

Intro

As we embark on this mission to improve that status of women in Wisconsin, it is imperative to consider how women at the lower end of the income bracket are fairing in our state. So far the evidence suggests that W-2 is not achieving the goal of moving families toward self-sufficiency. Moving recipients into work remains an important goal of W-2, but research has demonstrated that education and training is also an important component of state welfare programs. The State of Wisconsin should consider alternatives to the current system that would allow more flexibility in tailoring individual education and training plans.

The State of Wisconsin is known for being a leader in the area of welfare reform. The Wisconsin Works (W-2) program was one of the first state programs to receive approval from the U. S. Department of Health and Human Services following a change in federal law. Although the State of Wisconsin has had some successes in reforming the welfare system, the data on welfare leavers in the state leaves one to question whether or not the current W-2 program is achieving its goals. The wage data indicates that most women are leaving the program well below the necessary wage for self-sufficiency. Additionally, a Wisconsin Legislative Fiscal Bureau audit performed in 2000 reveals that although the W-2 cash benefit caseload is decreasing, the non-cash benefit caseload has generally been increasing since the beginning of W-2.

Since the passage of the Personal Responsibility and Work Opportunity Act (PROWRA), there has been much experimentation at the state level in designing and implementing welfare programs. Although there is not consensus on what the best approach is, research has demonstrated that education and training plays an integral,

although perhaps secondary, role in welfare programs. The education and training component of W-2 is especially worthy of review as the current system is not moving families toward self-sufficiency. Also, Wisconsin is well below the number of hours of education and training allowed under federal law.

Case Example

When I began researching W-2 for this project, one of the first things I did was to sit in on the W-2 intake process at one of the Wisconsin Job Centers. I wanted to get a first-hand glimpse of what families experience in entering the welfare system, and what role the caseworker plays in determining program eligibility. I sat in on the intake of a young couple who had a baby on the way. The first question the caseworker asked the young man who was not more than 19 years old, was what he hoped to get out of the program. He said that he wanted to get a “better job”. He had a high school diploma and his only work experience was working at a fast food restaurant. Because he did not have any barriers to employment, the caseworker determined him to be job-ready, and the couple was referred to the Food Stamps Education and Training Program (FSET). I asked the caseworker lots of questions about what type of training and assistance he would get through this program. I did not get the impression that he was going to get a lot of additional education or training. I left the Job Center that day thinking that this was the perfect candidate to get some additional education and training to have the opportunity to move into a higher-paying position. Although education and training is not the answer for everyone, the Wisconsin welfare system should be flexible so that for recipients who would benefit from education and training are allowed that opportunity.

The Evolution of National Welfare Reform

The national welfare system has been evolving for several decades. In 1967, states were required under the Work Incentive Program (WIN) to administer employment and training programs for AFDC clients. The program evolved in 1981 to the WIN demonstration projects which allowed states greater flexibility to design programs similar to the waivers allowed under the current welfare system. In 1988 the Family Support Act was enacted and the JOBS program replaced WIN.

In 1996 Title 1 of the Personal Responsibility and work opportunity Reconciliation Act (PROWRA) effectively replaced the Aid to Dependent Families program (AFDC) with Temporary Assistance for Needy Families (TANF). The law ended entitlement to welfare and instead focuses on moving families off of welfare by requiring them to work. The U.S Department of Health and Human Service administers the TANF program which provides block grants to the states.

The new policy requires that states meet increasingly strict work requirements. However, states have some autonomy to define what activities constitute work. Additionally, TANF established a time limit for families receiving aid. The current time limit is 60 months of aid and some states have taken advantage of the provision which allows states to set a lesser limit on aid. TANF is designed to encourage state experimentation and this is reflected in the multiple ways states have elected to set up their programs. Some states have chosen to with developing programs although there are federal guidelines as to what constitutes allowable work activities.

TANF has been up for reauthorization since...Several bills have been proposed for reauthorization including....There are several provisions being debated including....

Congress has extended the time period on the current legislation as to date there has not been consensus on how the new legislation should be structured.

Federal Allowable Work Activities

TANF defines allowable work activities as subsidized or unsubsidized employment, community service, vocational educational training or providing child care services to certain other participants. If it is the only activity in which a participant is engaged, training to get a high school diploma or to improve reading, math or English language skills may not be counted toward being engaged in work activity.

There are time limits to work activities and also limits on how many participants can be involved in certain activities. The limit on job readiness training is six weeks whereas the limit on vocational training is twelve months. Also, 30 percent or less of state caseloads may be comprised of participants in vocational training.

National Overview

Nationally there is much variation in how welfare programs are administered at the state level. Although states are required to follow federal guidelines, some states have passed laws with more stringent requirements than the federal law. There are three basic approaches to delivering welfare services: work first; education and training; and mixed-services (a combination of work and education and training). Many states also have diversion programs which may include an emergency cash payment or a requirement to search for a job first, which effectively prevents or allows for some families to avoid entering the welfare system. In 1999, 16 states required applicants to search for a job before applying for benefits and 22 states offered lump-sum payments to meet immediate needs in an attempt to divert clients from welfare.ⁱ Within the three approaches there are

many different types of programs. The education and training components vary greatly from program to program.

Nationally welfare leavers are concentrated in low-paying jobs, including jobs in the service sector, sales or administrative support positions. Earnings for leavers average less than \$2,500 for the first three months after leaving assistance which translates to \$8.00/hr or less in almost all states and \$7.00/hr or less in many states. Most leavers do not work full-time or do not work for the duration of the year. Average annual earnings for leavers in South Carolina were \$9,714, \$13,271 for leavers in Illinois, \$12,723 in Iowa, \$12,550 in Pennsylvania, \$11,155 in Florida, ⁱⁱ

Background of TANF/W-2

As mentioned above, the State of Wisconsin is recognized as being a leading state, if not the lead state, in the area of welfare reform. Wisconsin Act 289 created W-2 and the program took effect statewide in 1997 although welfare reform began well before that in the state. The Self-Sufficiency First demonstration was a statewide program by 1996 which required applicants to search for work and to consider alternatives to public assistance. Other programs which preceded W-2 include the Pay for Performance program and the Work not Welfare Waiver. Both programs embraced the “work first” approach and the move away from entitlement. Wisconsin was one of the first states to receive approval from the U.S. Department of Health and Human Services for the state welfare plan. ⁱⁱⁱ

W-2 is funded primarily through the TANF block grant. Wisconsin received ...in TANF money In 2002-2003, the TANF money funded the following programs:

adolescent services/pregnancy prevention; caretaker supplement program; child abuse and neglect prevention board; child support payments; child welfare prevention services; child welfare safety services; domestic violence; earned income tax credit; English for southeastern Asian children; food stamps for qualified immigrants; funerals/burials for public assistance recipients; and Head Start.^{iv} Other funding for W-2 comes from the federal childcare development block grant, state GPR appropriated to DWD and other program revenues.

Status Quo

According to the Department of Workforce Development, W-2 policies are guided by the application of the eight principles, two of which are: Individuals are part of various communities of people and places; W-2 operates in ways that enhance the way communities support individual efforts to achieve self-sufficiency; There is no entitlement to the program and the W-2 reward system is designed to reinforce behavior that leads to independence and self-sufficiency. The W-2 program aims to provide a broad array of employment and training services.

The existing legislation stipulates that to receive cash benefits under W-2, the family gross income must be at or below 115 percent of the federal poverty level and must have assets at or below \$2,500 excluding the combined value of vehicles valued at up to \$10,000 and a home that serves as a homestead can be excluded.

The application process involves first meeting with a Resource Specialist. W-2 agencies are required to schedule an appointment no later than the next workday following a request for services. If after meeting with a Resource Specialist the individual

wants to continue with the W-2 application, an intake appointment must be scheduled within five working days from the date the individual files the application.

W-2 participants are assigned to subsidized or unsubsidized placements based on an evaluation of a participant's preparedness to enter the workforce. Subsidized placements include W-2 transition, community services jobs, trial jobs, and more recently transitional jobs has been added to the options. Trial jobs provide a subsidy of up to \$300/month and participants earn a regular wage. Participants in community service jobs receive monthly payments of \$673. Participants who are placed in a W-2 Transition are determined to have significant barriers to employment. The transitional placement allows them to address these barriers and they receive a monthly payment of \$628.

W-2 services are provided by county social services agencies, private agencies and tribes through contracts with the Department of Workforce Development (DWD). Services provided include an initial eligibility determination, assessment of type of work placement, general employment related services, education and training services, and counseling services. The types of services vary by county and more specifically by agency. For example, in the year 2000, only seven agencies provided technical college courses or other post-secondary education opportunities.

W-2 Performance

Perhaps the most compelling reason for change in the W-2 system is reflected in the data on how participants fare after leaving W-2. The Wisconsin Legislative Audit Bureau reported that of the participants who left the W-2 program during the first 3 months of 1998 only 46.7 had incomes above the federal poverty level when EITC tax

credits are included. Additionally, approximately 26 percent of those who left during that time period returned for services. ^v

The average income based on 1999 tax returns of former participants who filed taxes was just \$11,988. Taking into consideration that some former participants were not required to file taxes because their income was too low, the average income may actually be lower. ^{vi} DWD conducted a leavers survey of participants leaving April 1998 through December 1998. Of those leavers that were working, the average wage reported was \$7.95/hr with an average work week of 35 hours/week. Approximately 65 percent of leavers reported wages between \$6.00/hr and \$8.99/hr while just 13 percent reported wages of 10/hr or more.

Cancian, Haveman, Meyer and Wolfe looked at two cohorts of W-2 leavers. The first cohort were women who left welfare in 1995 and the second cohort were women who left in 1997. They found that 70 percent of leavers had some earnings in each quarter and most women who were working had earnings that were substantially higher a year later. However, both cohorts of leavers had high poverty rates with ? percent of the first group below poverty level with own income and 80 percent of the second group below the poverty level.

The Self-Sufficiency Standard

It is one goal to move families up to the poverty level, but it is another challenge to move them to a level necessary to achieve self-sufficiency. W-2 is achieving neither to the degree it should be. The Education Fund of the Wisconsin Women's Network defines the self-sufficiency standard as:

“Self-sufficiency standard measures how much income is needed, for a family of a given composition in a given place, to adequately meet its basic needs without public or private assistance”^{vii} Pearce and Brooks assert that the federal poverty measure is not an adequate measure for self-sufficiency because it fails to take into account inflation, geographic differences, and needs such as transportation, taxes and child care.

The self-sufficiency standard is different from the federal poverty measure in that it takes into account costs associated with employment, taxes and tax credits costs that vary by family size and composition, and regional and local variations in costs. The standard also accounts for income necessary to meet basic nutritional standards as well as adequate housing.

For example, in Bayfield County in northern Wisconsin, the hourly wage to achieve self-sufficiency as defined above is just \$5.39 for a single adult. This figure assumes monthly costs of \$322 for housing, \$164 for food, \$172 for transportation, \$103 for health care, \$76 in miscellaneous expenses, and \$111 in taxes. The wages jumps up to \$12.84 for an adult with one infant. In Milwaukee, where a substantial percentage of the W-2 caseload is concentrated, the self-sufficiency wage is \$6.90/hr for a single adult and \$15.52/hr for single adult with one preschooler.

If you consider thatpercentage of W-2 has ...children....this amount falls well short of what leavers are making.

W-2 Education and Training

In 1998 the Governor’s Education and Training Committee recognized the importance of education and training in moving families toward self-sufficiency. The committee was

created under Governor Thompson in an effort to help people enter the workforce and move to self-sufficiency. The charge to the committee was to identify the flexibility and kinds of initiatives that can be included in providing entry-level workforce training under W-2. Some of the specifics the committee was asked to investigate include: identify what W-2 agencies and their partners can do to facilitate continuing education and post-employment occupational training; identify entry level training needed for areas with a labor shortage and with good paying job opportunities; and provide guidance on what educational institutions can do to be more responsive to employers and customers related to entry level training and continuing education.

In June of 1998 the committee presented a report of its findings which included several important themes. The committee found that flexibility in providing education and training is essential. Also, they stressed that the message of continuing education and lifelong learning must be persistent.^{viii} The report of the Committee clearly indicates the importance of education and training as an important part of W-2 and provides recommendations on how to improve the program. There is still much work that needs to be done in this area.

The Legislative Audit Bureau revealed in a 2001 report that only 7 agencies provided technical college courses or other post-secondary education opportunities to more than 1 percent of their participants in 2000. Maximus was the only agency to enroll more than 15 percent in these activities. In 2000 only 99 W-2 participants, just 3 percent of the W-2 population took technical college courses. Only 1 percent of the population participated in other post-secondary education. This is well-below the 30 percent of a state caseload allowed to participate in vocation education under federal law.

Is Education and Training the Answer?

Nationally there is not consensus as to what the best approach is to deliver welfare services as evidenced by the many variations in programs. Both the Urban Institute and the Center for Law and Social Policy (CLASP) have found that education and training is an important component to the success of welfare recipients. Holzer and Wissoker assert in an Urban Institute report that the “work-only” approach will yield only modest wage growth and upward mobility. They found that leavers who left their jobs or had problems in the workplace had somewhat less education and experience. Additionally, they acknowledge that any program that aims to achieve significant growth in wages and upward mobility must include an education and training component.^{ix}

Martinson and Strawn in a CLASP report find that the programs that have been most successful are those that have focused on employment, but have also made substantial use of education and training. Some of the CLASP recommendations on TANF reauthorization include: ease the current restrictions on counting education and training toward federal work requirements; allow sufficient time for welfare recipients to move through both adult basic education and job training to obtain occupational certificates; incentives to states to provide work-study positions for low-income parents.^x

The Manpower Demonstration and Research Corporation (MDRC) in a comprehensive national evaluation of welfare-to-work strategies sponsored by the U.S. Department of Health and Human Services (HHS) Administration for Children and Families (ACF), found that employment-focused programs are more effective than education-focused programs at increasing employment and earnings. The employment-

focused approach moved recipients into jobs more quickly and initially increased earnings. However, neither approach was successful in increasing the likelihood of a recipient having a “good” job. The education and training services offered by the programs evaluated had little effect on earnings growth and employment stability.^{xi} Another MDRC report indicates that obtaining a GED and then receiving some type of vocational training can result in employment and earnings gains.^{xii}

Gordon Berlin, Senior Vice President of MDRC testified before the Senate Finance Committee in March of 2002. He testified that, “the challenge for policymakers is to maintain the employment orientation that underlies welfare reform’s success while opening the door to additional education and training”. He indicated that the most effective strategy is one that has a strong employment orientation but allows for flexibility to emphasize job search first for some and education first for others. The key is allowing individual needs to dictate what the best approach is.

Policy Goals

Is the current system of administering education and training services under W-2 adequate? An answer to this question requires examining the goals behind W-2 policy. According to the Department of Workforce Development, the W-2 program “seeks to provide a broad array of employment and training services to help eligible Wisconsin residents obtain and maintain viable, self-sustaining employment”. Based on the data on welfare leavers, Wisconsin welfare policy is not moving participants toward self-sustaining employment.

Alternatives

What is the best way to achieve self-sufficiency for families leaving welfare? As discussed above, there is no consensus nationally as to what the best approach is. Some innovative ideas have come out of states' experimentation with welfare reform, some of which are outlined below. Education is not the right answer for everyone. Most welfare recipients will not choose education when given the choice between working or going to school. However, it is imperative that we are offering this choice, and for those that truly have the skills and the desire, education should be encouraged. Although the evidence is not conclusive, it is possible for at least some families that education will provide a long-term self-sufficiency.

California (CalWORKS)

The state of California in 1997 through the California Work Opportunities and Responsibility to Kids (CalWorks) legislation allocated \$8 million in federal TANF funds, \$65 million in General Funds and \$8 million in state TANF funds for a total of \$81 million to be directed toward developing programs on community college campuses for welfare recipients. The CalWorks program was to include service coordination between welfare offices and campus programs, curriculum development, work-study opportunities, subsidized child care, and job development and placement services.

Education is an allowable activity in California to meet the 32 hours time limit for engagement in appropriate activities if it is determined during assessment that either education would help the recipient with getting a first job, or would move the recipient toward a higher paying job that would lead to self-sufficiency. Although this is an

allowable activity as defined by the state, many caseworkers at the county level still have a strong “work-first” approach. Recipients may not be aware that education is an option.

According to MDRC, California has invested more of its TANF funding in postsecondary education than any other state.^{xiii} MDRC’s demonstration initiative “Opening Door to Earning Credentials” explores the barriers faced by low-income parents as they pursue post-secondary education in California.

Oregon (Portland)

The welfare program in Portland, Oregon has been regarded as one of the most successful programs in terms of having an impact on employment, earnings and welfare. The Portland program uses the mixed services approach although the primary focus is on “work first”. The Portland program has improved job quality.^{xiv} Initially, approximately half of participants are assigned to job search and the other half is assigned to other activities. However, the trend in Portland is moving toward assigning more participants to the job search. The work-first philosophy of this program differs from other programs in a profound way. Case managers of the Portland program encourage welfare recipients to “hold-out” for a “good” job rather than to take the first thing that comes along.

The Portland program substantially increased the number^{xv}

Florida

The Gaining Opportunities and Learning Skills (GOALS) program which started in Jacksonville in 1999 was set to be tested statewide in 2002. The program aims to assist low-wage workers enroll in and complete short-term education and training programs.

The program was initially targeted to welfare leavers but may be expanded. The GOALS program provides stipends to encourage participation in education and training programs. Participants in the program receive free tuition and help with child care expenses. They also receive assistance in finding a job upon completion of the program. ^{xvi}

Conclusion

Welfare reform at the federal level encouraged states to experiment with different types of programs and approaches to moving welfare recipients into work. The State of Wisconsin has been a leader in these efforts and has had some success in reducing cash caseloads. However, where W-2 falls short is on moving families toward self-sufficiency. Wisconsin is not unique in this area. Nationally, many states are seeing similar results in the wages of leavers from welfare programs. There is not consensus on what the best approach is to welfare programs, but research has demonstrated the importance of education and training. If Wisconsin is to continue to be a leader in welfare reform, the State of Wisconsin must reconsider its approach to education and training. Although additional education and training would not benefit all recipients, there should be enough flexibility in W-2 to tailor individual programs.

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ⁱⁱ Richer, Elise, Steve Savner, Mark Greenberg, Frequently Asked Questions about Working Welfare Leavers-Center for Law and Social Policy, November 2001

ⁱⁱⁱ Recent Changes in Wisconsin Welfare and Work, Child Care and Child Welfare Systems The Urban Institute Assessing the New Federalism State Update No. 8, September 2001

^{iv} Tobias, Vicki, Wisconsin’s Workforce Development Funding, Wisconsin Council on Children and Families, August 2003.

^v Wisconsin Legislative Audit Bureau-An Evaluation:

^{vi} Wisconsin Legislative Audit Bureau-An Evaluation: Wisconsin Works W-2 Program April 2001

^{vii} Pearce, Diana and Jennifer Brooks, The Self-Sufficiency Standard for Wisconsin, Education Fund of the Wisconsin Women’s Network, Winter 2000

^{viii} Building a Workforce for the Future: The Role of Education and Training in Wisconsin Works (W-2) A Report by the Governor’s Wisconsin Works (W-2) Education and Training Committee June 1998

^{ix} Urban Institute-How can we encourage Job Retention and Advancement for Welfare recipients. Harry J. Holzer and Douglas Wissoker Series A, No. A-49, October 2001

^x Martinson, Karen and Julie Strawn, “Built to Last: Why skills matter for long-run success in Welfare Reform”, Center for Law and Social Policy Workforce Development Series, Brief no. 1, April 2003

^{xi} Hamilton, Gayle, Moving People from Welfare to Work: Lessons from the National Evaluation of Welfare-to-Work Strategies, Manpower Demonstration Research Corporation, U.S. Department of Health and Human Services Administration for Children and Families

^{xii} MDRC How Effective are Different Welfare-to-Work Approaches?: Five-year Adult and Child Impacts for Eleven Programs

^{xiii} Nelson, Laura, Rogear Purnell, “Opening Doors to Earning Credentials: supporting CalWorks students at California Community Colleges” MDRC, February 2003

^{xiv} Best Practice Programs for Hard-to-Employ TANF Clients, Center for Public Policy Priorities Research Briefs

^{xv} National Evaluation of Welfare-to-Work Strategies: Implementation, Participation Patterns, Costs, and Two-Year Impacts of the Portland (Oregon) Welfare-to-Work Program

^{xvi} Bloom, Dan, Jacquelyn Anderson, Melissa Wavelet, Karen N. Gardiner, Michael E. Fishman, New Strategies to Promote Stable Employment and Career Progression: an introduction to the Employment Retention and Advancement Project, U.S. Department of Health and Human Services Administration for Children and Families, Manpower Demonstration Research Corporation, February 2002