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“Find a Job”

The Recent History and Future of
Welfare Reform in Six Midwestern States

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Introduction



“Welfare as we know it” has died. The Personal Responsibility and Work Opportunity Reconciliation Act of August 1996 ended what critics saw as an overly generous and tolerant welfare system inherited from the New Deal and the Great Society, one that they claimed sapped initiative and fostered dependence on the part of the poor while putting intolerable demands on the federal treasury. Introduced in 1936 and significantly expanded during the 1960s and early 1970s, the welfare system’s leading program, Aid for Families with Dependent Children (AFDC), provided federal cash support to needy women and their children and to some two-parent families. Under the related Job Opportunities and Basic Skills Training program (JOBS), passed in 1988, the federal government required that each state set up and provide matching funds for job-training, work-experience, and other welfare-to-work programs for AFDC recipients.¹

The new federal legislation abolishes AFDC and JOBS, converting those programs into 50 separate Temporary Assistance for Needy Families (TANF) block grants. Ending the 57-year-old federal “match” that paid states one dollar for every dollar they spent on cash assistance for needy families, the Personal Responsibility Act freezes each state’s TANF funding for the next six years at the 1994 level of resources for income support and work programs. The Personal Responsibility Act ends poor families’ federal “entitlement” to cash assistance and gives states nearly complete control over the design of public assistance programs for women and children for the first time

since 1936. It prohibits states from using federal TANF funds to assist families in which an adult has received federal cash assistance for more than five years. Although it allows states to exempt 20 percent of their TANF caseloads from the five-year rule for “hardship” reasons, it also permits states to set lifetime limits shorter than five years on the receipt of TANF assistance. Adding work requirements to time limits, it mandates that any parent who has received 24 months of TANF assistance must work or be in a work program to receive further aid.

By requiring states to place 50% of their TANF caseloads into the job market or work participation programs by 2002 or face block grant reductions, the Personal Responsibility Act practically mandates that they transform their public assistance bureaucracies into job-finding programs. Yet it limits welfare recipients’ vocational training to 12 months, restricts states from supporting more than 20% of their TANF caseloads in vocational education, and permits states to divert large amounts of TANF money away from work related programs like job training, job-search assistance, and education. It reduces the percentage of TANF recipients that states must place into the job market and work participation programs in direct proportion to their reduction of public assistance caseloads.

The federal Welfare Reform even permits states to provide no cash assistance whatsoever to poor people. States are free to contract out any or all of their family assistance block grants to private, charitable, or religious organizations, giving recipients



¹James T. Patterson, *America's Struggle Against Poverty, 1900-1980* (Cambridge: Harvard University Press, 1981), 67-70, 85-88, 171-181; Joel Handler, *The Poverty of Welfare Reform* (New Haven: Yale University Press), 28-29, 76; U.S. Department of Health and

Human Services, *Characteristics of State Plans for The Job Opportunities and Basic Skills Training (JOBS) Program, 1993-1994 Edition* (Washington, D.C.: U.S. Department of Health and Human Services, 1994), iii, 10-11.



vouchers to be redeemed with the sub-contracting organization. A state's entire family assistance system could now legally be run by a single private corporation. And since the law declares that the new federal-state welfare system must not be run in a "uniform manner" within a state, states can assign their entire family cash/voucher assistance programs to their counties, which are in turn are free to offer widely varying levels and types of benefits and services.

The Personal Responsibility Act also makes significant cuts in basic federal food, nutrition, and disability programs and eliminates the safety net for most legal immigrants. It limits food stamps to no more than three months within a three year period for able-bodied adults (ages 18 to 50) with no dependents unless they are working or engaged in a work program for at least twenty hours per week.²

The consensual movement for "welfare reform" was based on interrelated assumptions about welfare recipients about welfare recipients and the value of

labor force participation.³ Among the core assumptions concerning welfare recipients were the notions that most people used welfare because they were unwilling to work; that families stay on welfare without working for extended periods; that the very availability of welfare encourages people to become dependent upon it; and that the only way to get welfare recipients into the workforce is to give them no other alternative.

The "welfare reform" movement also believes that the American economy is generating enough jobs to absorb welfare recipients and that recipients' economic well being and sense of self-worth will be enhanced by the attainment of any sort of paid employment. There is "no such thing as a bad job," as John Engler, Michigan's governor, expressed it. With its emphasis on "work first" over training and education, the new federal policy reflects the belief that, in the words of a guide recently posted on the U.S. Department of Human Services' official Web site, "any

² *Personal Responsibility and Work Opportunity Reconciliation Act of 1996*, Public Law 104-93, 104th Congress, 2d sess (22 August 1996), Titles I, II, IV, VII, and VIII; David Super et al., "The New Welfare Law" (Washington D.C.: Center on Budget and Policy Priorities, August 13, 1996) <http://epn.org/cbpp/wconfb12.html>; Mark Greenberg, *No Duty, No Floor: The Real Meaning of "Ending Entitlements"* (Washington D.C.: Center for Law and Social Policy, 1996) <http://epn.org/clasp/cl-duty-2.html>; Peter Edelman, "The Worst Thing Bill Clinton Has Done," *The Atlantic Monthly* (March 1997), 43-58; Steve Savner, *Creating a Work-Based Welfare System Under TANF* (Washington D.C.: Center for Law and Social Policy, 1996); Barbara Vobejda and Judith Havemann, "Welfare's Safety Net Replaced With Quilt of Consequences" *Washington Post*, 1 October 1996, A, 1; Carol Jouzatis, "Welfare Poor Face Life without a Net," *Chicago Tribune*, 5 August 1996, 1, 3; Carol Jouzatis, "Welfare Reform: Now It's Up to the States," *Chicago Tribune*, 30 September 1996, 1, 1; Rogers Worthington, "Welfare Set to Shut the Door to Colleges," *Chicago Tribune*, 14 August 1996, 1, 1; George Church, "Ripping Up Welfare," *Time* (August 12, 1996), 18-22; Mark Greenberg, *Racing to the Bottom? Recent State Welfare Initiatives Present Cause for Concern* (Washington D.C.: Center for Law and Social Policy, 1996) <http://epn.org/clasp/clrace.html>.

³ Sheila Zedlewski, Sandra Clark, Eric Maier, and Keith Watson. *Potential Effects of Congressional Welfare Reform Legislation on*

Family Incomes (Washington D.C.: The Urban Institute, July 26, 1996); Edelman, "The Worst Thing"; Bob Herbert, "The Artful Dodger," *New York Times*, 10 March 1997, editorial; James Warren, "Longtime Friends Freeze out First Family over Welfare," *Chicago Tribune*, 9 February 1997, 2, 2; Super et al., "The New Welfare Law"; quotations from James Gailbreath (Department of Economics, University of Texas), Marion Wright Edelman (president, Children's Defense Fund), Patricia Ireland (president, National Organization of Women), A. M. Rosenthal (publisher, *New York Times*), David Liederman (executive director, Child Welfare League of America), Charles M. Sennott (*Boston Globe*), Wendell E. Primus (former deputy assistant secretary, U.S. Department of Health and Human Services, in an August 16, 1996, resignation letter to Secretary Donna Shalala) in "National Voices on Welfare Reform," <http://www.handsnet.org/handsnet/...reform/Articles/art.841960566.html>; "Clinton Defends Welfare Reforms: President Answers Liberal Critics," *Chicago Tribune* 8 December 1996, 1, 6; "Grapes of Wrath," *The Nation* (26 August/2 September 1996), 3-4; Robert Scheer, "Standing Small," *The Nation* (26 August/ 2 September 1996), 4-5; A. M. Rosenthal, "And Now What?," *New York Times*, 2 August 1996, A15; Jennifer Wolch and Heidi Sommer, *Los Angeles in an Era of Welfare Reform: Implications for Poor People and Community Well-Being* (Los Angeles: The Southern California Inter-University Consortium on Homelessness and Poverty, 9 April 1997).

job is a good job . . . and the best way to succeed in the labor market is to join it.”⁴

There can be no denying the historic and controversial nature of the recent federal welfare reform. But welfare policy has been undergoing revision very much on the lines envisaged by the Personal Responsibility Act for some time, thanks to state-level changes that provided models, inspiration, and political momentum for the federal changes. This study reports on the recent history of welfare policy reform in Indiana, Illinois, Michigan, Minnesota, Ohio, and Wisconsin — the six states covered by the Midwest

Job Gap Project.⁵ It begins by examining the historical relationship between states, the federal government, and welfare policy. It then considers the considerable overlap in core premises and programs that characterizes recent welfare reform in these six states. Following detailed descriptions of welfare changes in each state during the 1990s, a concluding section reprises common themes and reflects on future developments and options under the new state-federal welfare regime created by the Personal Responsibility Act.



⁴Amy Brown, *Work First: How to Implement and Employment-Focused Approach to Welfare Reform* (New York: Manpower Development Research Corporation, March 1997) <http://aspe.os.dhhs.gov/hsp/spl/work1st/frontm.html>. For discussion and critique of these core premises mentioned in this paragraph, see Center on Social Welfare Policy and Law, *Welfare Myths: Fact or Fiction?* (New York: Center on Social Welfare Policy and Law, 1996); Kathryn Edin, *The Myths of Dependence and Self-Sufficiency: Women, Welfare, and Low-Wage Work*, Working Paper No. 67 (New Brunswick, N. J.: Center for Urban Policy Research at Rutgers University, 1994);

⁵For reasons of time and space, this study focuses on major state welfare reforms initiated since 1990 and particularly on those relating to work, omitting many ongoing welfare reforms that were initiated before 1990 or that operate on a relatively small scale. Such

programs are quite common, however, as is suggested by Dan A. Lewis, Christine C. George, and Deborah Puntney in *Welfare Reform in Illinois: Recent Efforts in the Context of the National Debate* (Evanston, Ill.: School of Education and Social Policy, Northwestern University, 1995), “Appendix 18: Demonstration, Special Projects, and Initiatives of IDPA Project Chance and JOBS programs, 1987-1994.” Handler, *Poverty of Welfare Reform*, 32-55, 110-151; Virginia Carlson and Nick Theodore, *Are there Enough Jobs? Welfare Reform and Labor Market Reality* (Chicago: Chicago Urban League, 1995); Louis Uchitelle, “Welfare Recipients Taking Jobs Often Held by the Working Poor,” *New York Times*, 1 April 1997, A1, 10; Rios Caraley, “Dismantling the Federal Safety Net: Fictions Versus Realities,” *Political Science Quarterly* 111 (Summer 1996), 225-258; Rebecca Blank, *It Takes a Nation: A New Agenda for Fighting Poverty* (Princeton, N.J.: Princeton University Press, 1997)

The States and Welfare Policy in Historical Perspective



The novelty of the Personal Responsibility Act can easily be exaggerated. Public assistance provisions in the United States have never been generous by comparison with other industrialized nations.⁶ Since state governments in the United States have always set the benefit levels, average payments have varied widely. In 1993, for example, average AFDC payments ranged from lows of \$121 in Mississippi and \$155 in Alabama to highs of \$761 in Alaska and \$562 in California.⁷ Median AFDC benefit levels have been falling since the early 1970s, as state legislatures have failed to raise grants to match inflation.⁸ Indeed, having an AFDC program at all has been an option for states from the beginning. Strictly speaking, the AFDC "entitlement" was not for individuals but for states to receive matching federal dollars for what they chose to spend on families with dependent children who met their definitions of eligibility.⁹

Although AFDC caseloads and payment levels dramatically expanded during the 1960s and 1970s, single mothers and their children have never been thought of as the "deserving poor." They have been

grudgingly extended public assistance as a shameful, "needs-based" and means-tested public charity distinct from the more dignified, "rights-based," and well-funded social insurance offered to the beneficiaries of widely accepted universal welfare payments like social security and unemployment compensation. In historian Linda Gordon's excellent phrase, they have been "pitied but not entitled." Changing social norms regarding female labor market participation have sharpened the judgements of policymakers that single mothers and their children do not truly merit income transfers from taxpayers.¹⁰

Having given the states autonomy in determining eligibility for AFDC and in closely supervising AFDC recipients, the federal government since the early 1980s has encouraged the states to expand their roles in shaping welfare policy. As a result, the states have implemented tough welfare rules meant to cut public assistance rolls, to increase the labor market participation of the poor, and to otherwise change their behavior.¹¹

Since the passage of the Family Support Act of

⁶See P. Flora and A. Heidenheimer, eds., *The Development of Welfare States in Europe and America* (New Brunswick, N.J.: Transaction Press, 1981); Edwin Amenta and Theda Skocpol, "Taking Exception: Explaining the Distinctiveness of American Public Policies in the Last Century," in Francis G. Castles, ed., *The Comparative History of Public Policy* (Oxford: Polity Press, 1989), 292-333; Walter Korpi, *The Democratic Class Struggle* (Boston: Routledge and Kegan Paul, 1983); Gosta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Princeton, N.J.: Princeton University Press, 1990); Daniel Levine, *Poverty and Society: The Growth of the American Welfare State in International Comparison* (New Brunswick, N.J.: Rutgers University Press, 1988); Michael Katz, *In the Shadow of the Poorhouse: A Social History of Welfare in America* (New York: Basic Books, 1986), x.

⁷Indiana Division of Family and Children, *1994 Fiscal Year Demographic Trend Report* (Indianapolis, Ind., 1994), 35. See also Sheila Zedlewski and Linda Giannarelli, "Diversity Among State Welfare Programs: Implications for Reform" (Washington, D.C.: Urban Institute, 1997) http://urban.org/newfed/anf_al.htm, Table 3.

⁸Rebecca Blank, "The Employment Strategy: Public Policies to Increase Work and Earnings," in Sheldon H. Danziger, Gary D. Sandefur, and Daniel H. Weinburg, eds., *Confronting Poverty: Prescriptions*

for Change (Cambridge Mass.: Harvard University Press, 1994), 179-180. For more recent data on the states covered in the Midwest Job Gap Study, see Lewis, George, and Puntenney, *Welfare Reform in Illinois*, "Appendix 9: AFDC Benefit Expenditures By State 1985-1993."

⁹Caraley, "Dismantling the Federal Safety Net," 238. Caraley also notes that states have always been completely autonomous regarding public assistance to poor people who do not qualify for AFDC. Thus, when three states discussed in this study eliminated General Assistance in their jurisdictions, they required no federal waivers to do so.

¹⁰Linda Gordon, *Pitied But Not Entitled: Single Mothers and the History of Welfare* (Cambridge, Mass.: Harvard University Press, 1994), 1-17, 287-306, and passim; Handler, *Poverty of Welfare Reform*, 10-32; Patterson, *America's Struggle*, 76; Katz, *In the Shadow*, 238-239.

¹¹Mark Greenberg, *Welfare Reform in an Uncertain Environment* (Washington D.C.: Center for Law and Social Policy, 1996), 2; Katz, *In the Shadow*, x and passim; Handler, *Poverty of Welfare Reform*, 62-109; Gordon, *Pitied But Not Entitled*, 295-299.



1988, every state has expanded work and work activities requirements for families seeking cash assistance. That legislation required states to set up mandatory work-welfare plans, linked to the recently eliminated JOBS program. To facilitate the movement of single mothers into the workforce, JOBS required states to provide child care subsidies and extend Medicaid eligibility to women for a year after they left AFDC for employment.¹²

Starting in 1992, the federal waiver process was significantly eased and states could seek and generally receive permission from the U.S. Department of Health and Human Services to deny or cut benefits to recipients who failed to meet new requirements (such as finding work within two years). From early 1992 to February 1996, according to the Center for Law and Social Policy (CLASP), 42 states submitted at least one welfare waiver application, and 36 states received approval for at least one waiver.¹³

The Bush and Clinton administrations made two requirements in granting waivers. First, proposed welfare changes had to be “cost-neutral,” that is, they could not increase federal expense, although states were free to reduce it. Second, state initiatives had to be “rigorously” evaluated. States applying for waivers had to submit plans for evaluating and monitoring their proposed initiatives, usually through the research method of “random assignment design.” But, according to Joel Handler, a leading welfare policy expert, most state welfare waivers approved under Bush and Clinton did not even “purport to meet standard social science criteria.” They failed to test alternative hypotheses, they repeated unsuccessful projects carried out elsewhere, and they lacked provisions for assessing the impact on recipients. “In effect,” Handler concludes, “under the waiver policy, states [were] given essentially unrestricted discretion.”¹⁴



¹²Whereas numerous state-run programs during the 1980s functioned essentially as job search assistance programs, JOBS placed more emphasis on training and education as legitimate “work activities.” The JOBS program targeted AFDC parents under 24 years of age who had not completed high school and had little or no work experience. It also targeted AFDC recipients who had received welfare benefits for 36 months or more and those whose youngest child was within two years of becoming ineligible because of age. As late as 1995, Handler found that “the best estimate is that only about 10 percent of [national] AFDC recipients are in a [JOBS] program component.” Handler, *Poverty of Welfare Reform*, 76; U.S. Department of Health and Human Services, *Characteristics of State Plans*, 10-11, 93, 100, 145, 151, 218, 296.

¹³Greenberg, *Welfare Reform*, 4; Kenneth B. Noble, “Welfare Overhaul, Halted in Capital, Proceeds Anyway: States Assume the Lead,” *New York Times*, 19 March 1996, A, 1; Handler, *Poverty of Welfare Reform*, 90-99; George Peterson, “A Block Grant Approach to Welfare Reform” (New York: The Urban Institute, 30 July 1996), 2.

¹⁴Handler, *Poverty of Welfare Reform*, 97-98. Under the new block grant system, there are no evaluation requirements whatsoever, making meaningful state comparisons impossible.

Shared Characteristics of Midwestern Welfare Reforms



The welfare system initiated by the Social Security Act of 1936 had undergone significant transformation for some time well before the passage of the Personal Responsibility Act. That was also true for the six states examined in the Midwest Job Gap Project. Indeed, congressional Republicans used as a model welfare experiments in two of these states — Michigan and, most notably, Wisconsin, the nation's leader in welfare caseload reduction.¹⁵ The Republican governors of these two states played leading national roles in advocating federal welfare reform. Wisconsin and Indiana were among the states President Clinton mentioned in December 1996 as examples of successful state and federal welfare reform experiments that had been underway and “working” since the beginning of his administration.¹⁶ The other Midwestern states in the Job Gap Project — Illinois, Minnesota, and Ohio — also engaged in significant welfare policy overhauls during the 1990s. In these six jurisdictions, as elsewhere during the same years, policymakers often designed and implemented welfare changes in explicit anticipation of the sort of changes in the federal rules introduced by the Personal Responsibility Act.

Thus, the Personal Responsibility Act has done less to initiate a new era than to accelerate a process of welfare “reform” and “welfare-to-work” experimentation well underway since the early and middle 1990s (see Tables 1 and 2).¹⁷ This experimentation is now deepened by the federal welfare reform, as

Midwestern states have refashioned their public assistance programs to meet the July 1, 1997, deadline of the federal government for submitting TANF block grant applications consistent with the requirements of the Personal Responsibility Act.¹⁸ As a result of both this “reform” process and a relatively expansive midwestern economy during the 1990s, the six midwestern states have cut their welfare caseloads at an exceptionally high rate (Wisconsin actually halved its AFDC/TANF rolls between 1993 and April 1997) during the last three years (see Table 3).

Although they are not identical, the recent and ongoing changes in welfare rules in these six states share a unifying theme that can be expressed in a single word — *work*. Midwestern policymakers in the 1990s demand that welfare recipients find work more quickly, perform it as a condition of eligibility, and keep it longer. Pushing “work first,” they regard even low-paying, bottom-end jobs as better than the training and education programs they offered in the past. They punish recipients who break the rules with sanctions that can be and are used as de facto requirements of work participation shorter than the limit imposed by the Personal Responsibility Act of 24 months of cash assistance for adults who have not worked. At the same time, midwestern states are working to “support” recipients in the transition from welfare to work by investing in work-related services like child care, transportation, job placement, and



¹⁵Vobejda and Havemann, “Welfare’s Safety Net Replaced”: Administration for Children and Families, U.S. Department of Health and Human Services, “Changes in Welfare Caseloads, August 1997” <http://www.acf.dhhs.gov/news/caseload.htm>.

¹⁶Clinton Defends Welfare Reforms: President Answers Liberal Critics, Lauds Drop in Rolls,” *Chicago Tribune*, 8 December 1996, 1, 6.

¹⁷Jason De Parle, “U.S. Welfare System Dies as State Programs Emerge,” *New York Times*, 30 June 1997, A, 1.







¹⁸See Table 6 in the appendix for a detailed matrix summary of the different components of Midwestern state welfare plans in the TANF era.

programs that let recipients keep more of their benefits while earning paychecks.

Like advocates of federal welfare reform, these states often assume that people need welfare mainly

because they refuse to work and that wanting a job is the key thing required for most recipients to get and keep decent jobs. States envision the main goal of policy as being to entice or compel poor people to

Table 1
Positive Reinforcement Welfare “Reforms” to Alter Recipient Behavior in the Six States of the Midwest Job Gap Project between 1990 and 1996, prior to the Federal Welfare Reform of 1996

	Illinois	Indiana	Michigan	Minnesota	Ohio	Wisconsin
Policies						
Expand earnings disregard ^a	yes	no	yes	yes	yes	no
Increase resource limit ^b	yes	yes	yes	no	no	yes
Increase vehicle asset limit ^c	yes	no	yes	yes	yes	yes
Expand transitional Medicaid ^d	yes	no	yes	yes	no	yes
Expand transitional child care ^e	yes	yes	yes	yes	yes	yes
Cash out food stamps ^f	no	no	yes	yes	no	yes
Eliminate 100-hour rule ^g	yes	yes	yes	yes	yes	yes
Eliminate labor force attachment requirement ^h	yes	no	yes	yes	yes	yes

^aAn increase in the amount of outside earned income that the state disregards in determining recipients' eligibility for cash assistance. Seeks to increase positive incentive for labor-market participation and resulting employment-based income.

^bAn increase in the amount of financial and non-financial resources recipients can possess without losing their eligibility for cash assistance. Seeks to increase positive incentive for labor-market participation and resulting employment-based earned income.

^cAn increase in the value of automobiles that recipients may possess without sacrificing their eligibility for cash assistance. Seeks to increase positive incentive and transportation capacity for labor-market participation and resulting employment-based earned income.

^dAn increase in the amount of time that recipients leaving welfare through employment can receive the Medicaid for which they qualified while on AFDC. Seeks to reduce a significant negative incentive discouraging work under the old system.

^eAn increase in the amount of time that recipients leaving welfare through employment can receive the child care assistance for which they qualified while on AFDC. Seeks to reduce a significant negative incentive discouraging work under the old system.

^fPermits welfare recipients who are employed for a certain threshold of hours to receive cash in the place of “stigmatized” food stamps.

^gEliminates (within state) old federal rule that denied cash assistance to two-parent AFDC families (AFDC-UP) if one parent worked more than 100 hours per month. Seeks to increase labor market participation and sustain the family unit among recipients.

^hEliminates (within state) old federal rule that denied cash assistance to two-parent AFDC families (AFDC-UP) if neither parent has a recent work history.









change their behavior in ways leading to long-term labor market attachments. And they assume that local, state, and regional economies are generating and will continue to generate more than enough “good”

jobs to absorb all employable welfare recipients.

Although the states claim that it is primarily the “personal responsibility” of recipients to take advantage of “work opportunities,” they are not content to

Table 2
Negative Reinforcement Welfare “Reforms” to Alter Recipient Behavior in the Six States of the Midwest Job Gap Project between 1990 and 1996, prior to the Federal Welfare Reform of 1996

	Illinois	Indiana	Michigan	Minnesota	Ohio	Wisconsin
Policies						
Cumulative lifetime time limits ^a	no	yes	no	no	no	no
Other time limits ^b	yes	yes	no	no	yes	yes
Stricter work or job search requirements ^c	yes	yes	yes	yes	yes	yes
Social contract: individualized personal responsibility or self-sufficiency agreement with related sanctions	yes	yes	yes	yes	yes	yes
Enhanced child support enforcement ^d	yes	yes	yes	yes	yes	yes
Family cap ^e	yes	yes	no	no	no	yes
Eliminate general assistance ^f	yes	no	yes	no	yes	yes

^aWhile the federal Personal Responsibility Act mandates an absolute lifetime limit of five cumulative years on federal cash family assistance, some states have independently already set their own cumulative lifetime limit, in this case, Indiana (two years with extensions of one month for each six-month period of consecutive employment by any family member).

^bAny other time limits on cash assistance on that are not cumulative lifetime limits. For example, Ohio in 1995 restricted recipients from receiving 36 months of cash assistance within a 60-month period. Illinois’ Targeted Work Initiative denied more than 24 months of cumulative welfare to AFDC parents whose youngest child is at least 13 years. But any month with budgetted earned income is not counted toward the 24-month limit and families that reach the limit can re-apply for assistance after a subsequent two-year period without cash assistance. See Table 4 in the appendix for a summary of pre-Personal Responsibility Act time limits in the six Midwestern states.

^cSee Table 5 in the appendix for a summary of work and job search requirements introduced before the Personal Responsibility Act and during the 1990s in the six Midwestern states.

^dOn the theory that “deadbeat” parents are a significant source of poverty among the welfare population, many states include various efforts to increase child support collection (such as requirements that AFDC/TANF mothers cooperate in determining paternity and denial of professional and/or drivers’ licenses to non-custodial parents who are delinquent in their support payments) in their total “welfare reform” packages.

^eDenial of any increase in a family’s existing cash grant on the basis of the birth or conception of an additional child in a family/assistance group already on cash assistance.

^fDenial of cash assistance to able-bodied and therefore “employable” single and childless adults.



leave the exercise of that duty to recipients themselves. They advance a panoply of “carrot and stick” policies prescribing “tough love” to stimulate recipients’ to break their “dependency” on welfare and attain “self-sufficiency” by entering the workforce. Since the sponsors of the new welfare rules other-

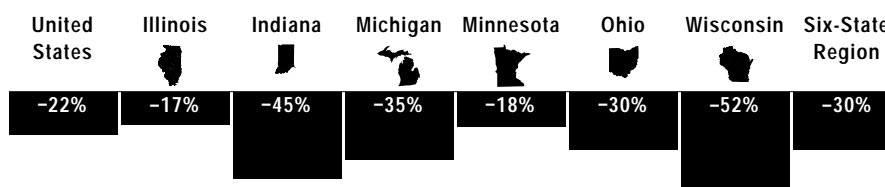
wise declare their interest in getting government off people’s backs, it is ironic that the new rules increase government’s involvement in the lives of low-income people and create new taxpayer expenses related to the intrusive state monitoring of recipients.

Table 3
Decline in AFDC/TANF Caseloads, 1993–1997

	Jan. 1993	Jan. 1994	Jan. 1995	Jan. 1996	Apr. 1997
United States	14,115,000	14,276,000	13,918,000	12,877,000	10,969,000
Illinois	685,508	709,969	710,032	663,212	586,130
Indiana	209,882	218,061	197,225	147,083	115,480
Michigan	686,356	672,760	612,224	535,704	442,900
Minnesota	191,526	189,615	167,949	171,916	157,670
Ohio	720,476	691,099	629,719	552,304	507,620
Wisconsin	241,098	230,621	214,404	184,209	114,960
Six-State Region	2,734,846	2,712,125	2,531,553	2,254,528	1,924,760

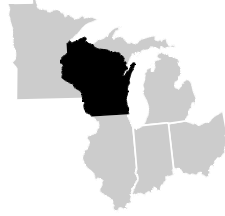


Percentage Decline in Caseloads, 1993–1997



Source U.S. Department of Health and Human Services, Administration for Children and Families, *Changes in Welfare Caseloads*, July 1997.

Wisconsin – “Only Work Should Pay”



Governor Tommy Thompson and his staff and officers in the Wisconsin welfare bureaucracy are the acknowledged leaders of “tough love” state-level welfare “reform” in the United States. Wisconsin has been in the welfare reform vanguard since at least the 1970s, when the state pioneered simplification in the application process for public assistance and introduced the country’s most advanced computerized system of public welfare administration. In 1987, Wisconsin’s “Learnfare” program made AFDC benefit levels conditional upon school attendance for recipient families with teenage children.¹⁹ The next year, the state implemented tougher requirements for participation in the JOBS program than those laid out in federal regulations. In 1989, Wisconsin received a waiver to provide 12 months transitional Medicaid eligibility for welfare recipients who got jobs.

In 1991 Wisconsin exempted two-parent recipient (“AFDC-UP”) families from a regulation ending cash assistance to families when the principal wage-earner worked more than 100 hours per week.²⁰ A 1994 measure raised the value of an automobile that AFDC families could own without sacrificing eligibility from \$1,500 to \$2,500. Another measure that year permitted welfare recipients to accumulate up to \$10,000 in assets (up from the \$1,000 previously allowed by federal regulations) in a special re-

sources account for education, training, or otherwise improving the employability of a family member.²¹

In 1994 Wisconsin received federal approval to impose a “family cap,” which denied AFDC benefits to recipients who had additional children while receiving assistance. The next year, Wisconsin followed Michigan’s example and instituted the ultimate “reform” — elimination — of the state’s General Assistance program, which had helped tens of thousands of able-bodied adults without children.²²

Not all of Wisconsin’s welfare “reform” efforts have been initiated by state government. In 1992 a private consortium launched “New Hope,” an experimental program in Milwaukee’s poorest neighborhoods and overseen by a board of Milwaukee businessmen, public officials, and professionals. Funded by a mixture of private, federal, and state sources, New Hope seeks to decrease recipients’ disincentives for leaving welfare and to show that poor people will work when work becomes a viable economic option for them. In return for signing an individualized contract in which they promise to search for and find jobs, New Hope participants enjoy a three-year window of benefits including subsidized health insurance, child care subsidies, and a monthly wage supplement of roughly \$450. They receive the federal Earned Income Tax Credit on their total earnings. The program provides job-search assistance and, for par-



¹⁹Wisconsin Department of Workforce Development [hereafter DWD], *Wisconsin Welfare Reform* (Madison, Wisc., 1996) www.dwd.state.wi.us/notespub/AboutDWD/2152_126.htm, 2-3; Thomas J. Corbett, “Welfare Reform in Wisconsin: The Rhetoric and the Reality,” in Donald F. Norris and Lyke Thompson, eds., *The Politics of Welfare Reform* (Thousands Oaks, Calif.: Sage Publications, 1995), 19-40; Handler, *Poverty of Welfare Reform*, 96.

²⁰Corbett, “Welfare Reform,” 24.

²¹Corbett, “Welfare Reform,” 25; Wisconsin DWD, *Wisconsin Welfare Reform*, 5-9.

²²Wisconsin DWD, “*Wisconsin Welfare Reform*,” 10-11; Noble, “Welfare Overhaul, Halted in Capital”; U.S. Department of Health and Human Services, *Welfare Demonstration Fact Sheet* (Washington D.C.: U.S. Department of Health and Human Services, 6 October 6 1996), 26; Michael Wiseman, “Welfare Reform: Finding the Bridge from Dream to Reality,” *State Welfare Reform Demonstration Projects* (Madison, Wisc.: Robert M. La Follette Institute, University of Wisconsin, 1996); Carney, “Test Drive,” 2897.

ticipants unable to find work after eight weeks, temporary community jobs lasting for six months. Working participants stop receiving the wage supplement if and when their income reaches the federal poverty level for their assistance unit. New Hope will be in place until December 1998, when it will undergo re-evaluation for possible renewal.

The New Hope project "went to scale" (600 participants) in August 1994 and enrolled 1,200 participants, including a randomly selected experimental group of 600 and a control group of the same size, in two Milwaukee neighborhoods by December 1995. By May 1996, 384 persons in the experimental group had attained full-time employment, of which 226 still received a wage supplement, 151 received subsidized health insurance, and 114 received child care subsidies. New Hope managers attribute their relative success to their rejection of the current emphasis on immediate caseload reduction. They argue that since jobs paying at or above the poverty level are insufficiently available to the welfare population, many recipients must combine welfare (never sufficiently remunerative for recipients to entirely depend on) and work (rarely sufficiently remunerative for recipients to become "self sufficient"). In the New Hope experience, meaningful welfare should place less emphasis on simply getting poor people off welfare and into work in the first place and more emphasis on sustaining those people while they do work. The point, for New Hope, is to help poor people improve their situation over time, so that full-time

"self-sufficiency" becomes possible.²⁴

But "New Hope" has not been chosen as the model for subsequent welfare "reform" in Wisconsin. The central theme in welfare initiatives since undertaken by the state has been on moving welfare recipients into the job market as quickly as possible. By the early 1990s, many Wisconsin counties required most AFDC recipients to engage in closely supervised searches immediately after applying for welfare, assigning those who failed to find employment within a few weeks to community-service work/workfare until they could find a private-sector position. Beginning in 1994, the Thompson administration instructed county welfare directors to de-emphasize education and job training in the classroom and concentrate on activities leading directly to work. Counties were required to earn their work, training, and day care funding by increasing the number of recipients placed in paid jobs or community-service workfare. And under "Work First," a pilot program begun in 18 counties in 1994 and gradually expanded to cover 60 by early 1996, Wisconsin moved to discourage potential recipients from applying in the first place. "Work First" provided new applicants with counseling on financial planning and the dangers of dependency, offered short-term diversionary assistance that might eliminate the need to join the rolls, and required most new applicants to begin working in private-sector jobs or community-service positions almost immediately after receiving AFDC. In January 1996, the state reported, 983 potentially AFDC-eli-



²³Quoted in Eliza Newlin Carney, "Test Drive," *The National Journal* 26 (Nov.-Dec. 1994), 2897.

²⁴Telephone interview with Tom Back, New Hope Project, Mil-

waukee, Wisconsin, 12 March 1997; Corbett, "Welfare Reform," 24-25; *Focus, Special Issue* 18 (Spring 1996), 82-85 (Madison, Wisc.: Institute for Research on Poverty, University of Wisconsin).

Anything you do is going to be an improvement. And the more radically you try to change it, the better off you are going to be for recipients and for the state.

– Tommy Thompson, Governor of Wisconsin, 1994²³

gible persons inquired about public assistance in Wisconsin. More than half of them “chose not to become dependent on the welfare system” after talking to county welfare Resource Specialists created by the Work First program.²⁵

Work Not Welfare and Pay for Performance

In a similar vein, Wisconsin undertook a radical 1995 welfare-to-work demonstration that the state restricted to two rural counties — Pierce and Fond du Lac — whose sparse populations and low job gaps made them good candidates for showcasing success in quickly moving recipients into the job market. This “Work Not Welfare” (WNW) initiative was the first in the nation to require work and to place a time limit on how long individuals could receive benefits. In return for providing temporary cash benefits and intensive job training and job placement, child care, health care, and transportation assistance, it required that AFDC applicants sign a contract pledging to work and to start paid employment or training for such employment within 30 days of their application. After 12 months, WNW required that recipients work in a paid private-sector job or be assigned to a community-service/workfare position to continue receiving benefits. The program limited cash benefits to 24 continuous months and to 24 months within a 48-month period, but created no new community service positions for recipients unable to find unsubsidized jobs after 24 months. Under WNW, Wisconsin proudly reports, AFDC caseloads in the two counties

fell by 45 percent in 1995.²⁶

In December 1995, Thompson’s staff sought to cut caseloads further by introducing competitive bidding for the management of each county’s welfare system. Through this approach, the governmental and private organizations then running AFDC in each county were made vulnerable to replacement by outside entities. To escape this threat, they had to fulfill new performance criteria, including cutting their AFDC caseloads by approximately 15 to 25 percent (requirements differed by county) in the next 12 months.²⁷

In March 1996 Wisconsin upped the ante of welfare-to-work experimentation with the implementation of a new project targeting the entire state welfare recipient population. Under “Pay for Performance” (PFP), welfare applicants are denied eligibility for all family members unless they meet with a financial planning resource specialist to explore alternatives to welfare and then hear an antiwelfare lecture from a social worker. In the name of what the state calls “Self-Sufficiency First,” individuals who still wish to apply for welfare after this meeting must complete 60 hours of work activities before they can receive benefits for any family members. Thirty of those hours must include “direct contact with employers.” Pleased that these requirements and other “hassles” seem to prevent poor people from applying for assistance in the first place, the state has subcontracted the running of “Self-Sufficiency First” to a private company that employs caseworkers whose au-



²⁵Wisconsin DWD, “Wisconsin Welfare Reform,” 7; Robert Rector, “Wisconsin’s Welfare Miracle,” *Policy Review: the Journal of American Citizenship* 82 (March-April 1997), 22-23.

²⁶Rogers Worthington, “U.S. Gives Wisconsin Nod to Limit Welfare,” *Chicago Tribune*, 2 November 1993, 1, 4; Wisconsin DWD,

“Wisconsin Welfare Reform,” 9-10; Elizabeth Boehnen and Thomas Corbett, “Work Not Welfare: Time Limits in Fond Du Lac County, Wisconsin,” *Focus* 18 (Spring 1996), 77-81.

²⁷Rector, “Wisconsin’s Welfare Miracle,” 23.

tobiographies epitomize the notion of self-reliance and upward mobility from poverty. The state fears that career social workers from within the public assistance bureaucracy will take a benign view of public aid and will fail to discourage potential recipients from applying for help.

Once families get on the cash assistance rolls under Pay for Performance, their “hassles” only increase. Adult recipients must spend 20 hours a week at a work assignment, spend 10 hours a week looking for a permanent job, and attend five hours of meetings on job search techniques. Their cash grant is reduced by \$5.17 for every hour they miss. If that grant is completely exhausted, sanctions are taken against the food stamp grant. Recipients who participate less than 25 percent of the required hours are denied any cash benefits and receive a food stamp allotment of just \$10.

As implemented in Milwaukee, home to 60 percent of the state’s welfare recipients, these are the largest and most strictly enforced work requirements put into effect in any U.S. city. “In other [urban welfare-to-work] programs,” journalist Jason DeParle notes, “a mother who fails to comply typically loses about a third of her grant. In Milwaukee, those who do not work lose their entire cash benefit,” \$517 a month for a family of three.²⁸ Welfare advocates report stories of fifth and sixth graders in Milwaukee staying home from school to watch their preschool siblings (and thereby endangering their welfare grants under Learnfare) while mothers are forced to

spend 30 hours gathering employer signatures verifying their newly mandated job searches. A welfare mother recently approached a Milwaukee social service agency to request help in placing her children in a foster home, since “this Pay for Performance has me so messed up I can’t take care of my kids.” Recipients attending college have been called into welfare offices and told to “drop out,” since “the hours from nine to five belong to us.” As a consequence of such counsel and the time pressures of Pay for Performance, the number of welfare recipients enrolled as students at the Milwaukee Area Technical College has fallen from 1,600 to 244 during the last two years.²⁹

Pay for Performance is one reason welfare case-loads in Milwaukee fell a remarkable 25 percent between March 1996 and April 1997, but critics argue that no one really knows how many former recipients have moved toward self-sufficiency. Hunger and homelessness are curiously rising amidst the persistence of a “strong economy” in Milwaukee (the city’s unemployment rate is below 4 percent). Advocates and providers of shelter and food point to Pay for Performance as the main culprit.³⁰

But 1990s Wisconsin policies won ringing endorsement from leading conservative think tanks as the nation’s best existing welfare “reform” model. Robert Rector, of the influential Heritage Foundation, writes and speaks across the country about what he calls “Wisconsin’s welfare miracle.” This “miracle” is epitomized, he feels, by Pay for Performance, which,



²⁸Jason De Parle, “Cutting Welfare Rolls But Raising Questions: Milwaukee Work Plan,” *New York Times*, 7 May 1997, A16.

²⁹Telephone interview with Pamela Fendt, Center for Economic Development, University of Wisconsin-Milwaukee, 10 December 1996; telephone interview with Mike Rosen, Milwaukee Area Technical College, 23 September 1997.

³⁰De Parle, “Cutting Welfare Rolls,” A1, A16; USDHHS, *State Welfare Demonstration Project Fact Sheet*, 26; Wisconsin DWD, “Wisconsin Welfare Reform,” 12-13; Fendt interview; Carol Jouzatis, “Cold Reality of Welfare Reform,” *Chicago Tribune*, 24 February 1997, 1, 1.

There will be no entitlement.

– *Wisconsin Department of Workforce Development, 1996*

according to Rector, “effectively eliminated the freedom of most Wisconsin AFDC recipients to receive welfare without working” and led to a wholly positive “plummeting” of welfare caseloads. For Rector, the “lessons” of Pay for Performance and other Wisconsin “reforms” are clear: “focus on [reducing] the size of the caseload; avoid education and training [for recipients]; use work requirements to reduce welfare applications; establish a pay-after-performance benefits system; use community-service ‘workfare’ as an enforcement mechanism; and establish bureaucratic incentives and competition.” Rector feels that Wisconsin’s bold rolls-slashing measures challenge the “welfare industry,” which wrongly and self-interestedly “regards welfare recipients as victims of social injustice.” When asked at a December 1996 conference what became of the tens of thousands of Wisconsin children removed from welfare rolls during the 1990s, Rector answered that “poverty isn’t bad for kids. Most of us had grandparents who were poor.” The real problem, he feels, is illegitimacy, a phenomenon that he attributes largely to welfare.³¹

“Wisconsin Works,” the Most Radical Experiment to Date

Militant Wisconsin welfare “reform” is just getting started. The state is undertaking a comprehensive restructuring that has received considerable national attention as the “most radical idea yet” in welfare reform. The same 1993 legislature that passed WNW ordered the termination of Wisconsin’s AFDC program by 1998. As the first legislation to end AFDC

at the state level, the statute directed the state’s Department of Health and Social Services to submit a plan for an alternative new order stressing work, family, and responsibility. The resulting proposal, entitled “Wisconsin Works” or (in a deliberate pun on the federal income tax form that employers give to workers at the end of the financial year), W-2, was implemented in Fond du Lac and Pierce counties in March 1997 and will take full effect statewide in September of this year. W-2 conditions almost all public assistance on the performance of work. “For those who can work,” the state declares as W-2’s underlying principle, “only work should pay.” W-2 is the centerpiece of Wisconsin’s early and successful application for a TANF Block Grant.

Under W-2, most poor families will no longer apply for cash aid. Initial eligibility is limited to custodial parents who are not disabled and earn no more than 115 percent of the federal poverty level. Participants will report to designated local W-2 job centers — chosen from former county AFDC offices selected on the basis of the state’s evaluation of their effectiveness in reducing AFDC caseloads under Pay for Performance — where W-2 Financial Employment Planners will steer them to full time jobs. Those finding family-sustaining employment will be eligible for food stamps, the Earned Income Tax Credit, and, in many cases, for health and child-care benefits.

Those unable to find unsubsidized work will be expected (if they want to remain eligible for participation) to work in a subsidized wage-paying job or a position in a non-paying work program requiring re-

³¹Rector, “Wisconsin’s Welfare Miracle,” 23-26; Barbara Ehrenreich, “Spinning the Poor into Gold: How Corporations Seek to Profit from Welfare Reform,” *Harper’s Magazine* 295 (August 1997), 46-

47. Rector is the reputed author of the welfare provisions in the 1994 Republican Contract With America.



ipients to work in return for cash grants previously provided on the basis of need. More precisely, those unable to find unsubsidized jobs will be placed in one of three kinds of positions: (1) trial jobs, in which W-2 will provide a monthly wage subsidy of up to \$300 to employers who hire former welfare recipients at pay equal to or higher than the minimum wage and who agree to make “good faith efforts” to retain the subsidized workers on a full-time non-subsidized basis; (2) community service positions (including employment in for-profit enterprises under W-2), in which participants will work 30 hours a week in return for a flat monthly grant of \$673, with no variation for recipients’ family size and the amount reduced by the minimum hourly wage for each hour that the participant fails to engage in a required activity; (3) transitional placements for those who have been ill or incapacitated for at least 60 days, are needed in the home to care for others, or are unable to perform trial or community service jobs. People in community service jobs can be required to participate in education or training for up to 10 hours a week. Transitional placement clients may be required to participate for up to 28 hours per week in work and other activities (drug counseling, for example) as well as 12 hours per week of education or training. The family compensation for participants in this last category will be a flat monthly grant of \$628 a month, with no variation for family size and with the grant reduced by the minimum wage rate for every hour of required activity missed without good cause.

W-2 promises to be the country’s largest experiment in workfare to date.

W-2 participants in community service and transitional placement positions are not eligible for the federal Earned Income Tax Credit, overtime, or employer benefits. Wisconsin’s Department for Workforce Development is adamant in insisting that community service and transitional placements “are not jobs. We don’t want to make them into career options.”³² Denying the existence of a significant job gap anywhere in the state, Wisconsin Governor Tommy Thompson insists that community service positions are merely short-term training positions meant to provide former welfare recipients with the rapid assimilation of “soft” (ie, punctuality and diligence) skills required to move rapidly into the job market. With rare exceptions, W-2 participants can spend no more than six months in a single community-service job, and no more than 2 years lifetime in community service.

Under W-2, no Wisconsin family will be entitled to benefits or services. The state will not be required to provide a subsidized job or “work slot” or child care or health care assistance to any family at any time. Failure to work for those deemed able to do so will result in a total withdrawal of public support. The only exception to work participation requirements will be families with a child less than 12 weeks old. W-2 is time limited: participation will be limited to 24 continuous and 60 cumulative months, with possible case-by-case exceptions.

³²Wisconsin DWD spokesman David Blaska, quoted in Stephen Franklin, “Workfare Idea Requires Some Work,” *Chicago Tribune*, 13 April 1997, 5, 12; Worthington, “U.S. Gives Wisconsin Nod”; Wisconsin DWD, “Wisconsin Welfare Reform,” 13; Jouzatis, “Welfare Reform;” “National Implications of Wisconsin Welfare Plan,” *Illinois Wel-*

fare News, 1 (July 1996), 1; Wisconsin DWD, “Wisconsin Welfare Reform,” 13–14; Wisconsin DWD, “Introducing the End of Welfare” (Madison, Wisc.: Wisconsin Department of Workforce Development, 1996).



Like most state welfare-to-work programs, Wisconsin has shifted its focus from developing welfare recipients' long-term skills to getting them into an open low-skill position as soon as possible. W-2 provides remarkably weak support for vocational training and post-secondary education, containing funds for neither in its Training Program. As amended by the 1997 Balanced Budget Amendment, the federal welfare reform permits recipients to count vocational education as a work activity for up to 12 months and lets states count recipients undertaking such education for up to 30% of those fulfilling the state's required work participation rate under TANF. But W-2 does not allow recipients to count vocational education as a form of work participation. Either unaware of or unimpressed by evidence that state technical colleges have moved significant numbers of recipients into livable-wage employment, state officials seem to believe that it is better for recipients to work in any job than for recipients to be unemployed while receiving the training necessary for a skilled position. Last fall, governor Thompson vetoed a bill that would have allowed W-2 participants to count college for 15 hours of their weekly work requirement.

The state makes no apologies for how its new welfare rules are removing recipients from college. As a spokesman for Wisconsin's Department of Workforce Development recently told a *Chicago Tribune* reporter, welfare recipients who want a college education should have to "earn while they learn. All kinds of husbands and wives have worked their way through school. And so have a lot of single parents." The department feels that to allow welfare recipients to include college as a work activity would be to unfairly extend them privileges denied to others. "If they want a college education, they have to work for it."

Subject to availability, W-2 will provide child care subsidies to families with incomes below 165 percent of the poverty level. All families receiving subsidies will be required to make child-care copayments according to a sliding-fee scale varying with both family income and the cost of care. The state's Medicaid plan will be replaced with a new W-2 Health Plan covering also low income families not participating in W-2 employment positions. There is no entitlement to health care coverage for any families under W-2. All participating families will be required to make a sliding-scale copayment, with the minimum copayment being \$20 a month. W-2 requires that people work at least 35 hours a week to keep day-care and medical benefits.

The administration of public assistance in Milwaukee County has already been broken up into six separate W-2 agencies under the direction of the Private Industry Council, a consortium of private business and government authorities. Five of those agencies are now run by private organizations, including one for-profit corporation, Maximus, Inc., which recently received a \$50 million contract overseeing 4,500 Milwaukee County welfare recipients. The company can earn up to \$3.5 million if it cuts the W-2 caseload by a third over the next 28 months. W-2 Financial Employment Planners have already begun sending former Milwaukee AFDC recipients into various workfare positions, including mopping the floors in their own public housing projects.

Wisconsin submitted its TANF Block Grant proposal, including PFP and W-2, to the federal government within one week of the Personal Responsibility Act's passage. With conscious symbolic intent, the Clinton administration approved the Wisconsin

plan on September 30, the very eve of the Personal Responsibility Act's formal implementation.³³

Early reports indicate that W-2 has quickly accelerated welfare "reform" in Wisconsin. At the start of September, 1997, 35,000 Wisconsin families were on welfare. In the first six weeks of full-blown W-2, nearly 10% of those families were moved off the rolls entirely and another 10% went into trial jobs or community service.³⁴

Advocates, academic observers, and union leaders provide a number of reasons to regard W-2's potential impact with anxiety. Thanks in part to exceptionally early post-partum work requirements for mothers, W-2 will place remarkable demands on the state's child-care capacity and quality (even while it drops training requirements for workers in child care agencies receiving state subsidies). It is doubtful, they argue, that Wisconsin's labor market can absorb the tens of thousands of adult former AFDC recipients from whom W-2 now requires immediate work participation. W-2's weak support for post-secondary and vocational education reduces former welfare recipients' already slim chances of escaping the minimum-wage ghetto after leaving welfare. Contrary to the tax-cutting and anti-government rhetoric of state officials advancing the reform, W-2 will be (as Republican Governor Thompson freely admits) costly for taxpayers — an estimated \$100 mil-

lion more than AFDC to fund the program's child care subsidies, job subsidies, and job centers.

W-2 will likely depress statewide wage standards, thereby deepening poverty, since its flat grants for Community Service Jobs and Transitional Placements (together projected by the state to account for 75% of working W-2 participants) will combine with the lack of the EITC and new W-2 sanctions to put many participants to work at well below the minimum wage. Much of the cheap labor assembled and assigned by W-2 may end up displacing working poor, in a perverse game of labor market "musical chairs." Yet W-2 receives a skeptical response from employers, who complain of not being consulted in the program's design, criticize W-2's slack training provisions, and view \$300 monthly subsidies as inadequate compensation for hiring welfare recipients.

State AFL-CIO officials raise a related issue of democracy. They criticize W-2's termination of previous federal rules permitting a "fair hearing" to recipients questioning state enforcement of public assistance rules. W-2 participants will have no right to present evidence showing why they should not be denied assistance. "Their fate will be determined," notes a recent position paper by the Wisconsin State AFL-CIO, "by 'financial employment planners' who will rule on whether eligibility requirements have

³³Wisconsin DWD official quoted in Ginger Thompson, "Welfare Reform Slamming Door to College," *Chicago Tribune*, 9 November 1997, 1, 1; Rosen interview; Worthington, "U.S. Gives Wisconsin Nod"; Wisconsin DWD, "Wisconsin Welfare Reform," 13; Jason De Parle, "Getting Opal Caples to Work," *New York Times Magazine*, 24 August 1997, 35, 36, 59; Jouzatis, "Welfare Reform"; Merrill Gozner, "Welfare's Gold Rush: Private Sector Mining Hard to Reform Effort's Contracts," *Chicago Tribune*, 29 June 1997, 5, 1; "National Implications of Wisconsin Welfare Plan," 1; Franklin, "Workfare Idea Needs Some Work," 1, 12; Wisconsin DWD, "Wisconsin Welfare Reform," 13-14; Wisconsin DWD, "Introducing the End of Welfare";

Thomas Corbett, "Understanding Wisconsin Works (W-2)," *Focus* 18 (Special Issue 1996), 53-55; Karen Fox Folk, "Welfare Reform Under Construction: Wisconsin Works (W-2)," *Focus* 18 (Special Issue 1996), 55-57; Mark Greenberg, *Wisconsin Works: Significant Experiment, Troubling Features* (Washington D.C.: Center for Law and Social Policy, 1996) <http://epn.org/clasp/clwisc.html>; Katherine Sciacchitano, "Wageless in Wisconsin," *In These Times*, 27 May 1996, 14-17; "National Implications of Wisconsin Welfare Plan," 1, 19.

³⁴"Where Wisconsin Goes, Can the World Follow?" *The Economist*, 1-7 November 1997, 26.





been met, decide on work placements and make key decisions on the level of support services. W-2 families will be dependent on these planners for their economic survival since there is no remaining safety net...Key decisions will be in the hands of 'planners' who will have an underlying incentive to make the numbers look good and who face no real accountability."

In Wisconsin as in other jurisdictions across the country, the issue of "workfare" has become a heated point of contestation between and among unions, employers, and public welfare/workfare administrators. The state's planned use and definition of workfare participants evokes criticism from welfare advocates, organized labor, and others who claim that Wisconsin does face a significant job gap (particularly when it comes to livable wage jobs) and that poorly paid and subsidized W-2 participants, many of whom will receive less than minimum wage (thanks in part to W-2's financial sanctions) are going to displace employed low-wage workers. Critics argue that to insure that former welfare recipients have work when they are willing to engage in it, the state should make W-2's community-service into an open-ended offer — a work-based safety net of last resort. They maintain that W-2's workfare participants should be defined as full-fledged workers, covered by federal labor laws making them eligible for overtime, mini-

imum wage protection, benefits, and collective bargaining rights.

Wisconsin's Department of Workforce Development, the American Public Welfare Association, and the business community claim that defining W-2 workfare participants as workers will make employers reluctant to hire people off the welfare rolls. Milwaukee Mayor John Norquist articulates a middle position. While he disagrees that W-2 participants should be classified as regular employees, he feels that an adequate transition from welfare to work requires that former and current recipients receive a weekly paycheck reflecting the number of hours actually worked, not a flat monthly grant. In Norquist's opinion, only a paycheck permits people to link daily work efforts to rewards in and from the job market.³⁵

W-2's critics note that recipients now have to be considerably poorer to receive child care assistance than was the case under AFDC (Wisconsin's AFDC population qualified for such help up to 225% of the poverty level) and suggest that new medical and child-care copayments will ironically make many families "worse off under W-2 than they had been under AFDC." They express special concern for Wisconsin's Hmong population, which includes many large families losing special refugee status after five years of residency. Under the Personal Responsibili-

³⁵Wisconsin State AFL-CIO, *Statement on W-2 Wisconsin Works Waiver Request*, Milwaukee, Wisc., 8 July 1996; De Parle, "Getting Opal Caples," 59; interview with Pamela Fendt; telephone interview with Katherine Sciacchitano, University of Wisconsin School for Workers, Madison, Wisc., 18 November 1996; telephone interview with Joanne Ricca, Wisconsin State AFL-CIO, Milwaukee, Wisc., December 15, 1996; telephone interview with Anne Arnesen, Director of Wisconsin Council on Children and Families, Madison, Wisc., 16 December 1996; Greenberg, "Wisconsin Works;" Sciacchitano,

"Wageless in Wisconsin;" "National Implications;" Mark Courtney, "W-2 and Child Care," *Focus 18* (Special Issue 1996), 69-71; Robert Haveman, "Implementing W-2: A Few Questions," *Focus 18* (Special Issue 1996), 72-73; Franklin, "Workfare Idea Needs Some Work;" Uchitelle, "Welfare Recipients Taking Jobs Often Held by the Working Poor;" Steven Greenhouse, "Nonprofit and Religious Groups to Fight Workfare in New York," *New York Times*, 24 July 1997, A1; interview with Marjorie Morgan, Office for Social Concerns, Archdiocese of Milwaukee, 9 June 1997.

ty Act, legal immigrants lose eligibility for food stamps, the main safety net for large families restricted to inadequate flat grants under the Community Service and Transitional Placement components of W-2.³⁶

Consistent with Thompson's refusal to acknowl-

edge a job gap in Wisconsin, the state joins Michigan as the only jurisdictions in the region that refuse to apply for federal waivers permitting the extension of Food Stamp benefits for single childless adults cut off from that basic support under the federal welfare reform.³⁷



³⁶Ricca interview; Arnesen interview.

³⁷Vobejda and Havemann, "Welfare's Safety Net Replaced," A1; United States Department of Agriculture, "Waiver Requests, Section

824 of Personal Responsibility Act, as of June 5, 1997" (Washington D.C.: U.S. Department of Agriculture, 1997) <http://www.usda.gov/fcs/library/abawdch1.htm>; interview with Marjorie Morgan.

Michigan — “Work First”



Michigan's considerable notoriety for attacking the “liberal” welfare system of the AFDC era, second only to that of Wisconsin in the Midwest (and perhaps in the country), dates at least from late 1991, when the state eliminated its General Assistance program. In what one of his legislative allies called a victory for the idea that welfare recipients should “get a Job or hit the road, Jack,” Governor John Engler lined up the votes to kill General Assistance, which had provided small subsistence grants to 83,000 single, childless, and mostly unemployed adults and some families. This liquidation told Engler and his allies that welfare “reform” was a politically rewarding policy arena, creating context for broad reforms of Michigan's entire welfare system from 1992 to the present. Killing General Assistance was a “home grown” assault on a portion of the state's welfare system, but the new measures were an ambitious exercise influenced by welfare experimentation throughout the country.³⁸

Michigan's initial welfare reform (1992-93), labeled “To Strengthen Michigan Families,” mixed carrots and sticks to encourage labor market participation on the part of recipients. It advanced an enlarged “earned income disregard,” a method for reducing welfare's disincentives to work. In determining eligibility and calculating the size of monthly grants, the state disregards the first \$200 and then the remaining 20 percent of recipients' monthly earned income. Under this “200 plus 20” plan, at 1994 benefit levels, a single working mother with

one child receiving AFDC and having a monthly earned income of \$860 received a total monthly income of \$1098 (equaling earned income plus a reduced AFDC grant) while a single unemployed AFDC mother of one received \$370 (zero earned income plus the full AFDC grant).

On the sanction, or stick, side, Michigan reduced AFDC grants to families for each month their children do not meet school attendance requirements. It introduced harsh new penalties for welfare fraud. It created a “Social Contract” requiring that adult AFDC recipients participate in “some form of productive effort” — work, go to school, receive job training, or community service — for at least 20 hours each week or face the possibility of losing their benefits. The state permitted enrollment in training or school, including college, as a way for recipients to fulfill this obligation.³⁹

In other pre-TANF measures during the 1990s, the state removed federal restrictions on the accumulation of business assets by AFDC recipients who become involved with owner-operated enterprises. It offered a Medicaid buy-in to former AFDC recipients who otherwise would have lost coverage under federal rules that limit transitional coverage 12 months after obtaining employment. It required noncustodial parents of children on AFDC either to purchase health insurance or to pay the Medicare managed care premium for their children. It enacted a Social Contract for Unemployed Parents whereby unemployed noncustodial parents — mostly fathers — are

³⁸Like Thompson, “The Death of General Assistance in Michigan,” in Norris and Thompson, eds., *Politics of Welfare Reform*, 80-93.

³⁹Michigan Department of Social Services, *To Strengthen Michigan Families* (Lansing, Mich.: Michigan Department of Social Services,

3 February 3 1994), 4, 5, 8, 31, 33-34; Rogers Worthington, “Welfare for Working Poor to be Tested,” *Chicago Tribune*, 8 April 1994), 1, 19; “Welfare Reform: Yes Michigan!” *Detroit News*, 11 June, 1995, editorial.



expected to work with the Michigan Jobs Commission and other community organizations to find work or (if a job cannot be found) perform community service. Michigan also decriminalized paternity establishment procedures to ease the process of identifying noncustodial male parents of children on public assistance and strengthened state efforts to track down and enforce child-support claims on “deadbeat dads.”⁴⁰

Michigan’s most ambitious and significant effort to move recipients into the workforce is called “Work First.” As developed from waivers approved by the Clinton administration in 1994 and 1996, Work First now covers nearly 90 percent of the state’s adult welfare AFDC recipients. Under Work First, new applicants for cash assistance must participate in a joint orientation conducted by their local public assistance agency and a caseworker from the Michigan Works Agency (MWA) within one week of application or their case is closed. During this orientation, applicant and case worker write up a customized “Family Independence Contract” outlining “specific areas of responsibility” — such as increased hours of employment or parenting classes — that recipients must meet. The agency enrolls them in an “employment-related activity” or (if they are “job ready”) sends them to a prospective employer. “Clients” who find employment must keep working to continue receiving any cash assistance. Those who do not find work must attend Jobs Clubs in one of 27 local offices of the Michigan Works Agency, which are subsidiaries of the Michigan Jobs Commission, a state-designated employment and training “super-agency.” Jobs Club

sessions include instruction in job-seeking skills, group support, and active job searches.

Work First’s sanctions for nonparticipation in work activities are among the nation’s harshest. Applicants who go through the interview and commit to work or reemployment activities are evaluated 60 days after application: those not cooperating at that time have their cases closed. Those who survive the orientation and the 60-day hurdle must participate for at least 20 hours per week or face a 25 percent reduction in their cash assistance and food stamp grants. Their case is completely closed after four months of non-cooperation. Mothers of infants are exempted from Work First’s requirements only until their child is three months old. While Michigan’s TANF plan includes a previous federal waiver formally denying cash assistance to able-bodied recipients who have not worked for one year (one year shorter than the new federal time limit on nonwork), the state has now reduced that time limit to four months; and the actual practice of caseworker management and sanctions amounts to a de facto requirement of immediate job search and work for most able-bodied TANF recipients in Michigan. Work First boldly repeals the state’s previously generous support of training and education for recipients. Michigan Jobs Commission officials emphasize immediate work participation, not training and education, as recipients’ top priority. With the exception of teen parents (who must attend high school) and minor parents (who must attend adult education and GED equivalency courses), Michigan TANF recipients now lose eligibility if they pursue any educational or job-train-



⁴⁰To Strengthen Michigan Families, 3, 7, 15, 17-22.

I don't believe there's any such thing as not meaningful work.

– John Engler, Governor of Michigan, 1996

ing activities without also working for an employer 20 hours per week. A state public assistance official proudly reported that Work First reduced the number of Michigan AFDC recipients enrolled in post-secondary education from roughly 26,000 to 2,600 between 1994 and 1996.⁴¹

Michigan has run an ambitious welfare-to-work demonstration called Project Zero in six areas of the state since July 1996. In these areas, the state surveyed AFDC recipients to determine their “barriers to employment” and invited local officials, employers, and agencies (including churches and other “faith-based organizations”) to participate in the development of a plan to help recipients overcome obstacles to steady work. Project Zero provided transitional child-care, transportation, and medical assistance to job-seeking recipients. In the words of one official in the Michigan Family Independence Agency, Project Zero “takes all their [welfare recipients] excuses away” for not working. Pleased with the results, Michigan is extending “Project Zero” to six new regions.⁴²

In March 1996, Engler gave new allegorical meaning to his ongoing assault on welfare as he knew it (a “cycle of dependency”) by changing the name of Michigan’s welfare agency from the Department of Social Services to the “Family Independence

Agency.” Under 1995 state legislation passed “in anticipation of block grant welfare reform,” those who get cash assistance are now designated as “family independence clients,” not public assistance recipients. They do not meet with payments assistance workers but with “family independence specialists,” who manage clients from the day of application until they no longer require assistance. The specialists have smaller caseloads than the former payments assistance workers used to have and combine functions previously carried out by welfare workers in separate state departments like JOBS, AFDC, and day-care.⁴³ In other significant welfare changes during 1996 and 1997, Michigan denied welfare benefits to people entering the state to work but not intending to stay, a policy which concerns Michigan fruit and vegetable growers, who are fearful of a reduction of available migrant labor. Michigan also denied eligibility to people who were not U.S. citizens unless they were refugees or legal permanent residents. As a “reward for working,” the state offered the federal Earned Income Tax Credit in the form of a monthly advance to “all Family Independence and Food Stamp families who work and raise children,” and omitted the credit from consideration of eligibility for cash assistance. It allowed recipients who got jobs but lacked work-based health insurance to buy into the Medicaid pro-



⁴¹Carney, “Test Drive,” 2893; Beverly McDonald, *Michigan’s Social Welfare System: Reform Initiatives at the State Level in Brief* (Detroit, Mich.: Welfare Reform Study Group of the Warren/Conner Development Commission, 1996), 3; telephone interview with Margaret Gravina, Michigan Family Independence Agency, Lansing, Mich.: 2 July 1997; telephone interview with Sharon Parks, Michigan League for Human Services, Lansing, Mich., 3 July 1997; Michigan Family Independence Agency, *To Strengthen Michigan Families: Block Grant Reform* (Lansing, Mich.: Michigan Family Independence Agency, November 1995), 9–10, *To Strengthen Michigan Families: Waiver Package* (Lansing, Mich.: Michigan Family Independence Agency, June 1996), 7; telephone interview with Jackie Doig, attorney, Center for

Civil Justice, Saginaw, Mich., 3 December 1996; telephone interview with Dan Cleary, Michigan Family Independence Agency, Lansing, Mich., 3 December 1996; telephone interview with Paul Nelson, Michigan Family Independence Agency, Lansing, Mich., 18 December 1996.

⁴²*To Strengthen Michigan Families: Waiver Package*, 26; telephone interview with Margaret Gravina, Michigan Independence Agency, 16 August 16 1996; Ruth Connif, “Welfare, Ground Zero: Michigan Tries to End it All,” *The Nation* (27 May 1996), 16–20.

⁴³*To Strengthen Michigan Families: Block Grant Reform*, 5–6.

gram after the expiration of the state's transitional Medical Assistance plan (12 months). It simplified and relaxed public assistance application forms and the treatment of recipient income and assets in determining eligibility, extended Transitional Medical Assistance to cases that closed due to child support payments, enhanced child support collection by requiring employers to report newly hired workers to the state, and streamlined eligibility requirements among different welfare programs (especially TANF and Food Stamps). Michigan also required that minor parents live in an adult-supervised living arrangement as a condition for cash assistance eligibility. Minor parents must also attend school to retain eligibility if they lack a high school diploma or a GED.⁴⁴

Michigan's new welfare/welfare-to-work system contrasts somewhat with Wisconsin's. Both states are particularly stringent in their work requirements. They are among 10 states in the TANF era requiring that able-bodied recipients engage immediately in work activities as a condition of further eligibility. However, Wisconsin has been far quicker than Michigan to assume that recipients will discover a way to find and keep employment and appears to be content simply to hold the threat of workfare over those who do not get work on their own. Michigan has invested more heavily in caseworkers to help recipients overcome barriers to work, even using home visits to encourage job-holding. Michigan has been reluctant to create community-service/workfare positions for those

who do not secure paid employment through their own job search.⁴⁵

This contrast may fade somewhat in the near future, however, for Michigan is the only state in the Midwest that has not opted out of the new federal requirement that recipients who get two months of cash assistance without working must be assigned to community-service positions. Engler has also refused to apply for waivers permitting the extension of food stamp benefits to recipients denied them under the Personal Responsibility Act, claiming that short-term workfare (specifically assignment to nonprofit community-service work) is the solution for those who exhaust their food stamp benefits. At the same time, Michigan's newly hired welfare director, Marva Hammonds, recently headed New York City Mayor Rudolf Giuliani's strongly workfare-oriented public assistance program, and Michigan has offered an early retirement program that is cutting hundreds of caseworker positions.⁴⁶

Curiously, considering their reputation for welfare harshness, Michigan officials have indicated that they will ignore the Personal Responsibility Act's lifetime time limits altogether. Content to rely on its exceptionally tough sanctions rather than time limits as a way of pushing recipients into work, the state claims to be willing to help any recipient who complies with the state's work rules, regardless of how long recipients have received welfare.⁴⁷

Michigan's impressive welfare caseload reduction

⁴⁴Family Independence Agency, "Executive Summary 1996 1115 Waiver Package" (Lansing, Mich.: Michigan FIA, 1996), 2; Gravina interview; Doig interview; *To Strengthen Michigan Families: Waiver Package*, 5-6, 18-20; *To Strengthen Michigan Families: Block Grant Reform*, 23.

⁴⁵De Parle, "U.S. Welfare System Dies," A10; National Gover-

nors' Association, "Summary of Selected Elements of State Plans for TANF, as of July 28, 1997."

⁴⁶National Governors Association, "Summary"; interview with Sharon Parks.

⁴⁷De Parle, "U.S. Welfare System;" Gravina interview; Parks interview.

We must seize this historic opportunity to end welfare as we know it.

— John Engler, Governor of Michigan, 1995

statistics (81,000 cases closed from 1993 to 1996), which Engler credits to his ongoing welfare initiatives, recently won the state a 1997 TANF block grant exceeding the state's recent AFDC dollar grants.⁴⁸ Caseload reduction levels also led Engler to proclaim Michigan a model for the 1996 federal welfare reform, for which he was a prime political mover. But advocates point to a growing level of unmet basic needs in local Michigan communities between 1992 and 1996, when, despite a strong economy and the lowest unemployment in decades, private providers of emergency services received unprecedented requests for food and shelter. Advocates criticize the state's emphasis on "just getting [welfare recipients] into the job market as fast as possible." The contradiction between Work First job counselors admonishing welfare recipients to improve their lives even while the state is aggressively shifting clients out of educational and training programs that might allow them to develop the skills for stable employment does not, advocates claim, bode well for Michigan's

poor as their state enters the TANF era. A related problem in advocates' view is Work First's short-lived period of ongoing case management — just 90 days — for participants who attain paid employment, something that exacerbates welfare recipients' tendency to return to public assistance after brief stints in poverty-level jobs.⁴⁹

Gerald Miller, who implemented Michigan's 1992-1996 welfare reforms as the Director of Michigan's Social Services Department (now the Family Independence Agency), recently left public service to work in the private sector. He is now employed by the military-industrial behemoth Lockheed-Martin, which has bid on a \$6 billion, nine-year contract to run the welfare system in the state of Texas and predicts that human services will provide its leading growth area in the coming century. One of a growing number of former public welfare officials now working for a corporate sector that hopes to cash in on the new welfare order, Miller predicts that privatized welfare operations are the "trend of the future."⁵⁰



⁴⁸Connif, "Welfare, Ground Zero," 18. TANF block grants are based on the total FY 1994 AFDC grant of a state, so a reduction of the AFDC caseload since 1994 means an increase in federal welfare assistance. Interview with Robert Shelbourn, U.S. Department of Health and Human Services, 19 December 1996.

⁴⁹Interview with Terri Stangel, Director, Center for Civil Justice, Saginaw, Mich., 21 November 1996; Doig interview; Connif, "Welfare, Ground Zero," 19-20; McDonald, "Michigan's Social Welfare System," 2.

⁵⁰Jouzatis, "Welfare Reform: Now It's Up to the States," 1, 8; Goozner, "Welfare's Gold Rush;" Barbara Ehrenreich, "Spinning the Poor Into Gold: How Corporations Seek to Profit from Welfare Reform," *Harper's Magazine* 295 (August 1997), 44-52; Susan Garland, "A Rich New Business Called Poverty," *Business Week* (19 May 1997), 133-34; Adam Fifield, "Corporate Caseworkers," *In These Times* (16 June, 1997), 14-16. On Lockheed Martin, see Michael Moore, *Downsize This!* (New York: Crown Publishers, 1996), 47-48; Mark Zepezauer and Arthur Naiman, *Take the Rich Off Welfare* (Tucson, Ariz.: Odonian Press, 1996), 26-28.

Indiana — “The Nation’s Leader in Welfare Reform”



Recent developments in Indiana remind us that, as on the federal level, state-level welfare “reform” is a bipartisan affair. Under the initiative of Democratic governor Evan Bayh and with strong support from the state’s Republican-controlled legislature, Indiana is engaged in what the Indiana Family and Social Services Administration touts as “the most aggressive and comprehensive welfare reform in the nation.” Indiana welfare officials refer to their state as “the nation’s leader in welfare reform,” citing a national “best” 30 percent reduction in AFDC rolls between 1993 and 1996. They feel that Indiana’s welfare overhaul is unjustly outshined by Wisconsin and Michigan and deserves more national attention than it receives.⁵¹ There is some irony in their complaint, however, for Indiana’s cash assistance levels have long been among the country’s very lowest, something that likely explains no small part of the state’s relative success in shrinking public assistance rolls.⁵²

Thanks to an ongoing reform process, which was initiated in January 1994, approved in federal waivers granted in December 1994 and August 1996, and incorporated in Indiana’s early approved state TANF plan (dubbed “Partnership for Personal Responsibility”), Indiana welfare policy in the mid-1990s took what one outside evaluator calls a “sharp turn in the direction of a more aggressive, ‘work first’ model.”⁵³ Indiana TANF recipients must

sign a Personal Responsibility Agreement in which they promise to develop a Self-Sufficiency Plan for obtaining work. They must register for an active job search at an Indiana Workforce Development site and promptly accept “any reasonable” offers of employment. They must accept a two-year lifetime time limit on cash assistance. They cannot quit a job or reduce their working hours without good cause. They must keep their children immunized and in school regularly, use no illegal drugs, and accept the family cap — no increases in benefits for any children born more than 10 months after their family begins receiving TANF. Those who defraud welfare are banned from TANF for life. Teen parents on TANF must attend school regularly and live with their parents or in some other adult-supervised setting.

Recipients who fail to abide by the terms of this “social contract” lose \$90 per month until they play by the rules. Recipients who refuse to work lose their Medicaid coverage. Mothers are exempted from work and job-search requirements only during the first 12 weeks of their new child’s life. Anyone who quits a job of 20 hours per week or more loses benefits for six months. According to a preliminary evaluation, Indiana’s new “work first” welfare policy led to a dramatic increase in the use of sanctions for failure to participate in work activities — from 953 in 1994 to 7,810 in 1995 — and to a signifi-



⁵¹Indiana Family and Social Services Administration, *The Family Line* (February 1995), 1; Indiana Family and Social Services Administration, *Welfare Reform: Working in Indiana* (Indianapolis, 16 August, 1996); telephone interview with Rich Allen, Indiana Family and Social Services Administration, Indianapolis, Ind., 5 September 1996; Indiana Governor Evan Bayh, “State of the State Address,” 10 January 1996 <http://www.ai.org/gov/docs/state-96.html>, 4.

⁵²See Indiana Department of Public Welfare, *1990 Annual Re-*

port, (Indianapolis, Inc., 1991), Section A, 25; Indiana Division of Family and Children, *1994 Trend Report*, 35; Zedlewski and Giannarelli, “Diversity Among State Welfare Programs,” Table 3.

⁵³David Fein, Abt Associates, Inc., *The Indiana Welfare Reform Evaluation: Facts and Circumstances Surrounding the Recent AFDC Caseload Reduction in Indiana* (Bethesda, Md.: Abt Associates, Inc., 1 July 1996), 2.



cantly rising rate of case closures.⁵⁴

Under Indiana's initial 1990s reform, approved by the federal government in December 1994, the state exempted the majority of welfare recipients from the two-year time limit through a screening process identifying significant barriers to employment and productive activity such as a physical or mental disability or having children under four years old. Those determined to be lacking such barriers were put into an employment "Placement Track" (limited to no more than 12,000 participants at any point) requiring them to participate in IMPACT, the state's employment and training JOBS program for AFDC recipients (set up in 1990). Once they enrolled in IMPACT, they were subject to a two-year time limit, although IMPACT provided training and child-care, transportation, and job-search assistance during what state welfare officials called the recipient's "two-year process to self-sufficiency." The time limits were in effect even if the recipient achieved "independence" through employment during the two-year window of welfare eligibility. After the two years, the recipient could not reapply for assistance for 18 months, with certain case-by-case exceptions. The time limits applied to adult benefits only; children's cash assistance was not affected.

Under an August 1996 waiver from the federal government, Indiana permits "hardly any exemptions." A companion waiver approval changed the

meaning of the two-year limit by restricting recipients to 24 months of *cumulative lifetime* public assistance, making Indiana's lifetime limits three years shorter than those mandated by the recent federal welfare reform. The original two-year clock kept ticking during the entire two-year "window" that was opened once a recipient entered the Placement Track, regardless of the recipient's likely success in attaining work and income. It continued even if and when recipients achieved "self-sufficiency" through employment, something that created a negative incentive for labor market participation. The clock now stops when a recipient gets a job, so that a hypothetical Placement Track recipient who receives TANF for just one month per year now hits the state's time limit only in 24 years. Once the lifetime benefit has been reached, a TANF recipient cannot reapply, but the time limit will be extended one month for each six month period of consecutive employment by any family member. Extensions will also be granted when the family substantially complies with self-sufficiency plans and work participation requirements and still can't find work paying at least the TANF benefit amount. But the limit now applies to all family members, children as well as adults.⁵⁵

To ease the risk of welfare "reform" for businesses, who are often averse to hiring welfare recipients, Indiana provides employers with on-the-job

⁵⁴Fein, *The Indiana Welfare Reform Evaluation*, 2-3; Carol Jouzatis, "In Indiana's Welfare Plan, 'Work Works,'" *Chicago Tribune*, 17 June 1996, 1, 13; Indiana Family and Social Services Administration, *Welfare Reform*, 2, 7-8, 10, 13, 15; Indiana Family and Social Services Administration, *The Family Line*, 1; Evan Bayh, "State of the State Address," 10 January 1996, 4.

⁵⁵Telephone interview with David Fein, Abt Associates (official evaluator of Indiana welfare reform); U.S. Department of Health and

Human Services, "State Welfare Demonstrations Press Release," (Washington D.C.: U.S. Department of Health and Human Services, 7 October 1996), 9-10; Mary Jo Bane, Assistant Secretary for Children and Families, Administration for Children and Families, U.S. Department of Health and Human Services, Washington D.C., letter to Cheryl Sullivan, Secretary, Indiana Family and Social Services Administration, Indianapolis, Ind., 16 August, 1996.

Welfare has failed. It has failed those on the rolls and those who pay the bills. It has made a mockery of traditional virtues Hoosiers hold dear: personal responsibility, self-sufficiency, work. That must change.

— *Evan Bayh, Governor of Indiana, 1996*

training funds and subsidies equal to recipients' TANF payments. For adult job-ready recipients who cannot secure a job, the state provides public service jobs in which they work in return for their cash assistance. Under related welfare reform policies meant to facilitate recipients' "escape" from what Bayh considers to be a "dangerous [welfare] system of permanent dependency and institutionalized helplessness," Indiana provides 12 months of transitional child care and/or Medicaid assistance to recipients who take jobs and eliminates the federal regulation restricting either parent in a welfare family from working more than 100 hours per month. The state permits welfare recipients to earn up to the federal poverty level without losing benefits, steps up child support efforts on their behalf, and enlists the state Department of Health to work with the Family and Social Services Administration to help mothers establish the paternity of their children. It places Social Service Administration caseworkers in some schools to help reduce teen parent dropout rates, enlists the state Department of Education to work with the Social Services Administration to ensure that children attend school, and enlists the state Bureau of Motor Vehicles to assist the administration in combating fraud, determining eligibility, and penalizing "deadbeat" parents. It also now enlists the Department of Workforce Development to identify job openings on a county-by-county basis and share that information with local offices of the Social Services Administration and with caseworkers, who are increasingly involved in finding work for recipients and applicants

Like their counterparts in Michigan, Indiana welfare officials proudly report that recent welfare reforms in their state are leading to a new emphasis on "work first," not education and training, and to a related shift in how state welfare caseworkers spend their workday — from determining applicants' and recipients' eligibility to finding them jobs. At the same time, like many state public assistance agencies by the mid-1990s, Indiana has been pouring money that might have funded training into child care so parents can enter the workplace as soon as possible. The state has also contracted with 50 private-sector job search companies to provide recipients with short-term training and resume-writing services. It claims that these contractors receive payment only for recipients actually placed in jobs.⁵⁶

Seeking to build on Governor Bayh's perceived strong record of welfare "reform," recently elected Governor Frank O'Bannon has announced his determination to "pursue new options under flexibility [resulting] from recent federal changes in welfare." He proposes to use a portion of Indiana's considerable ongoing and future public assistance savings to ensure that "people formerly on welfare keep their new jobs" by providing vouchers for transitional services like child care, transportation, housing, and work clothes. In an effort to "make work pay more than welfare," O'Bannon is advancing legislation that will provide an earned income tax credit to exempt individuals with dependent children from state income taxes on annual earned incomes under \$10,000. Consistent with President Clinton's declared intent in signing the federal welfare reform,



⁵⁶Indiana Family and Social Services Administration, "Waiver Terms and Conditions: Indiana IMPACT Welfare Reform Initiative, December 1994, Amended August 1996" (Indianapolis, Ind.: Indiana

Family and Social Services Administration, 1996), 5-15; *Welfare Reform: Working in Indiana*, 11, 15; Jouzatis, "Indiana's Welfare Plan;" Bayh, "State of the State," 4.

Last year, while Washington bickered, we moved ahead and made dramatic changes in welfare . . . the results are impressive.

– Evan Bayh, Governor of Indiana, 1996

O'Bannon puts strong emphasis on encouraging employers to hire welfare recipients. His preferred incentives would reward employers who take on welfare recipients with special training grants and tax credits and leveraged federal EDGE and NAP credits. Indiana claims to have already moved into such a partnership with Pep Boys, an auto parts distributor that has pledged to hire 60 persons currently receiving public assistance.⁵⁷

Advocates doubt that a large percentage of those removed from Indiana welfare rolls during the last three years have found employment that pays enough to live on. To become truly "self-sufficient," they claim, a typical TANF recipient requires full-

time work paying at least \$9 an hour. Most state welfare recipients find jobs paying just \$5 or \$6 an hour. Advocates argue and outside evaluators offer some evidence to suggest that the state's dramatic decline in AFDC caseload is explained as much by its remarkably low cash benefit levels and AFDC "standard of need" (the lowest in the nation in 1996) and an expanding economy as by state measures pushing people into the job market. They are understandably concerned about the future impact on children of the state's exceptionally harsh time limits, among the country's most stringent. Children are no longer exempt from Indiana's two-year time limit.⁵⁸



⁵⁷Frank O'Bannon, "1997 State of the State Address," 28 January 1997, <http://www.ai.org/gov/sos97.html>, 4; Office of Frank O'Bannon, Governor of Indiana, "Public Assistance: Welfare-to-

Work — the Plan," nd. <http://www.ai.org/gov/sos/public.html>, 1-2.

⁵⁸Jouzatis, "Indiana's Welfare Plan"; Fein, *The Indiana Welfare Reform Evaluation*, 2-5.

Illinois — “Get a Job”



During the 1990s Illinois has compiled one of the country's more stringent welfare reform records under Republican governor Jim Edgar, earning special attention from the Clinton administration as a “welfare-to-work” model for other states.⁵⁹ Edgar and his allies in the state legislature felt squeezed between rising welfare rolls and a state budget crisis early in his first term.⁶⁰ In July 1992, they eliminated the state's general assistance program, terminating monthly benefits of \$154 for 68,000 single adult recipients. In the fall of that year, however, under “Earnfare,” a proposal made by a consortium of welfare rights groups, the state restored the \$154 payment to former General Assistance recipients who meet financial eligibility requirements (less than \$100 monthly income and less than \$100 of assets) and “volunteer” to work for 36 hours each month. Earnfare is a job-subsidy program offering employers (either profit or nonprofit) part-time free labor as compensation for providing work experience to the “poorest of the poor.” It requires participants to work for an employer 26 hours each month to match the value of their food stamp grant at the same rate as the hourly minimum wage. After working off their food stamps, Earnfare participants work at minimum wage for their cash assistance of up to \$231 a month. They receive this money from employers who get it from the state as a reward for “providing the

jobs.” Earnfare “volunteers” also receive a free monthly Chicago Transit Authority bus pass to help them get to work. The subsidized job and transit assistance are only temporary, however. After six months, participants must be hired on a regular basis by their subsidized employer or find jobs elsewhere.⁶¹

In August 1993, Illinois expanded the scope of its “welfare-to-work” efforts to include AFDC households with two unemployed parents. Under the Unemployed Parents Work Experience Program, administered by Project Chance (a component of the state's pre-existing JOBS program), the parent with the most recent full-time job experience (usually the father), must work or perform community service in order for the family to receive its welfare checks. That parent must work at least 16 hours per week and actively seek full-time employment. As with Earnfare, employers receive free, state-subsidized labor on a part-time basis. Unlike Earnfare, the Unemployed Parents Work Experience Program is mandatory and permanent.⁶²

In the fall of 1993, Illinois initiated an important earnings disregard system called Work Pays. Designed with the participation and approval of state welfare advocates and poverty lawyers, Work Pays aims to spark a manageable transition from welfare dependency to independent wage-earning status by

⁵⁹Illinois Department of Public Aid, *Illinois Welfare Reform Update*, 23 September 1996; 7 October 1996.

⁶⁰Stephen Franklin, “Public Aid Tab Worries States,” *Chicago Tribune*, 19 December 1990, 3, 1; Rick Pearson and Rob Karwath, “Welfare Rolls Surge Amid Budget Crisis,” *Chicago Tribune*, 19 December 1991, 2C, 1.

⁶¹Rob Karwath, “Edgar Delivers on \$10 Million to Start ‘Earnfare’ Jobs Program,” *Chicago Tribune*, 6 August 1992, 2, 4; Mary Hill, “Earnfare Program Offers a Job for Aid,” *Chicago Tribune*, 10 October

1992, 2c, 3; Illinois Department of Public Aid [hereafter “IDPA”], “Welfare Reform in Illinois” (Springfield, Ill.: Illinois Department of Public Aid, 22 September 1996 <http://www.state.il.us/dpa/welfrfm.htm>, 2; IDPA, *Welfare to Work: 1995 Annual Report* (Springfield, Ill.: IDPA, 1995), 37.

⁶²Darlene Gavron Stevens, “Working for Welfare No Labor of Love,” *Chicago Tribune*, 22 December 1993, 1, 1, 16; IDPA, “Welfare Reform in Illinois,” 2.





making work more attractive to current recipients of cash welfare grants. Under the previous budgeting regulations, Illinois welfare recipients saw their earned income deducted from their welfare grant on nearly a dollar-for-dollar basis. Under Work Pays, only one-third of a recipient's "outside" (non-welfare) earnings are deducted from the welfare grant. By combining new earnings with the Earned Income Tax Credit and reduced welfare payments, working welfare recipients increase their net income over what they obtained without working. Recipient families continue to receive Medicaid, food stamps, and child-care assistance as long as they remain eligible for welfare. When the combined value of their earned income and noncash assistance (food stamps, Medicaid, and child care) reaches the poverty level, they are no longer eligible for welfare or the earnings disregards, although Medicare and child care help may continue for up to a year. Work Pays applies only to existing welfare recipients, not to new applicants.⁶³

In additional measures begun in fall 1993, Illinois sought to encourage two-income households by receiving federal permission to eliminate the federal penalty that cut off welfare benefits for families with both parents living together. It required teen mothers to attend school or lose their benefits and provided teen mothers with counseling on parenting and goal-setting. Illinois enlisted a community-based organization in Chicago to administer education, job-training, and case-management assistance for "at-risk youth" in Chicago at designated high school sites. The state

also set up a program (Opportunities) linking the Illinois Department of Public Assistance with 13 community colleges to provide customized education, counseling, and job training for welfare clients enrolled in degree programs at two-year colleges.⁶⁴

Another wave of welfare "reform" came in 1995, with the enactment of numerous initiatives, many of which were contained in Senate Bill 10 (signed by Governor Edgar on March 6, 1995), the state's "fast track for welfare reform." This legislation eliminated the state's AFDC program by January 1, 1999, and required that the Illinois welfare system be replaced by an alternative scheme "encouraging recipients to work." Aimed at recipients with older children who therefore (in theory) had fewer obstacles to employment, the Targeted Work Initiative (TWI) set a 24-month time limit on cash assistance for welfare recipients whose youngest child is at least 13 years old. Any month with budgeted earned income is not counted toward the 24-month time limit. The Illinois Department of Public Aid sends all welfare recipients with children in the indicated age group an appointment notice informing them of the requirements of the Targeted Work Initiative. The 24-month clock begins ticking the month after the initial appointment date, even if the recipient fails to attend. After reaching the time limit, the entire family must get no welfare cash assistance for 24 months before it can again receive it. But Medicaid and food stamp eligibility are not affected, and (under a federal modification) participants will receive an extension if they per-

⁶³IDPA, "Welfare Reform in Illinois," 2; The Welfare Information Center and Poverty Law Project of the National Clearinghouse for Legal Services, *Changes in Illinois Welfare Law* (Chicago, Ill., May 1996), 26; Rogers Worthington, "Welfare for Working Poor to Be

Tested in Minnesota," *Chicago Tribune*, 8 April 1994, 1, 14; Kilborn and Verhovek, "Clinton's Welfare Shift," A8; IDPA, *Welfare to Work*, 2.

⁶⁴IDPA, "Welfare Reform in Illinois," 2-3; IDPA, *Welfare to Work*, 9-10.

sist in actively seeking employment but still can't find a job that pays at least as much as the maximum welfare benefit for a family of their size.

Once assigned to the Targeted Work Initiative, recipients receive child care, transportation, and initial employment expenses including payment for an eye examination and eyeglasses. Participants cannot escape the time limits by having a child (after 10 months from the date of assignment). Recipients who are exempt from participation in the state's JOBS program because of age (over 60), pregnancy, or rural remoteness are denied exemption from the Targeted Work Initiative. Recipients with a high school diploma, a GED, or recent work history (defined as having worked three consecutive months within the last 12 months) must undertake 20 hours of job search for up to eight weeks.⁶⁵

Senate Bill 10's "Get a Job" program requires welfare recipients with children between 5 and 12, a high school diploma (or equivalent) or recent work history, and budgeted gross earnings less than \$255 per month to enroll in a job search program for six months as a condition of continuing eligibility. They must attend an orientation meeting, attend monthly job search meetings, complete 20 employer contacts per month, accept any "suitable" job offer, maintain employment, and not voluntarily reduce their earnings. Participants remain in "Get a Job" for six months or until they earn at least \$255 per month. They are provided with a monthly transportation allowance, payment of child care during job searches,

and initial employment expenses. If they do not "get a job" within six months, they are assigned to one of the state's work experience or training programs. If they do not meet program participation requirements, they are subject to sanctions that culminate in the termination of their entire family grant until they cooperate.⁶⁶

Also in 1995, Illinois introduced the family cap, denying any increase in a family's AFDC cash grant based on the birth of an additional child (effective November 1, 1996). The state required that all adult welfare recipients and applicants not working at least 20 hours a week complete a form called "My Plan for Finding Work" and that AFDC mothers under 18 years old live with a parent or guardian and work to obtain a high school degree (or GED). It required that state AFDC-JOBS participants enrolled in post-secondary education work at least eight hours per week, and it limited AFDC recipients' participation in basic education programs (literacy, GED preparation, and English as a Second Language) to 24 months unless the recipient is also working or participating in state-approved work activities for an average of at least eight hours per week. Illinois eliminated previous restrictions preventing private for-profit employers from participating as "work experience sponsors" under the state's workfare plan and expanded eligibility for Earnfare from the "poorest of the poor" to any indigent, childless adult eligible for food stamps and allowed courts to order Earnfare participation. It discontinued the parent's portion of welfare checks to



⁶⁵IDPA, "Welfare Reform in Illinois," 3; Poverty Law Project, *Changes in Illinois Welfare Law*, 9-13; Louise Kiernan and Rick Pearson, "Welfare's New Era: Illinois' Reforms Already at Work," *Chicago Tribune*, 2 August 1996, 1, 1, 7; IDPA, *Welfare Reform Update I* (23 October 1995), 1.

⁶⁶IDPA, "Illinois Welfare Reform," 3; Kiernan and Pearson, "Welfare's New Era," 1, 7; Poverty Law Project, *Changes in Illinois Welfare Law*, 7-8; IDPA, *Welfare Reform Update I* (October 23, 1995), 1.

While Washington was talking about reforming welfare, we were already reforming it right here in Illinois. We have overhauled a system that failed recipients and taxpayers alike.

– Jim Edgar, Governor of Illinois, 1996

families in which first to sixth grade children are chronically truant from school, permits the state to seize the assets of “deadbeat” noncustodial parents, and requires mothers in 20 central Illinois counties to establish the paternity of their children as a condition for welfare and related medical coverage. It created a combined program linking the Illinois Department of Public Aid, the Cook County Expanded Hearing Office, and the Clerk of the Circuit Court to enable Circuit Court justices to order noncustodial parents to participate in Earnfare.⁶⁷

More recent changes in Illinois have continued the theme of changing and monitoring poor people's behavior. Starting in January 1997, Illinois welfare recipients are required to report their earned income only four times a year instead of every month. This reform is meant to give Illinois public assistance workers more time to help move recipients into the job market, the new central activity of state welfare workers in the post-AFDC era. Also beginning that month, an experiment mandated by legislation Edgar signed in July 1996 requires that public aid recipients with substance abuse problems enter a treatment program or lose their benefits. The program is being initiated in three sites (Peoria, Rockford, and the Grand Boulevard neighborhood in Chicago) with \$3 million approved by the governor.⁶⁸

In early February 1997, Edgar announced three pilot demonstrations in Chicago that will electronically

photograph and fingerprint nearly 50,000 welfare recipients. Building on a 1996 demonstration that introduced retinal eye-scanning of welfare recipients and applicants in Madison County, Illinois, this program seeks to prevent recipients from applying for cash assistance multiple times under different names.⁶⁹

An important new workfare measure began in February 1997. Under “Work First,” modeled on Earnfare, participants in the Targeted Work Initiative who do not find unsubsidized employment within 12 months are placed in a six-month program and given assigned, subsidized work. They must work 60 hours per month and spend 20 hours per month searching for unsubsidized work. Their monthly welfare grant is reduced by a sum equivalent to 60 times the hourly minimum wage. Money equaling that amount is advanced to their employer, who pays them at the minimum wage rate, but only for the number of hours actually worked.⁷⁰

Illinois is unique among midwestern states in including Medicaid reform in its campaign against the supposedly costly welfare state inherited from past liberal social policy. Beginning in fiscal year 1998, the Illinois Department of Public Aid will present the state's Medicaid clients with a choice of managed care options including traditional HMOs, managed care community networks, federally qualified health centers, and rural health clinics. Illinois Medicaid re-

⁶⁷IDPA, *Welfare Reform Update I* (23 October 1995), 1-2; Poverty Law Project, *Changes in Illinois Welfare Law*, 3, 5, 6, 14-16, 21, 24; IDPA, “Welfare Reform,” 4-5; Kiernan and Pearson, “Welfare's New Era.”

⁶⁸IDPA, *Welfare Reform Update II* (4 November 1996), 1-2, II (23 September 1996), 3; Illinois Governor's Office, Press Release, 26 July 1996 <http://www.state.il.us/GOV/PRESS/BILLS726.html>.

⁶⁹IDPA, “I-Scan: New Technology to Prevent Welfare Fraud,” 17 February 1997 <http://www.state.il.us/dpa/iscan.html>; IDPA, *Welfare Reform Update I* (4 December 1995), 1.

⁷⁰IDPA, “Fact Sheet” (Springfield, Ill.: IDPA, nd), 3; IDPA, *Welfare Reform Update I* (August 26, 1996), 2, II (2 December 1996), 2.



recipients who do not select a managed provider within three months will be randomly assigned to one. This reform, called "MediPlan Plus," exempts recipients who live in nursing homes, possess private health insurance, have Medicare coverage as well as Medicaid, or are only intermittently covered by Medicaid. Proposed by Edgar in March 1994, it passed the state legislature with nearly unanimous support in July of that year, and received waiver approval from the Federal Health Care Financing Administration in July 1996. Since Medicaid is the only means-tested federal public assistance program whose expenses have actually exploded in recent years and is the biggest ticket item in the federal welfare budget for the poor, the experience of MediPlan Plus should be watched carefully by other states in coming years.⁷¹

The Illinois' TANF plan preserves Earnfare, Get a Job, Work First, and an earlier work supplementation (employer subsidy) program in the TANF era, suggesting a state intention to rely considerably on workfare to meet the federal welfare reform's work participation requirements after the most job-ready welfare recipients enter the workforce. In a move heralded by advocates, Illinois's new welfare law includes a nationally unique guarantee for participation in its income disregard system beyond the Personal Responsibility Act's 60-month lifetime limit. Illinois TANF recipients who work 20 hours a week or more during a given month will be paid their Work Pays subsidy with state funds. That month will not count against the new federal time limits, including both the

lifetime restriction and the requirement that prevents more than 24 months of cash assistance to recipients who are not working.

To further encourage work, Illinois's TANF plan will allow Illinois welfare recipients to own a vehicle of any value (the old rules limited recipients to vehicles worth \$1,500) and accumulate personal savings of \$3,000 (as opposed to the earlier \$1,000 limit). The plan exempts the earnings of children in TANF/AFDC assistance units from the determination of family eligibility and provides a work stipend of \$20 a month to participants in work activities for work-related expenses like the purchase of work uniforms. And Illinois has gone significantly farther than most states in the expansion of child care to help recipients move from welfare to work. It joins Wisconsin and Rhode Island in promising subsidized child care assistance on a sliding scale to any low-income family that requires it, offering a subsidy to families earning below income thresholds that vary according to family size, from \$17,663 per year for a family of two to \$30,131 for a family of five.

The programmatic centerpiece of Illinois's new welfare-to work plan for recipients is the casework-intensive "Personal Responsibility and Services Plan." Under this component, potential TANF recipients must attend an Illinois Department of Human Services orientation and assessment and then cooperate with department caseworkers in creating a "self-sufficiency contract." Recipients found to be job-ready (possessing a high school diploma or GED and re-



⁷¹IDPA, "MediPlan Plus," September, 1996 <http://www.state.il.us/dpa/mediplan.html>; IDPA, *Welfare Reform Update 1* (24 July 1996), 2; Illinois Governor's Office, Press Release: "Governor Announces

Federal OK for Medical Managed Care Plan," 16 July 1996 <http://www.state.il.us/GOV/PRESS/WAIVER.html>

We are marking the end of welfare as we have known it and replacing it with an approach that emphasizes self-sufficiency.

– Jim Edgar, Governor of Illinois, 1996

cent work experience) are assigned by caseworkers to job search and placement services. If they do not find work within six months, they are assigned to work experience, education, or training programs. Those determined not job-ready are given an in-depth assessment to identify their barriers to employment and then placed in work experience, education, training, or remedial services. Recipients determined not to be making a good faith effort to fulfill the provisions of their Personal Responsibility Agreement will be subjected to a three-step progression of sanctions culminating in the elimination of all cash assistance for their family for a minimum of three months. "We'll be seeing [recipients] more," said one caseworker enthusiastically about these new procedures and requirements. "We'll be involved in their lives. We'll be like Cousin Bob."⁷²

Also on the harsher side of welfare reform, Illinois's TANF plan pays certain new state residents benefits below the regular payment level. Families that received cash assistance from a state with a lower benefit level in the 12 months before they moved to Illinois will get their old state's payment level for their first 12 months in Illinois. This will particularly affect poor families moving in from southern states, where grant levels are significantly lower than those in Illinois.

Unemployed TANF recipients may have adult basic eEducation, GED training, English as a second

language, or vocational training included in their Personal Responsibility and Services Plan for up to 24 months. They can include college in that plan only if their degree will be completed within one year. Illinois TANF recipients who want to be supported in education or training activities beyond 24 months must work at least 20 hours per week. Recipients wishing to receive post-secondary school must now work at least 20 hours a week, up from the previously required eight hours.⁷³

Illinois welfare advocates consider Earnfare, Get a Job, and the Targeted Work Initiative to have been overly punitive and nonconstructive responses to poverty. These programs, they claim, have done and do little to enhance the life chances of welfare recipients, largely because of their relative lack of case management and weak commitment to job training. They contrast the negative nature of these state initiatives with the relatively successful outcomes achieved by private nonprofit community-based organizations like STRIVE, a privately funded Chicago job-search organization that uses intensive individual assessments, an extended orientation in job search skills, and, especially, a three-year period of follow-up case management services to successfully place a large percentage of its participants, who are low-income African-Americans from the South Side of Chicago (including many welfare recipients), in jobs at or above the poverty level. Another program, far



⁷²Louise Kiernan, "Anticipation, Fears Melt Into Reality," *Chicago Tribune*, 2 July 1997, 1, 1, 16; Illinois Department of Public Aid, "Draft Plan for TANF" (Springfield, Ill.: IDPA, February 1997); Illinois Department of Human Services, "Temporary Assistance for Needy Families Summary" (Springfield, Ill.: IDHS, 23 June 1997); *Illinois Welfare News* (June 1997), 1-4, 8-14, (July 1997), 4; De Parle, "U.S. Welfare System Dies," A10; Sue Ellen Christian, "Edgar Offers Welfare-to-Work Plan," *Chicago Tribune*, 8 February 1997, 1, 1, 10.

⁷³Illinois Department of Public Aid, "Draft Plan"; Illinois Department of Human Services, "Temporary Assistance;" Poverty Law Project of the National Clearinghouse for Legal Services, *Changes in Illinois Welfare Law: the Illinois TANF Program and Other Changes in Public Benefits* (Chicago, Ill.: Poverty Law Project, October 1997), 19-20.

smaller (just 22 active participants in June 1996) and focused on the “hardest to serve” segments in Chicago’s Cabrini Green public housing project also wins advocates’ praise and has received considerable national attention. Working intensively on a “holistic” individual basis with long-term welfare mothers and assisting them through successive jobs until they find long-term employment, Project Match had placed more than 50 percent of its clients in full-time, long-term employment at the end of five years in 1996.⁷⁴

But advocates point with pride to Work Pays (opposed by many state legislators as a measure that “coddles the poor”), which attorney Wendy Pollack of the Poverty Law Project considers “one of the best state welfare-to-work programs in the country” and Toby Herr of Project Match calls “something quite wonderful.” Work Pays was also a favorite of the Illinois Department of Public Aid (IDPA), which reported that the program increased the number of Illinois welfare recipients reporting earned income from 14,000 a month in 1993 to 36,000 per month in 1996. Between the program’s introduction in November 1993 and September 1996, the Department of Public Aid counted more than 70,000 families leaving welfare due to increased earnings. Advocates pushed for and welcomed the state’s decision to continue the program into the TANF era and to fund it with state money beyond the five-year time limits (for recipients who work at least 20 hours per week) introduced by federal welfare reform. Illinois

TANF-era welfare law also scores points with advocates and trade unions for its exceptionally strong limits on the hiring of welfare recipients. Illinois law bans both the displacement of regular workers by people on welfare and the hiring of welfare employees to fill positions left vacant because of the resignation of regular employees.⁷⁵

But Illinois welfare advocates are also displeased with key aspects of the state’s TANF plan. Even though half of the adults on cash assistance rolls in Illinois do not have a high school diploma or its equivalent and lack the basic skills necessary to obtain and keep a job, the state has yet to provide significant new training and education funds to enable the transition from welfare to work. Illinois also has not voted significant new funds for job readiness and retention counseling, domestic violence services, substance abuse treatment, or parenting classes, all of which are vital for meaningful work-based welfare reform. Advocates are also concerned by the harsh nature of the state’s new sanction policy and the state’s refusal to offer certain exemptions from the new federal work participation requirements and time limits to victims of domestic abuse.⁷⁶

Claiming that Midwest Job Gap Project researchers overstate the gap between unemployed Illinoisans (including able-bodied adult welfare recipients) and the number of current and projected jobs paying above a poverty wage generated by the state’s economy, Edgar does not see the necessity for the state

⁷⁴Telephone interviews with Wendy Pollack, staff attorney, Poverty Law Project of the National Clearinghouse for Legal Services, Chicago, Ill., 17 December 1996, 14 March 1997; telephone interview with Melissa Josephs, Policy Associate, Women Employed, Chicago, Ill., 21 November 1996.

⁷⁵Pollack interview, 17 December 1996; Josephs interview; Herr quoted in Kiernan and Pearson, “Welfare’s New Era,” 7; IDPA, *Wel-*

fare Reform Update II (23 September 1996), 1-2; Louis Uchitelle, “Maryland Order Limits Hiring of People in Workfare Programs,” *New York Times*, 1 July 1997, A15.

⁷⁶*Illinois Welfare News* (June 1997), 5, 15-16; (July 1997), 1-2; Christian, “Edgar Offers Welfare-to-Work Plan,” 10; telephone interview with Dori Rand, Poverty Law Project, Chicago, Ill., 1 August 1997.



We'll be seeing [recipients] more. We'll be involved in their lives. We'll be like Cousin Bob.

– Caseworker, Illinois Department of Human Services, 1997

to undertake direct job-creation activities.⁷⁷ He did, however, meet with 50 Chicago-area corporate CEOs in late January 1997 to discuss their role in moving recipients from welfare to work. The meeting brought pledges from six corporations — United Airlines, Commonwealth Edison, AT&T, Dominick's (a regional grocery chain), Spiegel, and Sears — to hire people off the welfare rolls. But this "voluntarist" focus on soliciting Chicago-area employers is likely to fall short as a way to replace welfare checks with paychecks for adult recipients. Chicago is home to

roughly 120,000 of the state's 170,000 unemployed adult welfare recipients, but most of the state's job growth is expected to occur outside Chicago and Cook County. Finding jobs for many welfare recipients will entail providing transportation to the city's relatively employment-rich suburbs and/or constructing more low-income housing in the suburbs — two exceptionally charged social and political issues.⁷⁸



⁷⁷Radio interview with Jim Edgar by host Bob Collins, WGN Radio, 720 AM, Chicago, Ill., 18 March 1997, 7:30 A.M.

⁷⁸David Roeder, "Jobs Lacking for Welfare Recipients," *Chicago Sun Times*, 17 March 1997, 1-2.

Ohio — “Ohio Works First”



In July 1995, Ohio governor George Voinovich signed into law H.B. 167, a sweeping 432-page welfare reform package dubbed “Ohio First.” Approved by the federal government in March 1996, Ohio First introduced a year-long earnings disregard requiring the state to ignore the first \$250 of recipients’ monthly earned income and one half of monthly earnings over \$250 in determining cash benefit levels.⁷⁹

On the “stick” side of welfare reform, Ohio First implemented a distinctive “three-in-five” year time limit on cash assistance, which prohibited families from receiving aid for more than 36 months in any 60-month period, except under “exceptional hardship circumstances.” A family in which any member received cash assistance for three years could reapply for another three-year stint only after two years without such support. County welfare offices could exempt no more than 15 percent of their caseload from this time limit.⁸⁰

Ohio First requires county welfare offices to assess all welfare applicants for referral to state work and job-search programs within five days of application. It mandated that applicants determined by caseworkers to lack insuperable barriers to employment, including home caretaking requirements for a

disabled adult or a child under three years of age, were to be enrolled in a state work activities program. It required that all welfare recipients sign a “Self Sufficiency Contract” in which they promise to comply with all work and training requirements designed for them by caseworkers. Those without a high school diploma must enroll in an education program. Recipients under 18 are ineligible for cash assistance if their parents or caretakers fail to sign this contract. And Ohio First created new sanctions, introducing a four-step progression that, after step one, penalized entire families if one family member did not meet the work and/or training assignments laid out in their Self-Sufficiency Contract.⁸¹ Approved October 1, 1996, Ohio’s TANF plan incorporated Ohio First into the state’s post-AFDC welfare system, denied Food Stamp eligibility to able-bodied persons between 16 and 50 years old who quit any job without “good cause,” and stripped cash assistance recipients of their prior automatic eligibility for Medicaid.⁸²

On July 2, 1997, Voinovich signed House Bill 408, changing the name of Ohio’s welfare system to “Ohio Works First” (OWF). H.B. 408 introduced a one-time 6 percent increase in TANF benefit levels, equaling an average of \$20 per month per family, to meet inflation. It extended Ohio First’s “\$250 plus



⁷⁹Testimony By Arnold R. Tompkins, Director, Ohio Department of Human Services, before U.S. Senate Committee on Finance, 19 June 1996 (Columbus, Ohio: Ohio Department of Human Services, 1996 <http://www.odn.ohio.gov/odhs/releases/artsen01.html>; Legislative Services Commission [hereafter LSC], “Bill Analysis: Sub H.B. 167,” 121st General Assembly (Columbus, Ohio: Ohio Senate Human Services and Aging Committee, 1995), 9; Children’s Defense Fund [hereafter “CDF-Ohio”], “Amended Substitute House Bill 167 — Welfare Reform Summary”; telephone interview with Col Owens, Senior Attorney, Legal Aid Society of Cincinnati, Cincinnati, Ohio, 7 April 1997.

⁸⁰U.S. Department of Health and Human Services, *Fact Sheet*:

State Welfare Demonstrations (Washington D.C.: U.S. Department of Health and Human Services, 7 October 1996), 18-19; CDF-Ohio, “Welfare Reform Summary,” LSC, “Bill Analysis: Sub. H.B. 167,” 12.

⁸¹CDF-Ohio, “Welfare Reform Summary,” LSC, “Bill Analysis: Sub. Bill 167,” 16, 17, 28-29.

⁸²Communications Office of Governor George Voinovich, press release for 1 October 1996, “Ohio Implements New Federal Welfare Block Grant”; www.odn.ohio.gov/odhs/releases/r1100196.html; U. S. Department of Health and Human Services, “State Initiative Key Dates Approved (Washington D.C.: U.S. Department of Health and Human Services, 2 October 2 1996 <http://www.acf.dhhs.gov/welfaredemo/r961002.txt>



50 percent* earnings disregard from 12 to 18 months and eliminated resource limits from the determination of TANF eligibility, permitting recipients to accumulate savings without losing benefits. While the Personal Responsibility Act ended the federal government's previous guarantee of child care aid for parents leaving public assistance, H.B 408 extended this aid as an entitlement to all TANF families meeting work requirements and to all families who leave TANF for work. The latter are guaranteed a child care subsidy for one year or until they earn 150 percent of the poverty level, whichever comes first. The bill guarantees Medicaid for parents and children receiving TANF and for one year after leaving welfare. It also extends Medicaid eligibility to the children of low-wage working parents who are not on welfare until their family's income reaches 150 percent of the poverty level. The legislation's Prevention, Retention, and Contingency Program (PRCP) offers a new one-time emergency diversionary grant (the form and level of which will be determined by county offices) to potential welfare recipients to discourage them from going on welfare in the first place or to help former recipients keep their jobs and thereby stay off welfare.

The new bill allows county-level caseworkers to assign a TANF applicant to the state's Job Search and Readiness Program (20 hours a week) before eligibility is determined. It replaces Ohio First's four-step sanction progression with a three-step ladder that, in the final step, takes away the entire cash assistance grant of a TANF family for a minimum of six months if a member fails, without good cause (including inability to find employment), to act on their self-sufficiency contract. It changes Ohio's time limit on TANF assistance, maintaining Ohio First's "three years on

and two years off" formula but now capping cash support at five years lifetime and permitting the last two years only if good cause exists after the 24-month no-benefits period.

The Ohio Works First program introduced higher weekly work activity participation requirements than those mandated by the Personal Responsibility Act. A welfare recipient who is a single parent must perform 30 hours of work activities (these can be divided between 20 hours of employed work and 10 hours of education) in 1997 to meet the state's definition of participation, whereas federal regulations demand 25 hours a week that year. And Ohio Works First requires that the state exceed the Personal Responsibility Act's minimum work activity participation rates for the state TANF caseload by at least five percentage points.

The state allows county welfare offices to exempt 20 percent of the caseload from work requirements, but limits exemptions to families that have exhausted the state's initial 36-month limit. The state allows counties to determine whether they want to exempt mothers with babies one year old and less from work participation requirements (as is permitted under the Personal Responsibility Act), but Ohio Works First requires that such mothers be assigned to at least one developmental activity while not working. Under Ohio's program, all parents must "do something" to receive cash assistance. Just what "doing something" is must be determined in the process of caseworker assessment leading to the writing of each recipient's Self-Sufficiency Contract, which must now be completed within 30 days of application for Ohio Works First. For parents who do not possess insuperable barriers to employment as determined by caseworkers, the requirements for 1997 include at least 20

hours of weekly work activities, of which Ohio Works First approves 10 kinds: unsubsidized employment, subsidized employment, unpaid work experience, on-the-job training, job search and readiness, community service, vocational education (for up to 12 months), post-secondary education, child-care activities to aid another participant in Ohio Works First, and participation by teen parents in the state's Learning, Earning, and Parenting program. Under a pre-existing federal waiver, participants in Ohio Works First can include more post-secondary education as a work activity than is generally permitted under the Personal Responsibility Act. For the first year on cash assistance, instruction leading to a definite vocation can count for the full 20 hours of required work activity. After the first year, college can count for no more than five hours.

Beyond 20 hours of weekly work activity, job-ready participants in 1997 must participate in 10 hours of "alternative work activities" (including parenting classes, life-skills training, home-search for homeless families, rehabilitation activities for disabled recipients, and domestic abuse counseling) or ten hours of "developmental activities." Recipients with significant barriers to employment will be permitted to engage solely in alternative work activities in order to qualify for TANF assistance. They will be permitted to receive benefits beyond state and federal time limits but will not be counted towards the state's work participation requirements. Counties are permitted to place no more than 20 percent of TANF parents in the category of those required to perform only alternative work activities.

Ohio Works First gives significant power to county welfare offices. While it guarantees a minimum core set of services and benefit levels (including cash

benefits, Medicaid, food stamps, employment services, child-support and adult protective services) to recipients statewide, it gives counties significant flexibility and autonomy in negotiating the content of Self-Sufficiency Contracts with recipients, determining "good cause" and "hardship" criteria for deciding who will receive cash assistance beyond the state's three-year time limit and the Personal Responsibility Act's five-year time limit, and contracting with other public and with private entities to provide human services.

At the same time, Ohio Works First creates new mechanisms and measures of accountability for county welfare offices, which have long played particularly significant roles in the implementation of Ohio welfare policy. Among these new mechanisms are requirements that each of the state's 88 counties produce regular performance reports on welfare reform outcomes and have a "Human Resources Planning Committee" with significant input on welfare policy. The committees will serve as advisory bodies to the boards of county commissioners with regard to social services; provide comments and recommendations to the boards before the latter change the terms of their welfare "partnership agreement" with the state; and conduct public hearings on proposed county policy changes. Committee members must include an employee of the county welfare agency and a public representative. Other members must be "broadly representative of public and private groups that have an interest in the social services provided in the county." Their selection must "reflect the racial and ethnic composition of the county."

In regulations effecting workfare and job subsidies, Ohio Works First eliminates previous laws requiring that the state give priority to public agencies



Ohio will not stand by and let the federal system create a cycle of dependency where families grow accustomed to relying on monthly checks instead of taking control of their lives.

– Arnold Tompkins, Director
Ohio Department of Human Services, 1996

and nonprofit organization over private for-profit organizations in making assignments under the state's Work Experience Program (workfare). It authorizes county welfare offices to assign recipients to workfare in a number of ways: as unpaid interns with private or public employers, as "refurbishers" of publicly assisted housing, as volunteers' in their child's Head Start program, and as volunteer workers at their child's public or private school.⁸³

Reflecting the fact that welfare advocates and liberal Democrats have been unusually well integrated into the policy-making process in Ohio, advocates essentially support recent Ohio reforms as a relatively moderate and reasoned response to the welfare dilemma. They are concerned about the state's dis-

trictive time limit, harsher than the Personal Responsibility Act's 60-month formula, and, like advocates everywhere, they worry about the potential impact of a future, likely recession, when "all bets are off" on welfare "reform." But H.B.408/Ohio Works First wins their approval with its extension of the work-incentive/earnings disregard, its exceptional child care entitlement and related transitional assistance, its flexible work activities, including support for secondary education, its new mechanisms for accountability and oversight regarding the state's pivotal county welfare offices, and its lack of a family cap and penalties on recipients who come to Ohio from states with lower benefit levels.⁸⁴



⁸³LSC, "Bill Analysis: Sub. H.B. 408, 122nd General Assembly" (Columbus, Ohio: Ohio Senate Human Services and Aging Committee, 1997); telephone interview with Col Owens, July 16, 1997; CDF-Ohio, "Twenty things You Should Know About Ohio's New Welfare Law (Columbus, Ohio: CDF-Ohio, July 1997); CDF-Ohio, *Making It Work: Ohio Works First Welfare Reform* (Columbus, Ohio: CDF-Ohio, July 1997).

⁸⁴Telephone interviews with Mark Real, Director, Children's Defense Fund-Ohio, Columbus, Ohio, 4 April 1997, 21 August 1997; telephone interview with Susan Zeller, CDF-Ohio, Columbus, Ohio, 16 December 1996.

Minnesota — “Expecting Work”



Consistent with its reputation for relatively liberal politics and policy, Minnesota has taken the least punitive approach to welfare recipients of the states examined in this study. In April 1994, the state implemented the Minnesota Family Investment Program (MFIP), a comprehensive welfare reform demonstration in eight counties, including Minneapolis, that won strong support from state welfare advocates and anti-poverty activists. A modified statewide version of the program forms the core of Minnesota’s recent TANF proposal.

Where implemented, Family Investment Program subsumed the functions of four separate state programs: AFDC, Family General Assistance, Food Stamps, and STRIDE (the state’s JOBS program). Families in the Investment Program received a single cash grant, including the value of food stamps. Their minimum and consolidated cash assistance grant was called the Transitional Standard, equaling \$638 for a single parent and one child. Recipients dealt with only one financial assistance program with a single set of rules and procedures. Under the Family Investment Program and its statewide successor, eligibility is based solely on income and assets: neither family structure nor parent’s work history figures in determining who receives benefits. Recipients do not have to show such standard AFDC-era “deprivation” factors as the death, absence, incapacity, or unemployment of a parent. The Family Investment Program eliminated previous rules denying eligibility to two-parent families in which one member is employed more than 100 hours a month.

The central feature of the Family Investment Program sought to reward work by combining an earned income disregard of 38 percent with a “two-tier” payment standard. Families with earned income received a higher basic grant than those in which no member was employed. The former families had their grants calculated at 120 percent of the Transitional Standard, a higher tier which was called the Family Wage Level. The total assistance given to families placed at this level by virtue of their outside earnings equaled the sum of the Family Wage Level minus 62 percent of earned income (38 percent of that income being disregarded). Consistent with the longstanding public assistance rule that individuals reap more from paid employment than from “idleness” (the “principle of less eligibility”), the Family Investment Program was, like all income disregard systems, “calibrated” to ensure that progressively increasing amounts of earned pay result in progressively increasing amounts of combined total income (earned plus publicly transferred). See Figure 1 for a sample calculation.

Families in the Investment Program and its statewide successor automatically receive Medicaid. Child care is paid if parents need it to work, and it is available for approved activities leading to work. When earnings reach the “exit level,” (140 percent of poverty under the Investment Program) families receive one year of transitional child care and six months to one year of extended Medicaid.⁸⁵

Particularly concerned with the more hard-core welfare population, the Family Investment Program



⁸⁵Minnesota Department of Human Services, *Minnesota Family Investment Program — A Program Overview* (Minneapolis, Minn.: Minnesota Department of Human Services, July 1996), 3-6; Wor-

thington, “Welfare for Working Poor To Be Tested in Minnesota,” 1, 19.

Figure 1
Minnesota Family Investment Program Grant Calculation

Single Parent With One Child — No Earnings

Total Gross Family Income = \$638 grant (Transitional Standard)

Single Parent With One Child — Gross Earnings of \$300

Step 1

Disregard 38 percent of gross earnings

\$300 (gross earnings) – \$114 (38% of \$300) = \$186 counted earnings

Step 2

Subtract counted earnings from Family Wage Level to get grant amount

\$766 (Family Wage Level = 120% of Transitional Standard) – \$186 (counted earnings) = \$580 grant

Total Gross Family Income = \$880 (gross earnings of \$300 plus grant of \$580)

Single Parent With One Child — Gross Earnings of \$450

Step 1

Disregard 38% of gross earnings

\$450 (gross earnings) – \$171 (38 percent of \$450) = \$279 counted earnings

Step 2

Subtract counted earnings from Family Wage Level

\$766 (Family Wage Level = 120% of Transitional Standard) – \$279 (counted earnings) = \$487 grant

Total Gross Family Income = \$937 (gross earnings of \$450 plus grant of \$487)



distinguished sharply between short-term clients, victims of “situational” but short-lived poverty resulting from a sudden emergency (lost income through a divorce or job loss, for example) and chronic, long-term welfare clients (typically involving teen pregnancy). For the first category, officials of the Family Investment Program were content to offer the administratively lean structure of positive incentives just described. The second category, technically defined as single parents who receive Investment Pro-

gram aid while working fewer than 30 hours a month for 24 months or parents in two-parent families who receive aid while working fewer than 30 hours a month for six months, elicited more intensive case management, mandatory behavior requirements, and penalties. Once recipients in the Investment Program crossed the “time trigger” that classified them as long-term, they were required to meet an employment and training case manager and work up a plan for obtaining work. Failure to cooperate

with this “social contract” cost them 10 percent of their transitional standard.⁸⁶ This participation requirement for long-term recipients distinguished the Family Investment Program from STRIDE, the state’s JOBS program, which was mostly voluntary for welfare recipients. But the Family Investment Program and STRIDE both required participation in educational activities on the part of parents considered most at risk for long-term dependency — those under 20 and without a high school degree or a GED.

The Family Investment Program won strong approval from Minnesota welfare advocates, who cited its high exit levels and strong medical and child care provisions as evidence that it was “more than just another put-people-to-work system” and was “really an antipoverty program.”⁸⁷ Consistent with that judgment, the Minnesota Department of Human Services sold the program in part as a response to the “inadequate purchasing power” provided by “prevailing wages” in the state. This open acknowledgment that many if not most jobs available to welfare recipients are not in fact “good” jobs was exceptional among the midwestern welfare agencies. Reflecting, perhaps, Minnesota’s historically liberal political culture and the facts that its welfare recipients have atypically high educational levels and rates of past labor market attachment, Minnesota policymakers seemed

relatively less prone than their midwestern counterparts to explain recipients’ poverty as a result of personal or cultural inadequacy.⁸⁸

The Family Investment Program proved to be one of the most successful welfare reform experiments in the country. After 18 months in the program, 52 percent of long-term welfare recipients were working, an increase of almost 40 percent over a control group not in the program in the counties where the new system was implemented. More significant from the advocates’ perspective, the Family Investment Program showed an important antipoverty effect: 44 percent of program families lived in poverty after 18 months, compared to 60 percent of the control group. Such results were consistent with the declared goals of the program.⁸⁹

For the majority of people receiving family cash assistance who were not in the Family Investment Program (90 percent of the state’s welfare families), Minnesota introduced more conservative welfare changes in the mid-1990s not unlike those passed in other states. In 1995 the state shifted the focus of STRIDE, created in 1987, from education and training to employment.⁹⁰ Under the new system, county welfare offices were required to meet specific job-placement criteria before they could approve education and training for STRIDE participants. Part-time

⁸⁶Interview with Joe Kvamme, Minnesota Department of Human Services, 8 October 1996; DHS, *Minnesota Family Investment Program*, 2, 6.

⁸⁷Telephone interview with Sean Fremstead, Attorney, St. Paul, Minn.: Legal Services Advocacy Project, 3 December 1996; telephone interview with Tarryl Clark, Children’s Defense Fund, St. Paul, Minn., 20 November 1996.

⁸⁸Fremstead interview; Minnesota DHS, *Minnesota Family Investment Program*, 1, 3. It should be remembered that MFIP functioned as an indirect wage subsidy for employers who pay “inadequate” wages in Minnesota.

⁸⁹Legal Services Advocacy Project, “A Brief Summary of the MFIP-S Provisions in the House-Senate Welfare Bill” (St. Paul, Minn.: Legal Services Advocacy Project, 25 April 1997), 5.

⁹⁰Participation in STRIDE was mandatory for caretakers under 20 years old who lacked a high school diploma (they had to attend school and work towards a diploma) and parents in two-parent households (one of whom had to be referred to a job search followed by work experience). As a voluntary service for other categories of the AFDC caseload, STRIDE targeted three groups in the following priority order: (1) custodial parents under 24 who had not completed high school and, at the time they applied, were not in high



students could not receive assistance unless they also engaged in paid work, and recipients who completed education and training were required to accept any offer of suitable employment.

The state added further work requirements in 1996. It required that both parents in a two-parent family receiving welfare work or engage in a job search if their youngest child is six years old or older. It required 18- and 19-year-old parents to engage in employment activities if their case manager determined that there was "no appropriate educational option available to them." The same bill introducing these changes allowed individual counties to replace STRIDE with an "intensive employed program" called "MNJOBS" after April 1, 1997. The new program required all welfare recipients to undertake an immediate job search of four weeks and thirty hours per week. Recipients' educational needs and job-readiness were to be assessed by caseworkers only after this initial, supervised 28-day quest for work. MNJOBS introduced new limits on education and training even for those unable to find employment. With its focus on "immediate labor force attachment," MNJOBS was, like many state initiatives claiming to put "work first," modeled on Riverside, California's GAIN program. A Minnesota demonstration actually called "Work First" and approved by the federal government in August 1996 has been targeting first-

time applicants for immediate case-management intervention in two Minnesota counties. The demonstration uses immediate job search and work expectations to make applicants consider alternatives to cash assistance from the outset. Applicants who are homeless, victims of domestic abuse, or in treatment for substance abuse are permitted a "personal stabilization period" of eight weeks before they have to participate in work or work activities to keep receiving benefits.⁹¹

Perhaps the most progressive Minnesota policy relating to welfare recipients results not from any welfare reform per se but from a statewide health-care plan (MinnesotaCare) passed in the Fall of 1992. MinnesotaCare offers state health care subsidies on a sliding scale to Minnesota families with children and incomes up to 275 percent of the federal poverty level (half of its 30,000 participating families are below 125 percent of the poverty level). The state's Department of Human Services estimated that MinnesotaCare cut the total state welfare caseload by 7 percent between implementation and December 1995, claiming that the availability of subsidized health care for poor families made employment a more viable option in a labor market where employers rarely extend medical coverage to low-paid workers.⁹²

Some Minnesota politicians called for harsh mea-

school or a high school equivalence program or who had had little or no work experience in the past twelve months; (2) caretakers who had received AFDC for at least three out of the last five years; (3) caretakers whose families will lose eligibility within two years due to the age of their youngest child. These groups were viewed as those most likely to stay on assistance for long periods of time. Legal Services Advocacy Project, "Minnesota Welfare Legislation in 1996: Summary and Analysis of Changes in the AFDC and General Assistance Programs," 4.

⁹¹Legal Services Advocacy Project, "Minnesota Welfare Legislation," 4-6, 12-13; Clark interview; American Public Welfare Association, "Welfare News in the States" (July 1997). www.apwa.org/statenew/mn.htm

⁹²Reports and Forecasts Division, Minnesota Department of Human Services, "The Impact of MinnesotaCare on AFDC Caseload" (Minneapolis, Minn., July 1996), fax transmission; telephone interview with Charles Johnson, Minnesota Department of Human Services, St. Paul, Minn., October 8, 1996.

sures like lifetime time limits shorter than the five years called for by the Personal Responsibility Act, tougher sanctions for not working, and a family cap as the state prepared to draft its TANF block grant application. Watching drastic welfare “reform” in other states, especially nearby Wisconsin (just 15 miles from the Twin Cities), these politicians worried that an overly liberal, tolerant Minnesota would become a particularly powerful “welfare magnet” in the TANF era. According to one official of the Department of Human Services interviewed in October 1996, Minnesotans wanted to maintain their tradition of “responsibility to the less fortunate” but feared the prospect of having to “finance the social problems of the rest of the country.”⁹³

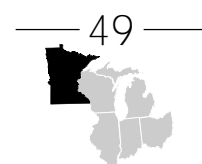
State welfare advocates felt that the Family Investment Program’s performance in reducing poverty and raising the number and percentage of recipients who either left welfare or combined welfare with earned income would permit a modified statewide version of the plan to be included in the state’s TANF plan.⁹⁴ They also doubted that conservative legislators could garner enough votes to introduce either short time limits or a family cap in the near future.⁹⁵

Their expectations were largely born out in May 1997, when the state submitted its TANF proposal. The plan lacked the “baby penalty” and advanced no time limits not required by the federal law. Its sanctions on recipients were among the gentlest in the country. The plan eliminated MNJOBS and implemented a new statewide version of the Investment Program designated as the Minnesota Family Invest-

ment Program Statewide. But the Statewide Investment Program cuts back on key features of the earlier version, introducing a lower exit level (recipients now retain eligibility only up to 120 percent of poverty), a smaller Transitional Standard (\$605 for a family of two, nearly 5 percent lower), a smaller disregard (now 36 percent of earned income), and a smaller Family Wage Level (now 110 percent of the Transitional Standard). Compare Figure 2, which calculates a sample grant, with Figure 1 to see the extent of these changes.

The Statewide Program drops the earlier program’s targeting of social case-management services for long-term welfare recipients and significantly reduces the amount of money given to employment and training service providers. Advocates fear that this will encourage “creaming”: county welfare officers will be inspired to meet the work participation requirements of the Personal Responsibility Act by moving the most job-ready clients into work, ironically concentrating fewer resources on the most difficult cases requiring the greatest attention. The Statewide Program reduces the “time trigger” — the length of time recipients can receive assistance while working less than 30 hours a month — for single parents from two years to six months. Minnesota officials view this change as required if the state is going to meet the work participation requirements of the Personal Responsibility Act and adjust recipients to the federal legislation’s five-year time limits.

Families in the Statewide Program automatically receive Medicaid. Child care is paid if required for



⁹³Kvamme interview.

⁹⁴Virginia Knox et al., “Executive Summary,” *MFIP: An Early Report on Minnesota’s Approach to Welfare Reform* (New York: Man-

power Demonstration Research Corporation, 1995), 7-10.

⁹⁵Fremstead interview; Clark interview.

Figure 2
Minnesota Family Investment Program-Statewide Grant Calculation

Family of Three — No Earnings

Total Gross Family Income = \$763 grant (Transitional Standard)

Family of Three — Gross Earnings of \$550

Step 1

Disregard 36% of gross earnings

\$550 (gross earnings) - \$198 (36% disregard) = \$352 counted earnings

Step 2

Subtract counted earnings from Family Wage Level

\$839 (Family Wage Level) - \$352 (counted earnings) = \$487 grant

Total Gross Family Income = \$1037 (gross earnings plus grant)

50



parents to work and is available for approved activities leading to work. When earnings reach the “exit level” (120 percent of the poverty level), families receive one year of transitional child care and six months to one year of extended Medicaid. A family of three will become ineligible if its members work 40 hours a week for wages of \$7.62 an hour. At certain wage levels (\$5.52 an hour and 40 hours a week for a family of three), the Statewide Program grant converts to food stamps only. The program’s 60-month time clock — which makes a family ineligible when any adult care giver has received 60 months of lifetime assistance in the Statewide Program — stops ticking once that conversion occurs.

The Statewide Program includes significant work participation requirements. Single parents must participate in work activities within six months, and two-parent families must participate immediately. A number of groups are exempt from these requirements, including ill and disabled persons, people over 60

years old, and care givers of children under one year old (these parents are permitted up to 12 months exemption in their lifetimes), and care givers of ill or disabled persons.

Under the Statewide Program the structuring and enforcement of participants’ work activities begins with a brief assessment of all applicants by state job counselors. Applicants determined to be job-ready must perform 30 hours of job search per week for up to eight weeks and must accept any offer of “suitable” employment. Applicants with significant barriers to employment and job ready applicants unable to find a position in eight weeks are subjected to a more detailed assessment, working with a job counselor to develop an “employment plan,” including education, training, re-employment, and employment-related activities. Applicants can include post-secondary education as a work activity only if they can meet a specific employment goal with an education program lasting one year, or if they are

working 20 hours per week and request a secondary assessment. Participants are formally limited to 24 months of post-secondary education, but most programs will in practice be limited to 12 months.

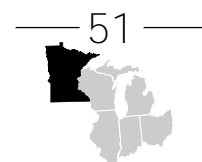
A participant's initial failure to comply with these work requirements will cost her 10 percent of her family's grant. A second noncompliance will cause the grant to be cut by 30 percent. Before imposing this second sanction, the state must first pay recipients' rent and conduct a review to determine whether the recipient had good cause not to cooperate. Minnesota's new welfare law also contains language prohibiting counties from sanctioning families for noncompliance with work activities in cases where child care is unavailable.

In other provisions, Minnesota's TANF plan includes special protection for victims of domestic violence, exempting them from work activities and the 60-month time limit if they develop and comply with a "safety plan." It creates a new program called "Diversionary Assistance" meant to give potential recipients a quick hit of "up-front help" to keep them from going on welfare. Families with income under 140 percent of the poverty level can receive a one-time payment equal to up to four times the Transitional Standard if an unexpected occurrence makes it impossible for them to get or keep employment or if an emergency causes a temporary loss of income. A family that accepts a diversionary assistance grant is ineligible for Statewide Program aid or emergency assistance for a period of time varying with the size of the grant. The diversion program can be used only

once in three years. In what advocates regard as mean-spirited measures, the new law cuts by \$30 the food portion of the Statewide Program grant for recipients residing in public and subsidized housing and counts up to \$100 of the value of HUD rental subsidies against the Statewide Program grant.

The TANF proposal incorporates other changes. It eliminates the Food Stamp "cash out" (the federal Department of Agriculture refuses to permit the continuance of that aspect of the Family Investment Program). It establishes new residency requirements. Future applicants will have to live in Minnesota for at least 30 days before they can receive benefits. New recipients from outside the state will have their grant level based on the standard of their previous state of residence for the first year they receive benefits in Minnesota.⁹⁶

Because the Statewide Program dilutes benefit payments and cuts education supports and special services for long-term recipients, Legal Services Advocacy Project of St. Paul finds it "unlikely that [the Statewide Program] will be able to replicate the anti-poverty effects of the [Family Investment Program] pilot on a statewide basis." Yet state welfare advocates are pleased that Minnesota did "not," in the words of the Project's Sean Fremstead, "join the race to the bottom" in its TANF proposal: "it could have been far worse." Fremstead approves the state's new "flexible," 26-type definition of acceptable work activities and its "good [wage and benefit] protection" for workfare recipients.⁹⁷



⁹⁶Minnesota Department of Human Services, "Minnesota's 1997 Welfare Reform Bill: Work, Responsibility, and Families" (St. Paul, Minn.: Minnesota DHS, 30 April 1997); Legal Services Advocacy

Project, "Minnesota's TANF Plan: A Summary" (St. Paul, Minn.: Legal Services Advocacy Project, July 1997), 1-8.

⁹⁷Telephone interview with Sean Fremstead, 2 July 1997; Legal Services Advocacy Project, "Minnesota's TANF Plan," 7.

Conclusion — Shared Assumptions and Dilemmas



The paths to welfare reform followed by the six states examined here are hardly identical. Wisconsin earns its accolades from antiwelfare conservative organizations by standing apart — not just in the Midwest — as the toughest and most ambitious welfare reformer, with its radical W-2, a program that requires work as a condition for any cash assistance to able-bodied adults and their children and makes no bones about assigning allegedly recalcitrant poor people to punitive workfare. The distinct possibility that many W-2 participants may end up working below the minimum wage⁹⁸ and receiving less from the new regime than under AFDC combines with W-2's fixed lifetime time limits to suggest that Wisconsin's welfare overhaul is animated by the traditional conservative goal of putting recipients to work for the sake of inculcating the work-ethic among the poor.⁹⁹ But Michigan, with exceptionally harsh sanctions and insistence on up-front job search and "work first," and Indiana, with notoriously low benefit levels and two-year lifetime limits, deserve more than honorable mention as states that are exceedingly tough on welfare and its shrinking number of recipients.

The most "liberal" state is Minnesota, which includes a progressive health-care plan for poor and working poor in its definition of welfare reform,

whose "family investment plan" focuses on increasing working welfare recipients' income significantly beyond the poverty level, and whose sanctions for non-compliance are the least punitive in the Midwest. Reflecting a significantly different slant on welfare recipients and what recipients deserve than that of their counterparts in neighboring Wisconsin, Minnesota policymakers express pride that the Family Investment Program demonstration of 1993-1997 permitted rising numbers of poor people to combine outside earnings with public cash transfers to attain more total income than they could have attained just by working for wages (that the state acknowledges to be "inadequate") or just from welfare. This pride reflects an antipoverty standpoint that contrasts with the more punitive thrust of Wisconsin's policies. Of course, even historically liberal Minnesota, fearing that it will attract surplus poor from other states in the era of welfare "downsizing," has bowed somewhat to the tenor of the times, as the above discussion of its recent TANF plan makes clear.

Fittingly enough given their relatively large welfare caseloads, Illinois and Ohio are perhaps the most complex welfare reformers examined here. Illinois runs what the *New York Times* recently called "probably" the country's "most generous" earnings disre-

⁹⁸Wisconsin Governor Tommy Thompson is an enthusiastic advocate not only of workfare for welfare recipients but also of using prison labor in for-profit production. Thompson has already sparked controversy with his efforts to find a place in the Wisconsin economy for the forced/indentured labor of people behind bars. See John Duchemin, "Thompson Pushes Prison Work Programs," *Green Bay Press-Gazette*, 14 April 1997.

⁹⁹While American welfare policymakers have long agreed that poverty should be confronted through an "employment strategy" emphasizing increased labor market participation on the part of the poor rather than an "income transfer strategy" for the poor, they have differed significantly in formulating the purposes of employment

for welfare recipients. For liberals pursuing an "income goal," an employment-based model of welfare reform is successful only if it increases family income and therefore directly fights the poverty of participating poor people. The point is to move people out of poverty. Now very much the stronger policy voice in federal and state welfare policy, conservatives have tended to advance a "work goal" for the poor. They stress the "work-ethic" and "self-esteem" values of employment, "regardless of its effect on total income." For better or worse, their perspective is more concerned with preaching the moral virtues of "self-sufficiency" than with eradicating poverty, though conservatives would and do claim that such self-reliance is the only true and worthwhile path out of poverty. The point is to move people off the welfare rolls. Blank, "The Employment Strategy," 168-169.



gard system (Work Pays),¹⁰⁰ a system that, uniquely, will survive into the TANF era with state funding beyond five-year limit of the Personal Responsibility Act. Yet Illinois also deploys the family cap, lifetime time limits shorter than five years for recipients whose youngest children are 13 years or older, and especially tough sanctions for nonparticipation in work activities. And Illinois has joined Wisconsin, Indiana, and Michigan in having eliminated general assistance grants for single, indigent recipients without children. Ohio combines relatively liberal supports for post-secondary education, a generous earnings disregard, an exceptional child care entitlement, a refusal to implement either the family cap or residency requirements, and a recent significant increase in benefit levels with harsh full-family sanctions, a lifetime time limit shorter in some cases than the federally mandated five years, and hourly and caseload percentage work participation requirements higher than those demanded by the Personal Responsibility Act.

Despite numerous contrasts and state-specific idiosyncracies, the different state welfare reform programs share fundamental assumptions and objectives with each other and with the recent federal legislation. Reflecting a national consensus on the virtues of paid employment and the evils of dependency, these programs advance "self-sufficiency" through employment, not income transfer to and for poor people. In explaining and attacking poverty and related welfare expenditures, the programs are preoccupied with the "personal responsibility" of the

poor and tend to downplay and even deny labor market and other external macro-economic/political-economic factors that help explain the related issues of impoverishment, inequality, and welfare "dependency." Assuming that employers and market forces are generating or will generate an abundance of good-paying, livable-wage, "decent" jobs to equal the number of unemployed, including adult, able-bodied welfare recipients, these welfare programs do not advance significant public jobs programs. They push job-search programs but not job creation, reflecting an apparent satisfaction with the performance of the current and future U.S. job market.

Current welfare programs preach market discipline for the poor, but provide employers with direct and/or indirect subsidies for hiring poor people at low levels of compensation (thereby threatening the job security and income of employed workers) and make no mention of abundant and costly government expenditures on behalf of wealthy corporations and individuals ("wealthfare"). Their goal of moving recipients into "self-sufficiency" is challenged by their stark "work first" emphasis on recipients' taking the most immediately available low-wage jobs instead of engaging in the sort of training and education necessary for remunerative work in the modern American workplace. The declared goal of the sponsors' of these programs is to reduce government expense and interference, but this goal is contradicted by the way their behavioral mandates increase governmental intrusion in poor people's lives and the expensive nature of the monitoring those mandates require.



¹⁰⁰Peter Kilborn and Sam Howe Verhovek, "Clinton's Welfare Shift Reflects New Democrat," *New York Times*, 2 August 1996, A15. Minnesota's MFIP advanced a more generous earnings disregard

along with comprehensive benefits, but Illinois's Work Pays affects the earnings of a far larger number and percentage of recipients in a much more populous state.



Midwestern Welfare Reform “Success” Before the Personal Responsibility Act

How “successful” were the midwestern states in moving people from welfare to “self-sufficiency” through work prior to the passage of the Personal Responsibility Act? We don’t know. Given that the jurisdictions examined in this study were touted by many, including the president of the United States, as “successful” models for the new federal commitment to replacing welfare with work, it is remarkable that these states provide little evidence that they have actually been moving significant numbers of recipients into long-term non-poverty jobs during the 1990s. The closest thing to a comprehensive evaluation of statewide welfare policy in one of these states found that Michigan’s welfare reform had mixed and inconclusive results in its effect on adult welfare recipients’ employment, earnings, and family income.¹⁰¹

In fact, midwestern policymakers make little claim to be moving recipients out of poverty or even just towards greater total income. In public pronouncements and in numerous interviews this researcher conducted, state officials from the governors’ office on down seem remarkably content simply to cite falling welfare caseloads as *de facto* evidence that welfare “reform” is “working.” This reflects the great extent to which state welfare policy in the Midwest is now shaped by two interrelated beliefs. The first belief holds that people leaving the welfare rolls are obviously moving into remunerative employment in a nondiscriminating, opportunity-filled job market, with plentiful positions for everyone, even the least skilled,

and no “bad jobs” for anyone (“the “work first” philosophy rejects the existence of such jobs in the United States). Such blind faith in the labor market is projected into the new era of federal-state welfare policy with its mandate that states place a progressively increasing percentage of their welfare caseloads into work or work programs over the next five years.

The second belief shaping welfare policy is that poor people depend on welfare primarily because they are reluctant to work and are attached to the old welfare system. This view claims that the availability of welfare itself causes people to depend on it and even prefer it over work. By this reasoning, recently shrinking rolls reflect the carrots and sticks of welfare reform’s “tough love,” not, as history would suggest, a fortuitous, temporary improvement in a still uncertain job market for unskilled workers.

It is possible that many architects and proponents of harsh welfare changes believe that dismantling old safety nets will help recipients leap out of poverty. But welfare policy in the 1990s diverges sharply from earlier state and federal efforts to change the system. Welfare reform efforts in the 1960s and 1970s unabashedly proclaimed their determination to move people out of poverty — not just off the welfare rolls — so they were shaped by concepts like “good jobs” and “career ladders” and emphasized recipients’ acquisition of job skills and education. The new emphasis on simple caseload reduction and rapid labor market participation reflects an essentially punitive, antiwelfare consensus on market discipline:

¹⁰¹Allan Werner and Robert Kornfeld, *The Evaluation of To Strengthen Michigan Families: Fourth Annual Report: Third-Year Im-*

pacts (Cambridge, Mass.: Abt Associates, June 1996), 92-95.

sink or swim, without lifeguards in the chilly waters of the American “free labor” market.¹⁰²

This consensus was shaped by Ronald Reagan and other conservative ideologues in the 1980s, when mothers on AFDC were demonized as “welfare queens” and “welfare dependency” became a leading term of disdain in our civic culture. It feeds on the rising numbers of working poor Americans, some of whom feel special, understandable resentments at the benefits attached to public aid. It also reflects an unintended consequence of feminism, as rising numbers of middle- and working-class women enter the workplace on a routine basis, and our culture feels less sympathy than ever before for women who are perceived not to be working.¹⁰³

Challenges and Opportunities under the New Federal-State Regime

What does the recent, ongoing, and historic federal welfare reform bode for the declared objectives of state-level policymakers to replace the “automatic welfare check” with the paycheck and to turn public assistance bureaucracies into effective work-based programs? Thanks largely to its requirement that states place increasing percentages of adult recipients of cash assistance in work or work-related activ-

ities, the Personal Responsibility Act is said by its many supporters to be “tough on work.” These percentages begin at 25 percent in 1997 and increase by 5 percent each year until they reach 50 percent in 2002. States failing to meet these requirements will face a reduction in their federal TANF block grants.¹⁰⁴

Welfare advocates generally share the notion that poor people should enter the labor market. They agree that an antipoverty strategy based on employment is superior to one based on income transfer. But they have many reasons to be skeptical about this round of welfare reform. The first and most basic reasons is that there are not now and likely will not be enough jobs, especially “good jobs,” in the future to absorb the employable adult welfare population (as the Midwest Job Gap Project demonstrates for the six-state region covered in this report).¹⁰⁵

Second, such a system will be expensive. If former welfare recipients are to maintain long-term labor market attachments, those who find unsubsidized work in the TANF era will likely need state income supports (state earned income tax deductions, earnings disregards, and income supplements), child care assistance, and various state-provided job retention, reemployment, and follow-up services. Those

¹⁰²Michigan Governor John Engler removed actual lifeguards from Michigan’s state beaches during the early 1990s for budgetary reasons. This pleases strong swimmers, who are now free to frolic in the deep waters without being hassled by bullhorn-toting teenagers ordering them back into “chest-deep” levels. It has also led to a rising number of drownings of those less able to negotiate the tides of our formidable Great Lakes.

¹⁰³Paul Kleppner and Nikolas Theodore, *Work After Welfare: Is the Midwest’s Booming Economy Creating Enough Jobs?* (De Kalb, Ill.: Office for Social Policy Research, Northern Illinois University, 1997), 10; Handler, *Poverty of Welfare Reform*, 5, 56-88, and passim; Edward D. Berkowitz and Kim McQuaid, *Creating the Welfare State: The Political Economy of 20th-Century Reform* (Lawrence,

Kan.: The University Press of Kansas, 1992), 203-211; Edelman, “The Worst Thing,” 58; Stephanie Coontz, *The Way We Really Are: Coming to Terms With America’s Changing Families* (New York: Basic Books, 1997), 130-131; Phillip Mattera, *Prosperity Lost* (New York: Addison-Wesley, 1990), 53-97; Blank, *It Takes a Nation*, 52-82; Andrew Hacker, *Money: Who Has How Much and Why* (New York: Scribner, 1997), 59, 101, 176, 188; R. Shankar Nair, “Welfare Reform . . . Unexpected Winners and Losers,” *Chicago Tribune*, 8 July 1997, 1, 1.

¹⁰⁴*Personal Responsibility and Work Opportunity Reconciliation Act*, Title I, Part A, Sec. 407, “Mandatory Work Requirements,” 2129; Savner, “Creating a Work-Based System,” 4.

¹⁰⁵Kleppner and Theodore, *Work After Welfare*, 19-41.





who are unable to find unsubsidized work even after good-faith searches will need to be placed in subsidized positions, unpaid work experience programs (workfare), or public employment programs. The expense of such services and activities may actually increase over time because early state efforts to meet federal work requirements will “benefit” only those with the best skills in the welfare population. After employers skim off “the cream” of the employable welfare population, states will be left with the more difficult dilemma of placing the “hard-core unemployed,” many of whom have significant developmental disabilities and little education, into the supposedly opportunity-filled job market. State activities to force, encourage, oversee, police, and sustain the supposed future shift from welfare checks to paychecks will certainly cost more, not less than state AFDC at its peak.

States will be hampered in their effort to meet these challenges by the capping and freezing of federal welfare (TANF) expenditures for the next five years. The governors of Indiana, Michigan, and Wisconsin (all approved early for TANF block grants) boast about the “windfalls” of federal money their states are receiving because TANF’s state block grant levels are fixed at the dollar value of states’ 1994 AFDC expenditure and these states’ welfare caseload have shrunk dramatically in the interim. The governors do not tell voters that federal funding will stay the same for the next five years, with no adjustment for inflation or population growth, so that by 2002 states will have considerably less federal money to

spend than they would have had under AFDC.¹⁰⁶

The Personal Responsibility Act permits states to transfer large portions of money out of their welfare/welfare-to-work programs. It sets no matching spending requirement for states, just a “maintenance of effort requirement” that each state keep spending at least 80 percent (or 75 percent if the state meets the law’s work participation requirements) of its “historical state expenditure level” (generally based on AFDC spending for 1994). As of November 1997, 20 of 44 states surveyed by the National Conference of State Legislatures, including Indiana, Wisconsin, and Michigan, were spending 80 percent or less (Wisconsin had fallen to 75 percent) of the amount they previously spent on welfare.

At the same time, the Personal Responsibility Act lets states use federal welfare block grants as “cash cows,” allowing them to spend part of their TANF block grants on services that may not go to low-income children and families. Of the \$3 to \$4 billion windfall they received through TANF by November 1997, states are free to spend about \$2 billion in areas unrelated to poverty. They can use these “surplus” funds to pay for tax cuts and other popular projects.¹⁰⁷

The new time limits on federal cash assistance will complicate state efforts to encourage work through earnings disregard systems and other job and/or training subsidies. The loss of the AFDC-era dollar-for-dollar federal match of state cash assistance expenditures makes it unlikely that many states will make up for lost federal money by spending more on

¹⁰⁶Edelman, “The Worst Thing,” 50; Savner, “Creating a Work-Based Welfare System,” *passim*; Super et al., “The New Welfare Law,” 4-5; Frank James, “Economists Have Doubts About Welfare Reform,” *Chicago Tribune*, 26 November 1996, 1, 13; Roeder, “Jobs Lacking,”

1-2; Warren, “Longtime Friends Freeze Out First Family.”

¹⁰⁷Dana Milbank, “Federal Funds From Welfare Overhaul Fatten States,” *Wall Street Journal*, 14 November 1997, A20.

welfare from their own treasuries. But a provision of the Personal Responsibility Act that allows states to transfer up to 30 percent of their TANF grants to spending on child care or other social services will encourage them to install time limits shorter than five years, since shorter limits would allow them to save money that could then be spent on child care and other efforts to encourage immediate work participation.¹⁰⁸

A related obstacle to meaningful welfare-to-work "reform" is posed by what the Illinois' Poverty Law Project calls the "work participation rate trap." As the task of meeting the state caseload work requirements of the Personal Responsibility Act becomes progressively more imposing each year (states must have 50 percent of their single-parent caseload working at least 30 hours per week by 2002), state administrators may fall into a troubling entanglement. Meeting the rate in a given year will likely be seen as their *real job*, since failure to do so will cost the state significant amounts of money in penalties against their state's block grant. Such a focus could predispose them towards forcing recipients into work activities that "count" under the terms of the Personal Responsibility Act but have little positive impact on recipients' long-term employability. It may lead states to focus their funding and services only on those recipients deemed most likely to help the state save its funding, ignoring the other 50 percent (in 2002) of recipients who still need jobs or other work activities and may be facing the end of their lifetime limits.¹⁰⁹

The risk that the Personal Responsibility Act will encourage states to ignore the training, counseling, and employment needs of the more difficult welfare cases will likely be exacerbated by the federal law's encouragement of state and local welfare privatization. Government investigators have long found that private job-training operators, who get paid for each job placement, tend to pass over those recipients least likely to enter the job market easily and quickly.¹¹⁰

The issue of caseworker training provides yet another obstacle. Under AFDC, state welfare staffs were primarily processors of data and paper work, spending most of their time determining which people were eligible for benefits and how much. TANF-era welfare "reform" requires a whole new set of skills from frontline public assistance employees. These workers are now supposed to be case managers, even social workers, performing individualized assessments, preparing "self-sufficiency" and "personal responsibility" plans, and handling recipients throughout the transition from welfare to work. They are now increasingly being given the discretion to offer different kinds of assistance to different families, using their evaluation of recipients' personal circumstances to determine which welfare mothers must go to work and when, which will be allowed to attend college, which will be potentially sanctioned and at what level, which can receive only a one-time/diversionary payment and which will receive ongoing assistance. Ensuring that the new frontline staffs execute these



¹⁰⁸Edelman, "The Worst Thing," 50; Super et al., "The New Welfare Law," 5-6; Savner, "Creating a Work-Based Welfare System," 1.

¹⁰⁹*Illinois Welfare News* (July 1997), 2.

¹¹⁰Garland, "A Rich New Business Called Poverty," 133.



sensitive and complex new functions in effective and fair ways will present states with a significant retraining job.¹¹¹

A little-known provision of the Personal Responsibility Act referred to as the “caseload reduction credit” interacts with TANF’s frozen funding levels to create a perverse incentive for states to avoid their obligation to expand or improve employment-related programs simply by terminating and denying assistance to poor families. This credit reduces a state’s work participation requirements by the number of percentage points that a state’s AFDC caseload fell since fiscal year 1995. Thus, a state that reduced its caseload by 15 percent between 1995 and 1997 is required to place only 10 percent, not 25 percent of its welfare caseload in work or work-related activities by 1997. Given the generally acknowledged fact that it is cheaper to cut someone from the welfare rolls than to find that person a job, the impetus for states to simply deny and terminate assistance is clear. And the Personal Responsibility Act permits pure and simple denial and termination of cash assistance even to those who meet eligibility requirements.¹¹²

In the absence of formal requirements to evaluate the extent to which TANF-era state welfare reforms place welfare recipients in livable-wage jobs, states will be strongly tempted to demonstrate “successful” welfare-to-work activities in the only visible

fashion — caseload reduction. The lack of evaluation requirements raises the possibility that, in the words of *Washington Post* writers Barbara Vobejda and Judith Havemann, “one of the largest domestic policy revolutions ever could take place without systematic study of what works and what doesn’t, yielding a confusing web of results that offer conflicting conclusions about whether the poor end up any better off.” States are free to conduct their own internal evaluations, but few governors can be expected to conduct costly studies that may reveal their programs to be failing.¹¹³

In and of itself, of course, simple caseload reduction does not necessarily indicate the existence of effective state welfare-to-work programs. It gives no proof that large numbers of adults formerly on welfare have entered the ranks of the regularly employed working class. Recent rising applications to food pantries and homeless shelters in cities and regions experiencing economic “boom” suggest that welfare “reform” can simply make many former recipients more desperate than before. Shrinking welfare rolls can also simply reflect an expanding regional economy, lowered benefit standards (meaning that recipients lose less by leaving welfare rolls), and/or simple state termination and denial of assistance.¹¹⁴ Thus, according to Steve Savner of the Center for Law and Social Policy:

¹¹¹ *Illinois Welfare News* (July 1997), 2; Barbara Vobejda and Judith Havemann, “In Welfare Decisions, One Size No Longer Fits All,” *Washington Post*, 30 June 1997, A1, A8.

¹¹² *Personal Opportunity and Work Reconciliation Act*, Sec. 407, p. 2130; Savner, “Creating a Work-Based System,” 4-5.

¹¹³ Barbara Vobejda and Judith Havemann, “Success After Welfare? Massachusetts Provides a Glimpse of the Human Toll Behind the Decline in Caseloads,” *The Washington Post National Weekly Edi-*

tion, 13 January, 1997, 6; Savner, “Creating a Work-Based System,” 5. For an example of how this issue is playing out in Wisconsin in precisely the way described here, see De Parle, “Cutting Welfare Rolls But Raising Questions.”

¹¹⁴ A recent examination of Indiana welfare reform was unable to determine the relative explanatory power of the state’s tough new welfare policies versus economic growth in explaining dramatic AFDC caseload reduction from 1994 to 1996. Fein, *The Indiana Welfare Reform*, 5.

one of the many difficult tasks that now faces observers of the welfare system is to assess the validity of a state's claims about the success of its program, to determine whether declining caseloads result from effective programs and administration, as opposed to fortuitous economic conditions, or a willingness to deny or terminate aid to families in need. Conversely, for states whose caseloads remain constant or increase, will such results be an indication of a failed system, or one in which needy families, those with and without earnings, are receiving meaningful assistance through a work-based model?¹¹⁵

It is important to note that Wisconsin and Michigan, the two states most commonly cited as examples of "successful" welfare-to-work reform by those who advocated the Personal Responsibility Act and its predecessor bills, enjoyed relatively strong economies with low unemployment and significant job expansion in the first half of the 1990s. In these states the ratios of welfare recipients to jobs were unusually small. Therefore, they should be used only with caution, if at all, as welfare "reform" models for the entire country.¹¹⁶

Despite the problems raised by the recent federal legislation, the policy is ambiguous. It offers somewhat more flexibility in the use of federal funds (for employment-related programs) than existed under AFDC. States are now free to pursue any policy they

wish regarding the treatment of welfare recipients' earnings, from earned income disregards, to direct income supplements, and/or state earned income tax credits. States can use federal funds as they wish for job retention, reemployment, and follow-up services. They are free to advance liberal definitions of "work activities," including (as most welfare advocates prefer) secondary education. In a direct break with AFDC/JOBS, states can now use federal money for public employment programs in which current or former recipients work for the state on the model of the Works Progress Administration or CETA's Public Service Employment program. These public employees will be eligible for the earned income tax credit, which is not available to those in the subsidized or unpaid/workfare positions that alone could be federally assisted in the AFDC era. States naturally remain free to spend their own funds as they wish on job training, education, health, child care, and other programs relating to the welfare recipients.

The new federal law does not require states to impose time limits on all families needing cash assistance, but only on those receiving payments from federal TANF funds. Recipients who receive their assistance from state funds explicitly segregated from federal funds in a state's TANF program or from a separate state TANF program receiving no federal money will not be subject to TANF time limits. States will still be able to count such segregated TANF expenditures towards meeting TANF's maintenance of effort requirement. This is how Illinois can waive time



¹¹⁵Savner, "Creating a Work-Based Welfare System Under TANF," 5. Vobejda and Havemann, "Success After Welfare?" 7.

¹¹⁶Alan Finder, "Welfare Seekers Outnumber Jobs They Might Fill." *New York Times*, 25 August 1996, A1. For similar reflections on

Indiana's outwardly impressive AFDC caseload reductions during the 1990s, see David Fein, *The Indiana Welfare Reform Evaluation: Facts and Circumstances Surrounding Recent AFDC Caseload Decline in Indiana* (Cambridge, Mass.: Abt Associates, Inc. 1 July 1996).



limits for those who continue to work 20 hours a week after receiving more than five years of cumulative TANF assistance and Michigan can promise to ignore the 60-month limit altogether for recipients who continue to follow its work rules.¹¹⁷

The Balanced Budget Act passed in August 1997 contains at least two provisions that may help facilitate a positive transition from welfare to work. Besides confirming the Labor Department's May 1997 ruling that TANF work participants are covered by federal minimum-wage protections, it provides a total of \$3 billion for federal "welfare-to-work" grants to states meeting maintenance of effort requirements and matching these grants on a \$1 to \$2 basis. This money is designated to fund such work-focused or "work-first" activities as job-readiness programs, on-the-job training, community service and work experience (workfare), wage subsidies, and job retention and support services. These "welfare-to-work" grants are geared towards the most difficult, long-term welfare cases. At least 70 percent of the funds must be spent on people with at least two of the following three barriers to employment: (1) no high school degree or GED *and* low math or reading skills, (2) substance abuse, and (3) a poor work history. These individuals must have received TANF or AFDC for at least 30 months or be within 12 months of reaching a TANF time limit.¹¹⁸

At the same time, we should not think of "welfare

reform" as something that will be dispatched thoroughly and finally during 1996 and 1997. Current TANF-era state welfare plans will likely mark the beginning of a process of welfare "reform" that will extend over several years, as states refurbish their programs to fit changing realities. It is possible, for example, that some state legislatures will develop interpretations and programs quite different from those envisioned by champions of the Personal Responsibility Act and recent harsh state welfare "reforms," once they are provided with data from the sort of close monitoring suggested by Savner or they have to address the impact of an inevitable future recession, when shrinking job opportunities will graphically reveal the dangerously optimistic labor-market assumptions underpinning recent welfare reform measures.¹¹⁹

In the meantime, advocates and other concerned citizens must work to discourage states from undertaking a number of harmful actions, all permissible and in some cases encouraged under the new state-federal welfare regime introduced by the Personal Responsibility Act. Among such harmful actions we might discourage are the following:

- Setting time limits shorter than five years.
- Cutting the state's own investment in welfare funds.
- Cutting benefit levels in an interstate "race to the bottom."

¹¹⁷Savner, "Creating a Work-Based Welfare System," 2-4; Steve Savner and Mark Greenberg, "The New Framework: Alternative State Funding Choices Under TANF" (Washington D.C.: Center for Law and Social Policy, March 1997) <http://epn.org/clasp/fnlsfnd.html>

¹¹⁸Mark Greenberg, "Welfare-to-Work Grants and Other TANF-Related Provisions in the Balanced Budget Act of 1997," Center for Law and Social Policy (Washington D.C.: Center for Law and Social Policy, August 1997).

¹¹⁹Rebecca Blank, "The Effect of the 1996 Welfare Reforms" (Evanston, Ill.: Center for Urban Affairs and Policy Research, Northwestern University, October 1996), 11-12; Edelman, "The Worst Thing," 50; Jared Bernstein, "The Challenge of Moving From Welfare to Work" (Washington D.C.: Economic Policy Institute, June 1997) <http://epinet.org/lbbern.html>, 2.

- Using workfare, job subsidies, and caseload reduction as a punitive wage-cutting and labor-displacing strategy.
 - Transferring money out of the TANF block grant to nonwelfare expenditures.
 - Privatizing large portions of the welfare/welfare-to-work system.
 - Targeting only that part of the welfare population deemed likely to help the state meet its immediate federal work participation requirements.
 - Creating superficial “work activity” programs that meet the federal work requirements but contribute little to long-term employability.
 - Dismantling basic procedural protections.
 - Creating bureaucratic barriers that overwhelm recipients.
- As the fight over welfare policy shifts from Washington D.C. to the state capitals, activists can and will make the case for numerous constructive policies. Among the constructive policies we might encourage are the following:
- Broadly defined work activities including room for the education recipients need to find “good” jobs.
 - An aggressive, well-funded training strategy.
 - Significant money for child care assistance.
 - State application and provision of matching funds for the federal “welfare-to-work” made available by the Balanced budget Act of 1997.
 - Grants provided by the exemption of mothers of young children from work requirements where and when decent child care is unavailable.
 - Programs that identify and assist those on public assistance afflicted by the most serious health, skill, or personal problems (not just the most immediately job-ready).
 - The extension of basic federal job and labor protections to “workfare” recipients.
 - Restrictions on the displacement of employed workers by current and former welfare recipients.
 - Livable wages for the working poor.
 - A raise in the minimum wage.
 - The creation of low-cost, state-run health insurance programs for families who lose their Medicaid eligibility.
 - Job creation efforts (including public employment programs if necessary).
 - Stepped-up public education to inform low-income workers of their eligibility for the earned income tax credit.
 - Separate state funding and federal waivers to sustain welfare payments for recipients who meet work requirements or who are unable to find but are still seeking work beyond the five-year limit.
 - Federal waivers to permit the extension of food stamp payments beyond three months for the childless unemployed where local unemployment levels are high.
 - Restrictions on the privatization of public assistance functions.
 - Systematic monitoring and comprehensive evaluation of welfare “reform” policies and outcomes
 - Strengthening of the Personal Responsibility Act’s “maintenance of effort” requirements on state welfare spending.
 - Increasing the Personal Responsibility Act’s slight “emergency contingency fund” for states



(meant to offer additional assistance in the case of a recession).

- Changing the basis for determining the size of a state's TANF block grant from that state's historical AFDC expenditure levels during the early 1990s to that state's number of poor children
- Provisions to strengthen recipients' right to a due process hearing for contesting benefit, sanction, and other decisions.

Welfare advocates in Pennsylvania have already won a federal court ruling against the provision in that state's TANF plan that orders smaller benefit levels to new residents from states with lower grant standards.¹²⁰

In working to shape policy, advocates may derive a curious intellectual and ideological advantage from recent state and federal welfare "reform" measures. Adult recipients of cash family assistance have long been stereotyped — practically demonized since the 1980s — as the "undeserving poor." They have been shamed for allegedly possessing a weak work ethic, that great test of American citizenship. There is both a national consensus in support of work and a broad disdain for those perceived to be gaining rewards not tied to the performance of "useful" tasks through the supposedly false entitlement called welfare.

But the conventional wisdom that recipients are poor because of personal and/or cultural weaknesses reinforced and even created by the very availability of welfare reinforces toxic myths. It ignores the short-lived nature of most recipients' stays on welfare. It misses the significant extent to which welfare recipients have long been forced by low benefit levels and low wages to rely on both earned income and transfer payments (welfare) to survive. It idealizes the opportunities presented by the U.S. labor market for welfare recipients. It obscures the fact that welfare is rooted in the older, more entrenched problems of poverty and inequality, themselves largely functions of the structure and operation of the American and global economy. It deflects working peoples' attention away from those who command and profit most from that economy and divides Americans between virtuous workers ("us") and "lazy welfare bums" ("them"), obstructing political coalitions that might challenge the inegalitarian logic of unbridled market forces.¹²¹

The ending of the welfare "entitlement" will make it more difficult than before to claim that poor people lack resources simply because of the "liberal" welfare state. It will make more transparent than previously the origins of poverty and welfare in the fact the American economic system "of choice" generates

¹²⁰Edelman, "The Worst Thing," 52; Savner, "Creating a Work-Based Welfare System"; Savner and Greenberg, "The New Framework"; Savner, "The Implications of Applying Federal Minimum Wage Standards to TANF Work Activities" (Washington D.C.: Center for Law and Social Policy, April 1997) <http://epn.org/clasp/dolsrep.html>; Rebecca Blank, "Welfare Recipients Aren't the Only Ones with Plenty of Work Ahead," *Chicago Tribune*, 12 January 1997, 2, 1, 4; Burtless and Weaver, "Reinventing Welfare — Again;" *Illinois Welfare News*, May 1997, June 1997, July 1997; Goozner, "Welfare's Gold Rush," 8; Uchitelle, "Welfare Recipients Taking Jobs"; Franklin, "Workfare Idea Needs Some Work"; Fifield, "Corporate Caseworkers"; Christo-

pher Jencks, "The Hidden Paradox of Welfare Reform: Why Single Mothers May Earn More But Do Worse," *The American Prospect* 32 (May-June 1997) <http://epn.org/prospect/32/32jencks.html>, 4-5.

¹²¹Handler, *Poverty of Welfare Reform*, 32-56; Center on Social Welfare Policy and Law, *Welfare Myths*; Kirsten Gronbjerg, David Street, and Gerald Suttles, *Poverty and Social Change* (Chicago, Ill.: University of Chicago Press, 1978), 23, 62-64; Michael Katz, *Improving Poor People: The Welfare State, the "Underclass," and Urban Schools as History* (Princeton, N.J.: Princeton University Press, 1995), 19-98; Gordon, *Pitied But Not Entitled*, 293-306.





losers and winners alike, two sides of the same “free enterprise” coin. It will help dissolve disabling divisions between working people and the supposedly nonworking “underclass” Americans. It puts the burden of proof on the masters of the American political economy and workplace to prove that everyone, even the least skilled, can win if he or she plays by the rules of the market. At the same time, welfare “reform” for the poor shines an unprecedentedly bright light on the problem of “wealthfare” — the significant amount of public money that supports wealthy individuals and corporations. Without AFDC to beat up on any more, proponents of “tough love” social policy and their perceived allies in key private sector positions need to activate the magic of the “free market” for even the most downtrodden Americans.

Certainly advocacy groups and other concerned citizens in the states covered by the Midwest Job Gap Project have already exploited and will continue to exploit opportunities to challenge the prevailing drift of state and federal welfare policy in accordance with the notion that labor market and other institutional factors provide a better explanation of poverty than the “lack of personal responsibility” of the poor. However disappointed advocates may be at the course of recent state and federal “welfare reform,” they must take whatever advantage they can of these opportunities. The alternative is to leave the welfare debate and welfare policy entirely to those who insist on blaming the victims of poverty and inequality for their plight.



Appendix — An Overview of Midwestern Welfare Plans







Policies	Illinois 	Indiana 
TANF application date; date TANF grant certified	5/16/1997; 7/1/1997	10/1/1996; 11/1/1996
Lifetime time limit less than 60 months?	No, except for families whose youngest child is 13 years or older.	Yes, two years, but with an extension of one month for each period of six months of consecutive employment.
Community service after two months? ¹	No	No
Formally specified time limits of less than 24 months for able-bodied adults who have not participated in work?	TANF recipients with children 5 to 12 years old must enroll in a job search program for six months and get a job within that time or be assigned to a state work experience or training program.	No
Social contract: self-sufficiency or personal responsibility agreement?	Yes	Yes
Individualized assessment and caseworker management?	Yes	Yes
Tougher benefit sanctions for noncooperation with assigned work and other activities ? ²	Yes	Yes
Elimination of the entire family cash grant as sanction for one member's failure to participate in work?	Yes	No
Family cap / baby penalty?	Yes	Yes

¹By August 22, 1997, the Personal Responsibility Act mandates that states must require parents or caretakers not working after getting two months of benefits to participate in community-service work but allows governors to opt out of this requirement. As of July 1, 1997, 33 governors indicated their decision to opt out, two governors (Massachusetts and Michigan) indicated they would enforce the requirement, and 15 governors postponed their decision.

²Here we include under the "yes" classification states that toughened sanctions for noncooperation any time during the 1990s, even before the Personal Responsibility Act.



Michigan 	Minnesota 	Ohio 	Wisconsin 
8/27/1996; 9/30/1996	5/1/1997; 7/1/1997	9/17/1996; 11/1/1996	8/27/1996; 9/30/1996
No	No	Recipients without good cause limited to 36 months.	No
Yes	No	No	No, but such requirement would be partly redundant under W-2.
Yes	Yes	No	Yes, no cash assistance without work.
Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes
Yes	No	Yes	Does not apply; no grant without work in the first place.
No	No	No	Yes



Policies	Illinois 	Indiana 
Residency requirements: different treatment for people from other states?	Yes	Yes
School attendance requirements?	Yes	Yes
Strengthened child support enforcement?	Yes	Yes
Drug test?	No	No
Deny TANF to drug felons?	Yes	Yes
Diversion programs?	No	No
Earnings disregard?	Yes	No
Subsidized employment?	Yes	Yes
Workfare?	Yes	Yes
Transitional child care beyond 12 months?	Yes	No
Transitional Medicaid beyond 12 months?	No	No
Allow individual development accounts?	Yes	No
Increase resource limit?	Yes	Yes
Increase vehicle asset limit?	Yes	No
Eliminate 100-hour rule?	Yes	Yes
Apply for federal waivers to extend food stamp grants? ³	Yes	Yes
Sliding-scale child-care assistance plan for working poor?	Yes	No

³The Personal Responsibility Act limits Food Stamps to no more than three months within a three-year period for able-bodied adults (ages 18 to 50) with no dependents unless they are working or engaged in a work program for at least 20 hours per week. But the

law permits states that show the existence of a significant job gap in specific areas of their states to apply for and receive waivers extending Food Stamp benefits beyond these work/time limits in high unemployment regions.



Michigan 	Minnesota 	Ohio 	Wisconsin 
No	Yes	No	Yes
Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes
No	No	Yes	No
Yes	No	No	Yes
No	Yes, 4 months	Yes	Yes, job access loan
Yes	Yes	Yes	No
Yes	Yes	Yes	No
Yes	Yes	Yes	Yes
Yes	No	No	Yes
No	No	No	No
No	No	No	No
Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes
No	Yes	Yes	No
No	Yes	No	Yes

