Understanding Wisconsin Works (W-2)

Thomas Corbett

The Wisconsin welfare reform proposals (Wisconsin Works, W-2) that were signed into state law on April 25, 1996, have dominated much of welfare reform debate in recent weeks. In his radio address of May 18, 1996, President Clinton declared that he was "encouraged" by Wisconsin's proposal, which he described as "one of the boldest yet attempted in America."[1] Others have expressed doubt and concern, one advocacy group arguing the plan contains "a number of very troubling features."[2] The radical nature of the changes introduced by W-2 and the controversy likely to surround it make it a reform of national rather than merely local significance.[3] In the articles that follow, we begin the process of explanation and evaluation.

By virtually everyone's standard, W-2 is one of the most dramatic attempts to reform the Aid to Families with Dependent Children (AFDC) program since its creation in 1935, when the federal government assumed partial fiscal and regulatory responsibility for what had been state-run "mother's pension" programs. In some critical ways, it is also the most familiar of reform efforts. It is dramatic, in that it proposes to end poor families' entitlement to cash assistance and to substitute, on a nearly universal basis, time-limited, work-conditioned support. It is familiar, in that the theme of replacing welfare with work has resonated in America's public policy discourse ever since the original colonies imported the Elizabethan Poor Laws.

W-2 attempts to deal with long-documented and much-discussed flaws in any welfare approach to helping the poor.[4] Functionally, welfare programs provide benefits to those who do not work and inflict substantial barriers, including high marginal tax rates, on those who do. In addition, various welfare programs attempt to achieve target efficiency by directing available benefits toward more vulnerable families, such as one-parent families, or by increasing benefits for larger families. Though well intentioned, all targeting creates undesirable incentives; for example, AFDC has long been seen as discouraging marriage and labor force participation.

One debate within the welfare reform movement has been whether reform can be accomplished within the current welfare framework or whether reformers must step outside welfare to really assist disadvantaged families.[5] Efforts at reform within welfare have realized some success but have failed to remedy fundamental flaws. Appreciating the constraints of reform within welfare, W-2 attempts to break out of conventional welfare thinking.

Principles and premises

The articles that follow describe aspects of W-2 in some detail. Viewed in broad perspective, W-2 attempts:

To end the individual entitlement to cash assistance. It is proposed that no one will receive income support that is not directly tied to work or to a set of approved activities directly associated with work. W-2 is built on a labor market attachment, rather than a human capital, model; "getting a job" is emphasized and any training that is permitted is linked to actual work.

To set time limits upon public responsibility for disadvantaged families. It is proposed that participation in W-2 be time-limited. The program assumes a "graduation" or "ratcheting-up" model to account for the likely experience of participants. That is, once in the labor market, W-2 participants will give evidence of improved personal functioning and enhanced earnings capacity.

To shift from a program that regulates process to one that emphasizes outcomes. The current system focuses on how clients will be treated; procedural rights are protected through "due process" guarantees. W-2 would focus on outcomes instead; caseload reductions and increases in labor force participation would be stressed.

To minimize undesirable incentives by moving toward a broader target population. The architects of W-2 understood that benefits targeted on single-parent families generated undesirable incentives; they also recognized that removing all categorical eligibility factors was expensive. W-2 moves cautiously toward extending benefits to a broader segment of the low-income population.

To design a program that replicates the real world for participants. The program has many features designed to conform public policy with the way the real world operates: benefits are flat (like wages) and not scaled to family size; caretakers with children up to 12 weeks old are exempt from work requirements, a period similar to that provided by family leave policy; and benefits are reduced for each hour that an individual's work or other obligation is not satisfied.

To decouple key transitional supports such as child care and health care from one's welfare status. Medicaid and some forms of subsidized child care were once closely linked to getting welfare, making it more difficult for people to disengage fully from the welfare system. This link had been gradually weakened in recent years; it is further weakened by W-2, but at the cost of imposing higher copayments on low-income families.

To fully decouple child support from welfare. In the past, AFDC mothers saw only $50 of any child support collected on behalf of their children. Under W-2, they will receive the full amount collected.[6]

To change the conception of welfare. From a time-constrained, income support system, W-2 proposes to convert welfare to a longitudinal, people-changing system. AFDC has been primarily oriented toward issuing checks to cover monthly income shortfalls in an accurate and efficient manner. W-2 completes the recent transformation to a system that seeks to change the behaviors and prospects of participants over a period of time.[7]

To transform welfare into a total community responsibility. W-2 seeks, through the creation of steering committees and significant numbers of community service jobs (among other things), to transform welfare from an isolated public function into a broad-based community concern.

To end the government monopoly on the administration of welfare. The architects of W-2 believe that competition will improve the performance of those charged with operating W-2. Under some circumstances, program responsibility may be assigned through a competitive bidding process that is open to for-profit organizations.

Despite its ambitious character, W-2 does not fully escape the welfare framework. When the copayments for child care and health care are considered, the marginal tax rates for some families may be higher under W-2 than under the current system.[8] Some parents—those who are disabled or have more children to care for—would appear to lose under W-2, at least in the short run. And some observers worry about economic cycles and the ability of the state to manage such a complicated program. Despite these caveats and concerns, W-2 is a serious effort to take public policy for poor families in a new direction.

What's next?

In the articles that follow, W-2 is described in some detail by several IRP affiliates. Karen Folk first provides an overview of the features of W-2. To provide background for our understanding of the particularities of the Wisconsin reforms, Maria Cancian and Daniel Meyer describe the characteristics of the Wisconsin AFDC population. Thomas Kaplan and Folk then provide additional detail on important aspects of the W-2 experiment—the health care and child care elements. Mark Courtney discusses the relationship of W-2 to the child welfare system, Robert Haveman addresses the implementation of W-2, and John Witte and Tom Corbett consider how to go about evaluating the initiative.

These discussions are followed by descriptions of two related initiatives taking place in Wisconsin. Elisabeth Boehnen and Tom Corbett report upon Work-Not-Welfare (WNW), a two-county demonstration program that is often seen as a stepping-stone to W-2, describing how it was implemented in Fond du Lac County. The Milwaukee-based New Hope project is a privately organized and managed demonstration program in which, as in W-2, all program benefits are work-conditioned. There are, however, significant differences between the programs that may shed light upon the prospects for W-2. ■

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[1]Taken from the transcript of the Radio Address by the President to the Nation, released by the White House Office of the Press Secretary on May 18, 1996.

[2]See Center for Law and Social Policy, *Wisconsin Works: Significant Experiment, Troubling Features*, unpublished ms., Washington, D.C., May 23, 1996, p. 1.

[3]Portions of this description of W-2 as well as the Fond du Lac and New Hope demonstrations were made possible by the generous support by the Helen Bader and Joyce Foundations (the "Informing the Welfare Debate" Project).

[4]The points made here are discussed in greater detail in Thomas Corbett, "Changing the Culture of Welfare," *Focus* 16, no. 2 (Winter 1994–1995):12–22.

[5]The debate was clearly engaged with the publication of *Income-Tested Transfer Programs: The Case for and Against*, ed. I. Garfinkel (New York: Academic Press, 1982).

[6]This is a little noted but quite extraordinary provision of W-2. For some parents, escaping poverty will be easier by adding earnings and the EITC and child support. Others worry that the loss of child support collections to offset welfare costs will reduce government's interest in supporting a vigorous child support system.

[7]Welfare traditionally had a monthly accounting period; the calculation of benefits for a given month was largely independent of other months—a Point-in-Time (PIT) perspective. W-2 moves toward a Point-in-Process (PIP) perspective, in which the system must deal with the much more difficult challenge of managing families over time.

[8]The Wisconsin Legislative Fiscal Bureau concluded that a parent of two children in Milwaukee, after taking into account all W-2 benefits and other transfers as well as taxes and copayments, would have lower disposable income when earning $12 per hour ($11,852) than those earning $4.25 per hour ($15,179).

Welfare reform under construction: Wisconsin Works (W-2)

Karen Fox Folk

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The Wisconsin Works program that was signed into law on April 25, 1996, envisions a complete restructuring of welfare as it currently exists in Wisconsin.[1] Wisconsin Works will end Aid to Families with Dependent Children (AFDC) cash grants and entitlement to services. Its aim is to integrate welfare recipients into the work force by conditioning the receipt of benefits, both cash and in kind, upon movement up a ladder of supported work experiences to an ultimate goal of self-sufficiency through unsubsidized employment. These benefits will be time-limited.

Proposed time line

Under the W-2 legislation, a competitive bidding process will be used to select providers of W-2 services in each county and in six to eight geographic areas of Milwaukee in the summer of 1996. (In some cases, a noncompetitive bidding process will be used for county social or human services that have met previous job-training program performance standards.) The target date for the program to begin statewide is October 1997. Parts of W-2 will be phased in sooner. For instance, the time-limit clock for those who are currently active participants in JOBS (the job-training component of AFDC) will start running in July 1996. However, the timing of W-2 depends on when the state obtains the many necessary waivers of federal regulations from several federal agencies, or on the passage of block grant legislation by the U.S. Congress that obviates the need for waivers.

Eligibility

Those eligible for W-2 services include custodial parents of minor children who have incomes at or below 115 percent of the poverty line (115 percent = an income of $14,927 a year, in 1996, for a family of three) and who meet asset limits. W-2 participants are allowed a total of $2,500 in assets, above a $10,000 exemption for one or more vehicles and a homestead property exemption.

Noncustodial parents (if their minor children are eligible for W-2) and pregnant women are eligible for job search assistance and case management, but not for a subsidized employment position. Minor parents are not eligible for cash assistance. They are eligible for case management services and noncash assistance for child care and health insurance, if they live with their parents or in a supervised setting (a group or foster home). Minors without a high school diploma must attend school to receive child care for their children.

There is a 60-day Wisconsin residency requirement for participants in W-2. Child care and health care assistance will be available under W-2 to those who do not meet the residency requirements. There are special provisions for migrant workers.

The disabled

Participants with disabilities or with disabled children will be referred to Social Security offices or to the Wisconsin Division of Vocational Rehabilitation for assessment. Participants with partial disabilities will be assigned to work activities within their ability level.

Other eligibility criteria

Applicants may be required to search for employment and take part in job-training activities during the application period. Anyone who has refused a bona fide job offer in the last 180 days is not eligible for services. Only one member of a W-2 group (i.e., household) at a time can be a participant in a subsidized W-2 employment position.

The provisions of Wisconsin Works

Work requirements

All participants are placed in one of four tiers of employment or employment experience. Payments are made by an employer for hours worked or in the form of a monthly state grant for community service jobs and transitional placements. Parents caring for a child less than 12 weeks old may be given a $555 monthly grant and exempted from work requirements. Under W-2, there are no earned-income disregards or 100-hour lim-

Table 1
Work Self-Sufficiency Tiers

	Basic Income Package	Workweek/Estimated Income	Premiums and Copayments*	Program Time Limits
Unsubsidized Employment	Market wage @ $6.00/hr + Food Stamps (FS) + Earned Income Credit (EIC)	40 hrs/week standard $1040 per month + FS + EIC	Health care: $20/mo.** Child care: $106–$150/mo.***	None
Trial Jobs (W-2 pays a maximum of $300/month to employer)	Market wage @$6.00/hr + FS + EIC	40 hrs/week standard $1040 per month + FS + EIC	Health care: $20/mo.** Child care: $106–$150/mo.***	3–6 months per job; 24-month maximum (Extensions made on a case-by-case basis)
Community Service Jobs	$555/month grant + FS (no EIC)	40 hrs/week standard: 30 hours of work; 10 hours job training or education $555 per month + FS	Health care: $20/mo. Child care: $22–$55/mo.***	6–9 months per job; 24-month maximum (Extensions made on a case-by-case basis)
W-2 Transitions Div. of Vocational Rehabilitation assessment required; may include treatment for alcohol and other drug abuse.	$518/month grant + FS (no EIC)	Assigned activity hours may be less than 40 hrs/week (may include up to 12 hours job training or education) $518 per month + FS	Health care: $20/mo. Child care: $22–$55/mo.***	24-month maximum (Extensions made on a case-by-case basis)

Note: Unsubsidized employment constitutes the highest tier of self-sufficiency, W-2 Transitions the lowest tier, in which participants receive the greatest support.

*These health care premiums and child care copayments were in the bill as passed by the legislature. Governor Thompson eliminated language concerning premiums and copayments, but directed executive officials to establish the same schedules administratively. See the articles by Thomas Kaplan, pp. 63–65, and Karen Folk, pp. 66–68.

**Monthly premiums are $20 per month per family if income is below 165 percent of the poverty line; above that level, the premium rises rapidly to $143 at 200 percent of the poverty line, the point at which eligibility for W-2 health benefits ends.

***Copayments for 1–2 children at low-cost to high-cost child care rates, from the Legislative Fiscal Bureau.

its as in AFDC. Participants are expected to move up the ladder of employment as quickly as they are able, a decision made by their financial and employment planner. The financial and employment planner is the key staff person under W-2; the planner is expected to be a skilled advisor who will work with individuals to encourage the greatest degree of self-sufficiency that they are considered capable of achieving at each stage of the job ladder. Job tiers and benefits are summarized in Table 1.

Time limits. There is a 60-month lifetime limit on any combination of the three subsidized levels of employment, and 24-month time limits within each level.

Education and training

W-2 focuses on moving participants into employment as quickly as possible. Two weeks of motivational and assessment training may be required of those in the two lowest categories on the job ladder, community service jobs and the transitional program (see Table 1); this may include parenting education. The program allows other short-term education in basic skills (such as the GED or tutoring in English as a second language) and job training directly linked to existing employment opportunities.

In addition to child care subsidies during employment, participants who have been successful in their W-2 employment are allowed up to one year of child care subsidies for education and training. Small grants of up to $500 are available for educational expenses such as tuition, books, etc. To qualify, participants must have been employed for nine months, must work full time, and must provide matching dollars from personal and community funds. JOBS participants who were in postsecondary education and vocational skills training on December 1, 1995, may continue that training if they are making satisfactory progress, but such help will end June 30, 1997.

Children under Wisconsin Works

W-2 payments do not include adjustments for the number of children in a family.

Child support. Individuals applying for W-2 services must cooperate fully with paternity and child support establishment. The current system for child support collection will continue, but the full child support payment by the noncustodial parent will go directly to the family. (Under AFDC, only $50 does so.) Child support payments are not budgeted against a W-2 benefit as they are under AFDC.

Child care. Subsidies are available to W-2 participants, but all must pay some part of child care costs. For details see the article by Karen Folk, this issue, pp. 66–68.

Supplementary benefits

Food stamps. Households with net incomes below 100 percent of the federal poverty line and less than $2,000 in disposable assets qualify for food stamps. The monthly amount is based on household size and income. In 1995, food stamp amounts averaged $200–$300 per month to families with incomes at the three lowest levels of W-2 employment, $100–$200 per month for those in unsubsidized, low-wage employment.

Job access loans. W-2 participants can borrow small amounts to pay for expenses related to obtaining or keeping a job. Loans must be repaid in cash or through a combination of cash and volunteer work.

Health care. W-2 will replace the current Medical Assistance (Medicaid) program for W-2 recipients with a new insurance plan using health maintenance organizations. The W-2 Health Care Plan will pay for health care services for many low-income working families and their children through age 18. (For details, see the article by Thomas Kaplan, pp. 63–65, this issue.)

Sanctions

For those in community service jobs or W-2 Transitions, nonparticipation in assigned activities will reduce monthly grants at the rate of $4.25 per hour for every hour missed. If a participant refuses three times to participate in a W-2 employment position, the participant becomes ineligible to participate in that level of subsidized employment. Refusal to participate includes verbal and written refusal and failure to show up for a job interview, employment, or training without good cause.

The administration of Wisconsin Works

The program will be administered through W-2 services contracts within each county, most located within a Job Center. The contract might be granted to a county government, tribe, or private company. For the first two years, noncompetitive contracts will be available to agencies that have met performance standards established by the Department of Health and Social Services. Contract renewals will be based on whether the contractor meets performance standards stipulated in W-2 contracts. County social or human service agencies will administer child care services. The W-2 agency will administer food stamps for all W-2 recipients; county social services will administer food stamps for all others.

Community steering committees

W-2 stresses community involvement with the creation of a steering committee to develop public and private jobs and creative solutions to such things as child care and transportation needs. Its members will include county social service professionals, community leaders, local employers, educators, and service organization representatives. W-2 agencies must appoint a steering committee within 60 days of being awarded a contract for services.

Children's Services Networks

These will be developed in each county under the leadership of the W-2 agency to ensure that children receive support services such as access to charitable food and clothing centers, subsidized and low-income housing, and WIC, no matter what their parents' employment status. ■

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[1]Information from: *W-2 Wisconsin Works*, a report issued by the Wisconsin Department of Health and Social Services, September, 1995; Assembly Substitute Amendment 3 to Assembly Bill 591: Summary of Wisconsin Works Proposal; Legislative Fiscal Bureau Summary and Fiscal Audit of W-2, March 4, 1996; communication from Jean Rogers, DHSS, February 27, 1996; Governor Thompson's letter concerning partial vetoes to Assembly Bill 591, April 25, 1996.

A profile of Wisconsin welfare recipients: Baseline data

Maria Cancian and Daniel R. Meyer

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Wisconsin is at the forefront of a national movement to require AFDC recipients to find employment. The move toward work-based welfare reform raises important questions about the job prospects, potential wages, and child care responsibilities of current recipients.[1] To begin answering these questions, we analyzed administrative data concerning the characteristics of Wisconsin women who headed AFDC-Regular (primarily single-parent) cases, which account for about 80 percent of all AFDC cases in Wisconsin.

We first looked at changes in the state's caseload from 1983 to 1993 to learn whether the remarkable decline in the number of AFDC recipients that took place over that period meant that those who were better prepared for work had already left the rolls.[2] We found that, over the decade, the AFDC-Regular caseload increasingly contained recipients with low levels of education, larger families, and younger children. The percentage of those recipients who lacked a high school diploma rose from 35 to 42 percent of the total; the proportion of families with more than one child grew from 50 to 57 percent; and families with a preschool child increased from 62 to 72 percent. These figures indicate that the current caseload includes a greater proportion of individuals who face barriers to full-time work. To learn more about the nature of those barriers, we turned to a close examination of those who were recipients in December 1993, the latest date for which information was available at the time of our study.[3]

AFDC mothers and their children

Table 1 shows the distribution of the December 1993 caseload by mother's age and education, number of children, age of youngest child, mother's marital status, and her race. In each case the distribution is shown for the total caseload and separately for Milwaukee County, which includes the state's largest city and constitutes a little more than half of the total state caseload. The table reveals substantial diversity in the characteristics of AFDC recipients. It also demonstrates that many of these mothers have low levels of education and extensive child care responsibilities, in terms of the age and number of their children. Because these attributes may make it difficult to obtain self-sustaining employment, we looked in more detail at the caseload according to mother's education and age of the youngest child. Figure 1 displays these results.

Table 1
Characteristics of Mothers Receiving AFDC-Regular in Wisconsin, December 1993

	Wisconsin	Milwaukee County	Other Counties
Total (*N*)	5,895	3,014	2,881
Mother's Age			
Under 18	0.5%	0.6%	0.3%
18–24	34.0	32.1	36.0
25–29	23.8	24.2	23.4
30–39	32.8	34.2	31.4
40 and over	8.9	8.9	8.9
Mother's Education			
Less than 11 years	21.7	25.6	17.6
11 years	20.1	24.1	15.8
12 years	38.9	33.4	44.6
More than 12 years	15.1	11.4	19.0
Not reported	4.3	5.5	3.0
Number of Children			
1	38.6	33.5	44.0
2	30.3	30.2	30.5
3 or more	31.0	36.3	25.5
Age of the Youngest Child			
Under 1	17.1	15.8	18.4
1	16.3	15.9	16.8
2	12.8	12.6	12.9
3–5	22.0	21.4	22.7
6–11	20.7	21.5	19.8
12 and over	11.1	12.8	9.3
Mother's Marital Status			
Never-married	60.3	70.6	49.6
Married	3.1	2.3	4.0
Divorced/Separated	35.5	26.3	45.2
Other	1.0	0.8	1.2
Mother's Race			
White	43.9	16.6	72.4
Black	40.7	66.1	14.1
Other	11.6	12.4	10.8
Not reported	3.8	4.9	2.7

Source: Authors' calculations from a 10% sample of all AFDC-Regular cases headed by women in December 1993.

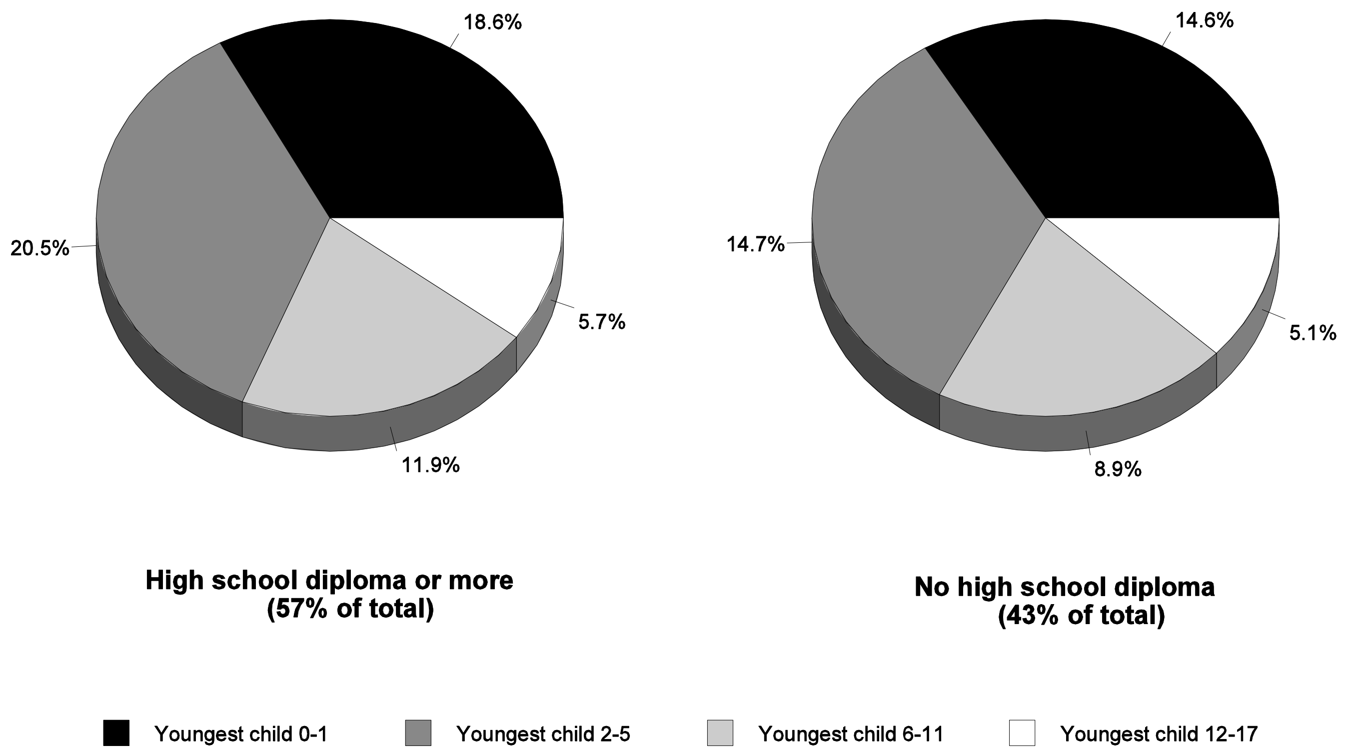

Figure 1. Distribution of AFDC cases in Wisconsin, by mother's education and age of youngest child.

Source: Authors' calculations from a 10% CRN sample of all AFDC-Regular cases headed by a woman in December 1993.

The figure shows that only 6 percent of cases had at least a high school diploma and no children under age 12—one relatively crude estimate of the percentage of the caseload that is most ready to work. About 43 percent of mothers have less than a high school education. In this group, about one-third have at least one child under 2, one-third have a youngest child aged 2–5, and one-third have only school-aged children. Among the 57 percent of women with at least a high school diploma, the distribution by age of youngest child is similar.[4] The ages of the children are, of course, a major factor in determining child care needs.

One way to measure total child care responsibilities is to consider the cost of child care. To estimate costs, we used the average of the Maximum Child Day Care Reimbursement Rates for Certified Family Day Care, calculated by the Wisconsin Office of Child Care, for 1995. Our estimates ranged from about $100 a week for children under 2 to an average of $40 a week for children aged 6–12, taking into account lower costs during the school year and higher costs in the summer. We assumed that children over 12 do not require child care.[5] About 11 percent of all cases would not incur child care costs because their children were older; of them, about half lacked a high school diploma, and half had at least a high school diploma. Nineteen percent faced market child care costs ranging from $2,065 (the annual cost for one child aged 6–11) to $4,500. This group—somewhat more than half the mothers had at least a high school education—faced average child care costs of $2,731. About 27 percent of all cases would have to pay between $4,500 and $6,000 for child care, and another 27 percent would face costs between $6,000 and $10,000. The remaining 16 percent faced estimated market child care costs of over $10,000 per year (the average cost was $14,303).

We also wanted to learn how long recipients tended to remain on the AFDC rolls in light of their location (whether or not they were in Milwaukee), their level of education, age of youngest child, and child care costs.[6] These factors, we thought, would tell us more about barriers to exit from AFDC. Among those mothers who received AFDC in January 1990, we calculated the proportion that then continued to receive benefits for less than 12 months, for 13–24 months, 25–36 months, 37–47 months, and for all four years for which we had

Table 2
Duration of AFDC Receipt over Subsequent 48 Months for All Cases that Existed in January 1990

	Number of Months				
	1–12	13–24	25–36	37–47	48
Total	18.2%	14.2%	16.2%	19.5%	31.9%
Location					
Milwaukee County	11.6	10.2	12.9	19.9	45.4
Other counties	24.4	17.9	19.2	19.2	19.3
Mother's Education					
Less than 12 years	12.7	11.6	14.6	20.0	41.0
12 years and more	22.8	16.7	17.2	19.0	24.3
Age of the Youngest Child					
Under 2	15.5	13.7	15.0	19.7	36.1
2–5	17.2	14.3	16.6	20.7	31.2
6–11	21.6	14.8	16.2	17.5	29.9
12 and over	25.9	16.5	17.1	19.8	20.7
Child Care Cost					
0	25.9	16.5	17.1	19.8	20.7
$2,065–4,500	21.8	15.0	16.2	17.6	29.4
$4,501–6,000	19.4	15.5	16.8	20.5	27.7
$6,001–10,000	15.4	14.0	16.0	19.8	34.9
More than $10,000	12.5	10.9	13.7	19.5	43.5

Source: Authors' calculations from a 10% sample of all AFDC-Regular cases headed by women in January 1990. Each case is followed from January 1990 through December 1993. See text for explanation of child care cost estimates.

information (January 1990 to December 1993). Table 2 shows considerable variety in duration of recipiency. The variation by region is striking: cases in Milwaukee were much more likely to receive benefits over the whole period (45 percent) than were cases in other counties (19 percent). Patterns of use also varied by education. Mothers with at least a high school diploma were more likely to participate for less than a year and less likely to continue to receive AFDC throughout the four years. This is the result one would expect if more education makes it easier to leave welfare through work.

If the presence of young children makes it more difficult to leave AFDC, we would expect families with younger children to remain longer on AFDC; this is confirmed by the third panel of Table 2. One reason that having younger children may make it more difficult to leave AFDC is that child care costs are higher for these children. The final panel of Table 2 shows the distribution of months on AFDC by estimated market child care costs. As expected, the proportion of those who received AFDC for less than one year becomes smaller as child care costs become larger, whereas the proportion remaining on AFDC for the full four years generally increases as child care costs rise, although the increase is not consistent across all cost categories.

Earnings and child care costs

To what extent can women currently on AFDC earn enough to offset the costs associated with finding care for their children? The answer to this question depends on a great number of factors, including the types of formal and informal care that are available, the costs of such care, and the extent to which they are offset by state subsidies, as well as the wages current recipients can earn in the labor market.

We analyzed data on the December 1993 caseload to calculate the percentage of potential earnings, at $6 an hour, that would be spent on child care, according to the number and ages of children in these families. We used the $6 benchmark because the availability of jobs at this wage has been cited as an important prerequisite for the success of W-2 and because national data suggest that those who leave AFDC earn between $6 and $7 per hour. We found that among 10 percent of the caseload, child care costs would amount to more than 100 percent of total earnings at $6 an hour—in other words, market child care cost would exceed total earnings. On the other hand, among 24 percent of the total caseload, child care costs would amount to less than one-fourth of total earnings at $6 an hour. Overall, child care costs would amount to more than half of earnings at $6 an hour for about 40 percent of the caseload. If earnings were assumed to be at the minimum wage, $4.25 an hour, child care may be an even greater obstacle. For more than two-thirds of the caseload, estimated market child care costs would amount to more than half of minimum-wage earnings, and 28 percent would face estimated child care costs that exceed total earnings.

Work effort and wages of women in Wisconsin

Analysts have argued that support for the AFDC program has eroded in part because society no longer expects women to stay home with their children. To examine this issue we used data on Wisconsin from the Public Use Microdata Sample of the 1990 U.S. Census. Excluding students and women who receive substantial public assistance, we calculated the proportion of Wisconsin women aged 20–40 who work in the paid labor force and the intensity of their work effort.

Since 1950 there have been dramatic increases in women's labor force participation, especially among married women and women with young children. Nonetheless, the figures in Table 3 suggest that full-time, full-year work—the level of work required by many reform proposals, including W-2—is not the norm for Wisconsin mothers of working age. The first column of

Table 3
Intensity of Work Effort among Wisconsin Women Aged 20–40, 1990

	Full-time Work	Some Work	No Work
All Women	43.3%	31.7%	25.0%
Mothers Only	35.3	34.7	30.0
Mother's Education			
Less than 12 years	18.5	22.8	58.7
12 years	37.8	31.8	30.4
More than 12 years	35.5	40.2	24.3
Age of the Youngest Child			
Under 2	25.6	32.5	42.0
2–5	31.8	35.6	32.6
6–11	40.8	36.8	22.4
12 and over	49.8	31.5	18.6

Source: Authors' calculations from the 1990 Public Use Microdata Sample, the U.S. Census.

the table shows that 43 percent of all women in our analysis and 35 percent of women with children worked full time, full year. The figures for women with young children and those with less education are considerably lower. Only 18 percent of mothers who lacked a high school diploma, and 26 percent of mothers with a child under 2, worked full time, full year. Those with *both* low education and a young child are particularly unlikely to work (not shown). For example, less than a quarter of women without a high school diploma and a child under 2 worked at any time during the year, and only 7 percent worked full time, full year. More educated mothers were more likely to work, but even among those with a high school diploma or more, 39 percent with a child under 2 did not work at any point during the year, and only 27 percent worked full time, full year. These figures suggest that while most women work, it is far from typical for women with pre-school-age children to work full time, full year.

We used the same 1990 Census data to examine the wages of working women in order to consider the economic prospects of current AFDC recipients. Economic theory would suggest that, all else being equal, women with higher potential wages would be more likely to be in the labor market. Moreover, empirical evidence suggests that AFDC recipients generally have lower marketable skills than women who are working, even after controlling for other characteristics, such as education. Thus, these calculations are likely to overestimate the wages that would be earned by women currently on AFDC.

We calculated the median hourly wage of all working women in Wisconsin, and the percentage of them earning less than $6 per hour. We found the median wage among all women to be $8.54 an hour, but 26 percent earned less than $6 an hour. Among women without a high school diploma—a category containing over 40 percent of women on AFDC—the median wage is $6 an hour, that is, half earn less than $6. Among those with a high school diploma the median wage is $7.66, and 30 percent earn less than $6 an hour. These figures suggest that even among current workers, a group likely to command substantially higher wages than would those currently on AFDC, many women work for low wages.

Conclusions

Wisconsin, like many states, is in the midst of considering major changes in the structure of welfare benefits, changes which focus on moving participants into the labor market. Knowledge concerning the work prospects of current recipients is therefore critical. We need to understand the skills that recipients bring to the labor market and the barriers they face in finding and keeping a job. Although the types of information available in administrative records and examined here are limited, insofar as they do not have detail on personal characteristics and behavior, they do provide at least initial information.

Several of our findings have implications for the design and implementation of work-based welfare reform. As do many other studies of welfare recipiency, ours finds significant diversity in patterns of welfare use in Wisconsin. The caseload includes short-term recipients, those who cycle on and off, and some who remain on welfare for extended periods. Policy needs to be designed with this diversity in mind: for example, particular services (immediate job search combined with short-term loans, perhaps with the option that the loan could be repaid with community service) could be directed toward those who are likely to need only short-term assistance.

The data presented here demonstrate the considerable child care responsibilities of AFDC recipients. A third of recipients have a least one child under 2, and two-thirds have a least one pre-school-age child. Our estimates of the costs of market child care indicate that 40 percent of these mothers face potential child care costs equal to more than half their earnings if they earn $6 an hour, and more than one in four face costs greater than their total earnings.

In addition to considering the potential costs of market child care—either to the state, through subsidies, or to the family—the degree of work effort among mothers who do not receive AFDC could also be considered in designing work requirements. As the 1990 Census data show, less than 30 percent of Wisconsin women of working age who have preschool children work full time, full year.

From our examination of trends in the Wisconsin AFDC caseload, we find that it is increasingly composed of those with low levels of education, larger families, and families with young children. These trends suggest that for a growing portion of the Wisconsin AFDC caseload, finding and sustaining full-time work will be a challenge. ■

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[1]Our work has been informed by a substantial body of research on the work-readiness of welfare recipients. A comprehensive review can be found in *The Work Alternative: Welfare Reform and the Realities of the Job Market*, ed. Demetra Smith Nightingale and Robert H. Haveman (Washington, D.C.: Urban Institute Press, 1995).

[2]For this analysis we used data from the National Integrated Quality Control System of the U.S. Department of Health and Human Services.

[3]See Cancian and Meyer, "A Profile of the AFDC Caseload in Wisconsin: Implications for a Work-Based Welfare Reform Strategy," IRP Special Report no. 67, September 1995. Our data are from the Computerized Reporting Network (CRN), the state's administrative database, which includes data on all AFDC recipients through 1993. We drew a random sample of one in ten of the AFDC cases active at any time between January 1990 and December 1993. In January 1994, Wisconsin began switching to a new computerized data system, and did not complete the transition until early 1995. That system was not fully accessible for purposes of our analysis.

[4]We excluded from this analysis the 0.5 percent of cases in which the mother is under 18, since most welfare reform proposals consider high school completion, rather than paid work, to be the preferred option in these cases. We also excluded about 4 percent of the cases for whom we had no recorded information on educational level.

[5]Certified Family Day Care rates are the least expensive of the three rates determined by the state. Weekly rates are $100.83 for children under age 2 (about $2.50/hour), and $89.83 for children aged 2–5 ($2.25/hour). For children aged 6–12, we combined the cost of after-school care with full-time care during the summer, then averaged it over a year to total $39.71 per week. For children 12 and over, we followed current standards and assumed no child care is used. See Cancian and Meyer, "A Profile of the AFDC Caseload," for further details on the child care cost estimates.

[6]A summary of the research on the length of welfare spells at the national level can be found in Mary Jo Bane and David T. Ellwood, *Welfare Realities: From Rhetoric to Reform* (Cambridge, Mass.: Harvard University Press, 1994).

The W-2 health care plan

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The W-2 health care program ends the existing Medicaid entitlement for low-income families, mirroring in the health care system a broader movement in W-2 from cash entitlements to work-conditioned assistance. The new "Wisconsin Works Health Care Plan" for low-income children and their custodial parents will provide roughly the same benefits as does Medicaid today, but to somewhat different populations. Most significantly, in contrast to Medicaid, participants will pay a monthly premium in order to receive benefits.

Benefits

Most current Medicaid benefits will continue under W-2. For example, physician care, in-patient and outpatient hospital services, optometry services, nurse/midwife services, physical and occupational therapies, and dental services are all covered under W-2. The only services now available to AFDC recipients that will not be available to W-2 participants are: (1) home care and skilled nursing services, beyond those which commercial disability insurance policies must provide under Wisconsin law; (2) treatment of alcoholism or drug abuse problems, beyond the minimum required of commercial insurance policies under Wisconsin law; (3) over-the-counter drugs, except for insulin, if prescribed by a physician; (4) services identified in an "early and periodic screening, diagnostic, and treatment" (EPSDT) exam, unless the service is otherwise covered under W-2.

These services are generally less important to AFDC families than to disabled Medicaid clients, whose health care benefits are *not* affected by W-2. State budget projections for W-2 estimate no change in average costs per case because of these benefit changes.

Eligibility

Eligibility for W-2 is in some ways broader than is eligibility for the current Medicaid program. Because W-2 health care eligibility is not directly tied to single parenthood (although single-parent families are more likely to meet other W-2 health care eligibility requirements), more two-parent families are likely to be eligible than is the case under Medicaid. In addition, the W-2 law allows families who have not been eligible for employer-offered insurance within the last 18 months to participate in W-2 health care, even if they do not participate in the employment parts of W-2 or even if they are sanctioned for nonparticipation in a W-2 employment requirement.

The W-2 health care plan does, however, impose asset restrictions not now in place for Medicaid recipients. It reduces eligibility among pregnant women and children under age 6 with incomes between 165 percent and 185 percent of the poverty line. It changes the current Medicaid policy of determining eligibility without regard to access to other insurance policies (Medicaid then bills available insurance through a "coordination of benefits" process). With important exceptions, families are ineligible for the W-2 health care program if they have access to employer-based insurance that pays at least 50 percent of the cost of a family plan. Families are limited to one year of participation in the health care plan if they have access to employer-based insurance paying *any* of the cost of a family plan. These restrictions of access do not apply to pregnant women, to children below age 6 and with incomes up to 165 percent of the poverty line, or to children between the ages of 6 and 12 and with incomes up to 100 percent of the poverty line.

Among families who have no access to employer-based insurance or who are excused from the no-access requirement, W-2 health care is available to the following groups:

1. *Families containing an adult parent (single- or two-parent family) and at least one dependent child under age 18 who is not receiving Supplemental Security Income (SSI) payments who:*

(1) have assets less than $2,500, excluding up to $10,000 in the equity value of motor vehicles and the full equity value of one home; (2) have gross income at or below 165 percent of the poverty line at entry into the program, and at or below 200 percent while participating in it.

2. *Pregnant women with no children and with the same asset and income limitations*.

Health providers can bill W-2 for initial services to pregnant women who, based on reasonable preliminary information, are likely to meet the income and asset tests, even if they are later found not to meet the tests ("presumptive eligibility").

3. *Minor parents who live with a parent or other responsible adult and whose income is below 165 percent of the poverty line*.

4. *Families who have gross incomes above 165 percent of the poverty line, but whose available income falls below 165 percent of the poverty line after health care expenses are subtracted ("spend-down").*

The same provisions for eligibility apply to pregnant women and to children below age 6 who are eligible for W-2, regardless of their access to employer-based plans. Children between the ages of 6 and 12 must "spend down" to 100 percent of the poverty line.

Managed care

Participants in the W-2 health care plan are to receive health services through managed care plans. In most parts of the state, these would likely be HMOs receiving a monthly "capitation" fee for each W-2 health care plan enrollee. This is not a change from current Wisconsin Medicaid policy. The Wisconsin legislature had previously required that, in as much of the state as possible, AFDC recipients be served through Medicaid HMOs by July 1996.

Premiums

The current Wisconsin Medicaid program requires no premium payments from recipients. The program does require limited copayments, generally ranging from 50 cents to $3.00 per service or visit, depending on the type of service. (Under current federal law, no copayment may be charged for pregnancy-related services or for any services to children.) In practice, copayments are often ignored in the Wisconsin Medicaid program, which pays providers a reduced rate based on an assumption of copayment collections and allows, but does not require, providers to collect the copayment. Many providers, including all Medicaid HMOs in Milwaukee, view the copayment as more trouble to collect than it is worth.

In contrast to these often-ignored copayments, the W-2 plan requires families to pay a monthly premium before they can obtain a W-2 health care program card and before medical providers can bill the program for services provided on their behalf. Payment of the monthly premiums is thus a real prerequisite for services under W-2. The premium in the bill passed by the legislature was set at $20 per month for families with incomes up to 160 percent of the federal poverty line, and then $3 more for each additional percentage point of income over the poverty line. Under this formula, the monthly premium would equal $143 at 200 percent of the poverty line—the maximum family income possible for participation in the W-2 health plan. In signing the bill, Governor Thompson used his partial veto authority to remove all language concerning the size of the premiums, saying in his veto message that such details have not historically been "included in the statutes, and I see no reason to change that." The governor also stated, however, that the cost-sharing premium schedule included in the bill passed by the legislature "is very reasonable," and he directed executive officials "to administratively establish the same health care premium cost-sharing schedule."

Cost to taxpayers of the W-2 health care plan

The W-2 health care program is projected to cost about $30 million less in its first year of full operation than the current Medicaid program would cost. This represents a 6 percent reduction in state and federal funds. Most of the projected savings—$25 million of the $30 million—results from premium revenues. The health care plan thus stands as an exception to other W-2 services (such as employment counseling, child care, and transportation), which receive sizable budget increases that are affordable because cash welfare grants have been eliminated under the program.

The W-2 health care cost estimates are very sensitive to predictions about the fortunes and choices of participants in the unsubsidized job component of W-2. After a phase-in period, the state projects that these families will constitute the majority of participants in W-2. Families in the three subsidized W-2 job categories will be required to join the health plan, and their premiums will be automatically deducted from their paycheck or grant. Participation in the health care plan is optional, however, for unsubsidized job participants who have no access to employer-based insurance or who are excused from the no-access requirement. Those choosing to participate can have their premium automatically deducted from their paycheck or send their premium to the state each month. Although the W-2 law is ambiguous on this point, it appears that unsubsidized W-2 families who do not pay their premium will be ineligible for covered care only in the month in which they do not pay; they can resume eligibility as soon as they resume payment of the premium.

The W-2 budget assumes that 40 percent of those in the unsubsidized job category will participate in the health care plan, and that the remaining 60 percent either will be ineligible because they have access to employer-based insurance or will choose not to participate owing to the $20 and up monthly premium. These percentages are broad estimates, and changes in either direction could have significant cost implications. An increase or decrease of 10 percent in enrollment in the W-2 health care plan would raise or lower plan costs by about $38 million in the first year.

Some evaluation issues

The W-2 health care plan raises several important questions:

1. How many low-income people who qualify for W-2 health care will choose not to pay the monthly premium required to obtain the W-2 policy?

2. How many people who are ineligible for W-2 health care because they have access to employer-subsidized care will not enroll in the employer's plan because of the cost of premiums?

3. What will be the net effect of all this on the number of uninsured people in Wisconsin and on providers that have traditionally served low-income people?

4. What will be the effect, if any, of these policies on health status, particularly of children, and on the employability of adults?

The answers to these questions partly depend on the success of the rest of the W-2 program. If W-2 does not succeed in quickly moving participants out of the three lower placement categories, then most of the eligible population will be required to participate in the W-2 health care plan, their monthly premiums being automatically deducted from grants and paychecks. But if W-2 works as proponents hope, and most participants move quickly to unsubsidized jobs, then it is critical how many will pay the premium necessary to join either an employer-sponsored plan or the W-2 plan.

Charging a premium for health insurance has different implications from charging a copayment for child care. Without access to income from any other source, parents who need child care to allow participation in a W-2 assignment must obtain whatever child care assistance they can from the state. The amount of that assistance affects disposable income and the quality and kind of child care, but not overall utilization of child care, at least when work is mandatory. Routine health care, in contrast, can be perceived as an optional service over the short term, and people may or may not be willing to pay a monthly premium for it. Those with health care needs can often obtain care free from hospital emergency rooms or community health centers, although more requests for free care may, over time, affect the ability of these institutions to provide it. The W-2 law is ambiguous on this point but no legal barrier appears to impede enrollment in the W-2 health program at any time. The temptation may thus be strong for participants to wait to do so until heavy health care costs seem imminent.

Thus the W-2 health care program could contain a disproportionate share of people with major health care needs, and average costs per case in W-2 could be higher than under the current Medicaid program. Those who choose not to join a health care plan would probably lack the kind of primary care that evolves from a long-term relationship with a medical provider who can use routine exams and routine services such as immunizations to learn more about a patient, spotting longer-term problems and giving general parenting advice. Only a careful evaluation can determine whether these circumstances do in fact arise. Such an evaluation would not be easy to carry out because it must follow, over time, the health care needs and experiences of people not participating in the W-2 health care plan as well as those who are. The existing Wisconsin Family Health Survey will provide gross annual data on the percentage of families with and without health care coverage. But an evaluation methodology based on following the health care experiences and health status of a sample of low-income households over time would be a far more powerful tool. ■

The W-2 child care plan

Karen Fox Folk

Child care subsidies are crucial to becoming and remaining employed, yet the minimum cost of child care is not very much less for low-income families than for all families. The Census Bureau reports 1993 data on the cost of the care of preschool children for families with employed mothers: those with incomes under $1,200 per month paid an average of $47 a week, whereas the average cost of preschool child care for all families with employed mothers was $60/week. Bear in mind that these are averages, including a large proportion of women who work part time. Costs will be higher for W-2 participants employed full time.

How do families manage when child care costs are 25–33 percent of income? They rely heavily on relative care; only 40 percent of low-income families make cash payments for child care. The pattern is similar for single mothers: 60 percent pay for child care, and 40 percent use unpaid care by relatives.

Subsidies under W-2

Subsidies are available as vouchers for children younger than age 13. All working families with incomes below 165 percent of the poverty level who also meet the W-2 assets test qualify for subsidies. All families pay some child care costs on a sliding scale, depending on income. Child care copayments are 7.5 percent of the total cost for families with incomes up to 75 percent of the federal poverty line. Families with incomes between 75 and 95 percent of the federal poverty line pay 10 percent of child care costs. For each 1 percent increase in income above 95 percent of the poverty line, the copay increases, reaching 100 percent at 165 percent of the poverty line. There is a provision for "grandfathering" of current recipients of child care subsidies that will gradually raise their current very small copayments to the new W-2 levels.

For licensed group and family day care centers and certified family day care providers, maximum rates of subsidized child care payments are set at 75 percent of the prevailing market rate for that type of care in that county. A new category of provisionally certified family day care providers, for whom there are no training requirements, will be paid at 50 percent of the licensed family day care center rate. If providers charge more than, for example, 75 percent of the market rate, families are allowed to pay the difference between the state subsidy and what the provider charges, as in the current system. There are different authorized rates for child care for children under age 2, for those aged 2–5, and for school-age children.

Child care and employment

Research into the interactions of child care and employment has made it clear that child care subsidies have a positive effect on both employment and quality of care.

1. The labor force participation of low-income and welfare mothers is strongly increased by such subsidies. A 100-percent child care subsidy is estimated to boost the probability that poor single mothers will work from 29 to 44 percent. Free or low-cost child care by relatives is also very important. If no relative care were available, the labor force participation rate among such mothers would be approximately 6 percent.

2. Child care subsidies or improvements in the availability of care in public housing projects increase the quality of child care that employed parents use.

The W-2 provision of child care subsidies for all employed families with incomes less than 165 percent of the poverty line should result in increased employment and self-sufficiency. Moreover, the pooling of child care funds into one seamless delivery system will facilitate employment. Current child care subsidies come from several sources of federal and state funds. Because they are targeted at different groups of parents, each type of subsidy has different eligibility requirements. For example, an AFDC mother working part time who left AFDC for full-time employment would lose eligibility for AFDC-related child care subsidies and would need to apply for transitional child care assistance. A study of child care service delivery in several states found that transitions between different child care subsidy funds caused problems that interrupted the flow of subsidies to recipients and caused job loss or changes in child care. A 1989 study of Wisconsin AFDC recipients found that some had problems in making the change from AFDC to post-AFDC transitional child care subsidies. W-2's plan to pool child care funds should alleviate this problem of gaps in service, but provision of child care assistance will need to be timely to be effective. Child care subsidies will be needed during job search as well as during employment.

Potential problems not addressed by the current W-2 plan

Research on the child care needs of low-income families has found some serious problems—serious, because studies of work programs for welfare clients show that those with child care problems are less likely to achieve self-sufficiency. Among participants in the California

Greater Avenues to Independence (GAIN) program, a pilot program that preceded JOBS, those with child care problems were more likely to drop out. Mothers of infants and preschoolers were also less likely to be able to complete the program. Among Illinois AFDC recipients, those with child care problems or those who did not receive child care subsidies were more likely to return to AFDC after 90 days.

Will the supply of child care increase rapidly enough to meet increased demand as W-2 is implemented statewide?

The Child Care Resource and Referral system of local agencies monitors the supply of child care and assists parents in finding child care slots in licensed day care centers and family day care homes. From their data, we know that existing capacity is not large enough to absorb all AFDC cases, particularly in Milwaukee. We have no way of knowing how the addition of provisionally certified care providers will affect the supply, or what shifts will take place if parents faced with larger copayments change their existing child care arrangements. We do know that there exist shortages of child care suppliers *for all families, not just low-income ones*, especially providers of infant care, care for special needs children, before- and after-school care, and night and weekend shift care. We also know that night and weekend shifts are more common among low-wage jobs. We know that one-third of working poor mothers work weekends; and one-half of working poor parents have rotating or changing work schedules which cause serious difficulties with child care. A 1989 study of employed AFDC clients in Wisconsin found that parents had problems finding child care to fit work schedules, before- and after-school care, and backup child care for sick children.

Will child care be accessible to those reliant on public transportation?

Transporting children to and from care is another barrier to employment, as the 1989 study of employed AFDC clients in Wisconsin also noted. The problem is not a new one: it was also cited in a 1987 survey of employees of the Wisconsin Department of Health and Social Services working with employed AFDC clients.

Will the quality of available child care be acceptable?

The quality of existing child care is only adequate. Nationally, 9 percent of child care centers have been judged to provide excellent care; about half were found to provide adequate care, and 35 percent had an environment judged harmful to children. Among AFDC clients in Illinois and New York, those using relatives for care are more likely to be dissatisfied with the quality of that care, and these arrangements are less stable than formal child care arrangements. Families using relative care are more likely to be left without child care when a relative's situation changes. There are more constraints in using relatives for full-time than for part-time care.

Given the copayment schedules in W-2, there will be strong incentives to use provisionally certified providers with no formal child care training. Currently, those with subsidies must use a provider who has 15 hours of classroom training in child development and child care practices. Current licensing and certification requirements make Wisconsin one of the best states in protecting children from inadequate care, and allowing provisional care will lower the state's high standards of care. Higher copayments for child care under W-2 may cause many parents to remove children from higher-quality licensed center child care and shift them to lower-cost, provisionally certified providers, possibly of lesser quality.

What will we need to know to evaluate whether W-2 child care subsidies are adequate to maintain self-sufficiency?

There are few or no baseline data to guide us in previous demonstration work programs for welfare recipients. Most were not mandatory for mothers with children under 6 years of age; those with small children who volunteered may have been the ones with available child care. Nor do existing administrative data in Wisconsin (specifically, the Department of Health and Social Services CARES computerized data system) document child care arrangements or problems. Data collected by Resource and Referral agencies provide only limited indications of demand for care and utilization of child care subsidies.

Important, and so far unanswerable, questions are:

Will W-2 participants receive the help they need when they need it to obtain child care?

Will the W-2 agencies help solve problems with the supply of child care, particularly care in areas with existing shortages?

Will the copayment schedule for child care have disincentive effects on employment? If copayments rise too steeply, the benefits of working more hours or earning a higher wage will be sharply reduced by increased copayments.

How will child care arrangements affect children's well-being? Will they be stable and of adequate quality?

How often will mothers exit W-2 as a result of sanctions imposed because of work missed through inadequate or unavailable child care, e.g., because a parent has a sick child? The W-2 legislation is not clear on what will happen to mothers who cannot find adequate child care, or who lose employment due to loss of child care. Do they receive payments while finding another job? Does the 60-month clock keep ticking while they search for child care?

To answer these questions and evaluate whether W-2 works in the area of child care, we will need to know what child care arrangements were used before participants entered W-2 and document both the changes in care related to W-2 and the effects on children. Essentially, we will need a longitudinal study of W-2 recipients, tracking their child care and employment history. The sample will need to be large enough to include parents of children of varying ages. It must measure quality of care (crude measures could be obtained from parents' reports) and provide information on receipt of child care subsidies, timely delivery of vouchers, and any problems related to child care which affect employment. Ideally, data collection should start before W-2 is implemented, to provide information on the effect of W-2 work requirements on child care patterns. ■

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W-2 and child welfare

Mark Courtney

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W-2 is likely to change the circumstances of the children of poor families in Wisconsin significantly, in ways that are difficult to predict. Some children may benefit if W-2 contributes to improving the financial condition of their families by moving their parents into the work force. Others may suffer if W-2 leads to the termination of benefits to families who fare poorly under the program's work requirements or if their families are unable to acquire adequate child care. There is concern that children will "drop through the cracks" of welfare reform, but there is little information about where and how big those cracks might be. Only a careful evaluation will identify the effects of W-2 on children and suggest how the program might be fine-tuned to maximize its contribution to their well-being. Below, I raise questions that I believe must be answered in assessing the consequences of W-2 for Wisconsin's children.

Out-of-home care in Wisconsin and the AFDC program

Children in out-of-home care (OOHC) have been placed away from their parents by a child welfare agency. Since 1988, the OOHC caseload in Wisconsin has grown by 61 percent, from 4,891 in 1988 to 7,873 in mid-1994. Most (82 percent) of this growth has taken place in Milwaukee County, which now accounts for about 53 percent of all placements in Wisconsin. These numbers do not include unlicensed kinship foster care (i.e., care by relatives), which, the best estimates suggest, accounts for about 1,500 placements in Milwaukee County.

Over half of the children in OOHC in Wisconsin come from families that were eligible for AFDC at the time the children were placed away from their parents. And, if Wisconsin is similar to other states, the vast majority of the remaining children in OOHC come from families with near-poverty incomes. This is not to say that a large proportion of poor families maltreat their children. Fewer than one in twenty families who receive AFDC will have a child placed in OOHC. Nevertheless, there is a clear association between material deprivation in families, child maltreatment, and the placement of children in OOHC. This relationship is most pronounced in the area of child neglect—the most common form of child maltreatment and the primary reason children are placed away from their parents.

The rapid growth in OOHC took place during the same time that restrictions were placed on public assistance programs in Wisconsin and AFDC caseloads declined. The role of these factors in that growth is, however, unclear. What is clear is that reductions in the number of families receiving public assistance have not led to a commensurate decrease in the number of children needing to be placed out of their homes. In fact, a study of changes in AFDC in California found that cuts in benefit levels were associated with a marked increase in child maltreatment reports in Los Angeles County, after controlling for the overall trend and for seasonal variation in reports.

Ways that W-2 could affect child well-being

Changes in the economic well-being of families

For some families, W-2 will result in a net improvement in family resources, because of enhanced earnings combined with government support for child care and health care. These benefits will most likely accrue to families with wage earners that function at a relatively high level and with relatively fewer children.

For others, W-2 will result in a decrease in family resources. For large families, even full participation in W-2 subsidized jobs, community service jobs, and transitional jobs will result in a net decrease in income. More importantly, parents who are unable or unwilling to participate in required W-2 activities will be "sanctioned" and will lose income.

What will be the consequences for children of these changes in family economic circumstances? Will child nutrition improve or suffer? Will children face more or less instability in living arrangements if the level and consistency of parental income change? Will child maltreatment in poor and working poor families rise, and with it a concomitant need for OOHC?

Impact on children of work requirements of W-2

Many parents who would not work at all or would work part time under current public assistance arrangements will choose to work full time under W-2 because of its incentives and sanctions. As with income, the impact on children is difficult to predict.

Some parents will adapt well to work. Their self-esteem and parenting behavior may improve and may also generate improved self-esteem in their children. In some cases, children placed in child care when their parents are working may receive better care than they did in their own homes. Families with strong support systems (e.g., extended family and friends) to help with child care responsibilities are likely to cope best with the added responsibility of work.

Other parents will have difficulty coping. Some parents are marginal caregivers even when providing full-time care to their children; they may neglect or abuse them when faced with the combined stress of parenting and full-time work. In some cases, lack of parental supervision may lead children to suffer in unsafe child care arrangements, experience decreased school performance, or be subjected to extrafamilial abuse. Isolated parents with poor or nonexistent support systems will probably fare worst in balancing the demands of work and parenting. And, as already noted, some parents will simply fail to work and will be denied benefits under W-2.

Will improvements in self-esteem outweigh increased stresses on parents and children? Will the child care arrangements children find themselves in under W-2 be better or worse for them than staying home with a parent? Which families will cope well with work requirements and which will fail in ways that threaten child well-being?

W-2 and child welfare services: Contradictory goals?

The primary purpose of W-2 is to encourage parents to work instead of relying on public assistance. Families are rewarded for work both financially and through government support for child care and health care. When parents refuse to work or engage in activity that threatens their ability to work (e.g., substance abuse), W-2 sanctions families by denying them benefits. The primary purpose of the child welfare system is to protect children from maltreatment while preserving the integrity of families whenever possible, on the assumption that a child's family is generally the best place for a child to be raised. Though material deprivation often contributes to circumstances that bring families in contact with the child welfare system, poverty alone is not grounds for placing children in OOHC. In the process of trying to preserve families, the child welfare system often provides support to families in the form of targeted financial assistance (e.g., help with paying utilities or rent), in-kind benefits (e.g., child care), and various social services, but it does not have the resources to give ongoing financial support to poor families. Whatever its limitations, the existing public assistance system complements the child welfare services system: it provides minimal financial support and health care to poor families regardless of whether or not they choose or are able to work. Here is one potential difficulty of W-2: provision of even limited assistance to poor families by the child welfare system may be seen to undercut work-related sanctions. And there is another: employees of W-2 agencies working under performance contracts may see the child welfare system as a vehicle for ridding themselves of responsibility for parents who are poor prospects for work.

What will be the consequences for children of the potential philosophical and administrative conflicts between W-2 and the child welfare system? Will child welfare authorities be compelled to intervene with families solely on the basis of noncompliance with W-2? If not, how will child welfare authorities protect children whose families lose basic financial support because they have not complied with W-2? Does the child welfare system have adequate resources to cope with the expected increase in the demand for child welfare services owing to W-2? Alternatively, will a new paradigm of child protection emerge to complement the new vision implicit in W-2?

The uncertain role of kinship care under W-2

To date, Wisconsin has made little concerted effort to develop policies in the area of kinship foster care, although licensed and unlicensed kinship foster homes account for 25 to 35 percent of all OOHC placements in the state and over half of OOHC placements in Milwaukee County. W-2 calls for the development of a new category of kinship care. Presumably, this is at least in part because out-of-home placement resources may be needed for children whose parents are unable to care for them when confronted by the requirements of W-2. Although the W-2 legislation does not specify rates, current plans call for a kinship care reimbursement rate ($215 per month per child) that is slightly lower than existing payments to non-legally-responsible relatives under the AFDC program. The procedural requirements for approving kinship homes and reviewing the care of children in these homes appear to be less stringent than the existing permanency planning requirements for children in OOHC. Under W-2, kin will retain the option of applying to be licensed as foster parents and being paid the higher foster care boarding rate.

Kinship care is a largely unexplored area of child welfare services, particularly in Wisconsin. Changes in kinship care arrangements proposed under W-2 raise a number of questions. What effect will changes in regulation and reimbursement of kinship care have on the supply of kinship care providers in Wisconsin? How will the differential reimbursement rates for kinship care and "provisional" child care affect the provision of both services? (Providers will receive about $30 more per month as "kinship" care providers than as "provisional" child care providers.) Are the proposed changes in kinship care compatible with existing federal child welfare statutes, and if not, what are the consequences? Will the altered context for kinship care contribute to changes in the number of children entering OOHC? How will children fare in kinship care settings?

Assessing the impact of W-2 on children

Answering many of the questions raised above will be difficult if not impossible to do when welfare reform is implemented statewide. Answering almost any of them will require that particular attention be paid to the effects of W-2 on children and programs serving children. Administrative data on children and children's programs in Wisconsin are by no means capable of this task. It will require time-consuming and costly improvements in existing administrative data systems, perhaps the development of new systems, and longitudinal panel studies of families and children affected by W-2. Anything short of such an effort will leave policy makers and the public with little more than speculation as the basis for evaluating the outcomes of W-2. ■

Implementing W-2: A few questions

Robert H. Haveman

W-2 is a leap into the unknown. As it is set in place throughout the state, serious questions about its implementation and its effects will arise. Here, I ask a few questions about the effects of W-2 and its costs to Wisconsin taxpayers.

How much will W-2 cost?

The analysis of the Legislative Fiscal Bureau suggests that we are looking at a program that costs more than $1 billion per year, and that is probably about right, if one accepts the assumptions that they have made. This cost is greater than the expenditures that would have been made to support the system it replaces. Some of the cost will be paid with money from the federal government, but how much is not known—and will not be known until the impasse over the proposed block-granting legislation is resolved. But we do know that state estimates of the potential costs of W-2 rest on a set of assumptions regarding how many people will be covered and which steps on the "self-sufficiency" ladder they will occupy. In my judgment, these estimates are optimistic, even in the current favorable economic environment.[1] I judge that too many people are allocated to the *unsubsidized jobs* and *trial jobs* categories (altogether, 25 percent at the outset, 55 percent when the program is up and running); too few are allocated to *the community service jobs* and *transition jobs* categories. Modest changes in these allocations, which serve as the basis for the cost estimates, could result in major changes in the costs of the program. Although I have searched for an analytical basis for the allocations that have been made, I have found none. They are clearly "best guesses," crying out for evidence.

I base this judgment on evidence regarding the skills and job-readiness of the existing pool of welfare recipients relative to other potential workers seeking jobs. The many evaluations of the Community Work Experience Programs during the 1980s have taught us that welfare recipients cannot easily be placed in private-sector, unsubsidized jobs. There are numerous job seekers at any point in time who have characteristics and potentials that look more promising to employers than does the typical welfare recipient. The overwhelming finding is that these CWEP programs have had but a marginal impact on the employment and earnings of recipients. They do not support the idea that one-half or more of the current caseload could be working in either a regular or a subsidized private-sector job within a short period of time and with no additional training. (See the article by Maria Cancian and Dan Meyer, pp. 58–62, this issue.)

These cost considerations are particularly serious when one contemplates the operation of the program in the face of an economic recession. In a recession with rising private-sector unemployment rates, are recipients likely to be able to secure standard private-sector jobs at anything like the rate that is assumed in the Fiscal Bureau analysis? If they cannot, the costs of the program will soar.

Can W-2 be effectively implemented in a timely manner?

The governor and the proposed legislation state that W-2 will be up and running in all counties of the state by a year or 18 months from now. Is this possible, especially if efficiency and effectiveness are objectives?

Given the large administrative problems in moving from our current system to that envisioned by W-2, this schedule seems to me to be incompatible with an efficient and effective transition. How will the several hundred financial and employment planners (FEPs), who are the linchpin of a successful work-oriented program, be found and trained to perform the skilled functions which this job requires? If these key functionaries in the program are to be effective in carrying out the requisite activities, they must have skills that current welfare caseworkers do not possess.[2]

Numerous contracts with county and municipal governments and other contractor-employers will be necessary for the "community service jobs." How will these be arranged? Is haste in the writing of contracts a recipe for the state to be exploited by public-service job providers?

The scale of what is being planned is very large: 27,000 community service jobs at the outset, with an additional 6,000 in the following 6 months. Over 20,000 people are to be moved into unsubsidized private jobs, and 11,000 into subsidized jobs. The effort required to accomplish this is staggering. Consider that in 1993, fewer than 15,000 JOBS participants (JOBS is the job-training program in AFDC) entered employment in the entire state; currently, the state has fewer than 2,000 people active in any form of community service job or on-the-job training slot.[3] W-2 envisions an effort level that makes all current statewide efforts to secure work and training for welfare recipients look like a "pilot program."

Have the easy reductions in welfare caseloads already been experienced?

The logic of W-2 presumes that the reduction in caseloads experienced in Wisconsin over the past decade can be continued, indeed accelerated, through the proposed program. Wisconsin's large reduction in AFDC caseloads came primarily in the late 1980s. The state's performance, both absolutely and relative to the rest of the country, has been far less impressive since then. Moreover, the reductions that have been experienced until now have been outside Milwaukee. Further reductions must come from within Milwaukee, and it is here that finding jobs for recipients will be the most difficult. Milwaukee has serious inner-city problems, with recipients and other poor families concentrated in deteriorated neighborhoods far from employment opportunities and without the means to reach these jobs regularly and on time.

Is W-2 really a work-incentive program?

W-2 has placed enormous emphasis on work as the route to independence and self-sufficiency. This is the heart of the program. But the calculations that have been made by state agencies of the program's effects on work incentives are discouraging. Because of the structure of Earned Income Tax Credit incentives and earnings-conditioned supports in the form of copayments for health insurance and child care, the net income of those holding a regular minimum-wage job is not very much higher than it is for those in community service jobs. Under the program, those fortunate recipients who move up the job ladder toward regular, minimum-wage private-sector jobs will, at the same time, lose child care and health insurance benefits that supplement earnings. In some cases, every $1 of additional earnings will be offset by the loss of at least $1 of other support. For such workers, working more hours or moving to a higher-paid job leaves them no better off. In effect, the program imposes severe work disincentives on participants as they move up the self-sufficiency ladder. Such disincentives to work effort seem to me to be inconsistent with the work objective and emphasis of the program's goals. Cries of "foul" would ring out if the earnings of those with far greater ability to pay were taxed at such rates.

Is there still a "safety net" for those who "play by the rules"?

W-2 and its sponsors promise to find a place for all who are eligible for W-2 services. Not hurting people is a common theme of those who have designed the program. What will happen to those families who try to meet program requirements, yet find that there is no job for them now, or no job that will pay sufficiently to allow their family to make ends meet, or ultimately no help at all? Recall that W-2 is not conditioned upon family size, and so families with more children will be at a particular disadvantage as they try to achieve self-sufficiency. Will Wisconsin simply fail to assist those families who have played by the rules, yet find themselves destitute? As the program is currently designed, or unless it is implemented in a way inconsistent with its language, there will no longer be a safety net for the state's truly down and out.

If the costs of W-2 happen to be underestimated, where will the money come from?

The W-2 proposal is silent on the liability of the state and its citizens should the estimated costs that are attached to the program happen to be greatly understated. If a version of the block-granting legislation being considered by the U.S. Congress is passed, states will be on their own once they have received the dollars. This means that the term "cost-sharing" is no longer in the welfare policy lexicon and that any dollar of additional costs must be paid for by an additional dollar of state tax revenue. The state will no longer share increased expenses with the federal government. And, while the state may be able to avoid covering these costs itself, ultimately they will have to be covered from some Wisconsin public treasury. Counties and municipalities should be on guard against efforts to substitute services provided at these levels for state efforts.

How will we know if W-2 works?

W-2 is both extremely ambitious in its goals, and silent on evaluation of its results. Without a mandate, in specific terms, for a system of study and evaluation, we will not be able to understand, in the short or the long term, whether what takes place is consistent with what is intended or promised today. The evaluation should consist of more than monitoring whether "pay for performance" works. It should seek to determine what, in fact, happens to the lives and living conditions of participants—their incomes, their work and earnings, their health, and the status of their children. It should be able to tell us if poverty and self-sufficiency in the state have risen or fallen because of W-2. Because the program will be implemented statewide and is meant to be a sea change in the way business is done, it may not be possible to conduct a rigorous control-experimental evaluation, but that level of rigor will not be necessary to reliably assess what the state has done, and how it has affected people. ■

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[1]At the beginning of the program, 15 percent of recipients are estimated to be allocated to regular, private-sector unsubsidized jobs; 10 percent to trial subsidized jobs; 50 percent to community service jobs; and 25 percent to transition jobs. After the program is up and running, these allocations increase to 40 percent, 15 percent, 35 percent, and 10 percent.

[2]Training money has been allocated to this function, but it is not yet clear who and how many will receive the training, what it will consist of, and who will do it.

[3]These estimates are taken from Michael Wiseman, "State Strategies for Welfare Reform: The Wisconsin Story," Institute for Research on Poverty Discussion Paper no. 1066-95, 1995.

Research and evaluation issues relating to W-2

John F. Witte and Thomas Corbett

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The welfare reform discussion has generated much talk about the obligations and personal responsibility of welfare recipients. Arguably, there is at least one obligation upon any state actively positioning itself at the "cutting edge" of reform—to learn enough from its experimentation to help other jurisdictions struggling with the same issues.

W-2 will have far-reaching effects on the well-being of low-income families in Wisconsin as well as on communities, labor markets, and the systems that provide critical services. These effects are likely to be both positive and negative, and we have no way of predicting in advance their net result. The Wisconsin reforms are, furthermore, emblematic of a fundamental transformation in the public response to the economic and related needs of low-income children and their families. This transformation has occurred so quickly, at least relative to the glacial pace of typical policy change, that our capacity to elicit feedback from that change or assess its broad effects on vulnerable populations will be severely tested. Nonetheless, that effort must be made.

The costs of doing a serious evaluation are transparent. Good evaluations are expensive: they consume resources that might be allocated to the program itself and may be seen as diverting these scarce resources to purposes whose immediate value is not obvious. Good evaluations are politically risky: the numbers generated are unlikely to match the hyperbole attached to the launching of the initiative. Good evaluations are hard to do: the dramatic scope and complexity of the new generation of reforms severely challenge our current methodological strategies. Nevertheless, good evaluations are the sine qua non of sound public policy.

The benefits of thinking in "evaluative" terms

A serious evaluation necessitates a rigorous analytic and political process to determine **what would constitute success** in the new program. One must also establish rigorous ways for determining **whether or not program administrators are doing what they said they wanted to do**. Accomplishing this is not so easy as it appears, but the benefits of clearly articulating program purposes are several:

First, determining what one "really wants to accomplish" and deciding "how to know if one is succeeding" reveal that seemingly simple policy questions are, in reality, complex challenges. A defining characteristic of complex policy challenges is that they involve multiple objectives that are not always compatible with one another, at least superficially. The classic example is the dependency–poverty tradeoff. You can reduce dependency by reducing the generosity and accessibility of benefits but you may (an empirical question) exacerbate poverty. (The range and complexity of possible objectives in an evaluation of W-2 are discussed later in this article.)

Second, the evaluation process helps define terms and operationalize vague concepts. For example, it is easy to say that program X will help members of population Y. Thinking in evaluative terms makes it necessary to specify the manner in which people will be helped, and to what extent. One must also establish a counterfactual—a way of determining what would have happened if the change had not occurred. This in itself is not simple, particularly with reforms imposed statewide; IRP researchers have identified nine approaches to establishing such a counterfactual for W-2, but all have some weaknesses.

Finally, the evaluation process can clarify the nature and reasonableness of both stated and unstated causal connections. One must quickly move beyond vague statements that some broad notion of X will cause Y. Rather, one must consider whether X is causing Y because of the operation of theory Z or some reasonable alternative theory. One must also consider whether external, seemingly unrelated factors—economic, social, or political—are affecting simple causal relationships.

Variation in program evaluation

Not all evaluative efforts are geared toward answering what are termed "summative" questions: Is the program a "success" or a "failure"? That is only one dimension of a comprehensive evaluation. Relatively speaking, ultimate success is not a really important question in this kind of innovation, especially in the early stages. Since it is virtually impossible to "get it right" the first time around when dealing with multidimensional changes like those encompassed in W-2, evaluation early on

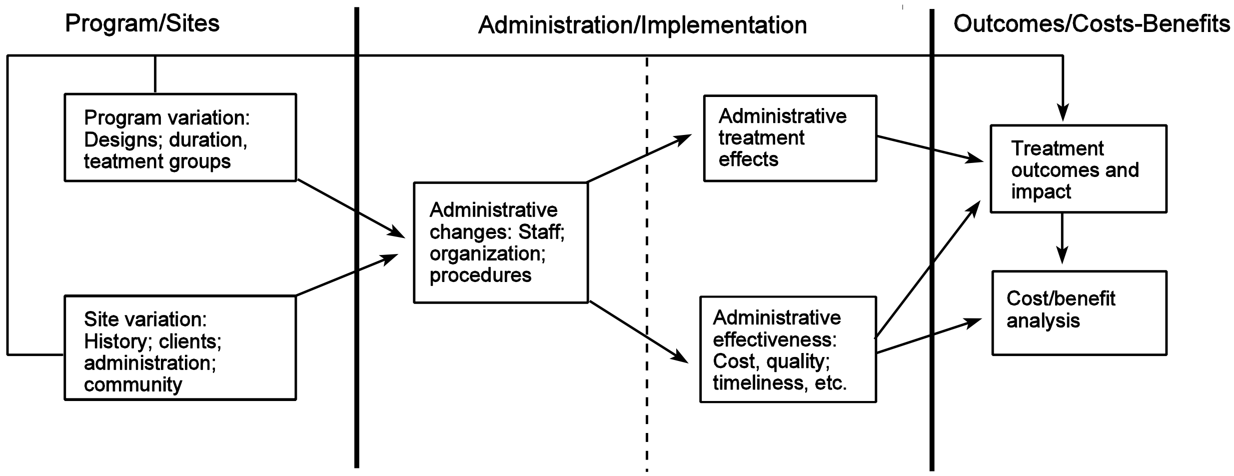

Figure 1. Sources of variation in the evaluation of social programs.

should emphasize whether program administrators are actually doing what they said they were going to do and should provide feedback necessary to make midcourse corrections.

Figure 1 captures a portion of the complexity associated with comprehensive reforms. Both anticipated and unanticipated variation in the intervention can occur (column 1) because of differences in the way the program is implemented or because of observed or unobserved differences in the sites (local agencies and counties). The middle two columns summarize a host of factors that influence the way in which the intervention is done, thereby affecting either the treatment outcomes of interest or the cost-benefit analysis. The efficiency of management and administration systems and variations in their procedures may or may not directly affect treatment outcomes. Variation in administrative approaches and procedures will have different costs and should therefore also be included in any cost-benefit analysis.

Observers would want to assess how the administration/implementation system is working *as a system* by doing a **process** analysis. We see this as an extension and institutionalization of aspects of the implementation analysis. Basically, the focus is on how participants flow through the system and how the parts of the system function as a whole. This is a critical question in dealing with a Point-in-Process program (one that changes people over time) rather than the Point-in-Time model (one that sends a monthly check out) that has previously characterized welfare. There is a longitudinal character to the relationship between the participant and the (reformed) welfare system that is qualitatively different from traditional welfare, with its monthly accounting period, and that makes many more demands on the system.

Observers would also want an **outcome** analysis. What changes in individuals, families, systems, and communities are important to the definition of success? These are neither process measures, as defined above, nor impacts, as defined below, but rather measures of criterion variables. Still, we will need some comparisons—perhaps with benchmarks established a priori, with comparable jurisdictions, or with historical data.

Finally, observers would want an **impact** analysis—an analysis of "net outcomes." The outcome analyses may provide evidence that things are getting better or worse, but only an impact analysis can causally link the intervention with key outcomes. It helps sort out false negatives (gross outcomes that are going in the wrong direction, but that would have been worse without the program) and false positives (outcomes that are getting better, but not because of the program). Getting at net outcomes requires more rigorous analyses and increases the costs of the evaluation, among other things.

What should the W-2 evaluator consider?

The evaluation of W-2 should focus on the most innovative aspects of the reform. It must take into account long-term effects and shorter-term, longitudinal trends. Illustrative of potential outcomes of interest are:

a. Effects on the well-being of poor families and children, including both participating and nonparticipating households;

b. Effects on low-income labor markets and employers;

c. Effects on state and local expenditures;

d. Effects on caseloads and participation patterns in W-2;

e. Effects on employment and earnings patterns;

f. Effects on family and community services in several areas, including health, child care, and child welfare services;

g. Effects on agency personnel and general agency culture.

The complexity of a thorough evaluation should not be taken lightly. It requires data from many sources, using a range of methodologies. It must avoid the temptation to see evaluation in terms of a simple set of outcomes—entered employments, or caseload reductions. Suppose, for example, one wished to evaluate the effectiveness of the Community Service Jobs component of W-2. Relevant concerns would include: (a) prevalence—how often used; (b) likelihood of becoming *trial* jobs; (c) utility of these jobs to the local economy; (d) major problems encountered in creating jobs or administering the program; (e) aggregate and subaggregate costs of the program; (f) factors associated with successful service jobs; (g) overall reasons for success or failure.

Or suppose one wanted to evaluate the W-2 health care program. The issues become yet more complex. The potential subjects of interest would include:

a. Number of cases (owing to access to employer-provided insurance) in which W-2 health insurance is forgone;

b. Number of families who get health insurance through W-2 and who would not have had access to health care otherwise;

c. Effects of W-2 health program on family health and on other health programs and resources; utilization of health care, including preventive care;

d. Effects of W-2 on availability of care in low-income areas;

e. Effects, if any, of W-2 on sentinel health events, such as the infant mortality rate, number of low-birthweight infants, the proportion of children vaccinated, and the availability and use of family planning and the resulting pregnancy rate.

In their evolving analyses of W-2, IRP researchers expect to concentrate on the methodology of a sound evaluative strategy that would be widely applicable to other states. Such an evaluation should be based on the following principles:

1. The outcomes of interest should capture both process and outcome factors. Process measures tell whether the system, as a system, is operating according to plans, and clarify what seems to work or not work under the new program. Outcomes tell if key behaviors and individual or family attributes are as expected, though by themselves they are not sufficient to make causal attributions.

2. The outcomes of interest should encompass a broad set of domains. Dependency is clearly important. But so are the economic well-being of families, family formation and stability measures, measures of intrafamily functioning, child welfare measures, health, educational attainment, and other such outcomes.

3. The populations of interest must encompass the families on assistance (however defined), those who would have been eligible under the old system (to capture entry effects); those directly affected by systems changes, such as employers or child care providers; those newly eligible for W-2 services; and those more indirectly affected, such as taxpayers.

4. The outcomes of interest should capture various aggregates: individual-level data, agency- and provider-level data, and community-level data. ■

Work-Not-Welfare: Time limits in Fond du Lac County, Wisconsin

Elisabeth Boehnen and Thomas Corbett

Wisconsin's Work-Not-Welfare (WNW) program was the first welfare demonstration to implement a firm time limit upon recipients of Aid to Families with Dependent Children (AFDC). It has been in operation in two Wisconsin counties since January 1995. In effect, WNW gave reality to the rhetoric of the 1992 presidential campaign to "end welfare as we know it." When the program was proposed, critics worried that its expectations were set too high, that it required too much of disadvantaged mothers, and that the absence of a safety net exposed vulnerable children to extreme economic impoverishment. Supporters envisioned WNW as a necessary step toward eliminating cash grants as the primary strategy for assisting disadvantaged families. They argued that a work-focused approach could be implemented without endangering the well-being of children. Inferences drawn from WNW were particularly important in the development of the Thompson administration's statewide welfare reform proposal, Wisconsin Works. Unlike the New Hope Project, WNW was never designed or implemented as a prototype for national policy. Still, empirical insights from this demonstration can help to inform a very polarized debate.

Origins

The Work-Not-Welfare program became the first waiver-based initiative to impose what are termed "drop dead" time limits on the receipt of public assistance.[1] The waiver application was submitted in July 1993 and approved in November 1993. Within 14 months, two pilot counties, Pierce County and Fond du Lac County, were operational. Pierce County is a rural site located in the western part of the state. This article focuses on the larger of the two pilots, Fond du Lac County. Of Wisconsin's 72 counties, Fond du Lac has the 14th largest population—92,222 in 1993. The county has 124 people per square mile, compared to Milwaukee County's 3,980. Children in the county appear less disadvantaged than in the rest of the state, with a child poverty rate (in 1990) of 10.1 percent compared to a statewide rate of 14.9 percent.[2]

WNW is a logical extension of earlier reform efforts in Wisconsin as well as a precursor of the Wisconsin Works reforms. WNW has extended and refined principles first articulated in the Kenosha County Work Experience and Job Training (WEJT) pilot program that began in 1987. In essence, both demonstrations are expressions of what might be termed a "new social contract": the participant commits to a good-faith effort to achieve self-sufficiency, and government commits to helping in that effort. The WNW demonstration explores labor market and other alternatives to public assistance *before* processing the application for assistance. This is known as a *client-diversion* strategy; it rests on the principle that it is easier to foster independence and self-sufficiency before an adult becomes an actual recipient of assistance. WNW redefines agency purpose: instead of issuing checks, the agency is directed toward changing people and requires multiple strategies and sources of expertise in that effort. The team of experts in WNW includes a Financial Planner and Resource Specialist, an Economic Support Specialist, a JOBS case manager, a child support worker, a child care worker, a Job Developer, and possibly a social worker and a Division of Vocational Rehabilitation counselor.[3]

From the very beginning, there was a concerted attempt to make WNW a *community-wide* effort. A steering committee of private-sector representatives, service providers, public officials, and other interested parties has been a committed and heavily involved participant from the beginning. Strong support from State Senator Carol Buettner, who represents Fond du Lac County, was also instrumental in getting the program off the ground.

Policies have been introduced to ensure that WNW *replicates working-world experiences*. For example, food stamp coupons are converted to cash and added to what would have been the AFDC benefit, giving participants more control over their expenditures. If participants do not fulfill work program requirements, benefits are reduced by the minimum-wage equivalent for each hour of an obligatory assignment that is missed. But WNW incorporates the concept of work support into its set of policies, as does New Hope (see p. 82). It is not enough simply to get a person into a job; post-placement assistance is also provided.

To ensure that cash assistance is no longer viewed as an *unfettered entitlement*, participants are expected to take part immediately in education and training, remedial services and/or work activities in order to receive any WNW benefits.[4] Policies are designed to *decouple welfare from access to important transitional forms of assistance*. For example, the family receives all child support collected, not just the first $50 as in current AFDC policy. Those participants leaving welfare for work continue to have access to medical coverage and child care, subject to a sliding-scale fee.

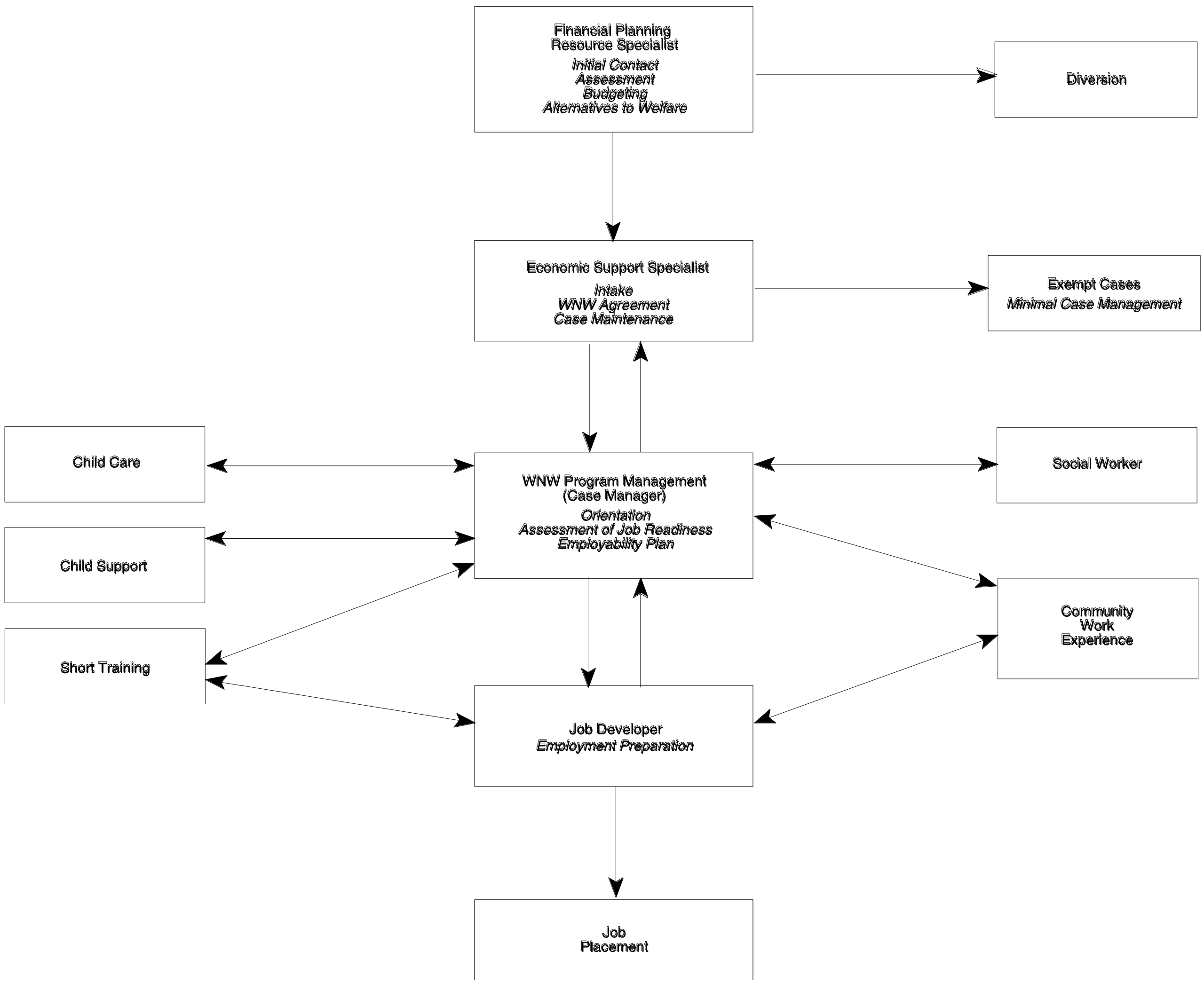

Figure 1. Case management model for the Work-Not-Welfare demonstration in Fond du Lac County, Wisconsin.

Finally, the *categorical entitlement* to cash assistance is terminated. Participants in WNW cannot receive cash benefits for more than 24 months in any 48-month period. Cash benefits end after 24 months of benefits or after 48 months have passed since the first date of approval for benefits under WNW. Other than referrals to services, no support is promised once a participant reaches this time limit.

How WNW works

The main features of Fond du Lac's WNW case management model are shown in Figure 1.

Initial contact

After an individual first contacts the Fond du Lac County Social Services Office, either by phone or in person, an intake appointment is set up, usually within 2–3 days, unless the person is considered a "priority"—that is, has assets of less than $150 and/or income of less than $100 a month, or is homeless. The applicant first meets with a Financial Planning Resource Specialist (FPR) who lays out the various resources available, aiming to reinforce the idea that employment is the primary option.

An applicant who chooses to follow through with the WNW program must meet standard AFDC eligibility criteria to be accepted. Applicants must complete the following, with the help of the FPR if a problem with reading or comprehension is indicated:

1. PRIDE application, which places the applicant in the Department of Social Services job bank.

2. Initial Contact and Mini Assessment form, which asks for personal information: dependents, current assets,

benefits, disabilities, and the applicant's immediate needs.

3. Budget form. An important part of an FPR's job is to work with the client in developing a budget and specifying goals for self-sufficiency. If necessary, the FPR may refer the applicant to a financial planner.

Up to the point when an applicant signs the WNW agreement, he or she may choose not to enter the program. Those who choose not to enter are said to be "diverted." Diverted clients continue to be eligible for low-income benefits such as food stamps, medical assistance, and child care.

Intake/Orientation

Once an applicant decides to follow through, he or she meets with an Economic Support Specialist. The AFDC application and WNW agreement are filled out, case eligibility is determined, and other benefits are explored and presented to the client. Approximately 45 percent of current applicants are exempt from the program—most commonly because they have a child under 1 year old, are non-legally-responsible relatives (NLRR), or are receiving SSI. An applicant found to be ready to work is sent directly to meet with a Job Developer, whose primary purpose is to provide information about jobs, help set up job interviews, and make sure the client has transportation. An applicant who is not job-ready is referred directly to a case manager.

WNW program management

After signing the WNW agreement, the client who is not exempt is assigned to a case manager, usually within 2 weeks of the initial intake. The case manager coordinates the WNW plan, provides the client with an orientation to the work world, assesses job readiness, and helps the client develop a plan for employment and, if necessary, further education or training. The case manager may place people who are not job-ready into a two-week class that covers motivation, nutrition, social skills, and other activities to prepare them for self-sufficiency. The manager may also schedule participants for job search activities or for short-term training; programs currently available are welding, printing, and certified nursing assistant.

The case manager is the primary hub of the client's activities and coordinates all services: child care specialists (a voucher system is available for those who need it), child support specialists (who provide a link between the child support system and the client), and/or social workers. This "team approach" is a new way of operating for the Fond du Lac staff. Moreover, the frontline staff, especially the case managers, are given much latitude in tailoring the program to the individual participant. The staff considers these two elements, the team approach and the degree of discretion, to be central in increasing the program's rate of success.

Community work experience

A client who is considered difficult to place in a job or who has never worked before is assigned to a Community Work Experience (CWE) coordinator, who is responsible for obtaining a community placement. The client is provided with a list of potential employers and then must be "interviewed" for the position. These time-limited community service jobs are normally more flexible in hours and requirements. They are nonpaying, but the client gets credit for hours worked and continues to receive the grant; it is, however reduced by $4.25 (the amount of the minimum wage) per hour for hours of work missed.

So far so good

What are we seeing from the first 15 months of operations? We first examine changes in caseloads, an outcome that has received considerable attention in assessing the efficacy of Wisconsin's reform efforts. Figure 2 shows changes in AFDC caseloads between January 1993 and March 1996 in the state as a whole and in five counties: the two WNW counties (Fond du Lac and Pierce), two comparison counties (Winnebago and Green), and the state's one true urban area (Milwaukee). The caseload drop of over 55 percent in Fond du Lac County contrasts with a drop of about 10 percent in Milwaukee, of 20–25 percent in the state, and of about 33 percent in the two comparison counties. Both county officials and outside observers note that the dramatic caseload decline in Fond du Lac began well before WNW began, perhaps in part because of the publicity surrounding the beginning of the demonstration.

Combining data from management reports with anecdotal information, program officials focus on several reasons for this sharp caseload decline.[5] First, over one-quarter of applicants for assistance, including those on AFDC at the beginning of the program who were subsequently reviewed for WNW eligibility, were diverted from the program.[6] In the early months of WNW, the rate of diversions was approximately 35 percent. In the first quarter of 1996, the rate was approximately 10–20 percent. Officials note that this may be due to self-selection. The prevailing theory is that the difficulty of obtaining benefits is well known in the community and only those family caretakers who have exhausted other sources of support are applying.

A second cause of falling caseloads may be "hoarding." County officials note that only one or two cases who were active in WNW in January of 1995, the first month of operations, had used up every month in their two-year clock through March of 1996. Although temporary exits from welfare are common, it appears that participants in WNW are taking the time limit seriously and budgeting their time carefully.

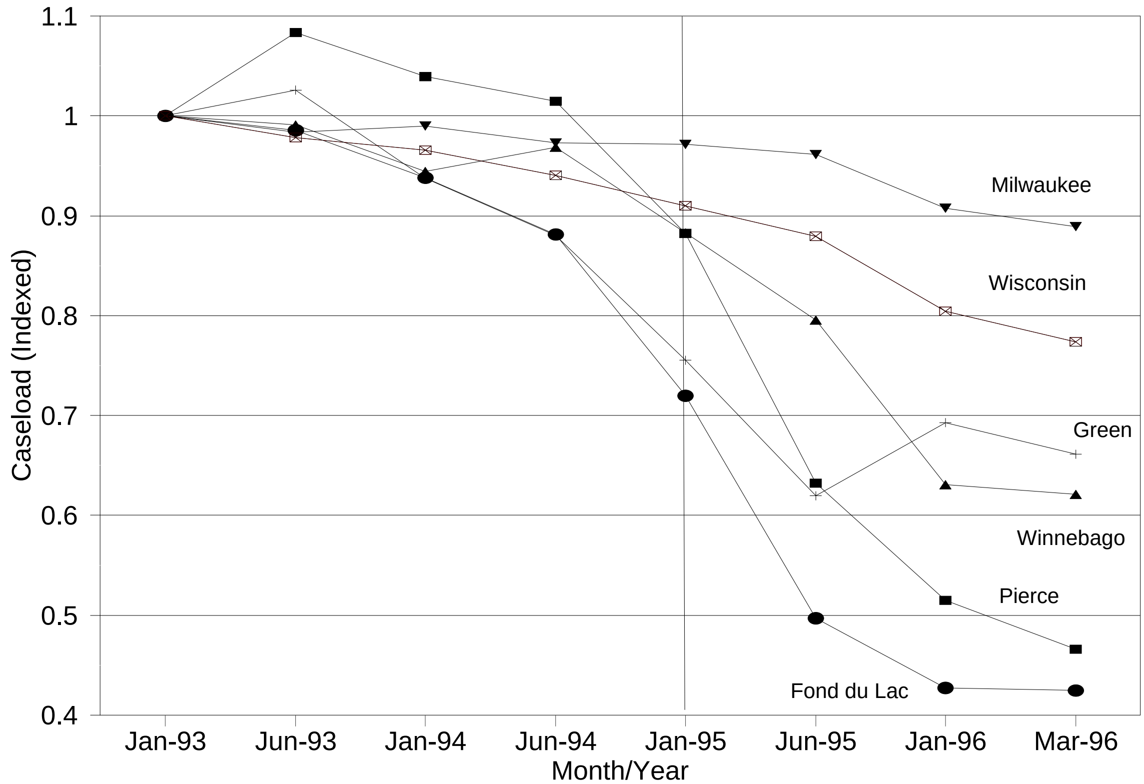

Figure 2. Trends in AFDC caseloads in five Wisconsin counties, 1993–1996. WNW became operational in January 1995.

Source: Data from Wisconsin Department of Health and Social Services.

A third cause is the successful movement of participants into the labor market. During the first 15 months of program operations, 352 participants entered some form of employment; 63 percent of them found full-time employment, and 30 percent also obtained employer-provided health insurance. The average rate of pay has been $5.78 per hour.

At the beginning of WNW, it was feared that those who could not cope with the higher set of obligations imposed by the program might relocate to other counties or fail to adequately take care of their children. To date, there has been no measurable increase in reports of child neglect or abuse nor any evidence of outmigration. Indeed, county officials suspect there may be a small inmigration effect, prompted by the county's growing reputation as a program that will assist low-income families into the labor market.

Lessons from WNW

WNW in Fond du Lac County is working well. County staff, in cooperation with many local community and political leaders, have put together a remarkable program. Caseloads have dropped dramatically without an apparent decrease in child well-being. Program staff, community leaders, and the business community seem sold on the concept. But there are shadows on this optimistic portrait.

First, the program is just now confronting its biggest challenge, the most disadvantaged portion of the welfare population. In May of 1996, 159 cases of the 350 cases on the WNW rolls were exempt from mandatory participation and the time limits, and many of the rest had multiple barriers to employment. Program officials readily admit that the easy cases have been dealt with, leaving the most difficult cases to be accommodated over the next few months. They worry whether the opportunity to confront this challenge will remain before WNW must be absorbed into W-2.

Second, WNW is a classic hothouse demonstration. Both demonstration sites are predominantly rural with few minority families. The community and the agency were extremely committed from the outset and lobbied vigorously for the program. Moreover, the state committed extraordinary resources to the program: at its outset, available staff were increased from 26 to 43 full-time-equivalent employees. However, with the caseload decline, seven of the nine vacancies that occurred in the first year have been left unfilled.

Third, overhead costs of this “hothouse demonstration” are increasing, both absolutely and relatively. Total administrative and service expenditures in Fond du Lac County for calendar year 1994, the last year of “traditional” AFDC, were $177,600. Estimates for CY 1996 are slightly over $1 million. Expenditures on benefits are down; they were $3.77 million in CY 1994 and will probably be less than $1.5 million in CY 1996 if the experience of the early months remains constant for the entire year. Overhead costs rose from 4.5 percent of total costs in 1994 to 31.1 percent in 1995, and may reach 41.5 percent in 1996. Work-oriented reform programs tend to be labor-intensive themselves, and public support for what might be perceived as a larger bureaucracy might be difficult to sustain.

Fourth, the economic and demographic context within which the demonstration was launched was favorable. The local economy is booming and wages are being bid up because of a shortage of labor. One can only speculate on how the program would work in an economy with a softer demand for labor. Could similar caseload reductions be achieved without some evidence of a general decline in the economic well-being of low-income families?

Finally, the demonstration had idiosyncratic aspects: self-selection (Fond du Lac County was eager to be chosen as a demonstration site, and county officials were strongly committed) and the favorable contextual features described above. Its real lessons, therefore, might have been operational: design, implementation, and management lessons. But insufficient evaluation resources were allocated to the process evaluation and even these lessons may not be systematically captured. And the impact analysis that is under way may never be completed; the demonstration will end prematurely as W-2 is implemented. Despite these caveats, many operational lessons are waiting to be learned from the WNW experiences in Fond du Lac and Pierce Counties, if time and attention are paid to ensure they are not overlooked or forgotten. ■

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[1]President Clinton’s reform proposal, the Work and Responsibility Act of 1994, was not released until almost a year later. We believe the term “drop dead” time limits is attributable to Mark Greenberg of the Center for Law and Social Policy. It refers to time limits on the receipt of cash assistance which are followed by no obligation on the part of the state to provide assistance to the family. This is in sharp contrast to the soft time limits that would have been imposed by the Work and Responsibility Act, where a job would have been guaranteed at the end of a period during which cash assistance was available.

[2]The proportion of children living with a single parent was 13.8 percent in 1990, relative to an 18.7 percent rate statewide. In 1993, the AFDC rate per thousand residents was 9.0 compared to 16.7 statewide. Reported child abuse and neglect reports were higher in Fond du Lac, but this may reflect better reporting procedures than higher rates of the underlying behavior. All data taken from the *Wiskids Count Data Book 1995: A Portrait of Child Well-Being in Wisconsin* (Madison: The Council on Children and Families), 1995.

[3]This is the team in Fond du Lac County used as the basis for this article.

[4]Originally, education and training activities were limited to 12 months and any remaining time in the program had to be accompanied by a work experience activity.

[5]Much of the data are drawn from the Reports Management Distribution System (RMDS) report of April 12, 1996, prepared by the Bureau of Welfare Initiatives, Wisconsin Department of Health and Social Services.

[6]Of those who were diverted from the program, 45 percent indicated they would try to make it on their own by using a variety of strategies, 15 percent wanted to avoid the work and training obligations, another 15 percent relocated outside the county, and 25 percent expressed no particular reason.

The New Hope Project

The New Hope Project is a three-year demonstration that is designed to assess the effect of subsidizing work for individuals and families who are currently poor. Located in Milwaukee neighborhoods that will generate a high proportion of potential participants in W-2, and sharing some of its goals, the New Hope Project provides useful and suggestive comparisons. New Hope offers participants help in finding a private-sector job or, if they are unable to find a private-sector job after eight weeks, a community service job. It provides wage subsidies to assure participants an income above the poverty level, subsidized health insurance, and child care subsidies. It does so by setting up a "contract" with each participant, reflecting the obligations of both parties. Participants may need one or two benefits, or all of them—the program is designed to be flexible and adaptable to individual circumstances.

The demonstration has three immediate objectives: (1) to document people's responsiveness to the contract offered them and the impact of their participation on their economic and noneconomic circumstances; (2) to document what is learned about effectively implementing the program, with an eye toward its larger-scale replication; and (3) to document the costs and benefits of doing so.

From 1992 to 1995, New Hope conducted preliminary studies with 50 participants. It began full-scale operation in August 1994 and by December 1, 1995, had enrolled over 1,200 participants (a randomly selected experimental group of about 600, and a control group of the same size) in two inner-city Milwaukee neighborhoods. In May 1996, 384 people in the experimental group were employed full time; 226 of those were receiving a wage supplement. To meet health care needs, 151 were receiving New Hope health insurance, 72 were insured by their employers, and 303 were still eligible for Medicaid.[1] For child care, 114 were receiving New Hope subsidies, 11 were using transitional child care provided by the federal government, and 74 were using "other child care."

Researchers at IRP and the La Follette Institute at the University of Wisconsin–Madison were actively involved in the design process for some aspects of the project and for the fundamentals of the evaluation. Choice of appropriate control groups, the nature of the initial screening and contract with participants, and design of such elements as child care and health insurance were all part of preliminary spadework that led to the New Hope Project now in place. Several members of this design team continue to serve on the advisory board, helping to oversee the project itself, the modifications based on pilots, and the evaluation, which is being done under contract by Manpower Demonstration Research Corporation (MDRC).

Over the next five years, MDRC will evaluate how people respond to the New Hope offer and how it affects work effort and earnings. The main questions asked in the evaluation appear in the box on p. 83.

New Hope and W-2 aims compared

Both W-2 and New Hope see self-sufficiency as a crucial goal. Both are work-based systems, with lesser emphasis upon education and training. Both recognize the importance of community service jobs for people who are not able to find work in the regular private and public sectors. Both offer subsidized health insurance and child care for eligible families. Wisconsin Works includes some services for individuals not currently included under AFDC (see the article by Karen Folk, pp. 55–57, this issue). But there also are some important differences. In particular, New Hope stresses escaping *poverty* through full-time work, whereas W-2's goal is to replace *welfare* with work. It is not clear that W-2 will lead to greater economic stability for families.

Eligibility

New Hope includes all low-income adults who identify themselves as able and willing to work—a far broader eligibility criterion than W-2, which limits the full economic benefits package to low-income families, whether one-parent or two-parent, offering a more limited menu of services to pregnant women and noncustodial parents with child support orders.[2] Many teenagers and young adults who are likely to become parents or are already noncustodial parents without child support orders will be excluded under the W-2 eligibility criteria. In October 1995, New Hope estimated that such individuals comprised 27 percent of their participants. Their early findings also suggested that it was only marginally more expensive—perhaps as little as 10 percent more—to include childless adults in the eligible population.

Time limits upon participation

Connecting people to the labor market *and helping them stay connected*, making progress toward greater economic security and independence, is a long-term process, often subject to false starts and failures. Finding an effective combination of incentives and sanctions is no simple matter. Participants in W-2 face a 60-month

Questions to be answered in the New Hope evaluation

The evaluation by MDRC is designed to satisfy the New Hope Project's commitment to a rigorous and comprehensive evaluation that can potentially influence national policy and that is based on study of experimental and control groups, selected by random assignment.[1] In this evaluation, the underlying pattern of employment, income, and welfare receipt is represented by the behavior and experiences of the control group. These underlying conditions cannot be ignored, for there is often considerable change over time in the income and welfare receipt of poor households. Indeed, the environment within which the New Hope Project is operating will change greatly as the W-2 legislation signed by the governor in April 1996 is implemented, and MDRC is also planning to evaluate the ways in which those changes affect that control group. Labor market conditions will be examined at the metropolitan and neighborhood levels, and through the employment history of the experimental and control groups. The characteristics of the residents of the two neighborhoods in which New Hope will operate will be assessed through a survey of a sample of neighborhood residents, information collected from New Hope applicants, and data from the 1990 Census. MDRC will also assemble a profile of existing community services—job search assistance, education, training, medical assistance, and child care.

Using New Hope's own administrative data, interviews with staff, and program group surveys, combined with Census and state Job Service data, the evaluation will then seek answers to the following questions:

1. Program implementation and operations

In an ambitious effort such as New Hope, the administrative challenges are very great. The evaluation will assess how successfully the intended financial supports and services were delivered, by asking:

Can New Hope be administered so as to allow large-scale replication?
Can wage supplements be administered smoothly, without fraud or abuse?
How well can New Hope be integrated with other assistance, service, and tax programs?
Can community service jobs be created in large numbers, without "make-work"?
To what extent do participants have to use these jobs because they cannot find regular full-time work?
What is the typical pattern of program participation—how long does it take participants to start working, how stable is their employment?
What level of services do members of the program group require, in recruiting outreach and, for participants, job search assistance, counseling, and support services?

2. Program impacts

For New Hope to have an effect, members of the program group must decide to participate in program services and/or receive the wage supplements and other financial support. Thus the evaluation asks:

What proportion of eligible individuals responds to the New Hope offer?
What factors determine whether people respond?
What are the program's effects on work effort, family income, welfare dependency, and poverty?
Do participants who work increase their hours of work and wage rates over time?
Are there groups within the eligible population for whom New Hope has been especially effective, or ineffective?
What are the noneconomic impacts—effects on health, living conditions, attitudes?

3. Program cost-effectiveness

MDRC has established a comprehensive benefit-cost accounting framework that will seek to determine whether New Hope is a cost-effective antipoverty strategy. The evaluation asks:

Is New Hope cost-effective, from the perspective of government budgets?
Which factors are most important to this conclusion: direct costs of New Hope, tax expenditures associated with federal and state earnings tax credits, effects on tax revenues and public assistance expenditures, and the use of program services?
What are the relative magnitudes of these factors?
Does New Hope lead to an increase in net income?
Is it a more efficient means of providing income support and reducing poverty than the existing welfare system?

[1]Fred Doolittle and Irene Robling, *Research Design for the New Hope Demonstration* (New York: MDRC, 1994).

lifetime limit on any combination of the three subsidized levels of employment. Great concern has been expressed about the potential consequences for families that "fall off the cliff."

In a fully implemented New Hope program, there would be no absolute time limits on participation: help would be available to participants as long as it was needed. The present demonstration is, however, limited to three years. In January 1996, 153 (22 percent) of the 682 participants in the experimental group were inactive—that is, they had lost contact with the project for six or more weeks. Nonetheless, their three-year contracts were still open and could be taken up at any point within the three-year period of the demonstration. (Periodic efforts are made to reactivate participants.) One task of the evaluation is to document this "in-and-out" feature.

Staffing

The key staff person in W-2 is the financial and employment planner (see the articles by Karen Folk, p. 55, and Robert Haveman, p. 72). In New Hope, the staff member on the front line is the Project Representative, who needs to combine complex skills that are both managerial and technical. These skills include an understanding of how people connect to the labor market, how to offer encouragement and support while still holding someone accountable, how to help someone plan without making decisions for them, and how to document and process benefits in a computerized system. Project Representatives must be able to communicate effectively with participants—coaching and assessing what is happening or how circumstances may have changed. Presenting information in a clear and complete fashion is a continuing challenge. The interaction between the Earned Income Credit (EIC) and the New Hope monthly benefit, for example, proved so confusing to staff and to participants that New Hope developed a monthly benefits statement; this, program managers point out, would not have occurred had they not actively solicited comments from participants.

Given the ethnic diversity of the low-income population, New Hope has also found it essential that Project Representatives include people of diverse ethnic and linguistic background. Currently, among eight representatives, four men and four women, three are bilingual in Spanish and English and one is trilingual in Hmong, Laotian, and English.

Private-sector jobs

W-2 is based upon the concept of substituting full-time, year-round employment for welfare receipt. If it is to succeed, large numbers of private-sector jobs must be found. As Robert Haveman comments (this issue, p. 72), businesses have not in general looked to the welfare population for employees—nor have they needed to.

New Hope likewise emphasized full-time work. But project managers found early on that they could not rigidly require 40 hours, because many of the jobs that people found did not consistently offer 40 hours. In the first year of reporting, 48 percent of participants who reported work hours worked in the range of 30–40 hours per week; 23 percent reported under 30 hours per week; 29 percent reported that they worked more than 40 hours per week. Once again, the need for considerable flexibility in the program was driven home.

Community service jobs

Under W-2, holders of community service jobs would work off their grant at a rate of $3.19 an hour. Those grants do not count as wages and do not qualify for the federal and state EIC. The aim is to encourage workers to move as quickly as possible to private-sector jobs.

Community service jobs under New Hope pay the minimum wage; the worker is also eligible for a wage supplement and the state and federal EIC. The wages are treated the same as any other wage and are taxed. New Hope project managers believe that the community service jobs, though jobs of last resort, should be seen as "real work," contributing to some larger, meaningful effort. "Real work" should receive "real wages."

In the community service jobs area, work teams have been established in addition to individual placements. The first work team is a manufacturing unit at Goodwill Industries. Members combine 10 hours of classroom training per week with 30 hours of work that is actual contract work for outside customers. The team is set up to run for a maximum of four months and requires a minimum of seventh-grade reading and math levels. Workers are expected to learn machine setup, blueprint reading, and quality control. Future work teams will include automotive repair, welding, and building maintenance.

To guard against the risk that some people will find the community service job a safe and comfortable harbor in which to linger, New Hope imposes a six-month limit on a single assignment. People must leave the assigned job and conduct a full-time job search for three weeks before they can qualify for another community service job.

Work incentives and disincentives

Under W-2, marginal tax rates (the combined effect of paying more taxes while losing benefits) rather rapidly approach 100 percent (see article by Robert Haveman, p. 73). New Hope originally designed its benefits structure so that subsidies were reduced to zero by the time the worker's income reached the eligibility limit. But it quickly became apparent that workers who needed both health insurance and child care assistance lost more than they gained by increasing work effort. For example, a three-person family (adult and two children) with an income of $10,000 (79 percent of the poverty line in 1995) and child care costs of $600 per month (the Milwaukee average in 1992) was responsible for only $500 of those costs annually—5 percent of total income. A worker earning $25,180 (200 percent of the poverty line) received no subsidy and faced the full child care cost of $7,200—29 percent of total income. That same worker, if receiving no health insurance from the employer, faced insurance costs of $4,320 per year—another 17 percent of annual income. New Hope therefore redesigned its benefits structure for the full-scale demonstration to achieve a better balance between encouraging effort and target efficiency, working to keep the marginal tax rate at about 50 percent, and never more than 70 percent.

Education and training

As work-based programs, neither W-2 nor New Hope places primary stress upon these prominent features of past welfare reforms. Yet the experience of New Hope managers strongly suggests that many participants cannot make significant gains in their earnings without further investments in education and training. Baseline data showed that 42 percent of those eligible for New Hope did not have a GED. One outcome of this realization has been the development of the work teams that combine work and classroom training.

Community involvement

Implementing W-2 will require strong support and cooperation from local communities, which will often be defined by racial, ethnic, and neighborhood identities.[3] W-2 does anticipate the use of "Community Steering Committees," but makes no provision for including program participants in those committees. New Hope has from the beginning relied upon feedback and suggestions from participants, through surveys and by reserving six seats on its 23-person governing board for program participants.

Conclusion: The need for flexibility

The complexities facing people entering or reentering the labor market require continual adjustment and review of programs. Workers absorb the explanations, rules, and incentives of New Hope over time, and the contract terms that seemed important when a worker began a job search may turn out to be irrelevant later. New Hope managers stress that the decision to work, and progress toward work that can sustain an individual and his or her family, is not a one-time decision. Though policy debates focus upon getting people to *go* to work, the experience of New Hope suggests that the greatest need is in the area of *sustaining* people while they work, and encouraging them to use the benefits that New Hope offers to stabilize and improve their lives over time. ■

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[1]Participants are encouraged to use Medicaid as long as they are eligible for it.

[2]W-2 defines "low-income" families as those whose incomes are at or below 115 percent of the federal poverty line; New Hope uses the criterion of 150 percent of the poverty line for a given family size in determining whether or not a family may enter the program, and offers services up to 200 percent of the poverty line or $30,000 annual income, whichever is higher.

[3]This appears to be an important reason for the achievements of the Fond du Lac WNW program (see pp. 77–81).

Institute for Research on Poverty receives five-year grant

The Office of the Assistant Secretary for Planning and Evaluation in the Department of Health and Human Services has awarded the Institute for Research on Poverty at the University of Wisconsin–Madison the title of a National Poverty Research Center and a five-year grant of $2.1 million, beginning July 1, 1996. The announcement of the award was made by Wisconsin's Senator Herbert Kohl and 2nd Congressional District Representative Scott Klug.

"Educators, juvenile justice experts, law enforcement officials and health care providers tell us over and over [that] poverty is a powerful part of many of our nation's problems. The cutting-edge research provided by IRP has provided invaluable information in helping policy makers address those problems," said Senator Kohl.

For thirty years, the Institute, a national center based in the College of Letters and Science at the University of Wisconsin–Madison, has sponsored studies of the nature, causes, and consequences of poverty. Through its research programs, active conference and workshop agenda, and training programs for young scholars, it has created an influential national network of poverty researchers and policy makers. According to College of Letters and Science Dean Phillip Certain, "The Institute's work has consistently been multidisciplinary, pooling research interests and knowledge across the major fields of social science. Its accomplishments range from practical, applied policy analysis to basic theoretical and methodological research. We are pleased that the Institute continues to be held in high regard nationally."

As a National Poverty Research Center, the Institute will pay particular attention to the consequences for the low-income population of the changes now occurring in the welfare system, especially the devolution of policy and program responsibilities from the federal to the state governments. Institute research will include monitoring and evaluation of the impact of the reforms on child and family well-being, on demographic change (including changes in marriage and teen fertility), and on labor market responses. Institute researchers will, for instance, seek to develop better indicators of well-being, through exploitation of existing sources of information such as administrative data sets and merging of administrative data with continuing national surveys.

Postdoctoral fellowships, University of Michigan

The University of Michigan's Research and Training Program on Poverty, the Underclass, and Public Policy offers one- and two-year postdoctoral fellowships to American minority scholars in all the social sciences. Fellows will conduct their own research and participate in a year-long seminar under the direction of Sheldon Danziger, Professor of Social Work and Public Policy, and Mary Corcoran, Professor of Political Science, Public Policy and Social Work. Funds are provided by the Ford Foundation. Applicants must have completed their Ph.D. by August 1, 1997. Application deadline is January 13, 1997. Contact: Program on Poverty, the Underclass, and Public Policy, 540 E. Liberty, Suite 202, University of Michigan, Ann Arbor, MI 48104.

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