnings, which would be more than five times the amount of her current food stamp grant. And although her monthly EITC would decrease by \$66.80, this would be more than offset by the \$83 gain in the Child Tax Credit (CTC). Yvonne’s taxes would go up, of course, and her monthly child care expenses would double. All told, after taxes, transportation, child care expenses, and the changes in work support amounts, her net monthly income would increase by about \$343, or about 44 percent of the earnings gain of \$780.60. In other words, for every *extra* dollar that Yvonne would earn by taking the new job, she would “take home” 44 cents; the other 56 cents are accounted for in the reduction in some work supports and the increase in taxes and work-related expenses (transportation and child care).

This 44 percent “take-home rate” (also discussed in Chapter 2) is shown just below the Cliff Alerts box. The line that reads, “How much of each additional dollar that I earn do I get to keep?” is a shortcut to demonstrate the interplay between earnings and the receipt of work supports, and the career coaches use this information to help customers understand why their take-home income would not be equal to the increase in earnings that they would receive by taking a new job with higher pay or by increasing their work hours. As discussed in Chapter 2, various factors (including the customer’s phase of advancement, income thresholds and eligibility cliffs, and size of family) result in some fairly low take-home rates. It is a challenge for coaches to help such customers recognize the value of advancing.

Yvonne is a good example of a customer who might need strong coaching and encouragement to double her work hours or who might want the coach to help her identify longer-term advancement moves that will lead to more favorable outcomes further in the future. In this scenario, though she comes out ahead after advancing — as do most people in most situations — she loses 56 cents in work supports for every extra dollar earned. By moving from part-time to full-time work at the same wage, Yvonne has to make new child care arrangements to cover the additional time away from home, and her out-of-pocket child care expenses double. The Cliff Alerts box indicates that she loses family Medicaid (coverage for herself), though her child is eligible and will remain so until Yvonne’s wage reaches \$13.17 per hour. The family becomes ineligible for food stamps, but the decrease in the EITC is offset by the increase in the CTC. For Yvonne to be motivated to advance to full-time work, the coach would likely need to emphasize all the positive results that would come with this move: Net yearly income would increase by about \$4,000, despite the loss of some of work supports; by working full time, Yvonne might be eligible for employer-provided benefits that she does not

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<sup>10</sup>The numbers here and in Chapter 2 do not match exactly because slightly different assumptions went into the respective calculations. For example, the scenario here assumes an increase in child care costs with the new job, while the scenario in Chapter 2 does not.



currently receive; and by working full time, she could gain more experience and better position herself for another full-time job that pays more. Yvonne's coach might want to remind her that as she advances out of the eligibility range for some work supports, future advancement moves will be more favorable, because her take-home rate will start to increase again. (Chapter 2 fully discusses eligibility cliffs and the three phases of advancement.)

Although the use of the Work Advancement Calculator varies across the WASC sites and among the career coaches, the coaches in the two learning sites of Dayton and San Diego who use the calculator regularly do so much as in the hypothetical example above. Many coaches try to use the calculator during the first or second meeting with the customer, to demonstrate the value of taking up work supports, and they then use it again either when the customer returns with specific advancement options or when the customer is unsure about how to proceed and using the calculator can provide motivation and general guidance. In some cases, customers come into the WASC unit with specific job offers that the coaches enter into the calculator. Other times, coaches use the calculator to motivate customers by showing how much a small increase in wages or work hours could increase their incomes. Several coaches have said that the calculator is most useful when comparing two different potential job scenarios — for example, one job with a higher wage but fewer hours compared with another job with a lower wage but more hours. Coaches have also said that the calculator helps demonstrate to customers how many hours they need to work in order to receive a certain EITC refund amount and how much money the EITC can put in their pockets; this has served as a motivator for customers to increase their work hours. Coaches have also said that the calculator helps customers overcome their fears of losing work supports — particularly food stamps, which many customers are loath to lose once they have them. The calculator takes the uncertainty out of the interplay between increases in earnings and the receipt of work supports by allowing the coaches to quantify how earnings and work supports may change; in Yvonne's case, for example, although it is true that she would lose food stamps by working full time, she would more than make up for that loss through increased earnings. To reinforce the lessons learned from the calculator sessions, coaches have been trained to print out the results pages so that customers can take a copy home.

### **Customers' Advancement Decisions and Behaviors**

According to WASC career coaches in Dayton and San Diego, customers in these two learning sites fear the loss of Medicaid (particularly for their children) and food stamps more than any other losses related to work supports, and it is the loss of food stamps and adult Medicaid that most customers experience first. In practice, however, according to the coaches, this does not make most customers hesitate to seek advancement. Some customers have chosen not to take steps that would result in the loss of Medicaid for their children, but most make advancement moves anyway and look for other ways to handle the loss of health care coverage. In Dayton, for example, one woman made an advancement move that resulted in the loss of Medi-

caid for herself (her children were still eligible); at the same time, she enrolled in part-time classes at a local community college through which, as a student, she was able to participate in a low-cost health insurance plan. In the meantime, she began to plan for obtaining employer-provided medical insurance — the first step of which was simply to look into which positions at her current employer offered this coverage. For customers reaching a Medicaid eligibility cliff (see Chapter 2), one coach reported referring them to public health facilities for free or low-cost medical care for themselves and/or their children. By using the Work Advancement Calculator — and therefore knowing the eligibility cliff for each work support — customers and coaches can prepare for the inevitability of lost supports and can make necessary arrangements before losing them.

One concern in implementing the WASC demonstration was that, by encouraging participants to take up the full package of work supports, the demonstration would be setting up a disincentive to work toward advancement; that is, although there is almost always a net income gain from advancing, low take-home rates resulting from certain advancement moves could be discouraging, as perhaps could be the case with Yvonne. In practice, according to the coaches, there have been occasional, seemingly occupation-specific examples of customers' cutting back their work or failing to take advantage of an advancement opportunity that might affect the receipt of work supports. One coach spoke about a customer who was a child care worker who was laid off for the summer, which is a typical occurrence in that field; rather than using the summer to start a training program to advance her career, the customer asked the coach about getting more food stamps and applying for unemployment insurance. Similarly, one coach mentioned a situation in which a home health care aide stopped taking work assignments when she received her EITC payment — essentially, using the refund to *replace* her earnings.<sup>11</sup> For the most part, however, coaches report that customers do not cut back on their work or forgo advancement because of the receipt of work supports. Future WASC reports will look more closely at customers' participation in work support programs.

Even the low take-home rates associated with certain advancement options have not seemed to prevent WASC customers from taking that course, except, in some cases, when other costs (such as lost time with family) have made the move seem not worthwhile. In most cases, according to the career coaches, customers take the advancement steps that are available to them, regardless of low take-home rates and most eligibility cliffs. Coaches have said that most low-wage workers are realistic about their advancement options; because they are seldom in a position to choose which of several moves would be best for them, they usually take an advancement opportunity when it comes along. Guided by their coaches, and using the Work Ad-

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<sup>11</sup>This seems to be an unusual example. In general, coaches report that customers use EITC payments to catch up on overdue bills, utilities, or rent or to buy or fix a car, which could enable them to take a different job. Coaches report that many customers come to count on the EITC as part of their annual household income.

vancement Calculator, they can prepare for the expected changes in their work supports that result from advancement moves. Perhaps more important, they can learn to envision longer-term advancement options, even if their short-term options are limited.

### **Variation in the Use of the Work Advancement Calculator**

This chapter's introductory paragraphs include the statement that "having a specially designed calculator does not guarantee that coaches will use it." Though WASC career coaches at the two learning sites (Dayton and San Diego) have remarked on the usefulness of the Work Advancement Calculator for all its intended purposes, in practice, as their caseloads have grown, some — particularly in Dayton — have found it increasingly difficult to find time to use the calculator. With more customers to see, there is less time to spend with each one, and using the calculator does not always remain a priority for the appointment. Some coaches have decided to use the calculator in advance of meeting with a customer, in order to understand the customer's options better and to be able to have a more useful conversation with the customer, without taking up precious appointment time.

Use of the calculator also varies by site and by coach. For example, coaches in San Diego appear to make a concerted effort to use the calculator with customers in the first or second meeting but seem not to use it much in subsequent meetings. In Dayton, coaches used the calculator in both first and subsequent meetings earlier in the demonstration; more recently, its use has declined. Additionally, coaches who come from an income maintenance background tend to skip over the calculator's functions in screening for work supports, while those who come from a workforce background rely on it for estimates of eligibility for supports. Coaches who are more "computer savvy" have an easier time using the calculator, while those with less computer experience tend to be more hesitant about using it.

Given the program's focus on advancement, WASC's designers intended for the calculator to be used especially for its advancement functions — that is, for the screens that help coaches discuss advancement and work supports in various target scenarios and help the customer see how a change in earnings interacts with the receipt of work supports. This unique function makes the calculator most useful in helping customers understand the effects of various advancement options, including the resulting take-home rates and eligibility cliffs. However, some customers move along in their advancement plans without much input from the calculator. Access to this tool is hypothesized to make a difference in workers' advancement outcomes, because of its ability to quantify the changes in earnings and work supports that accompany advancement and because of its usefulness in helping customers and coaches navigate advancement decisions. MDRC is continuing to provide technical assistance and encouragement to help the WASC sites make the most of the calculator and to use it consistently. Future implementation reports will describe the results of this effort over time.



## Conclusion

Building on the best elements of employment policy over the past several decades, the Work Advancement and Support Center (WASC) demonstration brings together the workforce and welfare systems to address two primary issues: First, many low-wage workers, whose numbers have grown during the past decade or so, are not earning enough to support their families and are not, for the most part, advancing on their own to better-paying jobs. Second, although the work support system has expanded greatly over the past 20 years, many low-wage workers are not taking up the work supports for which they are eligible and which could substantially increase their income. WASC's goals, therefore, are to increase the take-up of work supports among eligible workers to boost household income while also working with them to advance in the labor market and thereby increase their earned income.

As Chapter 2 explains, the interplay between increasing earnings and the receipt of work supports is such that, in most cases, as earnings increase, financial work supports decrease or disappear altogether. At the same time, as workers reach certain earnings thresholds, they also hit “eligibility cliffs” for nonfinancial work supports, such as Medicaid and child care subsidies; in some cases, a small increase in earnings could lead to the complete loss of medical insurance or child care assistance. For a worker who advances, the “take-home rate” — the amount of each additional dollar earned that the person gets to keep — is usually less than 100 percent, because for each additional dollar earned, the dollar value of some financial work supports is reduced. Nevertheless, it nearly always pays to advance, inasmuch as total income still increases with almost every advancement move.

For nearly all families, this interplay between earnings and receipt of work supports creates three distinct “advancement phases,” which different families reach at different times, depending on the family's size, composition, and earnings. During the first advancement phase, the full package of work supports increases sharply with increasing earnings, providing a strong advancement incentive; in these circumstances — which occur at very low earnings levels — the take-home rate is more than 100 percent. In the second phase, at higher earnings levels, as the EITC and food stamps simultaneously phase out, workers confront particularly low take-home rates; though net income still increases with advancement, a relatively large earnings increase could lead to a much smaller increase in total net income because of the reduction or loss of work supports. Finally, in the third phase of advancement — when workers start to become ineligible for financial work supports — the take-home rate approaches 100 percent, and workers effectively keep each additional dollar earned (less taxes).

As the discussion of the various advancement phases illustrates, the best path toward advancement is sometimes complicated — involving decisions about combining work, training,

and work supports in an optimal way — and could be difficult to navigate on one’s own. As Chapter 3 illustrates, WASC was designed to provide intensive career coaching to low-wage workers so that they can navigate successfully the interaction between advancement and work supports, ensuring that they take the best path to increasing their total income and improving the circumstances of their employment. WASC uses a variety of strategies to achieve its goals, including (1) bringing welfare and workforce staff together under one roof, thereby simplifying the process of applying for work supports and placing them in the context of advancement; and (2) using innovative tools, such as the Income Improvement and Advancement Plan and the Work Advancement Calculator, to help customers clarify their advancement goals and to help them navigate each step toward advancement.

At this early stage of WASC’s implementation, there is variation in how its strategies are being carried out in the two learning sites (Dayton, Ohio; San Diego, California) and in the two sites that recently began their programs (Bridgeport, Connecticut; Fort Worth, Texas). This report has demonstrated, in theory, how knowledge about the interplay between advancement and work supports could help low-wage workers make the best possible advancement decisions. In practice, the four WASC sites are in different stages of their program; WASC staff vary in their use of available tools to assist with the coaching process; and WASC customers vary in their responses to the coaching they receive. Further WASC evaluation research will continue to explore the implementation of WASC and the factors that influenced how the program was implemented, including staff capacity, staffing levels, caseload sizes, and aspects of the program design. Additional research will also seek to determine the effectiveness of WASC’s strategies in increasing the take-up of work supports and improving advancement among low-wage workers.

Appendix A

**The Nature and Challenges of Major U.S.  
Income Supports, Subsidy Programs, and  
Medical Insurance<sup>1</sup>**

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<sup>1</sup>The material in this appendix is borrowed from Seith, Rich, and Richburg-Hayes (2007). Appendix Table A.1, at the end of this appendix, summarizes the basic tax and work support structure for different types of households in Dayton in 2006.

# Income Supports

## Earned Income Tax Credit (EITC)

### Description

At a federal cost of more than \$40 billion in 2004, the work-conditioned, fully refundable Earned Income Tax Credit (EITC) is the largest U.S. cash antipoverty program. The amount of the EITC increases with the number of children and a family's earnings, to a maximum benefit in 2006 ranging from \$412 for childless adults to \$4,536 for adults with two or more children. In 2004, 54 percent of total EITC dollars (refundable and nonrefundable) were claimed by families with an adjusted gross income (AGI) of less than \$15,000 per year.<sup>2</sup> Unlike cash assistance and several other major tax credits, the EITC is indexed for inflation. Established in 1975, the EITC was dramatically expanded in 1986, 1990, and 1993. The program has been credited for raising 5 million families out of poverty, for much of the recent increase in labor force participation among single parents, and for its multiplier effect within low-income neighborhoods.<sup>3</sup>

### Opportunities and Challenges

EITC take-up rates among eligible claimants are estimated to be nearly optimal (80 percent to 95 percent), and the IRS notifies taxpayers who do not claim the credit but appear to be eligible.<sup>4</sup> Nevertheless, many observers agree, first, that the extent to which the EITC makes work pay could be marketed more effectively as a work incentive for families who are not participating in the formal labor force. Second, observers have pointed out the need for free tax preparation services, inasmuch as many families file for the EITC through rapid anticipatory lenders (RALs), who charge exorbitant interest rates for cash advances. Recently, some have made the case that enhancing the EITC for individuals and second earners in two-parent families would reduce family and child poverty and better align incentives for adults to work, co-parent, and marry.<sup>5</sup>

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<sup>2</sup>U.S. Department of the Treasury, Internal Revenue Service (2004).

<sup>3</sup>Holt (2006); National Governors Association Web site, "Fact Sheet: Earned Income Tax Credit" (2003); Meyer and Rosenbaum (2001).

<sup>4</sup>Scholz (1994, 1997); U.S. Department of the Treasury, Internal Revenue Service (2004).

<sup>5</sup>Berlin (2007).



## **Child Tax Credit (CTC)**

### **Description**

At a federal cost of nearly \$47 billion in 2004, the Child Tax Credit (CTC) provides a \$1,000 per child credit to families with children under 18 years old and with AGIs of up to \$75,000 for single parents and up to \$110,000 for couples.

### **Opportunities and Challenges**

Unlike the EITC, which is a fully refundable credit, the CTC consists of two components: a nonrefundable credit against tax liability owed, which amounted to over \$32 billion in 2004, and a refundable portion of up to 15 percent of earnings over \$11,300 per year, which amounted to over \$14 billion in 2004.<sup>6</sup> Also unlike the EITC, the CTC is not indexed for inflation. As a result, in 2004, 81 percent of the combined nonrefundable and refundable CTC dollars were claimed by families with AGIs of between \$30,000 and \$75,000. Only 28 percent were claimed by families with AGIs of less than \$30,000.<sup>7</sup>

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<sup>6</sup>This threshold of \$11,300 is indexed to the amount of full-time, minimum wage earnings. Families with lower earnings can apply the credit toward taxes owed, but only families earning \$11,000 or more are eligible for the refundable portion (sometimes called the “Additional Child Tax Credit”).

<sup>7</sup>U.S. Department of the Treasury, Internal Revenue Service (2004).

# Subsidy Programs

## Food Stamps

### Description

At a federal cost of \$27.2 billion, the Food Stamp Program provided subsidies for food expenses to 23.9 million persons in 2004.<sup>8</sup> Of all the federal means-tested programs, this one is the most responsive to changes in unemployment and poverty, and it is the only one that covers all types of low-income households — young and old, single adults as well as parents.<sup>9</sup> In 2005, a family of three was eligible for \$408 per month in food stamps, a benefit that phases out at about 30 cents for every dollar of income, up to a maximum income of \$1,799 per month. Public economists estimate that food stamp recipients value the subsidy at about 80 percent of its face value, and experimental evidence suggests that recipients consume more food than they would if the value of the benefit were “cashed out,” although they would not necessarily consume more nutritious food.<sup>10</sup>

### Opportunities and Challenges

The federal welfare reforms enacted by the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 eliminated food stamp eligibility for noncitizens and made cuts in the program that translated into a loss of about \$241 per month for a family of four earning the minimum wage. During the period of welfare reform, national food stamp participation rates among eligible individuals declined dramatically — from approximately 75 percent in 1994 to 53 percent in 2001 — although they have increased slightly since.<sup>11</sup> Research suggests several reasons for nonparticipation among eligible families, including confusion about the effects of income, earnings, and assets on eligibility; the stigma associated with public assistance; the burdensome, and at times invasive, application and redetermination processes; and constraints imposed on states by federal scrutiny and penalties for high error rates.<sup>12</sup> The Farm Security and Rural Investment Act of 2002 (the Farm Bill) addressed some of these challenges, introducing reforms to the quality-control system, restoring food stamp eligibility to noncitizen children and adults who have five years of residency, offering categorical eligibility to TANF recipients, allowing states to offer five months of transitional food stamp benefits to TANF leavers, extending the

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<sup>8</sup>U.S. Department of Agriculture, Food and Nutrition Service (2005).

<sup>9</sup>Greenstein and Guyer (2001).

<sup>10</sup>Whitmore (2002).

<sup>11</sup>Cunyngham (2004).

<sup>12</sup>See Bartlett, Burstein, Hamilton, and Kling (2004).

redetermination period from three months to six, and simplifying the definitions of “income,” “resources,” and “deductions,” to make them more consistent with TANF and Medicaid. Despite these reforms, the Food Stamp Program “still requires more application information, more verification and follow-up, and more frequent updates than any other comparable assistance program.”<sup>13</sup> States claim that their ability to provide benefits to eligible families would be enhanced if the Department of Agriculture would restore benefits to all legal noncitizens, waive the requirement for a face-to-face interview and signature, extend categorical eligibility to Medicaid recipients (who account for a much larger share of the poor population than TANF recipients do), extend transitional food stamp benefits for six months instead of five and continue to reform the quality-control system to enable states to serve families who have earnings.

## **Child Care**

### **Description**

At a combined federal and state cost of \$6.8 billion, the Child Care and Development Fund (CCDF) provided child care subsidies for 1.8 million children in 2004.<sup>14</sup> PRWORA combined funding for four preexisting child care programs — Aid to Families with Dependent Children (AFDC) Child Care, Transitional Child Care, the existing Child Care and Development Block Grant (CCDBG), and At-Risk Grants — into the revised Child Care and Development Block Grant (CCDBG), and it increased the funding for the CCDBG above the levels of the preceding four programs combined. Under AFDC, states were required to provide child care to recipients who were required to work. Although PRWORA eliminated the federal guarantee of child care, it allows states to transfer up to 30 percent of TANF resources into the CCDBG.

Child care expenditures increased dramatically as a proportion of all TANF expenditures between 1997 and 2003. Nationally combined federal and state expenditures on child care — both as transfers to the CCDBG and as direct TANF expenditures — soared from \$256.8 million in 1997 to \$4.9 billion in 2003, and from less than 1 percent to 11 percent of all TANF expenditures.

### **Opportunities and Challenges**

All TANF cases include dependent children, many of whom are young enough to need supervision when their parents work, and the strong positive correlation between child care and employment stability among welfare leavers is well documented. Despite these increases in

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<sup>13</sup>American Public Human Services Association (2005).

<sup>14</sup>U.S. House of Representatives, Committee on Ways and Means (2004).

spending, states are struggling to meet the rising demand for affordable child care. Between 2001 and 2004, three-fifths of states lowered the income eligibility for child care as a percentage of the poverty level.<sup>15</sup>

Debates about the level of resources needed to ensure good-quality child care for families leaving welfare and for low-income families in general have been among the most hotly contested battles of welfare reform. Moreover, as states strive to provide working parents with a range of affordable child care options, they are working to set quality-of-care standards across a broad and often uncoordinated range of funding streams, including the nonrefundable CDCC (discussed above), the Child and Adult Care Food Program, Head Start, and portions of the Title XX Social Services Block Grant and TANF block grant. Many states strive to support parental choice by instituting a tiered reimbursement system that includes informal providers (such as friends or relatives) as well as formal providers.<sup>16</sup> States have identified school readiness as an important goal of child care policies and as an organizing principle for coordinating quality-of-care standards across providers.

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<sup>15</sup>Schulman and Blank (2004).

<sup>16</sup>Porter and Kearns (2005).

# Medical Insurance

## Medicaid

### Description

At a combined federal and state cost of \$300 billion in 2004, Medicaid is by far the largest spending program for low-income individuals. In 2002, Medicaid provided health insurance coverage to 40.1 million individuals — more than 11.6 percent of the total U.S. population, 40.5 percent of those with incomes below the federal poverty guideline, and more than two-thirds of children below the guideline.<sup>17</sup> Importantly, between 1993 and 2000, Medicaid has consistently covered the delivery-related costs of approximately 37 percent of all births nationwide.<sup>18</sup> For over 50 distinct population groups, Medicaid provides health insurance coverage for such basic medical needs as physicians' services, pregnancy-related services, pediatric and nursing services, hospitalization, laboratory tests, and home health services. PRWORA delinked Medicaid from TANF, requiring states to continue to provide Medicaid to families with children who meet the pre-reform (1996) AFDC eligibility guidelines. Pregnant women and children under age 6 who have family incomes below 133 percent of the federal poverty guideline and children under age 19 whose family incomes are below 100 percent of the federal poverty level are categorically eligible. In 1998, average real Medicaid payments were \$1,203 for children and \$1,876 for adults.<sup>19</sup> Families with Medicaid coverage make greater use of preventive services and needed medical care, and they are buffered from the risk of out-of-pocket medical expenses.<sup>20</sup> Medicaid has been credited with contributing to declines in child mortality and low-birth-weight births.

### Opportunities and Challenges

Health care inflation together with increases in the caseload and the range of medical benefits have made Medicaid “the largest and fastest growing component of state spending.”<sup>21</sup> Although Medicaid has consistently outperformed the private sector in controlling acute care, administrative, and health maintenance organization (HMO) costs, changes in the nature and cost of medical care, the aging of the population, the growth in the number of uninsured workers, and expansions in the range of Medicaid benefits — particularly the outpatient prescription

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<sup>17</sup>U.S. House of Representatives, Committee on Ways and Means (2004).

<sup>18</sup>National Governors Association Web site, “Fact Sheet: Earned Income Tax Credit” (2003).

<sup>19</sup>Provost and Hughes (2000).

<sup>20</sup>Greenstein and Guyer (2001).

<sup>21</sup>American Public Human Services Association (2005, p. 13).

drug benefit included in the Medicare Modernization Act (MMA) of 2003 — are exerting tremendous pressures on the program to be all things to all people. Thus, as states seek to meet their responsibility to extend health insurance coverage to low-income families, they do so in the face of severe budget deficits and while coping with cumbersome regulatory requirements.

## **State Children’s Health Insurance Program (SCHIP)**

### **Description**

At an annual federal cost of \$3.2 billion in 2004, the State Children’s Health Insurance Program (SCHIP) provides health insurance coverage to children who are less than 19 years old and whose family income is from 133 percent to 300 percent of the federal poverty guideline.<sup>22</sup> In federal Fiscal Year (FY) 2002, 5.3 million children were enrolled in SCHIP, which covers the full cost of basic health benefits, including inpatient and outpatient hospital services, physicians’ surgical and medical services, laboratory and X-ray services, and well-baby and well-child care and immunizations, as well as partial coverage for such additional services as prescription drug coverage and mental health, vision, and hearing services.

### **Opportunities and Challenges**

Unlike Medicaid, SCHIP is not an entitlement. Although enrollments have expanded dramatically as a result of aggressive state outreach, between 1998 and 2002, states underspent SCHIP resources by 46.9 percent, on average. States must liquidate their entire allotment for a given year before they can access funding for the next, and they have three fiscal years in which to spend a given year’s allotment, after which it is subject to redistribution among the states. Like Medicaid, SCHIP is funded by a federal-state matching program, but the state obligation for SCHIP is less than that for Medicaid, making it more affordable for states to enroll children in SCHIP than in Medicaid.

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<sup>22</sup>U.S. House of Representatives, Committee on Ways and Means (2004).

**The Work Advancement and Support Center Demonstration**

**Appendix Table A.1**

**Elements of the Tax and Work Support Structure for Different Types of Households**

**Dayton, 2006**

	Single Adult			Two Adults		
	No Children	1 Child	3 Children	No Children	1 Child	3 Children
<b><u>Taxes</u></b>						
Federal income tax						
Standard deduction (\$)	429	629	629	858	858	858
Total exemptions (\$) (\$3,300 per dependent)	275	550	1,100	550	825	1,100
Income thresholds for these tax brackets: (\$)						
10 percent	0	0	0	0	0	0
15 percent	646	896	896	1,258	1,258	1,258
25 percent	2,554	3,421	3,421	5,108	5,108	5,108
Ohio State income tax						
Standard deduction (\$) (\$1,350 per dependent)	113	225	450	225	338	563
Income thresholds for these tax brackets: (\$)						
2.7 percent	833	833	833	833	833	833
3.4 percent	1,250	1,250	1,250	1,250	1,250	1,250
4.1 percent	1,667	1,667	1,667	1,667	1,667	1,667
4.8 percent	3,333	3,333	3,333	3,333	3,333	3,333
Dependent credit (\$)	20	40	80	40	60	100
<b><u>Tax credits</u></b>						
Earned Income Tax Credit (EITC)						
Maximum monthly income (\$)	1,017	2,667	3,029	1,177	2,833	3,196
Phase-in rate per dollar earned (%)	0.08	0.34	0.41	0.08	0.34	0.41
Phase-in stops at: (\$)	435	653	917	602	819	1,083
Phase-out rate per dollar earned (%)	0.08	0.16	0.21	0.08	0.16	0.21
Phase-out starts at: (\$)	544	1,198	1,198	711	1,364	1,364
Maximum credit (\$)	34	229	378	34	229	378

(continued)

**Appendix Table A.1 (continued)**

	Single Adult			Two Adults		
	No Children	1 Child	3 Children	No Children	1 Child	3 Children
<b>Child Tax Credit (CTC)</b>						
Nonrefundable portion	NA	Federal tax liability up to \$1,000	Federal tax liability up to \$3,000	NA	Federal tax liability up to \$1,000	Federal tax liability up to \$3,000
Refundable portion	NA	Lesser of the following: 15% of earnings above 11,000 or remainder of credit up to maximum		NA	Lesser of the following: 15% of earnings above 11,000 or remainder of credit up to maximum	
<b><u>Work supports</u></b>						
<b>Food stamps</b>						
Standard deduction (20 percent of earned income plus) (\$)	134	134	134	134	134	153
Phase-out rate (%)	0.24	0.24	0.24	0.24	0.24	0.24
Maximum monthly allotment (\$)	155	284	518	284	408	615
Maximum gross income (\$)	1,062	1,430	2,167	1,430	1,799	2,535
Maximum adjusted income (\$)	817	1,100	1,667	1,100	1,384	1,950
<b>Medicaid for adult(s)</b>						
Monthly income at which eligibility ends (90 percent of federal poverty guideline) (\$)	NA	990	1,500	NA	1,245	1,755
<b>State Children's Health Insurance Program (SCHIP)</b>						
Monthly income at which eligibility ends (200 percent of federal poverty guideline) (\$)	NA	2,200	3,333	NA	2,767	3,900
<b>Child care</b>						
Annual income at which eligibility ends (185 percent of federal poverty guideline) (\$)	NA	2,035	3,083	NA	2,559	3,608

SOURCES: Internal Revenue Service (2006); Ohio Department of Taxation (2006); California Tax Services Center (2006); State of Connecticut, Department of Revenue Services (2006); and U.S. Department of Agriculture, Food and Nutrition Service (2006).



**Appendix B**

**Work Support Phase-Out Schedules for  
Small (One-Person) Families and  
Large (Five-Person) Families**

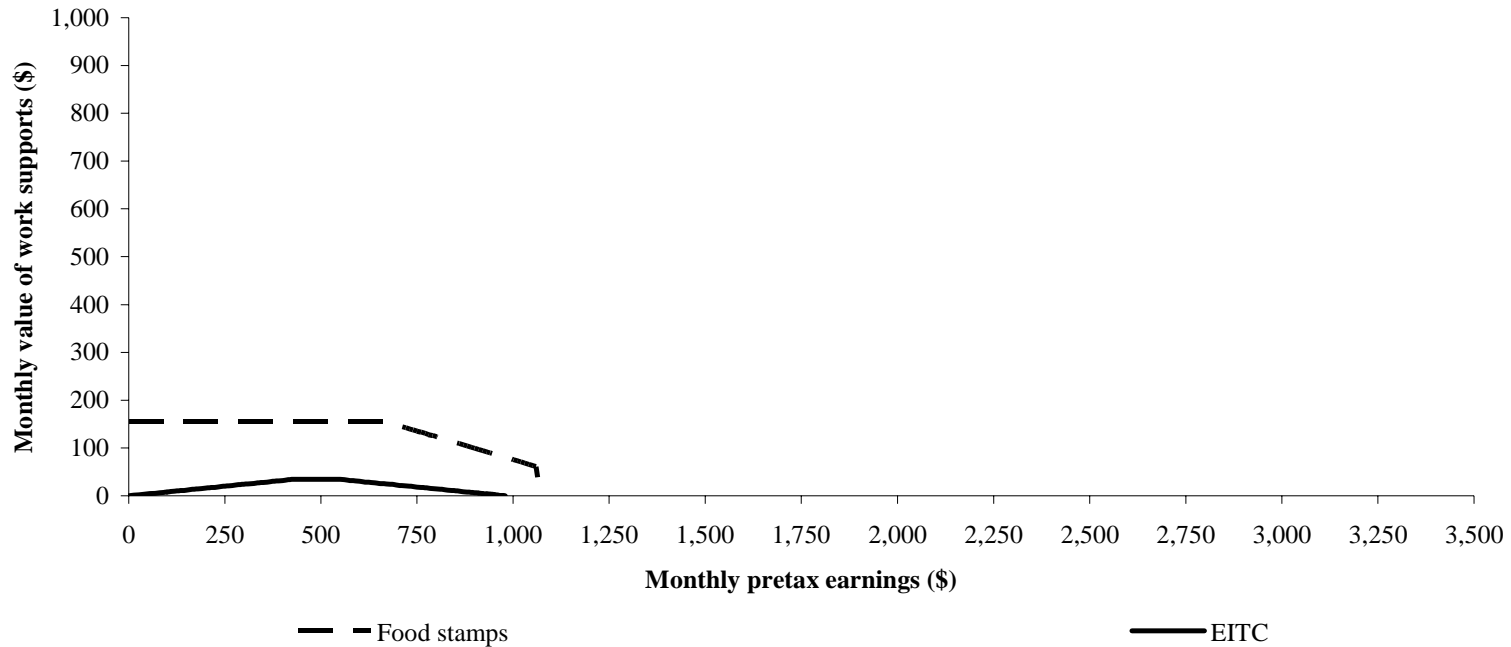
The Work Advancement and Support Center Demonstration

Appendix Figure B.1

Work Support Phase-Out Schedules, by Monthly Pretax Earnings, for a Single Adult with No Children

Dayton

06



SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

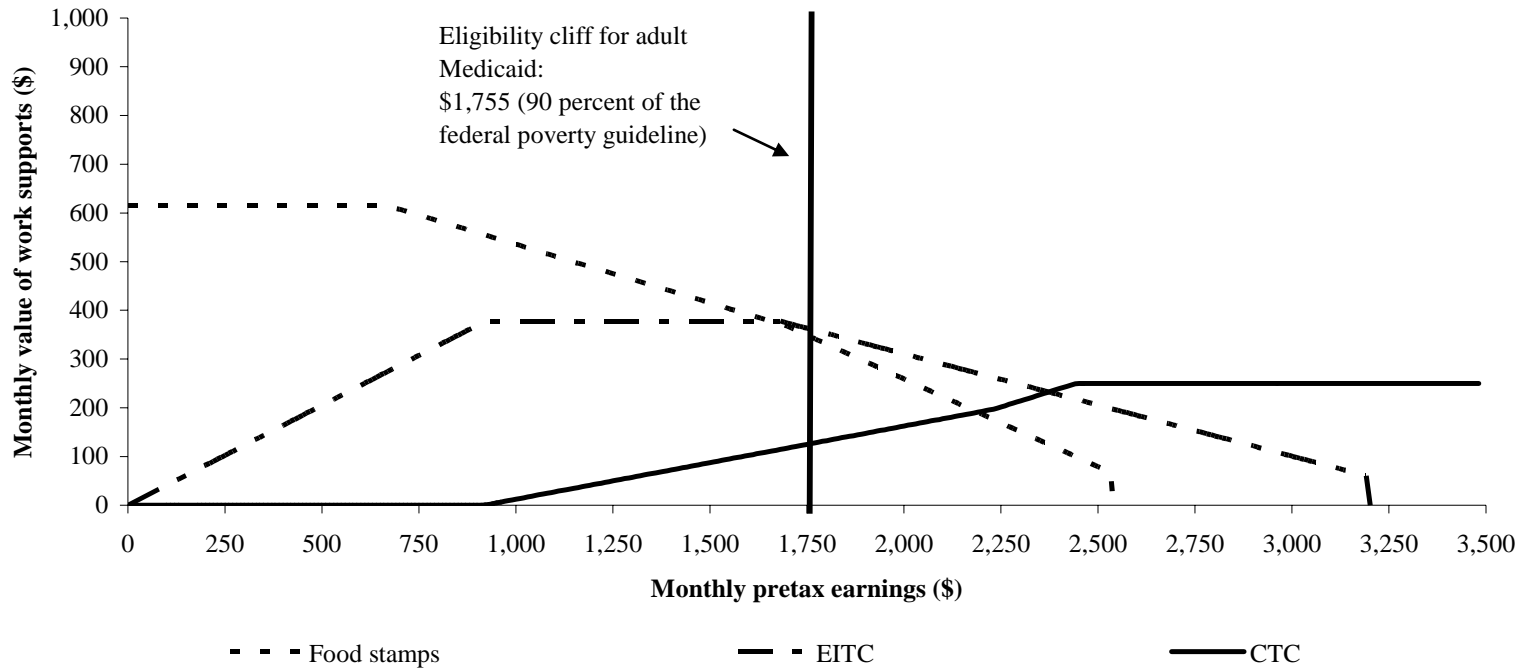
NOTE: Food stamp eligibility is based on assumptions of a monthly rent of \$525 (the median rent in Montgomery County as reported in U.S. Census 2000) and the maximum standard utility allowance for heating/cooling (\$487).

The Work Advancement and Support Center Demonstration

Appendix Figure B.2

Work Support Phase-Out Schedules, by Monthly Pretax Earnings, for a Two-Parent Family with Three Children

Dayton



16

SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

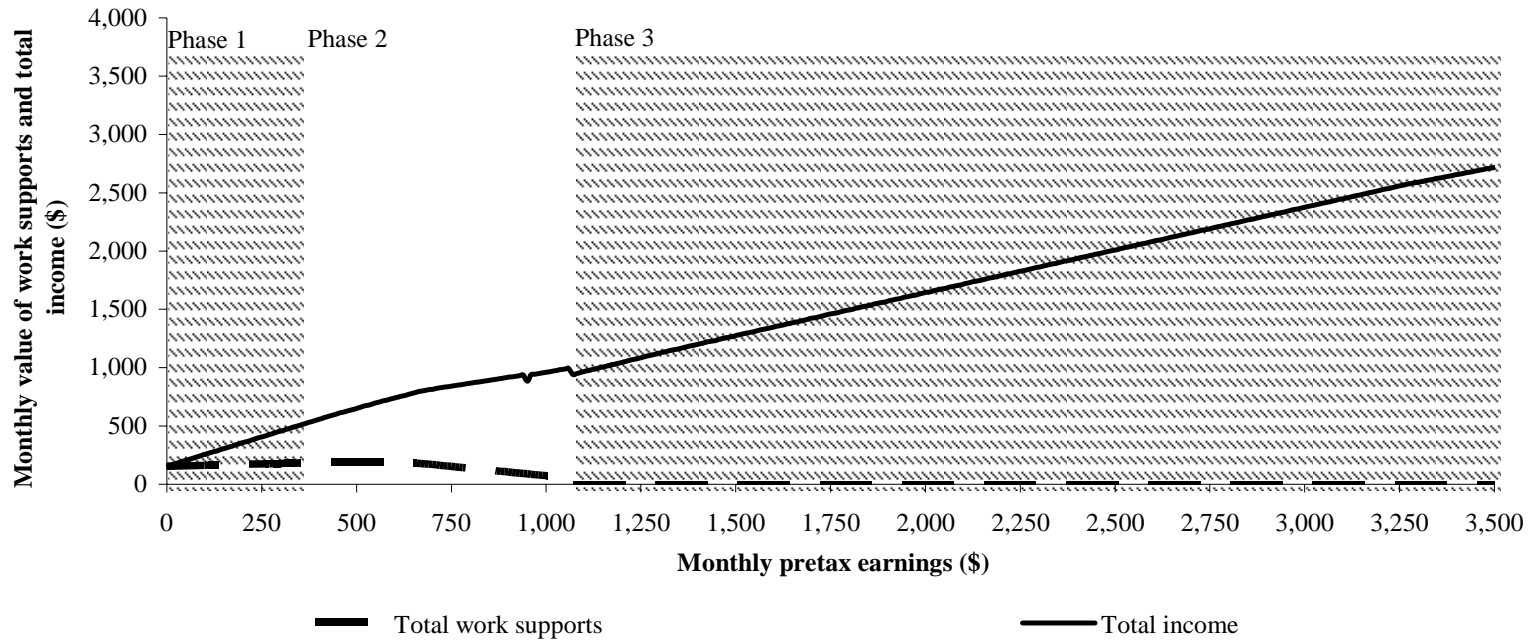
NOTE: Food stamp eligibility is based on assumptions of a monthly rent of \$525 (the median rent in Montgomery County as reported in U.S. Census 2000) and the maximum standard utility allowance for heating/cooling (\$487).

The Work Advancement and Support Center Demonstration

Appendix Figure B.3

Total Monthly Amount of the Full Package of Work Supports, by Monthly Pretax Earnings, for a Single Adult with No Children

Dayton



SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTES: Food stamp eligibility is based on assumptions of a monthly rent of \$525 (the median rent in Montgomery County as reported in U.S. Census 2000) and the maximum standard utility allowance for heating/cooling (\$487). No child care deductions are included.

Total work supports include food stamps, the Earned Income Tax Credit (EITC), and the Child Tax Credit (CTC).

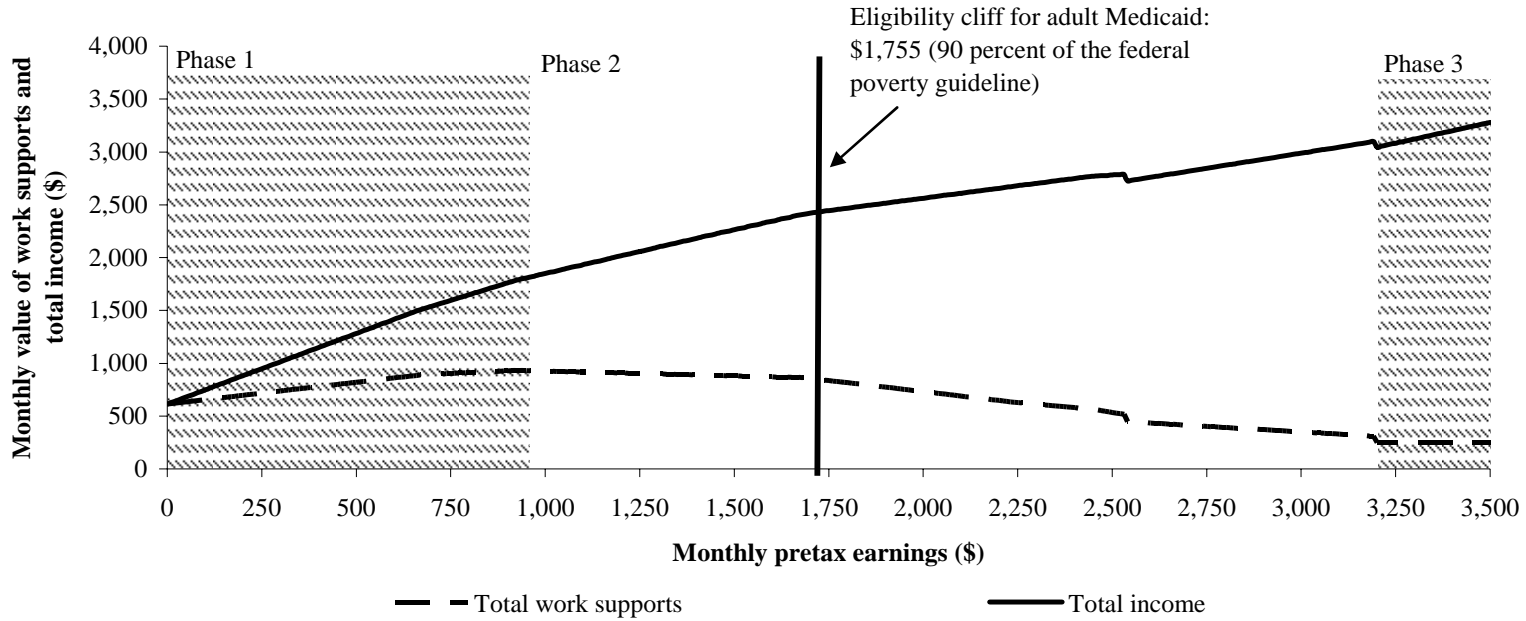
Total income includes monthly pretax earnings minus state and federal taxes and Social Security withholding plus total work supports.

The Work Advancement and Support Center Demonstration

Appendix Figure B.4

Total Monthly Amount of the Full Package of Work Supports, by Monthly Pretax Earnings, for a Two-Parent Family with Three Children

Dayton



SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTES: Food stamp eligibility is based on assumptions of a monthly rent of \$525 (the median rent in Montgomery County as reported in U.S. Census 2000) and the maximum standard utility allowance for heating/cooling (\$487). No child care deductions are included.

Total work supports include food stamps, the Earned Income Tax Credit (EITC), and the Child Tax Credit (CTC).

Total income includes monthly pretax earnings minus state and federal taxes and Social Security withholding plus total work supports.



Appendix C

**Supplementary Tables for Chapter 2**

Tables 2.1 and 2.2 in Chapter 2 show the take-home rates achieved by gains in work hours or in hourly wages for different types of families in Dayton, Ohio. Appendix C presents the take-home rates achieved in the other three sites in the Work Advancement and Support Center (WASC) demonstration: Bridgeport, Connecticut; Fort Worth, Texas; and San Diego, California. Because the three monetized work supports within the WASC “full package” are federally regulated, the differences across states are relatively minimal. The small differences that arise reflect differences in state tax codes and, to a much lesser extent, differences in state regulations covering earnings disregards and food stamps. Among the four WASC sites, the take-up rates in Dayton are a little lower, reflecting the states’ policies.



The Work Advancement and Support Center Demonstration

Appendix Table C.1

Take-Home Rate of Each Additional Dollar Earned, Given a 20-Hour Increase in Weekly Work Hours,  
for Workers with Identical Job Characteristics and Different Family Types

Bridgeport

	Starting Hourly Wage (\$)					
	5.15	7.00	9.00	11.00	13.00	15.00
Single-adult household increases hours from part time to full time (20 to 40 hours per week) with:						
No children	0.70	<b>0.53</b>	0.61	0.68	0.74	0.71
1 child	0.96	0.80	0.58	0.58	<b>0.55</b>	0.54
2 children	1.21	0.98	0.78	0.53	0.50	<b>0.49</b>
3 children	1.21	0.98	0.78	0.63	0.50	<b>0.50</b>
Two-adult household with one full-time worker; second parent takes part-time job at the same hourly wage (40 to 60 combined hours per week) with:						
No children	0.61	<b>0.61</b>	0.82	0.81	0.79	0.78
1 child	0.83	0.47	<b>0.45</b>	0.62	0.68	0.73
2 children	0.85	0.73	0.40	<b>0.45</b>	0.59	0.66
3 children	0.85	0.73	0.53	0.46	<b>0.51</b>	0.67

(continued)

**Appendix Table C.1 (continued)**

	Starting Hourly Wage (\$)					
	5.15	7.00	9.00	11.00	13.00	15.00
Two-adult household with one full-time worker; second parent takes a full-time job at the same hourly wage (40 to 80 combined hours per week) with:						
No children	0.59	<b>0.71</b>	0.81	0.79	0.78	0.77
1 child	0.71	0.57	<b>0.56</b>	0.70	0.73	0.75
2 children	0.79	0.54	<b>0.50</b>	0.55	0.68	0.72
3 children	0.79	0.62	<b>0.51</b>	0.57	0.64	0.72

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SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTES: The take-home rate is calculated as the change in total income (after taxes and work supports) divided by the change in pretax earnings.

Bold type indicates the lowest take-home rates achieved among several job advancement scenarios for a particular type of household.

**The Work Advancement and Support Center Demonstration**

**Appendix Table C.2**

**Take-Home Rate of Each Additional Dollar Earned, Given a Wage Increase of \$2 per Hour, for Workers with Identical Job Characteristics and Different Family Types**

**Bridgeport**

	Starting Hourly Wage (\$)				
	5.15	7.00	9.00	11.00	13.00
Single-adult household working part time (20 hours per week) with:					
No children	0.89	0.64	0.50	<b>0.32</b>	0.82
1 child	1.26	0.85	<b>0.72</b>	0.83	0.73
2 children	1.33	1.17	1.03	0.83	<b>0.70</b>
3 children	1.33	1.17	1.03	0.83	<b>0.70</b>
Single-adult household working full time (40 hours per week) with:					
No children	<b>0.49</b>	0.77	0.74	0.71	0.67
1 child	0.81	<b>0.33</b>	0.66	0.61	0.60
2 children	0.84	0.62	<b>0.22</b>	0.59	0.55
3 children	0.84	0.62	0.50	<b>0.31</b>	0.59
Two-adult household with 1 full-time worker (40 hours per week) with:					
No children	0.58	<b>0.44</b>	0.82	0.82	0.82
1 child	0.82	0.79	<b>0.19</b>	0.66	0.66
2 children	0.86	0.83	0.57	<b>0.16</b>	0.61
3 children	0.86	0.83	0.57	0.50	<b>0.31</b>
Two-adult household with 1 full-time and 1 part-time worker (60 hours per week combined) with:					
No children	<b>0.58</b>	0.82	0.80	0.77	0.77
1 child	0.37	<b>0.66</b>	0.59	0.78	0.77
2 children	0.71	0.30	<b>0.61</b>	0.56	0.77
3 children	0.71	0.50	0.43	<b>0.58</b>	0.78

(continued)

**Appendix Table C.2 (continued)**

	Starting Hourly Wage (\$)				
	5.15	7.00	9.00	11.00	13.00
Two-adult household with 2 full-time workers (80 hours per week combined) with:					
No children	0.82	0.79	0.77	0.77	0.77
1 child	<b>0.49</b>	0.66	0.77	0.77	0.77
2 children	<b>0.35</b>	0.61	0.67	0.77	0.77
3 children	0.50	<b>0.49</b>	0.69	0.77	0.77

SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTES: The take-home rate is calculated as the change in total income (after taxes and work supports) divided by the change in pretax earnings.

Bold type indicates the lowest take-home rates achieved among several job advancement scenarios for a particular type of household.

The Work Advancement and Support Center Demonstration

Appendix Table C.3

Take-Home Rate of Each Additional Dollar Earned, Given a 20-Hour Increase in Weekly Work Hours,  
for Workers with Identical Job Characteristics and Different Family Types

Fort Worth

		Starting Hourly Wage (\$)					
		5.15	7.00	9.00	11.00	13.00	15.00
Single-adult household increases hours from part time to full time (20 to 40 hours per week) with:							
	No children	0.70	<b>0.54</b>	0.63	0.70	0.78	0.77
	1 child	0.96	0.77	0.58	0.58	0.57	<b>0.57</b>
	2 children	1.21	0.96	0.71	0.53	0.52	<b>0.52</b>
	3 children	1.21	0.96	0.71	0.57	0.52	<b>0.53</b>
Two-adult household with one full-time worker; second parent takes part-time job at the same hourly wage (40 to 60 combined hours per week) with:							
	No children	<b>0.54</b>	0.63	0.82	0.81	0.79	0.78
	1 child	0.76	<b>0.49</b>	0.53	0.62	0.68	0.73
	2 children	0.78	0.66	<b>0.47</b>	0.51	0.59	0.66
	3 children	0.78	0.66	0.53	<b>0.52</b>	0.56	0.67

(continued)

**Appendix Table C.3 (continued)**

	Starting Hourly Wage (\$)					
	5.15	7.00	9.00	11.00	13.00	15.00
Two-adult household with one full-time worker; second parent takes a full-time job at the same hourly wage (40 to 80 combined hours per week) with:						
No children	<b>0.59</b>	0.73	0.81	0.79	0.78	0.77
1 child	0.65	<b>0.58</b>	0.59	0.70	0.73	0.75
2 children	0.72	0.55	<b>0.54</b>	0.58	0.68	0.72
3 children	0.72	0.58	<b>0.55</b>	0.60	0.67	0.72

SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTES: The take-home rate is calculated as the change in total income (after taxes and work supports) divided by the change in pretax earnings.

Bold type indicates the lowest take-home rates achieved among several job advancement scenarios for a particular type of household.

The Work Advancement and Support Center Demonstration

Appendix Table C.4

Take-Home Rate of Each Additional Dollar Earned, Given a Wage Increase of \$2 per Hour, for Workers with Identical Job Characteristics and Different Family Types

Fort Worth

	Starting Hourly Wage (\$)				
	5.15	7.00	9.00	11.00	13.00
Single-adult household working part time (20 hours per week) with:					
No children	0.89	0.64	0.50	<b>0.32</b>	0.82
1 child	1.26	0.85	0.72	0.81	<b>0.61</b>
2 children	1.33	1.17	1.03	0.81	<b>0.58</b>
3 children	1.33	1.17	1.03	0.81	<b>0.58</b>
Single-adult household working full time (40 hours per week) with:					
No children	<b>0.49</b>	0.79	0.77	0.77	0.77
1 child	0.77	<b>0.37</b>	0.66	0.64	0.63
2 children	0.79	0.50	<b>0.39</b>	0.61	0.58
3 children	0.79	0.50	0.50	<b>0.50</b>	0.61
Two-adult household with 1 full-time worker (40 hours per week) with:					
No children	0.53	<b>0.49</b>	0.82	0.82	0.82
1 child	0.78	0.67	<b>0.36</b>	0.66	0.66
2 children	0.81	0.71	0.57	<b>0.33</b>	0.61
3 children	0.81	0.71	0.57	0.50	<b>0.48</b>
Two-adult household with 1 full-time and 1 part-time worker (60 hours per week combined) with:					
No children	<b>0.65</b>	0.82	0.80	0.77	0.77
1 child	<b>0.44</b>	0.66	0.59	0.78	0.77
2 children	0.65	<b>0.41</b>	0.61	0.56	0.77
3 children	0.65	<b>0.50</b>	0.54	0.58	0.78

(continued)

**Appendix Table C.4 (continued)**

	Starting Hourly Wage (\$)				
	5.15	7.00	9.00	11.00	13.00
Two-adult household with 2 full-time workers (80 hours per week combined) with:					
No children	0.82	<b>0.79</b>	0.77	0.77	0.77
1 child	<b>0.58</b>	0.66	0.77	0.77	0.77
2 children	<b>0.44</b>	0.61	0.67	0.77	0.77
3 children	<b>0.50</b>	0.57	0.69	0.77	0.77

SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTES: The take-home rate is calculated as the change in total income (after taxes and work supports) divided by the change in pretax earnings.

Bold type indicates the lowest take-home rates achieved among several job advancement scenarios for a particular type of household.



The Work Advancement and Support Center Demonstration

Appendix Table C.5

Take-Home Rate of Each Additional Dollar Earned, Given a 20-Hour Increase in Weekly Work Hours,  
for Workers with Identical Job Characteristics and Different Family Types

San Diego

	Starting Hourly Wage (\$)					
	5.15	7.00	9.00	11.00	13.00	15.00
Single-adult household increases hours from part time to full time (20 to 40 hours per week) with:						
No children	0.70	<b>0.53</b>	0.61	0.68	0.75	0.73
1 child	0.96	0.79	<b>0.58</b>	0.58	0.56	0.57
2 children	1.21	0.97	0.72	0.53	<b>0.51</b>	0.52
3 children	1.21	0.97	0.72	0.58	<b>0.51</b>	0.53
Two-adult household with one full-time worker; second parent takes part-time job at the same hourly wage (40 to 60 combined hours per week) with:						
No children	<b>0.56</b>	0.62	0.81	0.79	0.77	0.74
1 child	0.78	<b>0.48</b>	0.52	0.62	0.67	0.70
2 children	0.80	0.66	<b>0.46</b>	0.50	0.59	0.65
3 children	0.80	0.66	0.53	<b>0.52</b>	0.55	0.67

(continued)

**Appendix Table C.5 (continued)**

	Starting Hourly Wage (\$)					
	5.15	7.00	9.00	11.00	13.00	15.00
Two-adult household with one full-time worker; second parent takes a full-time job at the same hourly wage (40 to 80 combined hours per week) with:						
No children	<b>0.59</b>	0.71	0.79	0.77	0.75	0.73
1 child	0.66	<b>0.57</b>	0.59	0.69	0.70	0.71
2 children	0.73	0.54	<b>0.54</b>	0.58	0.67	0.69
3 children	0.73	0.58	<b>0.55</b>	0.59	0.66	0.70

SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTES: The take-home rate is calculated as the change in total income (after taxes and work supports) divided by the change in pretax earnings.

Bold type indicates the lowest take-home rates achieved among several job advancement scenarios for a particular type of household.

The Work Advancement and Support Center Demonstration

Appendix Table C.6

Take-Home Rate of Each Additional Dollar Earned, Given a Wage Increase of \$2 per Hour, for Workers with Identical Job Characteristics and Different Family Types

San Diego

	Starting Hourly Wage (\$)				
	5.15	7.00	9.00	11.00	13.00
Single-adult household working part time (20 hours per week) with:					
No children	0.89	0.64	0.50	<b>0.30</b>	0.80
1 child	1.26	0.85	0.72	0.83	<b>0.63</b>
2 children	1.33	1.17	1.03	0.83	<b>0.60</b>
3 children	1.33	1.17	1.03	0.83	<b>0.60</b>
Single-adult household working full time (40 hours per week) with:					
No children	<b>0.47</b>	0.77	0.74	0.73	0.72
1 child	0.79	<b>0.35</b>	0.66	0.64	0.63
2 children	0.81	0.50	<b>0.37</b>	0.61	0.58
3 children	0.81	0.50	0.50	<b>0.48</b>	0.61
Two-adult household with 1 full-time worker (40 hours per week) with:					
No children	0.56	<b>0.46</b>	0.82	0.80	0.80
1 child	0.80	0.67	<b>0.34</b>	0.66	0.66
2 children	0.83	0.71	0.57	<b>0.31</b>	0.61
3 children	0.83	0.71	0.57	0.50	<b>0.46</b>
Two-adult household with 1 full-time and 1 part-time worker (60 hours per week combined) with:					
No children	0.63	0.81	0.78	0.75	0.73
1 child	<b>0.42</b>	0.66	0.59	0.76	0.73
2 children	0.65	<b>0.39</b>	0.61	0.56	0.76
3 children	0.65	0.50	<b>0.53</b>	0.58	0.78

(continued)

**Appendix Table C.6 (continued)**

	Starting Hourly Wage (\$)				
	5.15	7.00	9.00	11.00	13.00
Two-adult household with 2 full-time workers (80 hours per week combined) with:					
No children	0.81	<b>0.77</b>	0.74	0.73	0.72
1 child	<b>0.57</b>	0.65	0.74	0.73	0.72
2 children	<b>0.43</b>	0.61	0.67	0.73	0.72
3 children	<b>0.50</b>	0.56	0.69	0.76	0.72

SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTES: The take-home rate is calculated as the change in total income (after taxes and work supports) divided by the change in pretax earnings.

Bold type indicates the lowest take-home rates achieved among several job advancement scenarios for a particular type of household.

Appendix D

**Take-Home Rates Achieved via Advancement  
When TANF Is Included in the Full Package  
of Work Supports**

Appendix D shows the take-home rates achieved via advancement in each of the four Work Advancement and Support Center (WASC) demonstration sites — Bridgeport, Connecticut; Dayton, Ohio; Fort Worth, Texas; and San Diego, California — when customers receive Temporary Assistance for Needy Families (TANF) in addition to food stamps and tax credits.

Three points are worth noting. First, take-home rates vary substantially across the sites, reflecting substantial variation in state policies on earnings disregards. Second, take-home rates are substantially lower in Bridgeport and San Diego than in the other sites, reflecting their states' more generous policies governing benefits and earnings disregards. Connecticut, for example, disregards all earnings until recipients' income reaches the poverty level, when they become suddenly ineligible for TANF; California offers relatively generous monthly TANF benefit levels. Third, although customers who receive food stamps and tax credits rarely encounter take-home rates of less than 0 (that is, advancement almost always increases their take-home income), Bridgeport customers who also receive TANF often encounter negative take-home rates as their income crosses the poverty threshold.

The Work Advancement and Support Center Demonstration

Appendix Table D.1

Take-Home Rate of Each Additional Dollar Earned, Given a 20-Hour Increase in Weekly Work Hours,  
for Workers with Identical Job Characteristics and Different Family Types, Including TANF

Bridgeport

		Starting Hourly Wage (\$)					
		5.15	7.00	9.00	11.00	13.00	15.00
Single-adult household increases hours from part time to full time (20 to 40 hours per week) with:							
	No children	0.40	<b>0.13</b>	0.35	0.57	0.73	0.71
	1 child	0.84	0.55	<b>0.18</b>	0.26	0.34	0.46
	2 children	1.09	0.89	0.51	<b>0.15</b>	0.19	0.27
	3 children	1.06	0.87	0.64	0.41	<b>0.18</b>	0.20
Two-adult household with one full-time worker; second parent takes part-time job at the same hourly wage (40 to 60 combined hours per week) with:							
	No children	<b>0.09</b>	0.32	0.82	0.81	0.79	0.78
	1 child	0.64	<b>0.07</b>	0.24	0.61	0.68	0.73
	2 children	0.73	0.53	<b>-0.03</b>	0.23	0.55	0.66
	3 children	0.73	0.70	0.29	<b>-0.01</b>	0.27	0.61

(continued)

**Appendix Table D.1 (continued)**

	Starting Hourly Wage (\$)					
	5.15	7.00	9.00	11.00	13.00	15.00
Two-adult household with one full-time worker; second parent takes a full-time job at the same hourly wage (40 to 80 combined hours per week) with:						
No children	<b>0.24</b>	0.57	0.81	0.79	0.78	0.77
1 child	0.32	<b>0.29</b>	0.45	0.69	0.73	0.75
2 children	0.63	<b>0.21</b>	0.29	0.44	0.66	0.72
3 children	0.71	0.38	<b>0.26</b>	0.33	0.52	0.69

SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTES: The take-home rate is calculated as the change in total income (after taxes and work supports) divided by the change in pretax earnings.

Bold type indicates the lowest take-home rates achieved among several job advancement scenarios for a particular type of household.



The Work Advancement and Support Center Demonstration

Appendix Table D.2

Take-Home Rate of Each Additional Dollar Earned, Given a Wage Increase of \$2 per Hour, for Workers with Identical Job Characteristics and Different Family Types, Including TANF

Bridgeport

	Starting Hourly Wage (\$)				
	5.15	7.00	9.00	11.00	13.00
Single-adult household working part time (20 hours per week) with:					
No children	0.65	0.40	-0.06	<b>-0.19</b>	0.71
1 child	1.02	0.77	0.72	0.43	<b>-0.03</b>
2 children	1.09	1.09	0.99	0.71	<b>0.34</b>
3 children	1.09	1.09	0.91	0.71	<b>0.58</b>
Single-adult household working full time (40 hours per week) with:					
No children	<b>0.01</b>	0.77	0.74	0.71	0.67
1 child	0.39	<b>-0.17</b>	0.66	0.61	0.60
2 children	0.72	0.13	<b>-0.23</b>	0.55	0.55
3 children	0.72	0.46	0.15	<b>-0.18</b>	0.47
Two-adult household with 1 full-time worker (40 hours per week) with:					
No children	0.15	<b>-0.06</b>	0.82	0.82	0.82
1 child	0.70	0.30	<b>-0.25</b>	0.63	0.66
2 children	0.74	0.67	0.22	<b>-0.32</b>	0.49
3 children	0.74	0.71	0.73	-0.03	<b>-0.26</b>
Two-adult household with 1 full-time and 1 part-time worker (60 hours per week combined) with:					
No children	<b>0.42</b>	0.82	0.80	0.77	0.77
1 child	<b>-0.04</b>	0.47	0.59	0.78	0.77
2 children	0.48	<b>-0.22</b>	0.61	0.56	0.77
3 children	0.70	0.10	<b>0.02</b>	0.58	0.78

(continued)

**Appendix Table D.2 (continued)**

	Starting Hourly Wage (\$)				
	5.15	7.00	9.00	11.00	13.00
Two-adult household with 2 full-time workers (80 hours per week combined) with:					
No children	0.82	0.79	<b>0.77</b>	0.77	0.77
1 child	<b>0.46</b>	0.66	0.77	0.77	0.77
2 children	<b>-0.10</b>	0.61	0.67	0.77	0.77
3 children	<b>0.11</b>	0.26	0.69	0.77	0.77

SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTES: The take-home rate is calculated as the change in total income (after taxes and work supports) divided by the change in pretax earnings.

Bold type indicates the lowest take-home rates achieved among several job advancement scenarios for a particular type of household.

The Work Advancement and Support Center Demonstration

Appendix Table D.3

Take-Home Rate of Each Additional Dollar Earned, Given a 20-Hour Increase in Weekly Work Hours,  
for Workers with Identical Job Characteristics and Different Family Types, Including TANF

Dayton

	Starting Hourly Wage (\$)					
	5.15	7.00	9.00	11.00	13.00	15.00
Single-adult household increases hours from part time to full time (20 to 40 hours per week) with:						
No children	<b>0.42</b>	0.44	0.59	0.67	0.75	0.74
1 child	<b>0.52</b>	0.62	0.52	0.55	0.53	0.52
2 children	0.74	0.73	0.67	0.49	0.48	<b>0.47</b>
3 children	0.74	0.63	0.59	0.55	<b>0.47</b>	0.48
Two-adult household with one full-time worker; second parent takes part-time job at the same hourly wage (40 to 60 combined hours per week) with:						
No children	0.58	<b>0.57</b>	0.79	0.77	0.75	0.73
1 child	0.73	0.44	<b>0.42</b>	0.58	0.64	0.68
2 children	0.63	0.73	<b>0.36</b>	0.40	0.55	0.62
3 children	0.51	0.68	0.52	<b>0.41</b>	0.45	0.63

(continued)

**Appendix Table D.3 (continued)**

	Starting Hourly Wage (\$)					
	5.15	7.00	9.00	11.00	13.00	15.00
Two-adult household with one full-time worker; second parent takes a full-time job at the same hourly wage (40 to 80 combined hours per week) with:						
No children	<b>0.56</b>	0.68	0.77	0.75	0.74	0.73
1 child	0.67	0.53	<b>0.52</b>	0.66	0.69	0.70
2 children	0.68	0.50	<b>0.47</b>	0.51	0.64	0.67
3 children	0.62	0.57	<b>0.48</b>	0.52	0.59	0.68

SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTES: The take-home rate is calculated as the change in total income (after taxes and work supports) divided by the change in pretax earnings.

Bold type indicates the lowest take-home rates achieved among several job advancement scenarios for a particular type of household.

The Work Advancement and Support Center Demonstration

Appendix Table D.4

Take-Home Rate of Each Additional Dollar Earned, Given a Wage Increase of \$2 per Hour, for Workers with Identical Job Characteristics and Different Family Types, Including TANF

Dayton

	Starting Hourly Wage (\$)				
	5.15	7.00	9.00	11.00	13.00
Single-adult household working part time (20 hours per week) with:					
No children	0.39	0.39	0.46	<b>0.29</b>	0.80
1 child	0.67	<b>0.42</b>	0.56	0.79	0.71
2 children	0.74	0.74	0.68	0.76	<b>0.66</b>
3 children	0.74	0.74	0.68	<b>0.48</b>	0.61
Single-adult household working full time (40 hours per week) with:					
No children	<b>0.45</b>	0.76	0.74	0.73	0.73
1 child	0.78	<b>0.30</b>	0.63	0.60	0.58
2 children	0.71	0.60	<b>0.19</b>	0.57	0.54
3 children	0.54	0.60	0.52	<b>0.26</b>	0.57
Two-adult household with 1 full-time worker (40 hours per week) with:					
No children	0.55	<b>0.41</b>	0.79	0.78	0.78
1 child	0.70	0.77	<b>0.16</b>	0.62	0.62
2 children	0.56	0.81	0.59	<b>0.08</b>	0.57
3 children	0.51	0.71	0.59	0.47	<b>0.23</b>
Two-adult household with 1 full-time and 1 part-time worker (60 hours per week combined) with:					
No children	<b>0.55</b>	0.78	0.76	0.73	0.73
1 child	<b>0.34</b>	0.63	0.55	0.74	0.73
2 children	0.71	<b>0.23</b>	0.57	0.52	0.73
3 children	0.71	0.47	<b>0.36</b>	0.54	0.74

(continued)

**Appendix Table D.4 (continued)**

	Starting Hourly Wage (\$)				
	5.15	7.00	9.00	11.00	13.00
Two-adult household with 2 full-time workers (80 hours per week combined) with:					
No children	0.78	0.75	<b>0.73</b>	0.73	0.73
1 child	<b>0.43</b>	0.62	0.73	0.73	0.73
2 children	<b>0.29</b>	0.57	0.63	0.73	0.73
3 children	0.47	<b>0.43</b>	0.65	0.73	0.73

SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTES: The take-home rate is calculated as the change in total income (after taxes and work supports) divided by the change in pretax earnings.

Bold type indicates the lowest take-home rates achieved among several job advancement scenarios for a particular type of household.

The Work Advancement and Support Center Demonstration

Appendix Table D.5

Take-Home Rate of Each Additional Dollar Earned, Given a 20-Hour Increase in Weekly Work Hours,  
for Workers with Identical Job Characteristics and Different Family Types, Including TANF

Fort Worth

		Starting Hourly Wage (\$)					
		5.15	7.00	9.00	11.00	13.00	15.00
Single-adult household increases hours from part time to full time (20 to 40 hours per week) with:							
	No children	0.59	<b>0.46</b>	0.60	0.70	0.78	0.77
	1 child	0.78	0.66	0.53	<b>0.52</b>	0.52	0.54
	2 children	1.02	0.84	0.62	0.48	<b>0.46</b>	0.48
	3 children	1.01	0.82	0.61	0.50	<b>0.48</b>	0.48
Two-adult household with one full-time worker; second parent takes part-time job at the same hourly wage (40 to 60 combined hours per week) with:							
	No children	<b>0.45</b>	0.59	0.76	0.80	0.79	0.78
	1 child	0.66	0.48	<b>0.47</b>	0.58	0.68	0.73
	2 children	0.68	0.61	<b>0.44</b>	0.46	0.54	0.64
	3 children	0.68	0.61	<b>0.48</b>	0.48	0.52	0.63

(continued)

**Appendix Table D.5 (continued)**

	Starting Hourly Wage (\$)					
	5.15	7.00	9.00	11.00	13.00	15.00
Two-adult household with one full-time worker; second parent takes a full-time job at the same hourly wage (40 to 80 combined hours per week) with:						
No children	<b>0.53</b>	0.69	0.78	0.79	0.78	0.77
1 child	0.57	<b>0.53</b>	0.56	0.68	0.73	0.75
2 children	0.64	0.51	<b>0.50</b>	0.56	0.66	0.71
3 children	0.64	0.53	<b>0.50</b>	0.56	0.65	0.70

SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTES: The take-home rate is calculated as the change in total income (after taxes and work supports) divided by the change in pretax earnings.

Bold type indicates the lowest take-home rates achieved among several job advancement scenarios for a particular type of household.



The Work Advancement and Support Center Demonstration

Appendix Table D.6

Take-Home Rate of Each Additional Dollar Earned, Given a Wage Increase of \$2 per Hour, for Workers with Identical Job Characteristics and Different Family Types, Including TANF

Fort Worth

	Starting Hourly Wage (\$)				
	5.15	7.00	9.00	11.00	13.00
Single-adult household working part time (20 hours per week) with:					
No children	0.79	0.49	0.43	<b>0.28</b>	0.82
1 child	0.98	0.70	0.65	0.66	<b>0.56</b>
2 children	1.02	1.02	0.94	0.66	<b>0.53</b>
3 children	1.02	1.02	0.90	0.66	<b>0.53</b>
Single-adult household working full time (40 hours per week) with:					
No children	<b>0.46</b>	0.79	0.77	0.77	0.77
1 child	0.66	<b>0.38</b>	0.56	0.60	0.63
2 children	0.67	0.45	<b>0.39</b>	0.51	0.55
3 children	0.66	<b>0.45</b>	0.45	0.52	0.51
Two-adult household with 1 full-time worker (40 hours per week) with:					
No children	<b>0.42</b>	0.49	0.72	0.78	0.82
1 child	0.65	0.62	<b>0.36</b>	0.56	0.64
2 children	0.68	0.66	0.52	<b>0.34</b>	0.51
3 children	0.68	0.66	0.52	<b>0.45</b>	0.49
Two-adult household with 1 full-time and 1 part-time worker (60 hours per week combined) with:					
No children	<b>0.61</b>	0.78	0.80	0.77	0.77
1 child	<b>0.43</b>	0.56	0.59	0.78	0.77
2 children	0.59	<b>0.39</b>	0.53	0.56	0.77
3 children	0.59	<b>0.45</b>	0.51	0.53	0.78

(continued)

**Appendix Table D.6 (continued)**

	Starting Hourly Wage (\$)				
	5.15	7.00	9.00	11.00	13.00
Two-adult household with 2 full-time workers (80 hours per week combined) with:					
No children	0.78	0.79	<b>0.77</b>	0.77	0.77
1 child	<b>0.53</b>	0.66	0.77	0.77	0.77
2 children	<b>0.41</b>	0.56	0.67	0.77	0.77
3 children	<b>0.45</b>	0.52	0.69	0.77	0.77

SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTES: The take-home rate is calculated as the change in total income (after taxes and work supports) divided by the change in pretax earnings.

Bold type indicates the lowest take-home rates achieved among several job advancement scenarios for a particular type of household.

The Work Advancement and Support Center Demonstration

Appendix Table D.7

Take-Home Rate of Each Additional Dollar Earned, Given a 20-Hour Increase in Weekly Work Hours,  
for Workers with Identical Job Characteristics and Different Family Types, Including TANF

San Diego

	Starting Hourly Wage (\$)					
	5.15	7.00	9.00	11.00	13.00	15.00
Single-adult household increases hours from part time to full time (20 to 40 hours per week) with:						
No children	<b>0.23</b>	0.32	0.55	0.68	0.75	0.73
1 child	0.48	0.40	<b>0.32</b>	0.44	0.50	0.56
2 children	0.70	0.56	0.38	<b>0.31</b>	0.39	0.45
3 children	0.70	0.56	0.38	<b>0.28</b>	0.32	0.40
Two-adult household with one full-time worker; second parent takes part-time job at the same hourly wage (40 to 60 combined hours per week) with:						
No children	<b>0.21</b>	0.55	0.81	0.79	0.77	0.74
1 child	0.43	<b>0.29</b>	0.49	0.62	0.67	0.70
2 children	0.46	0.39	<b>0.34</b>	0.50	0.59	0.65
3 children	0.46	0.39	<b>0.33</b>	0.45	0.55	0.67

(continued)

**Appendix Table D.7 (continued)**

	Starting Hourly Wage (\$)					
	5.15	7.00	9.00	11.00	13.00	15.00
Two-adult household with one full-time worker; second parent takes a full-time job at the same hourly wage (40 to 80 combined hours per week) with:						
No children	<b>0.41</b>	0.68	0.79	0.77	0.75	0.73
1 child	<b>0.40</b>	0.48	0.57	0.69	0.70	0.71
2 children	0.42	<b>0.39</b>	0.48	0.58	0.67	0.69
3 children	0.42	<b>0.38</b>	0.45	0.56	0.66	0.70

SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTES: The take-home rate is calculated as the change in total income (after taxes and work supports) divided by the change in pretax earnings.

Bold type indicates the lowest take-home rates achieved among several job advancement scenarios for a particular type of household.

The Work Advancement and Support Center Demonstration

Appendix Table D.8

Take-Home Rate of Each Additional Dollar Earned, Given a Wage Increase of \$2 per Hour, for Workers with Identical Job Characteristics and Different Family Types, Including TANF

San Diego

	Starting Hourly Wage (\$)				
	5.15	7.00	9.00	11.00	13.00
Single-adult household working part time (20 hours per week) with:					
No children	0.30	<b>0.21</b>	0.22	0.30	0.80
1 child	0.67	0.42	<b>0.33</b>	0.44	0.34
2 children	0.70	0.70	0.64	0.44	<b>0.31</b>
3 children	0.70	0.70	0.64	0.44	<b>0.31</b>
Single-adult household working full time (40 hours per week) with:					
No children	<b>0.45</b>	0.77	0.74	0.73	0.72
1 child	<b>0.42</b>	0.23	0.66	0.64	0.63
2 children	0.44	<b>0.23</b>	0.32	0.61	0.58
3 children	0.44	<b>0.23</b>	0.24	0.48	0.61
Two-adult household with 1 full-time worker (40 hours per week) with:					
No children	<b>0.19</b>	0.35	0.82	0.80	0.80
1 child	0.43	0.40	<b>0.28</b>	0.66	0.66
2 children	0.46	0.44	<b>0.31</b>	0.31	0.61
3 children	0.46	0.44	<b>0.30</b>	0.33	0.46
Two-adult household with 1 full-time and 1 part-time worker (60 hours per week combined) with:					
No children	<b>0.62</b>	0.81	0.78	0.75	0.73
1 child	<b>0.26</b>	0.66	0.59	0.76	0.73
2 children	0.37	<b>0.35</b>	0.61	0.56	0.76
3 children	0.37	<b>0.34</b>	0.53	0.58	0.78

(continued)

**Appendix Table D.8 (continued)**

	Starting Hourly Wage (\$)				
	5.15	7.00	9.00	11.00	13.00
Two-adult household with 2 full-time workers (80 hours per week combined) with:					
No children	0.81	0.77	0.74	0.73	<b>0.72</b>
1 child	<b>0.57</b>	0.65	0.74	0.73	0.72
2 children	<b>0.38</b>	0.61	0.67	0.73	0.72
3 children	<b>0.36</b>	0.56	0.69	0.76	0.72

SOURCES: MDRC calculations based on 2006 eligibility policies for state and federal taxes, Social Security withholding, and the work supports listed.

NOTES: The take-home rate is calculated as the change in total income (after taxes and work supports) divided by the change in pretax earnings.

Bold type indicates the lowest take-home rates achieved among several job advancement scenarios for a particular type of household.

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## About MDRC

MDRC is a nonprofit, nonpartisan social and education policy research organization dedicated to learning what works to improve the well-being of low-income people. Through its research and the active communication of its findings, MDRC seeks to enhance the effectiveness of social and education policies and programs.

Founded in 1974 and located in New York City and Oakland, California, MDRC is best known for mounting rigorous, large-scale, real-world tests of new and existing policies and programs. Its projects are a mix of demonstrations (field tests of promising new program approaches) and evaluations of ongoing government and community initiatives. MDRC's staff bring an unusual combination of research and organizational experience to their work, providing expertise on the latest in qualitative and quantitative methods and on program design, development, implementation, and management. MDRC seeks to learn not just whether a program is effective but also how and why the program's effects occur. In addition, it tries to place each project's findings in the broader context of related research — in order to build knowledge about what works across the social and education policy fields. MDRC's findings, lessons, and best practices are proactively shared with a broad audience in the policy and practitioner community as well as with the general public and the media.

Over the years, MDRC has brought its unique approach to an ever-growing range of policy areas and target populations. Once known primarily for evaluations of state welfare-to-work programs, today MDRC is also studying public school reforms, employment programs for ex-offenders and people with disabilities, and programs to help low-income students succeed in college. MDRC's projects are organized into five areas:

- Promoting Family Well-Being and Child Development
- Improving Public Education
- Raising Academic Achievement and Persistence in College
- Supporting Low-Wage Workers and Communities
- Overcoming Barriers to Employment

Working in almost every state, all of the nation's largest cities, and Canada and the United Kingdom, MDRC conducts its projects in partnership with national, state, and local governments, public school systems, community organizations, and numerous private philanthropies.