

## 125% Analysis

June 2018

### Purpose of Self-Sufficiency in WIOA

One of the primary goals of WIOA is to increase economic self-sufficiency through federally-funded workforce development activities, helping participants attain employment that allows them to support themselves and the members of their household without the need for private or public assistance. As such, it is the expectation that the workforce development activities will directly lead participants to self-sufficient employment or, at minimum, place them on a path towards self-sufficiency. Additionally, WIOA requires that Title I Adult/Dislocated Worker Program participants must be "unlikely or unable to obtain or retain employment that leads to economic self-sufficiency" to be eligible for program-funded training. We believe that Congress established this requirement to help ensure that training funds, which are frequently a limited resource, are directed to those who need it most. Developing **one** standard that addresses both purposes requires striking a delicate balance. While a higher self-sufficiency level allows more participants to receive training, it also means that jobs with wages below that level may not be appropriate goals for program participants and that exiting participants to self-sufficiency is more challenging.

### DWD's Policy for its WIOA Title I Self-Sufficiency Standard

One might think that Congress or the U.S. Department of Labor might have offered more guidance on defining "self-sufficiency" given its significance to program implementation, but they did not. Instead, WIOA affords the states the authority to establish a standard that specifies the income needs of households based on geographical location and the number and ages of the household members. DWD exercised its right to develop a standardized methodology for defining and calculating self-sufficiency.

According to DWD's policy, there are two times during an individual's participation in the Adult/Dislocated Worker Program that the career planner must perform a calculation to see if the individual meets our self-sufficiency standard – at enrollment *and* as part of the process for determining whether s/he can receive WIOA-funded training. While we require a self-sufficiency calculation at enrollment, the result has no bearing on program eligibility or access to services other than training.

DWD-DET's policy is that a participant is only considered self-sufficient, if

- (1) s/he is self-sufficient as an individual (i.e. able to support oneself if living alone);
- (2) the household is self-sufficient;
- (3) s/he earns at least 80% of his/her dislocation wage or earns more than the 75<sup>th</sup> percentile of wages for all occupations in his/her county of residence (for dislocated workers only) **AND**
- (4) earns more than DOL's Lower Living Standard Income Level (LLSIL).

Prior to implementing the State's policy, each local WDB applied its own definition of self-sufficiency for its workforce development area (WDA). Policies ranged from more generous (e.g. 300% of the poverty level (which is \$36,420/year for a single person) in WDAs 3 and 7) to much stricter (e.g. \$8 per hour/\$320 per week/\$16,640 per year in WDA 2). Our policy, compared to these examples, takes into consideration one's household circumstances and ensures that someone only passes the self-sufficiency "test" if all four of the above criteria are satisfied. The reasoning behind this is to ensure that:

- an individual participant can stand on his or her own two feet regardless of other household members' income;
- participants who are part of multi-member households can adequately support their households' needs;
- dislocated workers who had higher wages are not expected to make do on significantly less income; AND
- we comply with DOL's minimum threshold for self-sufficiency which is their LLSIL calculation.

Additionally, it is worth noting that DWD's standard does not include the income of any household members under the age of 18 because it is our position that only adult members of a household should be responsible for supporting a household's needs; minors should not be expected to contribute any income they earn.

In applying the policy, DWD needed to establish the self-sufficiency standard for policy criteria (1) and (2), above. In doing so, DWD was determined to use a solid data-driven methodology. DWD performed extensive research into existing self-sufficiency models and ultimately procured services from the University of Washington, a pioneer in this field with over 20 years of experience and standards for 39 states and the District of Columbia. Its standard is set at a level that reflects the amount of income a household needs, on average, to cover basic costs for housing, child care, food, health care, transportation, taxes, and some miscellaneous items. Costs are derived from a variety of scholarly or other credible sources such as the U.S. Census Bureau. The standard can be calculated for over 700 different combinations of household makeup and it takes into account cost of living for each of Wisconsin's 72 counties.

Applying the policy is extremely complicated, primarily because it incorporates the University of Washington's methodology and complex data sets, so we developed an online calculator for our program staff to use to determine whether a participant is self-sufficient.

### **Policy Implementation**

DWD implemented its policy statewide on July 1, 2017, after a year-long pilot program in four local WDAs – Fox Valley, Western, Bay Area, and Washington-Ozaukee-Waukesha. Some staff from the Trade Adjustment Assistance program and Office of Veteran Employment Services also participated in the pilot. Additionally, DWD circulated its policy and procedure to the local WDB directors and staff for comment before it was released. No comments were received that suggested the need to make any changes to the self-sufficiency standard.

### **Policy Adjustment**

In February of this year, WDA 7 asked us to reconsider our self-sufficiency policy because it was felt that too many of its participants were being excluded from training. To address this issue, we conducted an extensive analysis to better understand if it was logical to raise our standard for criteria (1) and (2), essentially making fewer people self-sufficient. We wanted to examine how far we could increase the self-sufficiency level while keeping the standard strict enough so that we did not dilute the meaning and intent of self-sufficiency for purposes of WIOA. The analysis is complicated, and challenging to lay out in this context; nonetheless, we will do our best to explain the process for arriving at the solution to increase the standard for policy criteria (1) and (2) by 125%.

To remain meaningful, we concluded that the self-sufficiency level for households should generally not exceed the median wage for all occupations in any given county. If our standard exceeds median wages across all occupations in a given county, we are essentially saying a single adult or an entire household must have income at or above what half of all earners make in order to be considered self-sufficient. We then performed self-sufficiency calculations for all possible combinations of household members (i.e., number of members and age of each member) across all counties and compared those results to median wage data for all counties. This analysis involved more than 50,000 self-sufficiency calculations.

The table, below, provides a summary of these calculations. It shows the University of Washington's self-sufficiency methodology (100% column) and various multiples (125% of the standard, 130%, 140%, etc.) compared to median wage for all occupations across all 72 counties. For example, for all possibilities where we have a single adult household, there are no instances where our standard would be above median wage for all occupations. However, in the case of a 2-member household with a 125% multiplier applied, there are 14 instances where our standard would be higher than the median wage for all occupations across the 72 counties.

**Number of 3-Person Household Types (and %)  
Where Self-Sufficiency is Higher than County Median Wage**

|   | Multiple Applied of Self-Sufficiency Standard |               |               |               |               |               |                |
|---|-----------------------------------------------|---------------|---------------|---------------|---------------|---------------|----------------|
|   | 100%                                          | 125%          | 130%          | 140%          | 150%          | 175%          | 200%           |
| 1 | 0<br>(0%)                                     | 0<br>(0%)     | 0<br>(0%)     | 0<br>(0%)     | 0<br>(0%)     | 0<br>(0%)     | 0<br>(0%)      |
| 2 | 2<br>(1%)                                     | 14<br>(4%)    | 38<br>(11%)   | 74<br>(21%)   | 115<br>(32%)  | 213<br>(59%)  | 284<br>(79%)   |
| 3 | 135<br>(13%)                                  | 517<br>(48%)  | 589<br>(55%)  | 703<br>(65%)  | 795<br>(74%)  | 945<br>(88%)  | 1004<br>(93%)  |
| 4 | 1473<br>(58%)                                 | 2075<br>(82%) | 2148<br>(85%) | 2256<br>(90%) | 2331<br>(93%) | 2431<br>(96%) | 2495<br>(99%)  |
| 5 | 4003<br>(83%)                                 | 4557<br>(94%) | 4601<br>(95%) | 4669<br>(97%) | 4714<br>(98%) | 4790<br>(99%) | 4818<br>(100%) |

We concluded that it was most logical to use households with three or fewer members as our reference point for further analysis, because the larger the household, the more likely it is that the University of Washington's methodology would always produce a self-sufficiency level that exceeded median wages across all occupations (this is visualized by the red shading in the table). In other words, as household size increases, more income will be needed for a household to be considered self-sufficient using the University of Washington methodology.

Using our reference point of a 3-person household (16 possible compositions, depending on the ages of the household members) we examined how the application of multipliers (125%, 130%, 140%, 150%, 175%, 200%) to the University of Washington's standard compared to median wages for all occupations across all counties. There is a lot of variation in the results, but using a multiple of 125% allowed us to raise the standard while keeping it below each county's

median wage most of the time. As the table demonstrates, there are still 517 instances where the standard will exceed median wage. In other words, for 3-person households across the state, the self-sufficiency standard will exceed a county's median wage for all occupations 48% of the time.

Our next step of the analysis was to look at the how the various multiples would have impacted the University of Washington methodology for **actual participants**. DWD's self-sufficiency and corresponding calculator has been in use for WIOA Adult and Dislocated Worker Programs for almost a year. We decided to narrow this piece of the analysis to calculations for Adult Program participants only, because dislocated workers have additional policy criteria that already serve to lower the self-sufficiency standard. (See criterion (3), above.) Since rolling out our policy, only 195 out of 2,685 Adult Program participants statewide (or 7%) were found to be self-sufficient and thus not eligible for training (unless their income was at risk of dropping below self-sufficiency, in which case they were still eligible). The table, below, shows how self-sufficiency determinations would have been affected if a multiplier had been applied (e.g., 125% of the standard, 130%, 140%, etc.). As to be expected, adding a multiplier decreases the number of participants who would have been determined self-sufficient. If we applied a 200% multiplier to our standard, only 10 participants entering our program would have been considered self-sufficient. If we apply a 125% multiplier to our standard, 107 of our 2,685 participants would have been considered self-sufficient. This means that 90 fewer participants would be considered self-sufficient and would be potential candidates for WIOA-funded training.

|                     | Number of Participants (and %) |               |               |               |               |               |                |
|---------------------|--------------------------------|---------------|---------------|---------------|---------------|---------------|----------------|
|                     | 100%                           | 125%          | 130%          | 140%          | 150%          | 175%          | 200%           |
| Self-Sufficient     | 197<br>(7%)                    | 107<br>(4%)   | 99<br>(3%)    | 70<br>(2%)    | 51<br>(2%)    | 27<br>(1%)    | 10<br>(0%)     |
| Not Self-Sufficient | 2658<br>(93%)                  | 2748<br>(96%) | 2756<br>(97%) | 2785<br>(98%) | 2804<br>(98%) | 2828<br>(99%) | 2845<br>(100%) |

## Conclusion

Based on extensive analysis we believe that applying a multiple of 125% to the two policy criteria outlined above is reasonable and still aligns with WIOA's intentions – to define a standard that translates to a reasonable lifestyle without the need of public assistance and to focus limited training funds to those individuals who need it most. We understand the desire to train individuals, especially when program funding is available. However, the self-sufficiency standard we establish must strike that balance of not raising the bar so high that it essentially makes the concept of self-sufficiency meaningless. Had Congress intended for our programs to provide training funds to everyone seeking training, we believe that would have been reflected in WIOA. Instead, Congress has made it clear that training funds are to be reserved for those who are not self-sufficient or are at risk of losing that status.