Social policy in the upper Midwest: A new Web resource

As part of a full-scale revision of its World Wide Web site IRP is developing a resource of links to data and organizations important in social policy issues for the seven Midwestern states that constitute the primary focus of IRP's Area Poverty Center activities (http://www.irp.wisc.edu/research/midwest.htm). These states are very diverse. Comprising almost one-fifth of the nation's population, they range from small, mostly rural states like Iowa to larger states with significant urban populations (Michigan, Illinois, and Ohio). The states vary in the proportion of the population that is nonwhite (from 4 percent in Iowa to 19 percent in Illinois) and in per capita income (from around $28,000 in Indiana and Iowa to over $34,000 in Minnesota).[1]

In the states of the upper Midwest, over 5 million people had incomes below the poverty line in the 2000 Census. Poverty rates are below the national average (12.1 percent in 2001–2003), but nonetheless span a wide range, from 7.1 percent (Minnesota) to 11.8 percent (Illinois). These seven states also represent a significant share of the national public assistance caseload. In 1994, they composed about one-fifth of the (then) Aid to Families with Dependent Children population; despite disproportionately sharp caseload reductions, they still represented nearly 17 percent of the national Temporary Assistance for Needy Families (TANF) population in December 2003. In 2003, there were over 3.8 million people in these states enrolled in the Food Stamp Program—nearly 18 percent of the total U.S. caseload. Of 42.8 million Medicaid recipients in 2000, 6.3 million, nearly 15 percent, came from the seven states. Nearly 3 million people in the seven states claimed an earned income tax credit; they received in all $4.6 billion, 14.7 percent of the amount paid out by the federal government.

The states of the upper Midwest vary in civic traditions, political orientation, and systems of social assistance. In one respect, however, they are alike: they have long been recognized as social policy innovators. No area of the country more aggressively exercised the flexibility available under federal waiver policy during the years before passage of welfare reform legislation in 1996, and the states have adopted widely differing programs since then. Thomas Gais, director of the Federalism Research Group at the Rockefeller Institute of Government, noted in 2000, "The Midwest states now have more experience with work-based, time limited welfare systems than any other region of the country."[2]

One consequence of this reform activity was the sharp drop in welfare caseloads already noted. At the beginning of 1996, 834,000 individuals in the seven states were receiving cash assistance. By 2001 those numbers were down by more than half, though in the uncertain economic times that have followed, some states have seen small increases.

In undertaking reform, the states of the upper Midwest took different directions. Wisconsin and Ohio integrated their TANF and workforce development systems into one state agency, whereas Michigan and Illinois kept these systems separate. Michigan and Minnesota aggressively used TANF benefits to supplement earnings; Wisconsin did so through its state Earned Income Tax Credit and its innovative child support policies. Illinois and Michigan softened their time limits by introducing state programs to support some families after five years, whereas Wisconsin and Ohio imposed shorter time limits. Iowa combined strict sanction policies with enriched service programs for challenged families. Indiana, Illinois, Iowa,

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Wisconsin Welfare Reform: Two Views

The year 2004 saw the publication of two widely discussed books on the Wisconsin welfare reforms of the 1990s. These are *American Dream: Three Women, Ten Kids, and a Nation's Drive to End Welfare* (New York: Viking Press), by Jason DeParle, a New York Times writer who has long covered social policy, and *Government Matters: Welfare Reform in Wisconsin* (Princeton University Press), by Lawrence Mead, a political scientist in the Department of Politics at New York University and an IRP associate. Both authors presented seminars in Fall 2004 at IRP, Jason DeParle on September 30, 2004, and Lawrence Mead on October 21, 2004.

The two seminars, and the books on which they were based, offered a fruitful contrast in perspectives on Wisconsin's reforms. Are they, as Mead declares, a triumph of social policy? Or do the troubling stories that DeParle tells signify that something is seriously amiss with welfare reform in the state? Underlying such questions is the thorny issue of how we define success (an issue addressed in an article by Maria Cancian and Daniel R. Meyer in the Summer 2004 issue of *Focus*). Mead, for example, focuses on work promotion; DeParle looks to a broader combination of outcomes.

Professor Mead's research on welfare reform in Wisconsin has appeared in the following IRP Discussion Papers: DP 1164-98, 1184-99, 1230-01, 1231-01, 1232-01.

Recent IRP research on welfare reform may be found on the IRP Web site, http://www.irp.wisc.edu/research/welreform.htm

and Michigan have operated welfare through state employees; Minnesota, Ohio, and Wisconsin have relied heavily on local governments.

The precipitous caseload declines in these seven states were not matched by declining investments in low-income families and children. After1996 all seven states made significant investments in policies directed at low-income families. They experimented with one-stop centers for program participants with multiple needs, complex community networking, devolution to county and private agencies, and even the development of virtual agencies. Low-income families now receive assistance through an array of programs delivered by state tax systems, community-based service systems, for-profit organizations, and state and local public human service and labor organizations.

Between 1996 and 2000, state expenditures related to TANF increased by $200 million, and the budgetary purpose of the expenditures changed dramatically. The proportion of all TANF funds spent on traditional cash assistance across the seven states fell from 72 percent in 1996 to 30 percent in 2000. Spending on workforce development activities increased from 8 percent of TANF spending in 1996 to 12 percent in 2000. Work supports, such as child care, grew from 14 percent of spending in 1996 to 40 percent in 2000. Notably, the proportion of TANF spending on family formation, family stability, and youth development tripled over the four years, as states quickly recognized that moving low-income adults into the labor market was only a first step in the reform agenda. New workers must be nurtured through a variety of supports, and functioning families must be promoted and strengthened.

Changes and retrenchment in the ambitious programs of the later 1990s have been made necessary by the tough economic times that came after 2000, rapidly rising state Medicaid costs, and state inability to sustain the higher spending of federal TANF funds in years 3–5 of the TANF block grant that is needed to compensate for state underspending in the first two years of the grant. The WELPAN group of Midwestern welfare administrators has been working with IRP to determine the impact on current spending on social welfare programs.■

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[1]Data are from the Census Bureau's State & County Quickfacts and the *Statistical Abstract of the United States*, 2003. Population figures are from the 2000 Census (the 2003 estimates from the Census Bureau's American Community Survey are not markedly different). Some state information is drawn from IRP's newsletter, *Focus*; see "Welfare Then, Welfare Now: Expenditures in Some Midwestern States," Vol. 22, No. 1, 2002, pp. 11–14. On TANF, see the annual reports of the Administration for Children and Families in the federal Department of Health and Human Services.

[2]Thomas Gais, "Concluding Comments: Welfare Reform and Governance," *Learning from the Leaders*, ed. Carol Weis (Albany NY: Rockefeller Institute Press, 2000), p. 173.