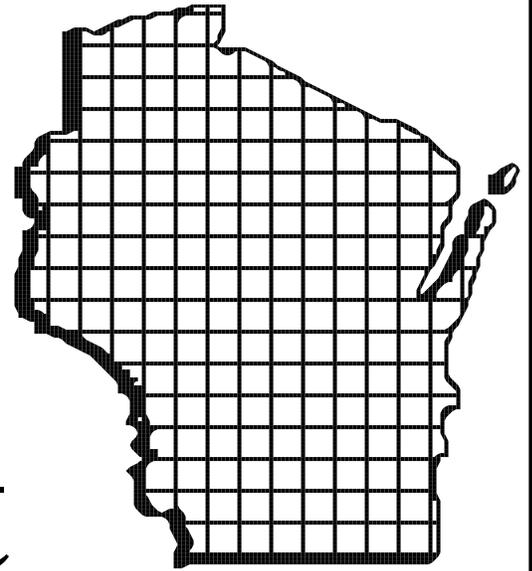


Wisconsin

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Report



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**THE DECLINE OF
WELFARE IN
WISCONSIN**

REPORT FROM THE PRESIDENT:

As the welfare debate in Wisconsin leads to a totally new program, there are some observations that should be understood by everyone involved in shifting welfare from an entitlement to a jobs-centered program.

Professor Lawrence Mead, one of the most prominent welfare-policy experts in the United States, has continued his research on the welfare-caseload rates in Wisconsin. The results of his research lead to some very definitive conclusions. Between 1987 and 1994, Wisconsin's caseload dropped 23%, more than double the next largest decline in the country. The liberals argue that much of this was caused by Wisconsin's economy. Mead presents a differing argument. While the economy was a factor, it is clear that the administration of welfare cases in the state and the implementation of the Job Opportunities and Basic Skills Training Program (JOBS) heavily influenced the reduction in Wisconsin welfare rolls.

In 1986, Wisconsin had the lowest payment, \$10.56, in the U.S. for monthly administration per AFDC case. By 1994, that amount increased almost six times to \$61.55 — the largest increase in the nation. What these numbers tell you is that the policy changes in Wisconsin had an enormous impact on the declining welfare rolls. Even counting the rising administrative costs, we still managed to save \$68 million. In addition, we ended forever the argument that people are entitled to free welfare money indefinitely.

In the end, almost everyone will win because of the upcoming changes in welfare. Poor people will in fact get jobs and be taught personal responsibility; taxpayers will eventually pay less and have the satisfaction of knowing that their social dollars are producing workers, not malingerers. The only losers will be the liberal advocates who will not be able to divert poverty money to pay for their own political agendas.

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THE DECLINE OF WELFARE IN WISCONSIN

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SUMMARY

Between 1987, when Tommy Thompson took office as governor, and 1994, Wisconsin cut its welfare caseload (Aid to Families with Dependent Children, or AFDC) by 23 percent, by far the largest fall of any state. It avoided the abrupt growth in dependency that hit most other states between 1989 and 1993. Several causes might be imagined, including Wisconsin's good economy, the fall in welfare benefits due to a Thompson cut and inflation, effective child support enforcement, and the welfare employment programs the state has implemented.

The work programs include the national Job Opportunities and Basic Skills Training Program (JOBS) and several experimental projects launched by Thompson. Changes in JOBS as well as the experiments have shifted state work policy away from placing clients in education or training and towards enforcing work in available jobs. However, fewer clients assigned to JOBS now enroll than formerly, and the program serves fewer of the more disadvantaged recipients than it used to.

Studies of national trends suggest that the rise in unwed parenthood and the last recession were mainly responsible for the recent welfare boom. However, if one compares states, those that enforced work and child support well suffered less welfare growth than those that did not, even allowing for social and economic differences. Wisconsin escaped the boom largely because it was good at work and child support enforcement, as well as due to low unemployment.

Many believe that Wisconsin's welfare decline is due mainly to the benefit cut or low unemployment. It is difficult to test these claims by examining statewide trends, but a benefit effect appears unlikely. Comparisons across the Wisconsin counties suggest that a tight labor market and effective work programs were the principal causes of decline. Low unemployment drove the caseload down in the late 1980s, and in the early 1990s, JOBS helped sustain the fall. Recently, the experimental programs appear to be diverting many applicants for aid away from AFDC.

Several questions remain about the Wisconsin achievement:

- Are the poor better- or worse-off? There is no systematic information, but to date, anecdotes do not suggest unusual hardship.
- Why has Milwaukee reduced its caseload less than the rest of the state? The main reason appears to be a poorly-run JOBS program. Recent reforms have sharply improved JOBS performance in Milwaukee, and this augurs well for greater caseload reductions in the future.
- Has the state gained or lost money on reform? It has spent markedly more on administration and support services than it did before reform. Yet, due to the caseload fall, it has saved an estimated \$68 million overall.
- How far might Wisconsin's methods drive the caseload down? Perhaps two-thirds of cases might leave cash welfare, but in-kind benefits would still be necessary. And as the more employable cases leave the rolls, non-work strategies will be needed to help the remaining caseload.

One implication of the Wisconsin achievement is to question the opposition usually seen in Washington between government aiding the poor and trusting the private sector to do so. In Wisconsin's best-run counties, government gives aid and enforces values *on behalf of* society. Another implication is that the days when welfare politics focused chiefly on employment may be numbered. If most of the employable leave the rolls and the remaining cases do more to help themselves, concern to improve benefit levels and ameliorate "working poverty" may grow. Conservatives may have reformed welfare, but the political beneficiaries may be liberals.

I. INTRODUCTION

In January 1995, I published a study of welfare reform in Wisconsin that noted the unusual fall in the welfare caseload there. The rolls of Aid to Families with Dependent Children (AFDC), the principal national family assistance program, declined by 3 percent in Wisconsin between 1989 and 1993, a period when they soared almost everywhere else in the country. Only two other states — Louisiana and Mississippi — also avoided a rise. Wisconsin had apparently used the Job Opportunities and Basic Skills (JOBS) program, the welfare employment program mandated by the federal Family Support Act (FSA) of 1988, to help drive the caseload down. My main interest, however, was in the paternalistic organization of JOBS and other reform programs in Wisconsin — their close supervision of the recipients in order to change lifestyle.¹

Subsequently, I received figures from the state showing that its welfare decline over a longer period was even more remarkable. Between January 1987, when Governor Tommy Thompson took office, and December 1995, Wisconsin's caseload fell 33 percent, with declines in some rural counties exceeding 70 percent. These may be the most hopeful numbers to appear about welfare and poverty since the Great Society over 30 years ago. They make it imaginable that dependency in American society might be fundamentally reduced. They cry out for explanation. Wisconsin is doing something right — but what is it?

This paper explores in more depth the reasons for the caseload decline in Wisconsin.² My approach was first to collate the views of experts and to interview welfare officials in the state — both in Madison and in several counties — to see to what factors they credited with the decline. The counties I visited for last year's study were largely urban. The ones I visited this time were largely rural, in order to investigate the reasons for their unusual caseload falls. I then constructed several statistical analyses — one comparing Wisconsin and other states, others within the state itself. These aimed to test, so far as possible, which causes were linked most closely to the caseload decline.

Most welfare experts attribute the state's welfare fall mostly to its strong economy and to the cut in the value of welfare benefits produced by Tommy Thompson and inflation, which reduced access to aid.³ I also find that the economy was a force behind the fall, but that a benefit effect is unlikely. Rather, besides the economy, the major cause appears to be tough demands that welfare adults work in return for support. The state's instruments have been JOBS plus more recent experimental programs launched by the Thompson Administration, which appear to be diverting many applicants from the welfare rolls.

Below, I first present detailed figures on caseload trends in the nation and within Wisconsin. I summarize economic factors that may explain the welfare decline and then look more closely at the implementation of JOBS and the experimental work programs. Together, JOBS and the experiments have toughened work expectations considerably. However, enrollment in JOBS has also fallen, and the program serves fewer disadvantaged clients than it once did. Then follow the statistical analyses of the causes of decline and a closer look at the Thompson experiments and diversion.

ACKNOWLEDGEMENTS

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I thank several officials of the Wisconsin Department of Health and Social Services, particularly Ginevra Ewers, Robert Korb, Madelyn Scheer, Jason Turner, and Peter Van Ness. They helped me obtain data needed for the statistical analyses, and they answered endless questions about it and other matters. Without their patience, this study would have been impossible.

None of the above is responsible for the shortcomings of this study. It represents my views, not necessarily those of the funders or the Wisconsin Department of Health and Social Services.

Finally, I address several questions raised by the Wisconsin achievement. Has the caseload fall been to the benefit of the poor? Why has Milwaukee, with much the largest caseload, trailed the rest of the state in reducing welfare? Has the state gained or lost money on reform, given that the service and administrative costs of welfare have soared? How far might Wisconsin's methods finally drive the caseload down? Lastly, I look briefly at the policy and political implications of the Wisconsin style of welfare reform.

Welfare is currently a hot issue in Washington and in many states for a very good reason: In recent years, the nation suffered a second "welfare boom," next only to the dramatic doubling of the welfare rolls between the late 1960s and early 1970s. Currently, welfare rolls are falling in many states, but this may be due largely to cyclical factors — the current good economy. A better test of a state's performance is a longer period embracing a variety of economic conditions.

PART 1: THE CASELOAD FALL AND ITS CAUSES

II. CASELOAD TRENDS

Table 1 below details trends in the welfare caseload over two such periods — the years 1989-93, which were the heart of the recent boom, and 1987-94, the first seven years of the Thompson Administration in Wisconsin. Both periods encompass an entire business cycle. They include a serious economic recession, which was itself one cause of the boom, but the longer period includes more of the prosperous years of the late 1980s and the recent 1990s, when unemployment rates fell. Data are shown for the nation, the average of the 50 states and the District of Columbia, Wisconsin, and then other states that had a decline in their caseloads in either period.

Wisconsin's record is unique. Over 1987-94, only eight states reduced their rolls, and only Louisiana, Mississippi, and Wisconsin managed to do so during the shorter welfare boom period, when the average state suffered growth of 35 percent. The Louisiana and Mississippi declines over both periods, moreover, were small. Only in Wisconsin did the caseload fall during the boom years *and* fall by considerably more over the longer period. Wisconsin's 23 percent fall over 1987-94 is more than twice as large as the next largest decline.⁴ In the process, the size of the state's caseload dropped from above- to below-average for the nation. Of the several urban states often mentioned as pioneers of welfare reform — others would include California, Massachusetts, and Michigan — Wisconsin is the only one that actually reduced dependency over these intervals.

Table 2 on the next page breaks down the period 1987-94 to see more closely where Wisconsin compiled its record. For the same categories and states as above, the figures show percentage caseload change over 1987-94, then over three subperiods in which quite different conditions prevailed — 1987-90, 1990-2, and 1992-4. Welfare grew in the nation and the average state in all three periods.

During 1987-90, the states that achieved reductions owed much to economic conditions, which were highly favorable. In an economic boom, more jobs are available to the low-skilled, and welfare drops. However, Wisconsin exploited this period unusually well, since its 19 percent caseload fall was four points greater than that of any other state. During 1990-2, on the other hand, most of the country encountered an economic recession. This was when the bulk of the recent caseload growth occurred in the nation and the average state. Yet Wisconsin held its rise to a mere 2 percent, bested only by Louisiana and

TABLE 1 Trends in the National and Wisconsin AFDC Caseloads, 1987-94

	Caseload (1,000s of Persons)		Percent Change	
	1987	1994	1989-93	1987-94
Nation	11,064	14,226	29	29
Average State*	213	275	35	36
Wisconsin	293	226	-3	-23
Alabama	137	132	9	-4
Illinois	721	712	9	-1
Iowa	115	110	3	-4
Louisiana	260	248	-5	-5
Mississippi	175	159	-4	-9
Nebraska	47	45	17	-3
New Jersey	339	335	17	-1

* 50 states and D.C.

Note: Percent changes for the average state are means of the state percent changes, not percent changes between the mean state caseloads.

Source: U.S. Congress, House, Committee on Ways and Means, *Overview of Entitlement Programs: Green Book*, various years; 1994 data from U.S. Department of Health and Human Services, Administration for Children and Families.

TABLE 2 Trends in the National and Wisconsin AFDC Caseloads in Three Periods, 1987-94

	PERCENT CASELOAD CHANGE (BASE 1987)			
	1987-94	1987-90	1990-2	1992-4
Nation	29	3	20	5
Average State*	36	6	25	4
Wisconsin	-23	-19	2	-6
Alabama	-4	-6	9	-7
Illinois	-1	-12	7	3
Iowa	-4	-15	5	7
Louisiana	-5	8	-3	-10
Mississippi	-9	2	0	-11
Nebraska	-3	-9	12	-6
New Jersey	-1	-9	13	-5

* 50 states and D.C.

Note: Percent changes for the average state are means of the state percent changes, not percent changes between the mean state caseloads. Some figures do not add due to rounding.

Source: U.S. Congress, House, Committee on Ways and Means, *Overview of Entitlement Programs: Green Book*, various years; 1994 data from U.S. Department of Health and Human Services, Administration for Children and Families.

Mississippi. In the final period, 1992-4, economic growth resumed. The national caseload still grew 5 percent, and while it fell 6 points in Wisconsin many other states also recorded declines. Thus, Wisconsin's overall record is mainly attributable to the two earlier periods. Of course, one reason the state has fallen back in the pack in the recent period is that past reductions make further progress more difficult than in states where decline began more recently.

Table 3 below details caseload change within Wisconsin. Caseload figures are shown for January 1987, December 1994, and December 1995. The percent change is calculated over the whole span, then over both subperiods. Figures are shown for the state, the average county, and for the counties with the highest and lowest percentage declines. Milwaukee had the smallest decline, and it is also vastly the largest county: I also include figures for the other larger counties, those that still had caseloads of over a thousand families in December 1995. I add Fond du Lac because of its importance as a pilot for Work Not

Welfare, a Thompson welfare experiment discussed later.

The figures dramatize the scope and depth of Wisconsin's achievement. Since 1987, the statewide caseload has dropped by a third, or over 32,000 cases. In the average county, the fall is over half.⁵ The decline is also broad-based. While it is greatest in smaller, rural counties, where declines of half or two-thirds are commonplace, substantial falls also occurred in the cities. And while, as for the nation, much of the fall might be attributed to the state's tight labor market, much of it has occurred within the last year, when unemployment was already low. The precipitous and continuing fall in Fond du Lac is especially notable. Milwaukee is trailing the

rest of the state in percentage decline, but its performance has sharply improved recently, with over half of its caseload decline coming within the last year. As this suggests, governmental actions, and not only economic conditions, help to explain the changes.

TABLE 3 Trends in the Wisconsin and County AFDC Caseloads, 1987-95

	CASELOAD (CASES)			PERCENT CHANGE (BASE 1/87)		
	Jan.	Dec.	Dec.	1/87-	1/87-	12/94-
	1987	1994	1995	12/95	12/94	12/95
State	98,295	73,714	65,917	-33	-25	-8
Average County	1,356	1,017	909	-54	-45	-9
Largest Fall (Crawford)	339	101	67	-80	-70	-10
Smallest Fall (Milwaukee)	38,803	36,865	34,727	-11	-5	-6
Brown	2,626	2,006	1,832	-30	-24	-7
Dane	3,384	3,176	2,855	-16	-6	-9
Eau Claire	1,849	1,242	1,011	-45	-33	-12
Fond du Lac	1,172	627	343	-71	-47	-24
Kenosha	3,231	2,334	2,102	-35	-28	-7
La Crosse	1,864	1,271	1,146	-39	-32	-7
Racine	4,676	3,219	2,872	-39	-31	-7
Rock	3,527	2,471	2,093	-41	-30	-11

Note: Some figures do not add due to rounding.

Source: Department of Health and Social Services, State of Wisconsin.

III. ECONOMIC FACTORS

Several influences, some outside government and some inside, might explain the fall. I summarize here several economic factors often cited by experts, and by state and local welfare officials in the state when I and a research assistant interviewed them in May and June 1995.

A favorable economy

The reason for the caseload decline given most often is simply the state's strong economy. Wisconsin has typically enjoyed robust job growth above and unemployment rates below the national norm. During the period of the welfare boom, the state's unemployment rate usually ran a point or more below that of the nation. During the recession of the early 1990s, the rate barely rose above 5 percent, compared to nearly 7 percent for the average state.

In several counties, our respondents noted that unemployment was below 3 percent. Employers were desperate for labor, so they were prepared to cooperate with welfare to move more recipients into jobs. A tight job market generates many openings even for people without skills or a work history. It also makes it possible for the fathers of welfare families to get jobs good enough to pay their child support judgments. Local officials often remarked that better child support facilitated mothers working their way off the rolls. If a mother could get partial support from the father, she could often escape welfare with a job that was only low-paid or part-time; it need not be well-paid or full-time.

However, Wisconsin's economic conditions were not all that unusual. Perhaps unemployment in Wisconsin was only 4.4 percent in 1989, but 20 states had lower rates. And while unemployment rose in Wisconsin only 0.7 points during the recession years of 1990-2, 15 states were more fortunate. These other states did not reduce their welfare rolls anything like as much as Wisconsin, so differences in welfare policy must also be important.

Wisconsin has been working seriously to curb dependency for more than a decade.⁶ The state is often seen as liberal, yet the steady growth in AFDC starting in the 1960s alarmed the public and politicians of both parties. People feared that the state's generous welfare system was attracting poor migrants from elsewhere and making the state uncompetitive for business. In 1985-6, the caseload grew to over 300,000 persons, provoking panic in Madison. Both the governor and legislature convened advisory committees on the question, and change followed on several fronts. The gubernatorial election of 1986 was fought chiefly over welfare, and the victory of Tommy Thompson unleashed another wave of reforms, which has continued to the present.

Child support enforcement

Child support enforcement is the lever that the state has been working on longest. If single mothers can obtain more support from their departed spouses, fewer will need to go on welfare. Before the 1980s, child support judgments in Wisconsin were made by local judges on a highly discretionary basis. Orders typically claimed only a small proportion of an absent parent's income and were seldom updated over time to reflect rising wages.

Wisconsin established a standard scale relating judgments more closely to what parents could pay. The scale was set initially in 1983 as a guide to judges. Then in 1987 it was made binding upon them, unless they specified reasons to the contrary in a specific case. This increased awards as a percentage of the parents' income.⁷ Similar reforms occurred in other states due to federal legislation modelled on Wisconsin. Due to these steps and improving the collection of judgments, the share of AFDC payments recovered through child support in Wisconsin jumped from 9 to 17 percent between 1985 and 1993, compared to figures of 7 and 12 percent for the nation. By 1993, the state collected child support on 41 percent of its AFDC cases, a figure second only to Idaho's.⁸

Improving child support enforcement might explain part of Wisconsin's caseload reduction, either by itself or in conjunction with welfare work programs.

Benefit cuts

The most obvious thing the state did to restrict welfare was simply to trim its benefits, which are liberal by national standards. In January 1987, when Tommy Thompson became governor, Wisconsin's maximum AFDC payment for a family of three was \$544 a month, fifth-highest in the nation. Upon taking office, Thompson

proposed a 6 percent cut in the grant level, and after a struggle with the Democratic legislature, he obtained it.⁹ This was the most partisan of his proposals. The grant fell to \$517, and the nominal amount has not changed since. By 1994, Wisconsin's benefit stood only twelfth in the nation.¹⁰ The grant has also declined due to inflation. Overall, the value of AFDC benefits fell 31 percent between 1986 and 1995. Since cuts in AFDC are offset by increases in a family's Food Stamps, the value of AFDC and Food Stamps together fell by 14 percent.¹¹

Such cuts should reduce the rolls, since they lower the income threshold that needy families must get under to qualify for aid. Outside experts think the cuts explain a good deal of Wisconsin's success. However, the officials we interviewed seldom mentioned it. They saw it as minor, a far smaller change in welfare policy than other Thompson initiatives. They had not observed it to cause any immediate or evident drop in the caseload.

Welfare incentives

In Wisconsin, as elsewhere, it is widely believed that welfare recipients often fail to leave aid for jobs because doing so is not worth their while. They often can "make" more from government by staying dependent than they could by working. Their benefits are cut when they take a job, yet the wages and benefits they can command from employers are meagre. To improve incentives to work, federal welfare rules between 1967 and 1981 reduced benefits by less than the full amount of earnings, but these subsidies were sharply reduced by the Reagan Administration. It is also widely believed that recipients often refuse to leave welfare because they cannot get health coverage from employers, and that states with high benefits, such as Wisconsin, will attract recipients from less generous states.

Thompson changed the incentives in Wisconsin. Normally, when benefits are calculated, recipients who work can disregard \$30 in earnings per month for a year plus one-third of the remainder for the first four months on the job. In 1987, Thompson obtained special permission from Washington — known as a waiver — to disregard \$30 and one-sixth of the remaining income for a year, so that incentives would stretch out longer. He was also allowed to extend the transitional Medicaid coverage available to recipients who leave the rolls for work from 4 months to 12. In 1991, another waiver eliminated the normal restriction preventing two-parent families from obtaining AFDC, even if needy, when the unemployed parent works over 99 hours a month. Finally, beginning in 1994, under still another waiver called Two Tier, recipients in four counties who migrated from other states were paid the benefit they previously received for the first four months, to curb the "welfare magnet" effect.¹²

There is little evidence that, in fact, financial disincentives have much to do with whether welfare recipients work. Studies of the former federal work incentives showed negligible effects.¹³ None of the Thompson work incentive waivers appear to have shown an impact, although officially the evaluations are unfinished.¹⁴ Two-Tier is too new to have shown results. It is thus improbable that this set of innovations has had much to do with the decline of welfare.

IV. THE JOBS PROGRAM

Wisconsin, like the nation, has not relied only or even mainly on economic means of reducing dependency. It has added work programs intended to put welfare recipients to work. Work incentives improve the returns to employment but leave work as a choice. Mandatory programs, in contrast, seek to enforce work or preparation for work as a condition of eligibility for aid. To do this is the most popular way to reform welfare. It vindicates the public desire that dependent adults work without directly threatening aid to needy families. I look first at the development of JOBS in Wisconsin, then at the experimental programs recently introduced by the Thompson Administration.

Congress first mandated welfare work programs in 1967 when it set up the Work Incentive (WIN) program, which was supposed to place AFDC adults in jobs or training. In practice, WIN lacked the authority and funding to do this for much of the caseload, and it had no apparent effect on the rolls.¹⁵ WIN was run better in Wisconsin than in most states.¹⁶ As elsewhere, it was administered largely by the labor department, meaning the Job Service, a federally-funded labor exchange that helps the jobless find work, mostly on a voluntary basis. Still,

Wisconsin WIN never did much more than run a minority of AFDC adults through a loosely supervised job search. Due to Reagan-era funding cuts, its coverage was cut back to part of the state by the mid-1980s.

WEJT

Dissatisfied, the welfare department and legislature combined in 1986 to create the Work Experience and Job Training (WEJT) program. WEJT was to be run by state and local welfare departments, with the Job Service reduced to a subcontractor. The new program was meant to serve more of the caseload more intensively, providing not only job search but education and training and — for those failing to find work — unpaid government jobs. WEJT replaced WIN initially in five counties in 1987, then expanded in the next two years to cover much of the state. Funding was generous, and it came mainly from Madison.¹⁷

Several of our respondents suggested that the buildup of WEJT had triggered the caseload fall. The program for the first time involved enough welfare adults so that the work test became more than a formality. However, WEJT was implemented in a rush, leading to several years of administrative confusion and underspending of funds. There is little evidence that the program, in itself, reduced caseloads, at least through 1990. Indeed, it appears to have slowed departures from the rolls in some counties by shifting clients out of job search and into education and training activities.¹⁸ But WEJT gave Wisconsin a more ambitious, better-funded welfare employment structure than most other states.

Meanwhile, evaluations elsewhere showed that well-run work programs could indeed raise earnings among recipients and reduce dependency. Largely on that basis, Congress in 1988 passed the Family Support Act, which replaced WIN with the more ambitious JOBS program. Much like WEJT, JOBS was supposed to reach more welfare adults and provide them a wider range of services.¹⁹ Due to WEJT, Wisconsin was able to implement JOBS in 1989, a year earlier than required. It added the new funding to its already-ample WEJT budgets. JOBS dug deeper into the caseload than either WIN or WEJT had done. If there was any payoff in lower dependency, it probably came from JOBS, yet JOBS built upon the state's bold WEJT gambit.²⁰

JOBS freed welfare employment from the grip of the Job Service and put county welfare departments in charge.²¹ Counties have considerable autonomy in running the program, as they do the rest of welfare. They in turn subcontracted some JOBS functions to nonprofit and even profit-making agencies, thus bringing fresh players into the game. They are subject to some state policies, but at first Madison gave little guidance. This was partly because, at the time JOBS appeared, the best way to run welfare work programs was still unclear. Some experts argued for voluntary programs, some for mandatory; some favored an emphasis on education and training, others immediate job placement.²²

Compared to localities elsewhere, counties in Wisconsin usually enforced participation well in JOBS, but mainly because they took the program seriously, not because raising participation was an explicit state policy. And many counties at first emphasized education and training as their main strategy.

Recent changes in JOBS

Since 1988, however, evaluations have made reasonably clear that mandatory work programs outperform voluntary ones and that programs focused on immediate employment outperform those seeking to train clients for “better” jobs. Most welfare adults have done too poorly in school for a return to the classroom to do much for their wages. Building up a work record, even in low-paid jobs, does more.²³ Under Thompson, the state welfare department has shifted JOBS toward a greater focus on immediate employment. The most important steps, many coming just in the last two years, were the following:

- In 1988, the age of youngest child that exempts a mother from JOBS was lowered from 6 to 2, and both parents in two-parent welfare cases (AFDC-UP, or Unemployment Parent) were made subject to the program. In October 1995, the exemption age was cut to 1. These steps expanded the share of welfare adults subject to the work test from under half to a large majority.

- Starting in 1990, the state had to achieve monthly participation rates in JOBS set by the Family Support Act. It easily met the targets for AFDC as a whole, which rose to 20 percent by 1995. It had a tougher time meeting the standards for AFDC-UP, which mandated that 40 percent of unemployed parents in these cases be working by 1994, rising to 75 percent by 1997. Madison mounted heavy pressure on localities starting in 1994 to achieve those levels.
- In 1994, counties were expected to serve 80 percent of JOBS clients and to place 40 percent of two-parent cases and 12 percent of one-parent cases entering JOBS in “work components,” meaning unpaid government jobs, other unpaid work experience, work supplementation (a private job with the wage subsidized by welfare), or on-the-job training. In 1995, these figures were raised to 80, 50 (later 60), and 18 percent, respectively.
- In 1994, counties were required to earn 55 percent of their JOBS funding for two-parent cases by placing these clients in jobs or work components.²⁴ In 1995, this performance pool rose to cover 60 percent of two-parent JOBS monies and 20 percent of the much larger budget for one-parent AFDC.²⁵ These incentives were the sanction behind the above plan requirements.
- In March 1995, new JOBS regulations cut the number of unexcused absences that clients are allowed before they enter adjudication from 2 to 1. Adjudication is the process that sanctions clients (reduces their grants) if they fail to participate regularly.
- The same regulations required that clients in higher education participate 20 hours a week (those below this level could be asked to add other activities, up to a total of 129 hours a month) and limited higher-education programs to two years in length.
- In December 1995, welfare and JOBS agencies were required to reduce the AFDC caseload up to 25 percent and achieve other goals between September 1995 and August 1996 to be assured of selection to administer W-2, the new, work-oriented statewide welfare system (see below).²⁶

One administrative change related to JOBS was the installation of a new computerized reporting system for both welfare and JOBS in 1994.²⁷ The effects on the rolls are unclear. The new system may have reduced the measured caseload by cleaning a lot of “dead cases” (families that had left welfare) out of the system. On the other hand, computerized eligibility determination considers more ways that applicants for aid may be eligible, and this may increase the rolls.

The presumption that JOBS has done something to reduce the caseload must be strong, in light of the evaluation literature. But the program in Wisconsin has received no systematic evaluation,²⁸ and many of the above changes came too late to enhance its impact up through 1994.

V. WELFARE EXPERIMENTS

In addition to WEJT and JOBS, Thompson instituted experimental programs, usually in selected counties, that stiffened behavioral requirements still further. Like JOBS, all were based on the idea that welfare dependency could be used to secure desirable changes in the lifestyle of the poor. The most controversial of the programs was Learnfare, a statewide requirement that welfare parents keep their teenage children in school on pain of reductions in their grants.²⁹

New work programs

More directly aimed at reducing AFDC were work programs that, compared to JOBS, were intended to require adults to work more quickly or more definitely and thus move them into jobs faster — or dissuade them from coming on welfare at all. The most significant of these approved to date are:

- *Work First*: Applicants for aid must seek work for eight weeks, starting even before their applications are approved, on pain of an eventual reduction in grants. Instituted in Kenosha in 1988, in 17 other counties in 1994, in 23 more in 1995.³⁰
- *Work Not Welfare*: Recipients must participate in assigned activities on pain of aid cuts of \$4.25 per missed hour. Cash aid is limited to 24 months. Education and training is allowed, but clients must work by the second year. Instituted in Pierce and Fond du Lac counties in January 1995.
- *Self-Sufficiency First*: A tougher version of Work First. Applicants for aid must seek work for eight weeks even before their applications are approved, on pain of a denial of all cash aid. To be instituted statewide in March 1996.
- *Pay For Performance*: Recipients must participate in assigned activities on pain of aid cuts of \$4.25 per missed hour. To be instituted statewide in March 1996.

Self-Sufficiency First and Pay For Performance cannot explain the caseload fall through December 1995, but Work First and Work Not Welfare may well have played some role. In Work First, eligibles are required to look for work even while their applications are processed. In Work Not Welfare, applicants are not strictly required to look for work, but they are informed that, if they go on aid, they will have to “earn” it immediately with activities that include job search. These programs made work search the initial activity in JOBS for much of the caseload. That reversed the practice of many counties that most participants went first into education or training for “better” jobs, and only later into job search.

Work First and Work Not Welfare also embody a new strategy in welfare reform — diversion. They aspire not just to get more people off the rolls but to keep them from going on aid in the first place. Both programs station JOBS caseworkers in the welfare office, where they intercept people entering to apply for aid. They seek to persuade them to get a job right away or obtain income from other private sources, such as families. The demands are credible because applicants know that, if they do go on welfare, they will have to work or look for work anyway. Neither program denies access to aid, but faced with these demands, many people decide not to apply or not to complete their applications.³¹

These projects may seem too recent to have contributed much to the caseload fall through 1994 or 1995. Nevertheless, our respondents repeatedly asserted that the Thompson experiments had helped drive the rolls down. They said this above all about Learnfare, even though that program was aimed more at improving school attendance than at immediate welfare reductions. Allegedly, the aggressive, anti-welfare rhetoric that surrounded the projects, and even the controversy about them, sent a message to welfare adults that greater responsibility was now to be demanded of them, and this in itself caused many to leave the rolls without further prompting.

In June 1995, I and a research assistant visited several of the more rural counties in Wisconsin in order to probe the extraordinary welfare declines occurring there. Several of these counties were running Work First or Work Not Welfare. A look at their operations gave a vivid sense of what the future may bring for welfare in Wisconsin, and eventually the nation.

Grant County

Of our sites, the most remarkable was Grant County, in the southwest corner of the state. This county manifests an essential truth about Wisconsin welfare reform — a lot of the initiative is local. Many counties developed their own welfare reforms before Tommy Thompson took office. Of these, Kenosha is the best-known outside the state,³² but Grant is equally remarkable and successful. The county is part of a five-county consortium that has been a star performer in JOBS. Between January 1987 and December 1995, welfare rolls dropped an average of 66 percent in these counties and 69 percent in Grant.³³

The Grant philosophy is the creation of the welfare director and other officials who have made their

careers in Grant. They hit on the idea of diversion from welfare even before it was popular at the state level. Like Kenosha, Grant developed its program using special WEJT funds, and the county later became a pilot for Work First. In Grant, caseworkers seek to dissuade the needy from going on aid, and for those who do they stress “empowerment,” or teaching recipients to solve their own problems. They deprecate hand-holding as “enabling.” Self-reliance primarily means work. The JOBS program is demanding, discouraging education and training until clients are working at least half-time.

At the same time, officials recognize that many families are too troubled to work immediately. Indeed, the more the work strategy drives the job-ready cases off the rolls, the less job-ready the remaining cases will be. Accordingly, the Grant model includes a “family-centered service approach” to help families resolve the domestic problems that kept them from working. Both welfare and JOBS staff are sent for special training in this method to the nearby University of Iowa. Social workers involve themselves more deeply in the family life of recipients than one would find in most welfare or JOBS programs. That feature coupled with the tough work message made Grant the most paternalist JOBS program I had seen.

JOBS in Grant is a model of bureaucratic health. Local managers have built their organization around their own vision and staff who share it. The welfare department runs benefit administration and social services and contracts JOBS to local employment agencies, with whom it works closely. The welfare and employment agencies in the consortium counties have set up Job Centers, in which staff serve clients from all the programs in common, at considerable savings. With their intense philosophy, and by working together, the agencies have continued to aid the neediest while reducing welfare to a residual presence in local life.

Winnebago County

Winnebago County (Oshkosh) showed what diversion could do for a more usual JOBS operation. This county, like many in Wisconsin, initially favored education over immediate employment as its strategy in JOBS. However, it decided to switch gears and enter Work First in February 1995 in recognition of changed conditions. Unemployment was so low that local employers were pressing welfare to make more labor available. Officials also felt that they had to adjust to the new thrust for immediate employment coming from Madison. They calculated that cuts in government training funds were likely and that by working more closely with employers they could obtain funds from them.

Aided by a hot economy, the country had already reduced welfare by 39 percent between January 1987 and July 1994.³⁴ When Work First was implemented early in 1995, new applicants for aid faced interviews with diversion personnel, then, if they went on the rolls, referral to a demanding JOBS operation. During their first month in JOBS, new participants had to attend orientation or job clubs or visit employers every day. Our respondents estimated that a third of applicants were diverted from welfare, and that most of the rest speedily went to work or accepted a sanction (a lower grant) to avoid JOBS. As a result, new entrants to welfare had slowed to a trickle, and as departures from the rolls continued, the rolls dropped.

In Winnebago, the organizational setup was very different from in Grant. Work First and JOBS were run mostly by the Private Industry Council (PIC), the agency providing voluntary training programs under the federal Job Training Partnership Act (JTPA). The welfare department played little formal role. But, as in Grant, both agencies were strongly led, worked closely together, and had personnel capable of executing new routines. As the rolls went into free fall, staff morale soared. Some of our respondents said Work First was the best thing they had seen in lifetimes of work in the welfare system.

Fond du Lac County

Fond du Lac had changed direction even more sharply than Winnebago. Traditionally, this county had used JOBS to send many recipients into long-term education or training programs in community colleges, in hopes of getting them jobs good enough to get off welfare permanently. But as in Winnebago, welfare had come under pressure from businesses in need of workers, this time seconded by the county executive and other notables.

Accordingly, the department reoriented its training toward short courses designed to serve local firms, such as the printing industry, and it competed successfully to become a pilot for Work Not Welfare, the most ambitious of the Thompson experiments. The other pilot, Pierce County, has attracted less attention because it is more rural and thus less typical of the places most Americans live.

Work Not Welfare makes severe demands on both recipients and administrators. People who go on aid have to work or enter other activities in return for their benefits, and cash aid is limited to 24 months. Applicants for aid must agree to these rules at orientation. Those who go on aid face referral to a JOBS program that emphasizes job search and permits only limited training. Respondents said that Work Not Welfare had cut applications for aid by around 40 percent. The decline had actually begun several months before the program went into effect in January 1995, as if the needy were anticipating the new regime.

To run Work Not Welfare, however, required reprogramming welfare's computers to fit the complex eligibility rules and redesigning all the routines of JOBS. Clients were now overseen by teams of welfare and JOBS caseworkers, and entry into work activities was far quicker than before. The changes were a wrench for both welfare and JOBS. Some caseworkers who clung to the old remedial approach had departed. It is significant that Fond du Lac chose to implement both the old and new programs without contractors, unlike most counties I have visited in Wisconsin. Officials profess that public agencies with civil service personnel could be as competitive as contractors. Their own capacity to change shows commitment to that vision.

Other counties

Not all counties in Wisconsin can tell such success stories. Well-run as the state is, there is still considerable variation in how ably counties have coped with welfare employment. Some still suffer from problems that have undermined work programs since the time of WIN. Several counties I visited in 1994 or 1995 illustrated these difficulties.

The simplest problem was simply attachment to a human capital approach to JOBS after it was outmoded. Not all places are willing to follow exemplars such as Kenosha and Grant, or the state government, in refocusing JOBS on work. One county I visited had declined to enter any of the Thompson experiments for this reason. Some counties had little work strategy of any kind. JOBS was run by old-line welfare and Job Service agencies with faint commitment to the welfare work mission. Caseworkers paid out aid to the eligible without asking questions about employment, while the Job Service put recipients through job search the same way it would voluntary clients, without close supervision. Such a program is unlikely to raise the number of recipients who go to work.

A further problem was dissociation between welfare and the agencies running JOBS. To be credible to recipients, the mandate to work must ultimately come from welfare, which controls the grant and has the power to sanction. But to enforce work, welfare must either hire its own employment caseworkers or delegate the function to a contractor, such as the Job Service. To succeed, all the agencies have to give the same message to recipients that work is expected. But in one Work First county I visited, the effort to divert applicants from aid faced indifference from welfare. JOBS stationed a diversion worker at welfare intake, but eligibility clerks persisted in putting people on aid without giving diversion a chance to work. This cut the heart out of the experiment.

VI. HOW WORK PROGRAMS CHANGED

Together, changes within JOBS as well as the welfare work experiments changed the shape of work programs in Wisconsin. Work was now the watchword, and counties could no longer allow clients to linger without assignments or in education indefinitely. Table 4 on the next page shows how the state as a whole and selected counties assigned their clients within work programs in October 1993 and in October 1995 according to JOBS reporting, which is used for both JOBS and the experimental work programs. The first date came before most of the recent changes, the second after them.³⁵ The counties featured are those highlighted in this and in my previous study of Wisconsin, with the three most noted high-performers listed first.

TABLE 4 Percent of Clients in Statuses and Activities in JOBS, October 1993 and October 1995

	Enrolled/	In	In	In	In	In	In	In	
	in Target	Inactive	Sanc-	In Job	Regular	Unpaid	Remedial	Postsec.	
	Enrolled	Groups	Statuses	Search	Jobs	Jobs	Education	Education	
OCTOBER 1993									
State	86	62	30	5	4	22	1	7	9
Grant	87	45	24	2	6	26	7	5	17
Kenosha	88	53	24	1	8	37	3	11	12
Sheboygan	90	45	11	1	8	35	5	32	11
Dane	76	50	34	4	2	16	1	6	8
Fond du Lac	84	57	33	1	1	24	3	13	9
Milwaukee	86	72	32	8	4	19	1	4	5
Racine	78	57	16	8	3	18	0	8	15
Winnebago	84	56	26	3	4	26	3	15	10
OCTOBER 1995									
State	69	44	20	3	8	23	5	6	7
Grant	91	48	24	2	9	33	5	1	0
Kenosha	79	44	38	4	9	39	3	4	7
Sheboygan	81	34	10	1	12	44	9	14	6
Dane	81	45	26	2	5	24	6	5	8
Fond du Lac	81	44	29	10	2	34	11	10	10
Milwaukee	76	55	23	5	12	24	6	2	5
Racine	82	60	15	2	11	29	2	6	14
Winnebago	68	38	14	2	3	38	5	6	9

Note: State averages were calculated using aggregates for the caseload statewide.
Source: Department of Health and Social Services, State of Wisconsin.

The figures show that the recent initiatives are more than rhetoric. In only two years, the state has cut the proportion of all clients in inactive statuses³⁶ by a third while doubling the share in job search. The proportions working rose while assignments to remedial and post-secondary education fell. The sharp rise in unpaid work reflects the state's push to raise assignments to work components, in part to satisfy the AFDC-UP work test. The shifts were generally largest in the counties not known as high-flyers. Milwaukee, most notably, cut its holding statuses abruptly while tripling assignment to job search. If JOBS has contributed to the caseload decline, these changes probably helped.

Several counties reveal the strains of striving to raise work levels. Sheboygan sharply trimmed its previously high commitment to remedial education. In Kenosha, education assignments dropped sharply while holding statuses rose, apparently as the county maneuvered to place more clients in actual work, its highest priority. While in general the rate of sanctioning fell, it rose abruptly in Fond du Lac, as did unpaid work — both reflections of that county's tough new policies under Work Not Welfare. The base for the calculations in the table is all JOBS clients, whether or not enrolled. Using enrolled clients as the base, none of the reported counties had over half its people working in regular or unpaid jobs in October 1993. Two years later, Fond du Lac, Kenosha, Sheboygan, and Winnebago had all crossed that threshold.

Enrollment and creaming

But caution is warranted. Table 5 on the next page shows the percentages of all referrals to JOBS that actually enrolled in the program from December 1991 through October 1995. It also shows the proportions of all referrals who fell into certain target groups that define the more disadvantaged part of the caseload. Federal rules requires that JOBS programs spend 55 percent of their funds on these elements. As specified by Wisconsin, the groups include welfare adults who (1) have been on welfare for at least 36 months out of the last 60, (2) are custodial parents under 24 and have not completed high school, (3) are custodial parents under 24 with little or no work experience in the preceding year, or (4) are in a family that is within two years of "aging out" of welfare (losing eligibility) due to the youngest child turning 18.

**TABLE 5 Enrollment Rates and Target Group Coverage,
Wisconsin JOBS, 1991-5**

	Dec. 1991	Dec. 1992	Dec. 1993	Dec. 1994	Oct. 1995
Percent of referrals to JOBS who were enrolled	85	84	85	74	69
Percent of referrals enrolled and in a target group	68	66	62	50	44
Percent of enrollees in a target group	80	79	73	67	64
<i>Percent on welfare for 36 months of last 60</i>	66	63	58	51	44
<i>Percent under 24 and without a h.s. diploma</i>	10	12	10	13	19
<i>Percent under 24 without recent work experience</i>	16	17	18	19	22
<i>Percent within two years of aging out of AFDC</i>	3	3	2	3	3

Note: Target group figures add to more than the target group total due to double counting.
Source: Department of Health and Social Services, State of Wisconsin.

The percent of clients enrolled fell sharply between December 1993 and October 1995 — from 85 to 69 percent. Traditionally, low or falling enrollment is a sign of lax administration, but trends in the state are all the other way. Rather, according to state officials, one cause appears to be the installation of the new computer system in 1994, which may have artificially reduced the enrollment rate.³⁷ Another cause, they say, was the deterrence effects of the new policies. Of the welfare adults referred to work, fewer are showing up to enter work programs. Knowing that they will immediately have to look for jobs, more are apparently choosing to accept a sanction (a lower grant) or abandon welfare entirely. That reaction may become more common as the caseload falls and the remaining cases become more ambivalent work.³⁸

At the same time, there is evidence of creaming. JOBS appears to be serving a more advantaged clientele by 1995 than it did in 1991 or 1993. One might expect the disadvantaged to become a larger share of JOBS as dependency falls, as these cases would be less able to leave the rolls. In Grant and Racine, the share of clients enrolled and in the target groups did rise, as Table 4 shows. But in the state as a whole it fell from 62 to 44 percent in only two years. Among enrollees, target group members still predominate, but their proportion fell from 72 to 64 percent. The fall was greatest among the long-term recipients, who comprise the bulk of target group members. Again, the shift is overstated due to the computer change.³⁹

However, the major cause of the shifts appears to be the state's new emphasis on placing clients in work or work components. Much of the pressure came from the need to meet the demanding AFDC-UP work requirements. Less attention was given than formerly to maintaining enrollment and serving the more disadvantaged. The state still mandates that counties maintain high participation levels,⁴⁰ but no fiscal penalty attaches to failing to do so. Rather, local programs get their financial payoff currently mostly from putting people in paid or unpaid work. So the counties have moved that way, at some cost to reaching the less employable JOBS clients.

The distinction between JOBS and AFDC is important here. Only welfare adults judged employable are included in JOBS. That is the pool within which counties now have an incentive to cream. But if the less advantaged are less present in JOBS, they are more present in AFDC as a whole. Between 1983 and 1993, Wisconsin's AFDC mothers became more often black, unmarried, and with younger children, and also somewhat younger and less educated. That is what one would expect if the tendency of the caseload fall was to take the more mobile cases off the rolls first and leave the more disadvantaged on.⁴¹ Any tendency of work policy to drive the more disadvantaged off welfare could have occurred only after 1993, and it would have to be slight, since most of the caseload fall was before that point.

Creaming favors caseload decline in the short term, and the fact that it is still possible suggests that the potential to reduce the caseload through work is not yet exhausted. Over time, however, this approach would reduce the effects of work programs, which have to reach the more disadvantaged cases to maximize their impact.⁴² And if diversion drives away disadvantaged clients, the chance increases that caseload fall is producing hardship, a point I return to below.

PART 2: ANALYSES OF THE DECLINE

VII. EXPLAINING NATIONAL CASELOAD DECLINE

Which of these many factors might account for Wisconsin's welfare success? I was able to test the influence of the economy, benefit changes, WEJT, and the JOBS program alongside other social and economic conditions through several statistical analyses, first on the national level and then within Wisconsin.

National trend studies

One way to explain trends in welfare is to examine movements in the national caseload over time and associate these with other national trends. Two studies of the recent welfare boom by the Congressional Budget Office (CBO) attribute it largely to the recession of the early 1990s, which made jobs less available to the poor, and the continuing rise in unwed pregnancy, which makes more families eligible for AFDC. The second of these studies was based on a time series, an analysis where the connections between the growing caseload and other trends are made statistically.⁴³

Neither study found much role for benefit levels. That is hardly surprising. AFDC benefits have been failing in real value, as state legislatures fail to increase them in step with inflation. In itself, that should have reduced the welfare rolls; it cannot explain the explosion that occurred.⁴⁴ Of course, this is a general result considering all states. The benefit fall might have more to do with the record of the few states, including Wisconsin, that reduced their rolls. But a time series based on national trends cannot explain the circumstances of a particular state.

These studies also say little about other policy influences. They speculate that caseloads may have risen because of the mandating of two-parent coverage (AFDC-UP), in states that did not previously offer it, by the Family Support Act of 1988. Congress in the 1980s also expanded Medicaid coverage, and families that apply for this may be offered and accept AFDC as well. Neither CBO study says much about JOBS.

A national cross-sectional model

Another approach to explaining national trends is to examine variation in welfare and its causes, not over time, but across the country.⁴⁵ The states differ in how welfare has changed, and in the forces that might be causes of change. One can link state-level welfare changes to the causes with a cross-sectional statistical analysis. This allows one to consider more possible causes, including policy factors, and also to say more about the fortunes of individual states. On the other hand, a cross-sectional analysis speaks only indirectly to what caused the national trend. Strictly speaking, what it explains is not change in the national caseload but rather *variations* in change among the states.

Caseload change here means the percentage change in the AFDC caseload (measured in persons) across the 50 states and the District of Columbia in the years 1989-93, the heart of the recent welfare boom. As potential causes, I considered the following factors, each followed by the reason why it might influence caseload change:

- *AFDC benefit levels*: States paying relatively high or growing benefits should experience greater growth in dependency, since higher guarantees make more people eligible. I tested benefits and changes in benefits in various forms, including relative to the poverty level.
- *AFDC eligibility*: States that added unemployed parent coverage (AFDC-UP), as required by the Family Support Act, should experience more welfare growth than those that did not.
- *AFDC administration*: States with stringent welfare administration should experience less growth than more lenient states. These measures included payment error rates and the shares of cases detected as having earned and unearned income.

- *JOBS policy*: States that enforce high levels of participation in JOBS, and which require participants to look for work, should have lower welfare growth than those that allow lower participation or an emphasis on training and remediation, to judge from evaluations.
- *JOBS implementation*: States that spent more of their federal JOBS money or which implemented JOBS early should have stronger programs, and hence lower welfare growth, than those that spent less or implemented later.⁴⁶
- *Child support enforcement*: States that recoup more of their AFDC costs in child support collections or which collect child support on more of their welfare cases should be able to close more cases and thus suffer less welfare growth.
- *Population trends*: Welfare growth should be proportional to a state's growth in population and inverse to the share of its population already on welfare in 1989, when the boom started.
- *Disadvantage*: States with more disadvantaged populations should show higher growth. These variables included the share of a state's population composed of racial minorities, the share of adults with high school diplomas, and poverty rates for individuals, families, and children.
- *Female-headedness*: States with more and younger female-headed families should have higher welfare growth. Indicators included rates of nonmarital births, shares of families headed by women and by women with their own children under 18, and the average number of children in families headed by women with own children under 18, an indicator of the age of the mother.
- *Economic conditions*: States suffering worse labor markets should experience more welfare growth, since people without jobs often seek aid. Indicators included the unemployment rate in 1989, change in the unemployment rate 1989-93, employment in 1989, and change in employment 1989-93.

I then built a regression model to explain caseload change using these explainers. This method assembles the causal terms that are most plausibly connected to the variable being explained. Table 6 below gives the results. The coefficient of each term, given in the first column, indicates by how many percentage points caseload change

TABLE 6 Cross-Sectional Model of the Percent Change in AFDC Caseload in the States and the District of Columbia, 1989-93

	Coeff.	S.E.	Signif.
Percent of welfare adults active in JOBS, 1991	-.552	.293	.066
Change in percent of adults active in JOBS, 1991-3	-.663	.394	.100
Percent of JOBS participants in job search, 1991	.917	.232	.000
Percent of JOBS participants assigned to higher education, 1991	.522	.275	.063
Change in percent of JOBS participants assigned to higher education, 1991-3	.506	.284	.081
Percent of AFDC cases receiving \$50 for child support, 1989	-.605	.298	.048
Change in percent of AFDC cases receiving \$50 for child support, 1989-93	-.789	.406	.058
State added AFDC-UP, 1989-93	13.8	6.45	.037
Percent of state population on AFDC in 1989	-9.97	2.71	.001
Percent of state population black, 1990	-.482	.326	.146
Percent of households headed by women with own children under 18, 1990	11.8	5.10	.025
Average number of persons under 18 in households headed by women with own children under 18, 1990	-104	38.8	.010
Change in unemployment rate, 1989-93	6.21	2.26	.008
R ²	.79		
Adjusted R ²	.71		

Note: For precise definitions, descriptive statistics, and sources of variables, see Appendix A.

would alter in the typical state if that explainer grew by one unit. The dependent term, and most of the explanatory terms, are measured in percent. The second column gives the standard errors of the coefficients, which measure their variability if the model were reestimated many times with fresh data. The third column shows the significance of each coefficient, or the probability of results this strong occurring by chance when the term in question really had no relationship to caseload change.

The most striking result is the strong influence of the JOBS program. JOBS was implemented in the years 1989-95, much the same period as the welfare boom. It did not stop the boom, but *variation* in JOBS participation rates and policies across the states still influenced where growth was highest. By every percentage point that the average state raised the share of JOBS participants participating in JOBS in 1991, it slowed its welfare growth by about half a point. For every point that participation rose during 1991-3, welfare growth fell another two-thirds of a point.

The internal policies of JOBS also mattered. Every percent of JOBS participants assigned to job search in 1991 meant about a point *higher* welfare growth. If one believes that job search promotes employment and lower dependency, this is unexpected. But job search was emphasized much more in WIN than in JOBS. Thus, a high proportion of participants in job search in 1991, which was JOBS' first full year, probably means that the new program was not implemented well.⁴⁷ A high or growing proportion of participants in higher education also led to more welfare growth, probably because recipients who enter college postpone work and thus tend to stay on aid longer.⁴⁸

Child support also forcefully depressed caseload growth. When absent fathers pay judgments to support welfare families, the government pockets most of the money to defray its assistance costs. But to motivate the mothers to cooperate in levying support judgments on absent fathers, they are allowed to keep the first \$50 in monthly collections. The proportion of welfare families receiving this payment is thus a measure of child support rigor. The higher that proportion, and the more it grew over 1989-93, the less welfare grew.

Controlling for other factors, states that had to add AFDC-UP under the terms of the Family Support Act sustained, on average, 14 point increases in their caseloads, and those that had higher proportions of their population already on AFDC in 1989 saw less welfare growth after that. States with high proportions of their population black suffered less welfare increase, confirming impressions that the recent growth in welfare has mostly been among whites.⁴⁹ A high rate of female-headed families in 1990 promoted higher growth, since it increased the number of families eligible for aid.

The reason why growth is depressed by the average number of persons under 18 in households headed by women with own children under 18 is that this term measures, in effect, the age of the mother. The larger the female-headed families are, the older their mothers are, and the less likely she is to have further children. States with larger such families in 1990 sustained less growth.⁵⁰ Finally, growth in unemployment, as expected, led to higher welfare growth, since it meant fewer jobs were available to welfare adults. Overall, the model is exceptionally strong, accounting for nearly four-fifths of the variation in caseload growth across the states (R^2).

Why some states avoided growth

We can use the model in Table 6 to suggest some of the reasons why Louisiana, Mississippi, and Wisconsin avoided caseload growth during the welfare boom years. Table 7 on the next page repeats the regression coefficients from Table 6 in its first column, then shows the average values for each variable across all states, then the values for the three nongrowing states. Roughly, the difference between the average and a state's value multiplied by the coefficient represents the contribution that that variable made to shifting that state's welfare change away from the average change, which was a 35 percent growth.

The success of Louisiana and Mississippi does not seem due chiefly to adroit welfare policies. Compared to the average state, these two avoided high levels of JOBS participants in job search in 1991 and in higher education, factors making for higher welfare growth. However, they also had lower than average participation

TABLE 7 Values for Nongrowing States on Explanatory Variables

	Coeff.	Ave.	LA	MS	WI
Percent of welfare adults active in JOBS, 1991	-.552	15.0	4.0	3.9	31.7
Change in percent of adults active in JOBS, 1991-3	-.663	-0.7	5.9	3.6	-17.2
Percent of JOBS participants in job search, 1991	.917	11.9	5.2	8.5	13.8
Percent of JOBS participants assigned to higher education, 1991	.522	11.6	1.4	2.2	21.1
Change in percent of JOBS participants assigned to higher education, 1991-3	.506	-0.4	2.1	8.2	-12.1
Percent of AFDC cases receiving \$50 for child support, 1989	-.605	18.6	8.5	7.5	34.0
Change in percent of AFDC cases receiving \$50 for child support, 1989-93	-.789	3.6	0.8	5.8	6.6
State added AFDC-UP, 1989-93	13.8	0.4	1	1	0
Percent of state population on AFDC in 1989	-9.97	3.8	6.5	7.0	5.0
Percent of state population black, 1990	-.482	10.6	30.8	35.6	5.0
Percent of households headed by women with own children under 18, 1990	11.8	6.4	9.2	9.3	6.0
Average number of persons under 18 in households headed by women with own children under 18, 1990	-104	1.8	2.0	2.0	1.8
Change in unemployment rate, 1989-93	6.21	1.1	-0.5	-1.5	0.3
Actual percent change in welfare, 1989-93		34.6	-5.1	-3.9	-3.3
Predicted percent change in welfare, 1989-93			8.8	-2.6	-4.4

levels in JOBS, performed poorly in child support, and were forced to add two-parent welfare coverage, all of which raised welfare growth. They had above-average rises in JOBS participation and, in Mississippi's case, child support, but from low levels.

What chiefly favored them was factors outside welfare. These states had higher-than-average unwed pregnancy, but all other social and economic forces worked to cut caseload growth below the norm. They had a high proportion of population already on AFDC, a very high proportion of population black, a large size of female-headed families, and a reduction in unemployment during a period when most states suffered a rise. Mississippi's 1.5-point fall in joblessness was the greatest in the nation.

Policy had more to do with Wisconsin's success. The state had unusually high JOBS participation in 1991, although followed by a drop in the next two years. State officials say that many of the employable recipients had left JOBS for employment, and new people coming on the rolls were less employable.⁵¹ Wisconsin had higher-than-average assignments to job search in JOBS in 1991, but in Wisconsin this probably did not indicate that JOBS was poorly run. The state also excelled at child support enforcement, and it had no need to add AFDC-UP. Nonpolicy factors were often near-average, but were on balance unfavorable. Wisconsin was considerably below average in black percentage of population and suffered at least some growth in unemployment. The bottom rows of the table give each state's actual welfare change over 1989-93 and the change predicted by the model. Each is forecast well.⁵²

VIII. A TIME SERIES OF WISCONSIN'S CHANGE

Another way to explain changes in the Wisconsin, like the national, caseload is a time series analysis that links the shifts with other changes over time. One observes the caseload and its possible explainers each month for several years and sees whether the trends are associated. The factors most often thought to have driven down welfare in Wisconsin are favorable economic conditions and falling benefits. One time-series analysis based on 1984 to 1988 found that, indeed, the state caseload was driven down by low unemployment and that the Thompson benefit cut reduced the monthly rolls by about 1,722 cases. The authors found that they could predict the caseload during 1988-90 very accurately using this model, so they concluded that the various initiatives undertaken by Thompson in that period did not measurably reduce dependency.⁵³

This study, however, does not test variables other than unemployment and the benefit cut, and the variable explained is the raw caseload level. But caseloads commonly grow or, in the case of Wisconsin, fall without any

TABLE 8 Time Series Model of Monthly Percent Change in AFDC Caseload, Wisconsin, 1986-94

	Coeff.	S.E.	Signif.
Percent change in caseload in previous month	-.463	.104	.000
Real AFDC benefit level (adjusted for inflation)	-.084	.159	.597
Benefit increase in April 1987	-.414	.568	.468
Benefit cut in October 1987	-.362	.783	.645
Initiation of WEJT (January 1988)	.973	.697	.166
Initiation of JOBS (October 1989)	.787	.270	.005
Percent change in population	-.212	4.28	.961
Percent change in employment	-.094	.386	.808
Labor force participation rate	-.235	.085	.007
Unemployment rate	.061	.254	.810
R²	.68		
Adjusted R²	.60		

Note: Results are adjusted for serial correlation. For precise definitions, descriptive statistics, and sources of variables, see Appendix A.

clear central tendency. According to current econometric thinking, to analyze such a series leads to unreliable estimates. One has to change the variable explained to something that does not rise or fall without a limit.⁵⁴

The analysis below focuses, not on the Wisconsin caseload itself, but on the *percent change* in that caseload from month to month, estimated for months between 1986 and 1994. Factors I used to explain this included the rate of change in the previous month, benefit levels, several measures of economic and social conditions, and also indicators of when WEJT and JOBS took effect.⁵⁵

Table 8 to the left shows the results, which are weak. Much the

strongest determinant of monthly change in AFDC is simply the rate of change in the previous month. Benefit effects are unclear. The Thompson benefit cut in October 1987 has a sizeable coefficient and a negative sign, implying as expected that it depressed the rate at which the caseload grew, here meaning that it accelerated its fall; but its significance level is far above the .10 threshold of acceptability. The coefficient of the real value of benefits over the period, a variable that incorporates cuts due to both policy and inflation, is also negative but small as well as nonsignificant. The brief increase in benefits in April 1987 — reversed in the Thompson cut — should be positive but is negative and again nonsignificant.

Surprisingly, the significant policy variable is JOBS — and it is positive. After JOBS was implemented in October 1989, the caseload grew most of a percentage point faster per month — or here, fell almost a point slower — than it did before. The initiation of WEJT is also positive, although its significance level falls somewhat short of .10. These findings accord with the evaluation of Wisconsin welfare experiments mentioned above, which concluded that WEJT slowed the caseload fall by involving more recipients in education and training and thus lengthening their stays on welfare. The fact that WEJT and JOBS apparently slowed the *rate* of caseload fall, however, says little about their impact on caseload levels. The training clients received may eventually have made them more employable. And by raising participation rates, the new work programs exposed recipients to the later policy changes that made JOBS more work-oriented.

Economic factors show surprisingly little influence. The unemployment rate is positive as expected, since higher joblessness should mean a faster growth in welfare, or a slower decline; but it completely fails of significance. The clear influence, rather, is the labor market participation rate, which measures the percent of the adult population that is working or looking for work. By every point that this rose in a month, the rate of welfare decline accelerated by about a quarter of a point. While a high labor force participation rate is one sign of a good labor market, it is a less direct measure of whether jobs are available to the poor than the unemployment rate, which measures the share of the labor force that is looking for work but still jobless.⁵⁶

These results cast doubt on the view that Wisconsin's welfare success is due mainly to falling benefits and low unemployment. More precisely, we cannot test whether the caseload level responds to those forces because of the econometric problems. Just to be sure, however, I ran the above model with several less valid specifications of the dependent term, including raw caseload levels, and in all of them benefit levels and unemployment were still nonsignificant at the .10 level.⁵⁷ I also reran the model with the original dependent term (percent change in the caseload) for the subperiods of January 1986 through March 1990, prior to the recession, and April 1990-December 1994, afterwards. Results changed little.⁵⁸

IX. CROSS-SECTIONAL MODELS OF CHANGE

If one explores change by comparing counties, one can avoid the above problems and measure more determinants, and there is more real variation in them. Analogous to the state-based model above, what is explained is variations in change among the jurisdictions rather than change for the whole state. While the statewide welfare decline is large, counties vary widely in the extent of decline, as Table 3 shows, and in characteristics that might be linked to the fall. The following analysis, modelled on the state-based analysis, covers the 72 Wisconsin counties but omits Indian tribes. The variable explained is percent change in the AFDC caseload between 1986 and 1994, using annual data.

Possible causes

The possible explainers tested included factors much like those considered in the national analysis. In many cases, I examined the level of the variables at the beginning of the period, or as close to it as possible, and also the change in this variable over the period. These were the main explanations tested:

- *The JOBS program:* The higher the percentages of JOBS clients in program activities, and the lower the share in inactive statuses, the more people should enter work and the faster welfare should fall, if other conditions are equal.⁵⁹
- *Child support enforcement:* The more child support collected in a county, relative to the welfare caseload or benefit levels, the greater should be the caseload fall.
- *Population trends:* The more population is growing in a county, the more its welfare rolls should grow, or the slower they should fall, all else equal.
- *Demographics:* If unwed pregnancy is higher, and if the welfare caseload is more disadvantaged or less employable, welfare should grow faster or fall slower.⁶⁰
- *Labor market:* The higher wages relative to welfare benefit, the lower unemployment, and the more favorable other economic conditions, the more rapidly welfare should fall.

Regression results

I then constructed a regression model of caseload change across the counties. Table 9 on the next page shows the results. All terms are significant at .10 or better, and the model is extremely powerful, accounting for 87 percent of the variation in caseload change.

The most important finding is that counties that had more of their JOBS clients active tended to have less welfare growth, or more decline, while those with more in inactive statuses suffered the opposite fate. Active status here is a composite of several assignments within JOBS that make demands on clients to do things, such as working, looking for work, or attending training programs. Inactive statuses, such as being “unassigned,” are those that make no such demands.⁶¹

Having more clients in training, remedial education, and postsecondary education in 1991 were all associated with faster caseload fall. The evaluation literature gives reason to doubt that “investing” in education and training is the best way to produce results in welfare employment; programs that stress work in available jobs usually perform better. But this verdict stems from experimental evaluations that look at programs over short intervals. Here we are explaining caseload change over eight years. Counties that placed many clients in remediation by the middle of that period may have gained a payoff later. Either the clients gained something from the training or, because participation rates were higher, these counties could affect more people when, later, JOBS turned toward immediate employment.⁶²

**TABLE 9 Cross-Sectional Model of Caseload Change,
Wisconsin Counties, 1986-94**

	Coeff.	S.E.	Signif.
Change in percent of JOBS clients in active status, 1991-3	-.159	.045	.000
Percent of JOBS clients in inactive status, 1991	.174	.055	.003
Change in percent of JOBS clients in inactive status, 1991-3	.121	.065	.069
Percent of JOBS clients in training, 1991	-.760	.430	.083
Percent of JOBS clients in remedial education, 1991	-.765	.245	.003
Percent of JOBS clients in postsecondary education, 1991	-.569	.297	.061
Change in percent of JOBS clients in counselling, 1991-3	.248	.117	.039
Percent of JOBS clients in adjudication, 1991	-.262	.111	.022
Change in percent of JOBS clients sanctioned, 1991-3	-.773	.254	.004
Percent of AFDC benefit costs recovered in child support, 1989	-4.18	1.13	.000
Change in unwed pregnancy rate, 1986-93	.505	.244	.044
Percent of welfare adults aged less than 21, December 1986	-1.66	.686	.019
Percent of welfare adults aged 21-25, December 1986	3.07	.584	.000
Percent of welfare adults male, December 1986	.779	.284	.009
Percent of welfare adults Asian, December 1986	.196	.090	.036
County is metropolitan rather than rural	14.1	3.21	.000
Number of persons employed, 1986	.00008	.00002	.000
Change in number of persons employed, 1986-9	-.352	.196	.079
Change in number of persons employed, 1990-4	.916	.169	.000
Unemployment rate, 1986	1.88	.717	.012
Change in unemployment rate, 1986-9	3.96	1.66	.021
Change in unemployment rate, 1990-4	4.87	1.09	.000
R²	.87		
Adjusted R²	.81		

Note: For precise definitions, descriptive statistics, and sources of variables, see Appendix A.

Increases in clients in counselling from 1991-3 meant slower caseload fall, perhaps because this component exempts clients from pressure to be active. Adjudication is the process JOBS uses to discipline clients who drop out or otherwise fail to cooperate with the program. Higher levels of adjudication and sanctions — clients with grants reduced for noncooperation — meant faster caseload fall, because these are among the processes that enforce participation.⁶³ Notably, rising sanctioning tends to reduce dependency over time even though I found in previous studies that sanctioning depresses the short-term performance of local JOBS programs. Counties that do best at placing people in jobs and closing cases in a single year tend to motivate their clients by informal means, not by “throwing the book” at them.⁶⁴ The different result here may mean that, over more time, a tough program that increases sanctions is able to deter people from going on welfare, and thus secures faster caseload fall, even though it may also underperform in placing people already on the program.

Another strong influence is child support. The state as a whole may be doing well in support collections, but there are still differences among the counties in the success of enforcement. Counties with good enforcement *relative* to the norm are likely to see swifter caseload decline.

Since welfare benefits are constant across the state, a cross-sectional analysis is less able to test their influence than the time series. However, the attractiveness of welfare varies with average wages, which do vary. I tested welfare benefits as a proportion of average wages in the counties, and the term was nonsignificant, another indication that benefit cuts are not an important basis for Wisconsin’s welfare success. This was also true in the analyses of subperiods reported below.

The social influences on the caseload are less explicable. It is apparent why counties with rising unwed pregnancy rates would tend to have slower caseload falls, but not why the percent of welfare adults in certain age ranges influences caseload change. It is clear why having many Asian recipients makes for less caseload decline — counties with Hmong refugees from Southeast Asia find that they have difficulty learning English and working —

but not why having more men in the caseload does so, since men are usually more employable than women. The fact that urban counties had, on average, 14 points less caseload fall than rural counties expresses differences between them not captured in the other terms.

Equally, it is apparent why growth in the number of persons employed over 1986-9 should have driven caseloads down; the more employment grew, the more a county gained from the economic boom of the late decade. It is unclear why the level of employment in 1986 or gains in employment 1990-4 retard caseload fall. But unemployment in all dimensions — level in 1986, change 1986-9, change 1990-4⁶⁵ — has its expected large and slowing effect on welfare decline.

Subperiods

To probe more deeply into the nature and timing of the Wisconsin decline, I did separate analyses of the same kind for the subperiods 1986-90 and 1991-4. Table 10 below shows the terms that best explained caseload change from 1986 to 1990.

In this model, no JOBS terms appear, because the program did not report data until 1991. We do not have comparable data on work programs prior to JOBS, but a dummy variable for when a county started WEJT were nonsignificant. Results are dominated by social and economic terms. Higher unwed pregnancy, as expected, tends to slow welfare decline, and the same age terms as in Table 9 appear. The percent of welfare adults working more than 20 hours a week tended to hasten welfare fall, as expected, and the percent of a caseload black had the same effect, just as a more-black population tended to limit welfare growth in the national model.

Interestingly, while growth in employment over the period meant faster welfare decline, none of the unemployment terms was significant. This means, not that unemployment was unimportant, but that it did not in this period account for *variations* in caseload change across the counties. Jobs were plentiful virtually everywhere. Other factors determined whether a county realized the potential of a tight labor market to drive the rolls down.

The larger, more urban counties were the least able to do this, as other terms make clear. With other factors controlled, counties that were metropolitan realized 8 points less welfare decline, and those that had larger JOBS populations relative to the statewide caseload realized 6 points less. Of course, much of the variation measured by these variables reflects Milwaukee, in which over half of Wisconsin welfare resides. But controlling for these terms, surprisingly, a dummy variable for Milwaukee itself proved significant — and negative. Features of the county not captured by other factors, in other words, drove welfare down.⁶⁶ I return to what, if anything, is special about Milwaukee below.

**TABLE 10 Cross-Sectional Model of Caseload Change,
Wisconsin Counties, 1986-90**

	Coeff.	S.E.	Signif.
Unwed pregnancy rate, 1986	.797	.181	.000
Percent of welfare adults aged less than 21, December 1986	-2.21	.798	.007
Percent of welfare adults aged 21-25, December 1986	1.36	.606	.029
Percent of welfare adults working over 20 hours a week, December 1986	-.904	.453	.050
Percent of welfare adults black, December 1986	-.283	.147	.060
Size of JOBS caseload relative to statewide JOBS caseload, 1993	5.88	2.42	.018
County is metropolitan rather than rural	7.82	3.97	.053
Milwaukee	-207	87.3	.021
Change in number of persons employed, 1986-9	-.547	.214	.013
R ²	.63		
Adjusted R ²	.57		

Note: For precise definitions, descriptive statistics, and sources of variables, see Appendix A.

**TABLE 11 Cross-Sectional Model of Caseload Change,
Wisconsin Counties, 1991-4**

	Coeff.	S.E.	Signif.
Percent of JOBS clients in active status, 1991	-.147	.059	.015
Change in percent of JOBS clients in active status, 1991-3	-.202	.048	.000
Percent of JOBS clients in assessment, 1991	-.227	.090	.014
Change in percent of JOBS clients in assessment, 1991-3	-.159	.084	.063
Change in percent of JOBS clients in counselling, 1991-3	.260	.125	.042
County began WEJT in 1988	-8.52	4.60	.069
Poverty rate for female-headed families with children under 5	-.247	.083	.004
Percent of population Hispanic	2.25	1.23	.073
Percent change in persons employed, 1991-4	.335	.198	.096
Change in unemployment rate, 1991-4	2.01	1.02	.054
R²	.50		
Adjusted R²	.41		

Note: For precise definitions, descriptive statistics, and sources of variables, see Appendix A.

Table 11 above shows the equivalent model for 1991-4. In this period, the story is much different.

Now we have JOBS measures, and the variables for active status and counselling show much the same power as in Table 9. The level and change in assessment for employability problems, which was not included in the active status measure, also promoted caseload fall.⁶⁷ But the education and training terms that were significant for the whole period 1986-94 do not appear. What seems to count now is general participation levels as captured by the activity and assessment terms. The more clients a county had in *some* JOBS activity, the greater was its welfare decline. And while a dummy for counties that instituted WEJT was not significant in the earlier period, now it is.⁶⁸ This is consistent with the view, suggested earlier, that counties that had a head start on JOBS due to the earlier program implemented it better and received an eventual payoff.

Social factors are different from the earlier models, mainly because welfare caseload demographics were unavailable and the variables here are from the census. It is not clear why a high poverty rate for young female-headed families should accelerate caseload decline. A higher population percentage Hispanic is positive because Hispanics have language programs that can impede employment. While change in employment now is mysteriously positive, growing unemployment, as usual, slows welfare fall. JOBS appears to be the major force driving the caseload down, while the labor market is the major constraint.

The overall picture fits earlier indications: Wisconsin's rapid caseload fall during the late 1980s was driven mainly by a hot economy. Job availability was not a constraint in most places, and local variation in caseload fall was caused mainly by social differences, with cities less able to reduce dependency. In the more austere 1990s, however, the ability to sustain caseload fall had much to do with JOBS performance. With fewer good jobs available, the counties that enforced work activity well were those that continued to move people off the rolls.

X. THE EXPERIMENTS AND CASELOAD FALL

Despite uneven implementation, the welfare work experiments probably have added something to the fall in the caseload already achieved by low unemployment and JOBS. Local officials running the experiments report that diversion works, that a significant proportion of applicants for aid can be talked out of going on the rolls. They have some other way to survive, in part because jobs are readily available. In this section, we look at more recent data than that included in the above analyses, and it tends to bear this out.

Racine, one of Wisconsin's larger cities, provides a dramatic example. In September 1995, the first month

when Work First was in effect, only 29 percent of people who approached welfare for aid actually went on welfare. Of the other 71 percent, a large majority decided not to apply or obtained an immediate job, while the remainder did not keep their eligibility appointments or were found ineligible. Racine has not yet driven away all the employable, however, since a large majority of the adults approved for aid were referred to JOBS.⁶⁹

In 21 Work First counties that the state followed from March through September 1995, the percent of applicants diverted from welfare each month ranged from 0 to 100, with figures of 50 to 80 percent commonplace. “Diverted” here means that an applicant potentially eligible for AFDC did not actually apply for it, did apply but withdrew the papers or failed to show for an eligibility interview, or completed the application but did not need aid due to going to work.⁷⁰

Too much should not be made of diversion figures. Some applicants for aid always fail to follow through. There are no figures to prove that diversion was higher after Work First than before — although interviews suggested that it was — nor have these experiments been evaluated. The numbers, however, are strikingly high. They do suggest that many applicants for aid have alternatives, at least in a state like Wisconsin that has high benefits and, thus, many eligibles with a work history. In effect, diversion programs tap these other resources to support people, in place of aid. Officials say that families that would receive small grants, and hence have other income, are the likeliest to divert.

The numbers in Table 12 below are suggestive. They show the percent caseload declines in 18 counties running Work First and two counties running Work Not Welfare between January 1987 and July 1995. Change is also shown for the two intervals within this period — up to the inauguration of the experimental program and after that. Separate figures are shown for three of the larger Work First counties and both Work Not Welfare pilots.

Over the whole period, these counties all show the startling caseload falls typical of the state — nearly half for the Work First counties, two-thirds for the Work Not Welfare pilots. But while most of the change occurred in the Work First counties before October 1994, the date when the new program went into effect, a period of nearly eight years, a sixth of it occurred just in the nine months following — a considerable acceleration. The speed-up was even greater in Sheboygan and Winnebago. For the Work Not Welfare counties, a 20 point fall out of 67, almost a third of the total, occurs in just seven months after the institution of the new program in January 1995.

In Fond du Lac, according to county data, month-to-month declines in the caseload were already substantial in the year prior to the new program, but accelerated somewhat thereafter, then tapered off at the end of 1995.⁷¹ The county, which had 1,172 cases on welfare in January 1987, had only 343 in December 1995 (Table 3). As in Grant County, welfare is reduced to a residual. The remaining cases are less employable than the earlier caseload, and the county may be approaching the limits of its work strategy.

One might attribute the apparent effects of the experiments simply to Wisconsin’s hot economy. The availability of jobs clearly enables programs to move indefinite numbers of low-skilled people into jobs. But in most of these counties unemployment was already low in 1994. A tight labor market may be a *necessary* for sharp welfare reductions, but it is not *sufficient*. An insistent work requirement is still essential to cause the bulk of AFDC adults to pursue work consistently.⁷² This pressure the experimental work programs have provided.

TABLE 12 Caseload Declines in Experimental Counties, 1987-95

	PERCENT CHANGE (BASE 1/87)		
	1/87- 7/95	1/87- 10/94	10/94- 7/95
18 Work First Counties	-48	-40	-8
<i>Kenosha</i>	-31	-26	-5
<i>Sheboygan</i>	-58	-42	-16
<i>Winnebago</i>	-51	-40	-11
	1/87- 7/95	1/87- 12/94	12/94- 7/95
2 Work Not Welfare Counties	-67	-47	-20
<i>Fond du Lac</i>	-67	-47	-21
<i>Pierce</i>	-68	-48	-20

Note: Some figures do not add due to rounding.
Source: Department of Health and Social Services, State of Wisconsin.

PART 3: QUESTIONS

XI. EFFECTS ON THE POOR

The Wisconsin caseload fall is immensely encouraging for social policy, a field where it has seemed that government can do little right. But the state's achievement raises several questions. One concerns winners and losers. I have assumed that cutting the rolls is a good thing, but I have not assessed gains or losses for particular groups. The fall certainly is good for the taxpayers (provided, as argued below, that the savings more than pay for the costs). It also is good for former recipients — provided they can develop equivalent sources of income. Even if their income were no higher off welfare than on, income from earnings or child support is a lot less stigmatizing and better for children than assistance.⁷³

Thompson's critics argue that poverty rates among children have risen in the state since he took office. They suggest his reforms may be the reason.⁷⁴ However, poverty also rose in the early 1980s, before reform became the preoccupation it is today.⁷⁵ It is difficult to argue that welfare cuts cause rising poverty when welfare benefits already paid below the poverty line in 1987.⁷⁶ Most likely, child poverty is caused mainly by the ongoing plagues of family dissolution and nonemployment in the poor areas of America's cities. Whether welfare or welfare reform makes the problems better or worse is unclear.

One may also ask whether reform has raised or lowered family incomes. It difficult to tell. All depends on whether the adults who once would have gone on aid take other steps to obtain income, above all by working. We can tell what welfare employment programs do for their own clients, because we know who they are and we can track their progress. Evaluations typically find that the programs raise earnings and reduce dependency at least marginally. The recipients usually gain more in earnings than they lose in welfare and other benefits, although single mothers gain more consistently than do the unemployed fathers in two-parent AFDC families.⁷⁷

It is much harder to measure what a work policy does to people not already on welfare, because then the clients are harder to define. Welfare work programs might attract more people onto aid if they raise earnings, or deter them from applying if they appear punitive, just as they may raise or reduce the rate at which they leave the rolls.⁷⁸ How does one evaluate a program that changes the whole climate of expectations about who is going to get aid? One approach is to compare outcomes in jurisdictions that do and do not have the new policies, another to see how entry to or exit from welfare shifts once new policies are in place, another to survey the affected population to see how conditions have changed.⁷⁹

There is little research of this kind. One study of cuts in General Assistance (GA) in Michigan, a local welfare program, found that, two years later, the single men who lost coverage were generally in poor health; some were employed, some not, and few had worked steadily. The role of the GA cut in these problems was unclear.⁸⁰ Welfare mothers are generally more employable than poor single men. For them the employment effects of a total denial of aid would probably be more favorable, although there would no doubt be some be hardship. Such findings hardly apply to Wisconsin, where the caseload reduction is driven mostly by employment and diversion and overt cuts in eligibility or benefits appear to be minor factors.

Serious research is needed on how the Wisconsin reforms have affected poor areas. In the meantime, I can only record that local JOBS staff in the counties I visited — even those out of sympathy with the experiments — did not report hearing of hardship due to caseload decline or diversion. They did say that some diverted adults go to work, and that some recipients in counties with tough work programs, such as Fond du Lac or Winnebago, have moved to surrounding areas.

An argument against hardship is that New Hope, a small experimental work guarantee program in Milwaukee, had some difficulty recruiting clients when it began in 1994-5, the same period when JOBS in Milwaukee came under pressure to move its caseload toward work. New Hope offered poverty-level income plus health and child care — a better package than welfare — provided participants worked 30 hours a week. The fact that few AFDC recipients found that offer compelling does not suggest that many people without alternatives have yet been driven off aid in the city.

The evidence above that enrollment has dropped and creaming risen in JOBS gives some cause for concern. The shifts appear recent and inadvertent, and they are somewhat overstated by the reporting. They concern JOBS, rather than AFDC, where a trend toward greater disadvantage probably continues. But if the economy and the traditional JOBS program operate to take the more employable off the rolls, it may be that diversion works the other way. Perhaps the new demands deter the less confident more than, as intended, people who can fend for themselves. All may depend on the message Work First or Work Not Welfare send. Is it that the employable should avoid aid — or that aid is no longer legitimate even for the unemployable? The state should shift its financial incentives somewhat toward maintaining enrollment and serving the more disadvantaged. It will have to do that in any event to sustain its caseload fall.

XII. MILWAUKEE

Another question mark is Milwaukee.⁸¹ It stands at the other extreme from pace-setting counties such as Grant or Kenosha. Milwaukee recorded an 11 percent caseload decline between January 1987 and December 1995 (Table 3). That is a result many cities might envy, as at least it averted the big run-up in dependency that occurred in other urban areas in the welfare boom years. It was, however, much the smallest decline of any county in the state.

That means that Milwaukee, which always dominated Wisconsin welfare, has become even more dominant. In January 1987, the county comprised 39 percent of the state AFDC caseload, but by December 1995, it comprised 53 percent. Thus, dependency cannot be reduced much further in Wisconsin without solving the problem of the city.

Why Milwaukee lags

Why is Milwaukee less able to trim welfare than smaller jurisdictions? One theory is that the welfare population in the city is more disadvantaged than elsewhere, because it is more heavily nonwhite. In December 1993, 60 percent of the JOBS caseload in Milwaukee was black, 22 percent other minorities, and only 18 percent white, whereas in the rest of the state the caseload was only 9 percent black, 22 percent other minorities, and 69 percent white. JOBS clients in Milwaukee also had slightly less education and were less often male than outside, which also would make them less employable.⁸² Other theories are that the economy in Milwaukee is less favorable to people working themselves off the rolls than in other areas, the city welfare or JOBS bureaucracy is less efficient, and dependency is politically more acceptable in Milwaukee than in other jurisdictions.

Social and economic factors undoubtedly account for some of the difference.⁸³ In my earlier Wisconsin study, I defined measures for the number and quality of job entries achieved by county JOBS programs in 1993 and built regression models to account for them. The results showed that counties with more disadvantaged (including more black) caseloads do have more difficulty placing clients in jobs and getting high wages for them. Counties with weak economies also did worse, although there is little reason to think that Milwaukee — with lower unemployment and much higher wages than the average — actually has a worse labor market for the poor than other areas.

Nevertheless, performance was influenced at least as much by the policies of JOBS. Counties that enrolled JOBS eligibles at high levels and then placed high proportions of them in job readiness activities and job search generated many more job entries than those that did not, even controlling for economic and social differences. JOBS policies had much less influence on the quality of jobs, where the preparation of the clients and average wage levels dominated.

Milwaukee generally performs poorly in JOBS. It obtains well-paying jobs for its clients, but relatively few of them, compared to other counties. Only 12 percent of Milwaukee JOBS adults entered jobs in 1993, compared to 22 percent in the average county. Yet Milwaukee was not distinctive in any of the JOBS performance analyses. Results differed little if the county was left out of the calculations, and a dummy variable for Milwaukee was not significant in any of the models. This implies that whatever is distinctive about the city is largely captured

by the variables already in the models.⁸⁴ I conclude that the county underperforms in job entries mostly because it does not enforce enrollment and job search within JOBS as effectively as other jurisdictions.

Administrative problems

That problem, in turn, largely reflects administrative and political differences. Traditionally, Milwaukee's welfare and JOBS agencies are less effective than elsewhere in the state, and the politics of the city traditionally resisted enforcing work in welfare. There was much interest in improving opportunities for the poor, but little in *requiring* welfare adults to better themselves as a condition of aid, which is the basis of most of the Thompson reforms.

In part, the problems of the bureaucracy is understandable. Large organizations are always less efficient than small. When officialdom is large and complicated, communication among its members has to be impersonal, via paper or computer. Interactions inevitably takes more time and money than talking informally face to face, as is possible in small organizations. To refer a client from welfare to JOBS in Milwaukee involves a formal transaction between two large organizations, distant from one another in location and style. Whereas in a small county the transfer is likely to be only across the street, between desks, or even between two files handled by the same case worker. A variable for the relative size of the JOBS caseload was a significant explainer of caseload fall in the late 1980s (see Table 10). However, it was not significant in any of the models of JOBS performance, suggesting that this influence was limited.

Milwaukee can also complain that it receives less administrative and JOBS funding proportional to its caseload than the rest of the state. Madison funds local JOBS programs at a rate of \$1,400 per case (\$2,000 per two-parent case), counting 47 percent of the AFDC cases in a county, on the assumption that about this proportion will have an adult mandatory for JOBS. Kenosha and Jackson get 70 percent of their caseload funded, because, as WEJT pilots, they were assumed to have higher participation. But Milwaukee gets only 35 percent. The difference is rooted in history and difficult to justify. Many people in the state think that this helps explain why Kenosha is a star performer in JOBS and Milwaukee is a laggard. But it is hard to show that relative funding has much to do with results in JOBS. In the JOBS performance analyses, I developed a measure for administrative funding per recipient, and it had hardly any influence.⁸⁵

Much more important was the way JOBS was run in the city until 1994. Adult recipients were notified of their eligibility for JOBS and invited to sign up with one of seven public and nonprofit work and training agencies. The agencies competed for clients and associated funding, not for results. To attract customers, they mostly offered education and training programs for "better" jobs, which is more popular with most recipients than immediate work at low wages. The agencies also duplicated each other, permitting little division of labor. JOBS, moreover, was loosely administered, with many people sitting idle in "holding" statuses. It was effectively voluntary, since few people were sanctioned for dropping out. Milwaukee JOBS, in other words, was the mirror image of the tightly-run, mandatory, work-focused program found in Wisconsin's top-performing counties.

Recent reforms

Fortunately, the state welfare department was in a position to dictate change. It controlled the program because the county government had refused to run it, a sign of its aversion to work enforcement.⁸⁶ In 1994, Madison imposed a system of bureaucratic competition. Six of the providers were reorganized into two teams, one led by the local welfare department, the other by Goodwill Industries.⁸⁷ The budget was divided between them and they were told to compete to achieve job placements and other goals.⁸⁸ The results would affect funding in the next fiscal cycle. Clients were allocated randomly between the two teams, so neither could say that its clientele was less employable.

Faced with this ultimatum, each team accepted a division of labor and the agencies scrambled to call in unassigned clients and assign people to job search as they had never done before. Job entries soared. By the time the competition ended in June 1994, placements were 29 percent above, and full-time placements 38 percent above,

the level for the same period in 1993.⁸⁹ In the second half of the year, effort tailed off, because the contest was over and it became clear that the “losing” team would not incur penalties.⁹⁰ But job entries still rose from 4,143 to 4,880, or 18 percent, for all of 1994 over the previous year.⁹¹ No other change in local conditions can explain this.

The providers expressed strong dislike of the competitive system. They preferred a cooperative model, in which everyone worked together to run JOBS and also to set up Job Centers, which would serve several clienteles in common. Accordingly, in 1995 the state replaced the teams with a system of incentive payments similar to that established for other counties in 1994-5.⁹² And in addition to the other policy changes mandated for all counties in 1994-5, it required an increase in the share of clients in Milwaukee who were enrolled in work components (unpaid work, etc.).

Again, agencies scrambled to make placements, because now they earned money by doing so. Job entries soared to as much as twice the monthly level achieved in 1994. For all of 1995, the city achieved 7,400 job entries, a 52 percent increase over 1994.⁹³ There is no proof, but these improvements, along with a tight local labor market, probably account for Milwaukee’s doubling of its caseload reduction since 1987 in 1995 alone, as noted in Table 3. No other change in local circumstances could account for this.

The emphasis on work will only strengthen in future. Milwaukee entered Work First in December 1995 and will inaugurate Self-Sufficiency First and Pay For Performance in March 1996. I heard no dissent among local welfare officials that the city has to move this way. While the payoffs are still limited, no county can point to sharper improvements in recent years than Wisconsin’s biggest.

XIII. ADMINISTRATIVE COSTS

Still another question raised about the Wisconsin reforms is costs. If one reduces dependency only by curbing eligibility and benefits, then, of course, money will be saved. But if one does so mainly by building up employment programs as Wisconsin has done, then, according to most experts, costs must rise. In the usual view, to put welfare recipients to work, one must “invest” in new services — education, training, government jobs, and above all child care. These may eventually reduce dependency, but in the short run, reforming welfare costs more than just paying out aid.⁹⁴

Work programs in Wisconsin have not invested notably in government jobs, and they have obtained a lot of training from other sources, such as community colleges, without paying for it. But unquestionably, huge amounts have been spent on child care and, above all, on the bureaucracy to build up the supervisory structure that is essential to work enforcement. This has raised questions whether the gains are worth the cost. The state claimed in 1993 to be spending \$10 million a month less on welfare than it did in 1987, when Tommy Thompson took office.⁹⁵ But critics note that Learnfare alone costs over \$10 million a year to run, with little apparent effect on the caseload.⁹⁶

From one point of view, the state is efficient. If one looks at Medicaid (the health program for the poor) and Food Stamps as well as AFDC, and if one considers all the fiscal years between 1989-93, Wisconsin’s administration of welfare cost the nation little money. The state spent \$148.96 in federal matching funds to administer each case annually, compared to a national average of \$159.30. In 1993, administration ate up only 4.8 percent of federal program costs in Wisconsin, compared to 5.8 percent for the nation as a whole.⁹⁷

On the other hand, state and local costs specifically to run AFDC have exploded. Table 13 on the next page shows the administrative cost per case — excluding employment programs — in fiscal 1986 and 1994 for the nation, the average state, and the lowest and highest states compared to Wisconsin. Figures for percent change between those years are also shown.

The figures are dramatic. In 1986, prior to the WEJT buildup and the Thompson reforms, Wisconsin spent only \$10.56 on administration per month per AFDC case, the lowest figure in the country. By 1994, however, that amount had soared to \$61.55, only 37th best in the country. While fourteen states still were more costly in 1994,

TABLE 13 Monthly Administrative Costs in AFDC, 1986-94

	Fiscal 1986	Fiscal 1994	Percent Change
Nation	\$38.93	\$53.42	37
Average State*	41.20	53.21	29
Lowest State	10.56 (WV)	13.34 (WV)	26
Highest State	88.77 (OK)	106.88 (NY)	20
Wisconsin	10.56	61.55	483
Wisconsin's Rank	1	37	51

* 50 states and D.C.

Source: U.S. Department of Health and Human Services, Administration for Children and Families, *Time Trends, Fiscal Years 1985-1994*, p. 7.

Wisconsin's proportional increase since 1986 — almost six times — was far and away the largest in the nation. Much, maybe most, of this cost went for the new personnel and bureaucratic apparatus, including reporting systems, needed to run Wisconsin's elaborate welfare reform programs.

The bottom line, however, depends on what Wisconsin gets for its money. Does reforming welfare really cost more — in the aggregate — than just paying out aid? It depends on the accounting. The top panel of Table 14 below shows everything Wisconsin spent on welfare programs in its 1987-8 and 1993-4 budgets under three main headings: cash benefits, other payments or services, and administration. For many programs, including AFDC and JOBS, the federal government reimburses half or more of the state's costs, so separate totals are given for state and federal spending and overall.

The figures for all programs show that a 21 percent drop in cash benefits due to the AFDC caseload fall is outweighed by huge increases in the other categories, for a 61 percent rise in welfare costs overall. These are the numbers that cause Gwendolynne Moore, a state senator, to charge that "We're paying more to get less under this administration." Thompson claims to be saving money, "But in fact, the money going to poor families is dropping, while more and more is wasted by the bureaucrats."⁹⁸

However, these figures include funds and increases for several programs that are not usually part of the debate about welfare reform. These include Supplemental Security Income, an aid program for the elderly and disabled that grew by almost half in the indicated period, and above all Medicaid, the huge and costly health program for the poor, which more than doubled, accounting for over \$1 billion in new spending all by itself. Also included are several federal intergovernment grant programs, such as community development aid, that are only in the loosest sense "welfare."

TABLE 14 Wisconsin Welfare Costs for All Programs and for AFDC/Work Programs, 1987-9 and 1993-4 Budgets

	1987-9 Budget	1993-4 Budget	Change	Percent Change
ALL PROGRAMS				
Cash Benefits	632,762,000	501,742,300	-131,019,700	-21
Other Payments/ Vouchers/Training Administration	1,271,721,300	2,557,981,100	1,286,259,800	101
State Total	853,760,400	1,284,873,900	431,113,500	50
Federal Total	<u>1,162,955,700</u>	<u>1,967,606,800</u>	<u>804,651,100</u>	69
GRAND TOTAL	<u>2,016,716,100</u>	<u>3,252,480,700</u>	<u>1,235,764,600</u>	61
AFDC/WORK PROGRAMS				
Cash Benefits	547,977,000	375,280,900	-172,696,100	-32
Other Payments/ Vouchers/Training Administration	11,499,600	47,467,300	35,967,700	313
State Total	283,447,400	240,156,300	-43,291,100	-15
Federal Total	<u>356,301,600</u>	<u>331,548,900</u>	<u>-24,752,700</u>	-7
GRAND TOTAL	<u>639,749,000</u>	<u>571,705,200</u>	<u>-68,043,800</u>	-11

Note: For detailed figures and source, see Appendix B.

If we exclude these and other programs that are peripheral to cash aid and work programs, we get a very different accounting. The bottom panel of Table 14 is confined to AFDC, other cash benefits for the working-aged, child support collections, programs and services related to welfare employment, and associated administrative costs. The accounting is still conservative because it defines relevant non-cash benefits and administrative spending broadly.

The savings in benefit costs rises due chiefly to the omission of Supplemental Security Income (SSI). The absolute amounts for other payments and services are radically reduced by excluding Medicaid, although

**TABLE 15 Key Welfare and Employment Expenditures
in 1987-9 and 1993-4 Budgets**

	Fund Source	1987-9 Budget	1993-4 Budget	Change	Percent Change
BENEFITS					
Aid to Families with Dependent Children	State	224,975,300	153,569,400	-71,405,900	-32
	Federal	<u>328,108,900</u>	<u>240,888,900</u>	<u>-87,220,000</u>	-27
	<i>Subtotal</i>	<i>553,084,200</i>	<i>394,458,300</i>	<i>-158,625,900</i>	<i>-29</i>
Child Support Collections (AFDC)		57,479,300	55,646,700	-1,832,600	-3
Employment and Training Services (JOBS, etc.)	State	2,507,500	17,275,700	14,768,200	589
	Federal	<u>8,633,100</u>	<u>21,517,900</u>	<u>12,884,800</u>	149
	<i>Subtotal</i>	<i>11,140,600</i>	<i>38,793,600</i>	<i>27,653,000</i>	<i>248</i>
Child Care for Current and Former AFDC Recipients	State	N/A	5,070,700		
ADMINISTRATION					
Income Maintenance	State, Fed	60,570,200	111,191,700	50,621,500	84
Child Support	Other	160,300	10,422,800	10,262,500	6,402
Employment	State, Fed	1,867,100	5,563,400	3,696,300	198
Welfare Fraud/ Error Detection	Other	165,500	1,883,100	1,717,600	1,038

Note: For detailed figures and source, see Appendix B.

proportional increases are higher than before. Administrative increases also fall — and are artificially inflated by the fact that the extra funding Wisconsin claimed from Washington due to its waivers was largely credited to this category. Nevertheless, all the new spending is overborne by the \$173 million reduction in cash grant costs due to the caseload fall. The bottom line is now that the welfare budget drops by 11 percent or over \$68 million. That saving vindicates the state's claim to have made money on welfare reform.

Table 15 above provides more detail about some of the key accounts. More than half of the huge savings in AFDC due to the caseload decline has gone to Washington, but the state has still cleared over \$71 million. It also cut the burden of welfare by collecting over \$55 million in child support in AFDC cases, most of which went to reimburse both Madison and Washington for AFDC grant costs.

Out of the savings the state spent large and rising amounts on the support services needed to involve recipients in JOBS and the other work programs and move them toward employment. Although the federal government shared this cost more than equally, the increase in state spending was far sharper, particularly due to the largely state-funded WEJT. The state also spent another \$5 million of its own money in 1993-4 on child care for recipients. Finally, it spent large, fresh sums on improved administration for all these purposes. As Senator Moore says, the balance of funding has shifted away from the recipients and toward the bureaucracy.

The great question raised by these figures, of course, is whether the administrative buildup *caused* the caseload decline. There is no way to prove that rigorously. Would the rolls have come down as much simply due to the economy and the benefit cut? The evidence reviewed above suggests not. While some waste has no doubt occurred, the state's investment in JOBS and the other experiments was indispensable to its achievement. In Wisconsin, the bureaucracy is indeed growing, but it is also driving the caseload down.⁹⁹ By this means, the state has reformed welfare in the way voters in every state desire — holding the adults accountable while maintaining aid for families in need.

XIV. THE POTENTIAL OF DIVERSION

A final large question is the potential of Wisconsin's policies. How far might the caseload be reduced by the combination of diversion and tough work enforcement? No one is sure what proportion of cases is employable

or unemployable, because no state has yet driven the caseload down enough for the bottom of the barrel to be visible. One estimate is that perhaps four-fifths of welfare mothers are capable of finding a job within two years of going on aid. Since the rolls at a point in time overrepresent the long-term cases, that figure would fall to around two-thirds for people on AFDC at a given time.¹⁰⁰ The proportion would be higher in states with higher benefits such as Wisconsin, which allow some families with earnings to qualify for aid, and lower in states with lower benefits.

The Wisconsin experience is consistent. The counties who divert most aggressively find that the bulk of the caseload as it stood in 1987 can make do without cash welfare. At the same time, welfare cannot be eliminated. Some families really need cash aid, and many people who can avoid it still require Food Stamps to make ends meet and Medicaid for health coverage. And the more the employable leave welfare, the more the remaining cases consist of the unemployable. That is why the counties that are toughest about diversion and work, such as Grant, also stress the limitations of these measures. In their localities, they say the bottom of the barrel is visible. The families still on aid have such serious problems that they will need intensive support services if they are to function.

That is one rationale for the family service approach in Grant. Alternatives short of regular employment, such as community service assignments, will be necessary in some instances. People who are unused to working will have to approach regular employment through less demanding activities over time.¹⁰¹ Thus, as the work strategy succeeds, so it moves off center stage, and service-oriented strategies more akin to traditional social work come to the fore. The services side of welfare must grow despite the fall in the caseload, and indeed because of it. That trend is already visible statewide in Wisconsin, as the budget figures show.

Breaking the caseload

The policies Wisconsin plans for the future assume that tough work measures can change the expectations around welfare, drive the employable off the rolls, and thus reduce the caseload even more sharply than the state has yet seen. What has happened in Grant and other smaller counties can happen in the cities, including Milwaukee. And unless the caseload tumbles in this way, the state's plans for welfare would probably become unaffordable or unadministrable.

Two new and demanding welfare experiments are set to be implemented statewide in March 1996. Under Self-Sufficiency First, welfare parents must look for work before their aid applications are approved on pain of losing any access to aid, a tougher sanction than under Work First. Under Pay For Performance, they must put in scheduled hours of activities or have their benefits docked at \$4.25 per missing hour, the policy now in effect only in the two Work Not Welfare counties.

Both programs will place severe, new demands on the recipients and on the welfare bureaucracy. A race will occur between these two sets of demands. If the caseload remains as large as it still is, the new programs may well prove too much to implement, particularly in Milwaukee. But if the new work demands cause many additional people to leave welfare early on, then they probably could be implemented. Will the caseload face down the new requirements, or vice versa? On that may hinge whether the new programs lead to a train wreck or the transformation of welfare.

Further reforms

In August 1995, the Thompson Administration proposed a still more radical reform known as Wisconsin Works, or W-2.¹⁰² This resulted from an initiative launched by the legislature in 1993 to replace AFDC entirely. W-2 would make all cash aid contingent on recipients working at one of four levels, ranging from regular, unsubsidized employment to community service positions paying less than the minimum wage. The program is less a welfare program aimed at dependent families than a work guarantee aimed at the entire low-income population. While W-2 would virtually end unconditional aid, it would provide subsidized health and child care more widely than now, and some subsidy would be extended to incomes as high as 165 percent of the poverty line.

Can such a program be implemented? The state's plan calls for placing over 20,000 people in unsubsidized employment and nearly 27,000 in community service jobs in the first six months of implementation, numbers vastly above what it achieves now. Strong deterrent effects and substantial departures from the rolls appear to be indispensable for the plan to succeed, at least in the short run. A large increase in service costs is inevitable, and it could be financed only the way the run-up of JOBS has already been financed — by a substantial drop in the rolls. But radical as the plan is, the legislature, which is considering it now, appears likely to liberalize it only partially. More and more, welfare in Wisconsin is turning into a work program. That assumes, and requires, that it serve a much smaller proportion of the population than it does now.

Self-Sufficiency First and Pay for Performance already embody much of the structure of W-2, since they also would turn welfare into a wage supplement and hold recipients accountable for activities. W-2 differs strongly in degree — few activities other than work would be allowed, and the level of effort would be higher — but the monitoring problems would be similar. Currently in Milwaukee, which is now Wisconsin's welfare frontier, local officials are scrambling to construct a system to track attendance at work and training assignments on a scale never before seen. "The revolution is Pay for Performance" (PFP), one manager told me. "It's all over after that. If we can do PFP, W-2 will be a cakewalk." Whether they can do it is now the most urgent question in welfare policy in Wisconsin and, perhaps, in the nation.

National reform

At the national level, too, reformers appear to be banking on strong deterrence effects. The chief problem with the reform plan that President Clinton advanced in 1994 was that it attempted to serve the entire caseload without serious diversion. It would have required work of the employable, not at the outset of dependency, but after two years. That required it to create massive numbers of government jobs, which in turn forced it for cost reasons to exempt much of the caseload. In a conservative Congress, the plan was dead on arrival.

In contrast, the bill from the Republican Congress that Clinton vetoed in 1995 toughens work requirements far more. In JOBS, work requirements in 1994 applied to 43 percent of the adult recipients (chiefly, those with children aged 3 or over).¹⁰³ States had to have 20 percent of the mandatory participating in JOBS on a monthly basis by 1995, and participation requires 20 hours of activity a week. In the Republican bill, the requirements apply to all welfare adults, the share of them in "work activities" (mostly actual work, but allowing some training) is to rise to half by 2002, and the hours required for participation would rise from 20 to 35 hours over the same period. Up-front job search is not required, but states could not hope to approach these norms without it.

Such demands raise the same issues as W-2. With the caseload as it is, the Republican plan could not be implemented anytime soon even in Wisconsin, let alone in states with less competent governments. But with large deterrent effects it might be. The great question is: who will blink first, the system or the caseload? If the system concedes, it will be overwhelmed with the demands of work enforcement, which are vastly greater than just paying out aid. Then, if dependency is still to be cut, the nation — and Wisconsin — would have no alternative but to do it the old-fashioned way — by slashing benefits or eligibility.

PART 4: IMPLICATIONS

XV. STATE AND SOCIETY

In Wisconsin, and especially in its high-performing counties, one glimpses a possible future for welfare in America. In Grant, Winnebago, and Fond du Lac, and also in Kenosha and Sheboygan, administrators have gone as far as anywhere in the country toward turning welfare into a paternalistic system. They preserve a commitment to helping people in need, but they also insist in the most definite terms on dependent adults doing something to help themselves.

The Wisconsin system is different from reform as either party portrays it in Washington. It certainly is distant from the traditional Democratic belief in entitlement, in trying to cure poverty with benefits, without expecting good behavior from the dependent. It is also distant, however, from the ideas of current federal

Republicans that the answer to welfare is less government and a devolution of the aid function to localities or the private sector.

In some ways, to be sure, Wisconsin accords with that vision. There is less government in the sense of a less exclusive public responsibility for assistance. Many counties now contract out much of their JOBS operations to nonprofit and profit-making bodies. Under W-2, the grant payment as well as employment functions might be contracted out. Wisconsin has also made outstanding use of the flexibility already allowed to local governments, which the Republican Congress would expand yet further.¹⁰⁴ Success at home has helped make Tommy Thompson chairman of the National Governors Association and an advocate for decentralization.

Government leadership

Nevertheless, reform Wisconsin-style is still government-led. In Washington, Thompson may demand smaller government and attack the bureaucracy, but that is not what he is doing at home. Rather than blame administrators for the welfare problem, he has challenged them to solve it, and they are doing so. To be sure, some welfare personnel I talked to regretted the new work emphasis. They still felt that their job should be simply to hand out aid to the eligible, with no questions asked about behavior.

Most officials, however, have rallied to Thompson's cause. Most realize that dependency cannot be overcome unless more recipients go to work, and they relish the credit that has come to them from reforming welfare. For the first time in a generation, it has seemed that government might have the capacity to tame the poverty problem, and this has heartened officials throughout the welfare system. Many, for the first time in their careers, see a point to what they are doing. Indeed, improved morale within government is itself a reason for the state's success. It motivates the extra effort that many people — not all followers of Thompson — have put into the reform effort.

Thompson and the legislature have provided the administrators the new authority and the resources they need. Probably just as important has been a slow and less visible perfecting of many aspects of welfare administration. Ever since the vast expansion in AFDC in the late 1960s and 1970s, welfare agencies have struggled simply to pay benefits accurately and manage their caseloads. Wisconsin is ahead of most states in these tasks. In the past decade, it has made significant progress in rooting out welfare fraud and toughening child support enforcement. The state has spent generously on computerized reporting systems to keep track of welfare and child support cases. In the contest between wily dependents and the bureaucracy, officialdom is winning, and there is no prospect of a retreat.

This general administrative capacity stands behind Wisconsin's impressive ability to implement JOBS and the experimental programs. Few states could have deployed such an administrative apparatus and then, just in the last two years, refocused it even more sharply on work, as Wisconsin has done. Many states launch welfare reform initiatives, but few plans get beyond press releases. Few are approved by legislatures, fewer by Washington, fewer still implemented so as to change welfare at the grass roots. What distinguishes Wisconsin above all is its capacity to execute change on the ground. That is a victory for the state's political leadership, but above all for the bureaucracy.

Direction and self-reliance

On first impression, the policy of diverting people from welfare, as practiced in Wisconsin's toughest counties, looks like a return to the "scientific charity" of a century ago. Then, the private agencies that served the poor deprecated giving them money. At most they offered them in-kind help such as food along with social services to sort out their problems, much as Grant tries to do today. Some argue that America ought to return the poor to the care of charitable organizations, who would offer them ties to the better-off rather than subsidies.¹⁰⁵ Conservatives might hope that diversion means an end to public responsibility for the poor. Critics see the same intention, except that they find diversion disingenuous, a way of denying aid without appearing to. It would be more honest, they suggest, simply to close the door to aid.

But diversion does not really mean closing the door. In the era of scientific charity, governmental aid programs hardly existed. Today, they do exist, and no locality in Wisconsin seriously questions them. Even in the counties that make the most use of nonprofit providers, government remains ultimately responsible for welfare and JOBS. The resources and the authority to demand work stem ultimately from public officials bearing the mandate of the people. In combination, government agencies and nonprofit providers appear to execute the welfare work mission better than either could do alone, at least when the bureaucracy functions as well as it does in these counties.

Welfare diversion attempts to dissuade the needy from going on the rolls; it does not bar them. And even when the needy are diverted, government in Wisconsin still accepts much responsibility for them. The attempt is mainly to keep people off cash assistance, not in-kind benefits or the other services government provides. People who go to work can still claim generous child and health care. Wisconsin's welfare state remains one of the most generous in America.

Public responsibility for the poor persists, but in a new and more constructive form. Typically, governmental solutions to poverty involve making people dependent and then trying to motivate them to help themselves. Nongovernmental solutions involve denying people aid, on the assumption that this will motivate them to work. Neither approach has succeeded in getting many poor adults to work steadily, at least within the range of benefits and denials attempted to date. In Wisconsin, in contrast to either, we find *government* telling people *not* to rely on government. In welfare diversion, *public* agencies tell applicants to rely on *private* resources.

It sounds paradoxical, but it seems to work better than either an entitlement or privatization approach operating alone. The reason probably is that it is more authoritative. Direction about how to live is something the seriously poor appear to need as much as, or more than, support. And in a democratic society, public authorities have more power to direct than any other institutions.

Enforcing values

The Wisconsin experience, in fact, challenges the notion, which is pervasive in Washington, that America must choose between government and the private sector in dealing with poverty. Typically, liberals see government as a structure for the poor that is alternative to society, that shelters them from market pressures and racial bias. On the same assumption, conservatives think that the way to restore order in ghetto areas is to expose the poor to social pressures, and to do this one has to get government out of the way.

In the effective Wisconsin counties, however, we find government *leading* rather than obstructing the culture. Programs like Grant's derive strength from rural settings where conservative values are unquestioned. When welfare is used to enforce norms like work, the tension between it and public mores disappears. Far from protecting recipients from those pressures, welfare sees itself as representing conventional values to the caseload, even as helping to form them. In Grant, one case manager told me, "I see JOBS as facilitating the community." "You create an environment in your staff," the welfare director remarked, "and that gets conveyed to your community." It is image, out of Jean-Jacques Rousseau, of government as the agent, rather than the opponent, of a healthy society.

XVI. THE POLITICS OF WELFARE

As long as welfare has been a national issue, raising work levels on AFDC has been the main purpose of reform, for good reasons. To promote work was sensible, because lack of steady employment is the main economic problem of poor adults, on or off welfare. Work is also enormously popular. It vindicates the public desire to hold adults accountable, but it does so with less danger to children than just cutting back aid. Liberals feel that welfare benefits are not high enough nor coverage broad enough, but these concerns have gained little support from voters or policymakers since the conservative turning in national politics in the mid 1970s.¹⁰⁶

However, there is now a prospect that work policies might in some sense succeed. To date, average

welfare employment programs have not in themselves caused many people already on welfare to leave, but they typically double the share that enter work or training of some kind, and they require most of the remainder to either leave welfare or accept the penalty of a lower grant.¹⁰⁷ If deterrent effects are factored in, well-run work policies may well be able to reduce the caseload to the point where the remaining cases are either working or pretty clearly unemployable. The harbinger is the leading Wisconsin counties where, as noted above, over half of JOBS enrollees are already employed. Under W-2 — if implemented — employment will become a virtual precondition for assistance.

If the dependent reliably work, the politics of welfare will shift. The current welfare class will divide into two, each part evoking very different reactions from the public. Those cases that remain on the rolls without working will stir ambivalence. They may seem even more dysfunctional, hence undeserving, than recipients seems today, but they may also be seen as disabled, hence entitled to aid without stringent functioning demands. Support for an entitlement view of welfare might grow. This could occur, as well, because intensive service strategies are inevitably more discretionary than current reform policies. Work or child support rules are levied by democratic legislatures on whole categories of recipients and have an impersonal character. Family interventions award more power to individual social workers. That could make them appear invidious and re-ignite the welfare rights movement.

The other group will be people who would formerly have lived off welfare without work but are now working, either on or off aid, or are living off private resources of some kind. Their image will be deserving. Some will remain poor despite working, due to low wages or large families. The effect will be to make “working poverty” and economic inequality bigger issues than they are currently. For the first time in a generation, poverty might be associated more with the working class than the underclass. The claims of the poor for redress would strengthen, and that would shift politics to the left. Class politics is a lot more favorable to liberals than welfare politics.¹⁰⁸

The irony is apparent. It is typically conservatives who push for work-oriented welfare reform, but if they succeed their opponents will benefit. Marx predicted that the bourgeoisie would prepare the way for revolution and the rule of the proletariat. They would be their own grave-diggers. History shows no gratitude; it absorbs the achievements of each class and marches on. If work levels rise among the poor, one might predict the same fate for conservative welfare reformers, and this time the prediction might come true. But even if it did, people like Tommy Thompson would be vindicated. They would have restored the welfare poor to mainstream American life. More than the Great Society ever did, they would have advanced the ideal of an integrated society.

NOTES

- 1 Lawrence M. Mead, *The New Paternalism in Action: Welfare Reform in Wisconsin* (Milwaukee: Wisconsin Policy Research Institute, January 1995).
- 2 A preliminary discussion appeared in Lawrence M. Mead, “The Change in Wisconsin Welfare,” *Wisconsin Interest* 4, no. 2 (Fall/Winter 1995): 17-24.
- 3 E.g., Thomas J. Corbett, “Welfare Reform in Wisconsin: The Rhetoric and the Reality,” in *The Politics of Welfare Reform*, ed. Donald F. Norris and Lyke Thompson (Thousand Oaks, CA: Sage, 1995), p. 47; Michael Wiseman, “State Strategies for Welfare Reform: The Wisconsin Story,” revised version (Madison: University of Wisconsin, Institute for Research on Poverty, January 1996), pp. 3-4, 10-12, 18-19, 34. However, Wiseman sees, as I do, an important influence from Wisconsin’s welfare work programs.
- 4 The figure of 23 percent differs from the 33 percent mentioned above and in Table 3 below because the former is based on annual data for 1987-94, the latter on monthly data for January 1987 through December 1995, a longer period.
- 5 The state decline is smaller than the average county decline because it is dominated by Milwaukee, which had half the caseload and only a small decline, whereas the county average gives equal weight to all counties, most of them with much larger declines.
- 6 The following discussion is based on Corbett, “Welfare Reform in Wisconsin;” Wiseman, “State Strategies;” Paul E. Peterson and Mark C. Rom, *Welfare Magnets: A New Case for a National Standard* (Washington, DC: Brookings, 1990), chap. 2; and John Pawasarat and Lois M. Quinn, “Wisconsin Welfare Employment Experiments: An Evaluation of the WEJT and CWEP Programs” (Milwaukee: University of Wisconsin-Milwaukee, Employment and Training Institute, September 1993), chaps. 1-9.
- 7 Daniel R. Meyer et al., “An Evolving Child Support System,” *Focus* 16 no. 1 (Spring 1994): 1-14.
- 8 U.S. Congress, House, Committee on Ways and Means, *Overview of Entitlement Programs: 1994 Green Book* (Washington, DC: U.S. Government Printing Office, July 15, 1994), pp. 512.

- 9 At Thompson's behest, the legislature repealed a planned 1 percent rise in the need standard, which is the official payment level. Thompson also used his line-item veto to cut the actual grant paid from 84 to 80 percent of this standard, for a 6 percent cut overall.
- 10 U.S. Congress, House, Committee on Ways and Means, *Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means, 1987 Edition* (Washington, DC: U.S. Government Printing Office, March 6, 1987), pp. 406-7; idem, *1994 Green Book*, pp. 366-7.
- 11 Wiseman, "State Strategies," p. 11.
- 12 These are just the Thompson waivers that affected the largest numbers of cases and might have short-term effects on the rolls. Another project more oriented to reducing unwed pregnancy is the Parental and Family Responsibility Initiative (PFRI). PFRI, popularly known as "Bridefare," eases welfare eligibility for teenage two-parent families but applied a partial "family cap" to benefits — it limited grant increases for children born on the rolls.
- 13 Robert Moffitt, "Incentive Effects of the U.S. Welfare System: A Review," *Journal of Economic Literature* 30 (March 1992): 13-18.
- 14 Wiseman, "State Strategies," p. 15; Pawasarat and Quinn, "Wisconsin Welfare Employment Experiments," chap. 15.
- 15 Lawrence M. Mead, *Beyond Entitlement: The Social Obligations of Citizenship* (New York: Free Press, 1986), chaps. 6-7.
- 16 The state exemplified the model for the Work Incentive program developed in the major study of WIN implementation: John J. Mitchell, Mark L. Chadwin, and Demetra S. Nightingale, *Implementing Welfare-Employment Programs: An Institutional Analysis of the Work Incentive (WIN) Program*, R&D Monograph 78, U.S. Department of Labor (Washington, DC: U.S. Government Printing Office, 1980).
- 17 Some other counties replaced WIN with the Community Work Experience Program. Ostensibly, CWEP placed clients in unpaid jobs, but in practice it assigned people to a wide range of activities, including education and training, much like WEJT. See Pawasarat and Quinn, "Wisconsin Welfare Employment Experiments," chaps. 5-6.
- 18 Pawasarat and Quinn, "Wisconsin Welfare Employment Experiments," chaps. 3-13.
- 19 For the politics and policy considerations surrounding JOBS, see Lawrence M. Mead, *The New Politics of Poverty: The Nonworking Poor in America* (New York: Basic Books, 1992), chaps. 8-9.
- 20 Wiseman, "State Strategies," pp. 5, 18.
- 21 In some areas, JOBS is contracted to non-welfare agencies or to consortia of counties.
- 22 For a discussion of the policy analysis behind JOBS, see Michael Wiseman, ed., "Research and Policy: A Symposium on the Family Support Act of 1988," *Journal of Policy Analysis and Management* 10, no. 4 (Fall 1991): 588-666.
- 23 On the need for mandatoriness, see Lawrence M. Mead, "Should Workfare Be Mandatory? What Research Says," *Journal of Policy Analysis and Management* 9, no. 3 (Summer 1990): 400-4. On the need for a work focus, work-oriented Riverside County outperformed other counties in an evaluation of California's GAIN; see James Riccio, Daniel Friedlander, and Stephen Freedman, *GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program* (New York: Manpower Demonstration Research Corporation, September 1994). In a national evaluation of JOBS now underway, preliminary results show that sites stressing immediate employment outperformed those stressing human capital development; see Stephen Freedman and Daniel Friedlander, *The JOBS Evaluation: Early Findings on Program Impacts in Three Sites* (New York: Manpower Demonstration Research Corporation, July 1995). Work-oriented JOBS programs also outperform education-oriented ones in Wisconsin, judging from program performance measures if not impacts; see Mead, *New Paternalism in Action*, pp. 18-25.
- 24 The legislature provided special funds to meet federal work requirements for two-parent cases. Counties were guaranteed 45 percent of their allocation. The rest they had to earn at a rate of \$600 per full-time job placement, \$300 per part-time placement, and \$200 per month for placements in work components. For a work component to qualify for the \$200, monthly working hours divided by 4.33 had to equal 16, so weekly hours had to be about 17.
- 25 Payments were increased to \$800 per full-time job entry, \$400 per part-time, and \$200 per month per work component. Counties running experimental programs, as described below, received additional funding.
- 26 The 25 percent norm was reduced by 5 points in counties with high levels of Asian or long-term recipients and by up to 15 points in counties that had already achieved caseload declines of 40 percent or over since January 1987. Other goals included achieving high proportions of clients in work and work components, cutting AFDC spending, and serving as a pilot for the Thompson experiments.
- 27 The Computer Reporting Network (CRN) used by welfare and the Wisconsin Integrated Data System-Work Programs Reporting System (WIDS-WPRS) used by JOBS were both replaced by the new Client Assistance for Reemployment and Economic Support system, or CARES.
- 28 A local exception was an experimental evaluation of WEJT in Rock County. It showed that WEJT clients did worse in earnings and welfare reduction than clients in the control group. These results, which extend only through 1990, probably reflect WEJT's heavy focus on remediation, which meant fewer clients went into job search compared to controls. See Pawasarat and Quinn, "Wisconsin Welfare Employment Experiments," chap. 11.
- 29 Another notable experiment not directly aimed at AFDC is Children First, a child support experiment that has had large apparent effects on child support compliance in test counties. See Mead, *New Paternalism in Action*, pp. 34-6.
- 30 Technically, Work First is not an experiment requiring a waiver but based on a policy of up-front job search that is already permitted under JOBS.
- 31 For a simulation that suggests that JOBS could divert some people from welfare, see Robert A. Moffitt, "The Effect of Employment and Training Programs on Entry and Exit from the Welfare Caseload," *Journal of Policy Analysis and Management* 15, no. 1 (Winter 1996): 32-50.

- 32 See the discussion in Mead, *New Paternalism in Action*, pp. 18-22.
- 33 Data from the Wisconsin Department of Health and Social Services.
- 34 Wisconsin Department of Health and Social Services, *JOBS Annual Report* (Madison: Department of Health and Social Services, December 1994), pp. 14-15.
- 35 To favor comparability with October 1993, figures for October 1995 are confined to work programs and exclude clients from some other experiments served by JOBS, such as Learnfare and the Parental and Family Responsibility Initiative.
- 36 Inactive statuses include clients whom programs have no intention of serving or have asked to exclude from JOBS, or clients who are awaiting the resolution of barriers to work, scheduled to participate in future, or unassigned.
- 37 In CARES, according to state officials, welfare caseworkers at first referred some JOBS eligibles to JOBS multiple times, inflating the denominator of the enrollment calculation relative to the denominator. Some JOBS staff also postponed enrolling referrals due to overwork surrounding the changeover.
- 38 One might think that the cut in the age of child that exempts a mother from work from 2 to 1 in October 1995 might have cut enrollment rate, since this expanded the pool of eligibles over which the enrollment rate is calculated. But the change came too soon for this component data, which is for the end of October, to show much effect.
- 39 In the changeover, case histories were lost and many long-term cases were no longer classified as such.
- 40 Counties are supposed to serve 80 percent of referrals in ways beyond enrollment, except Kenosha and Jackson, which — due to their extra funding — are supposed to serve 100 percent.
- 41 Maria Cancian and Daniel R. Meyer, “A Profile of the AFDC Caseload in Wisconsin: Implications for a Work-Based Welfare Reform Strategy” (Madison: University of Wisconsin, Institute for Research on Poverty, September 1995), pp. 10-30. Some of this shift reflects the tendency of the caseload to decline most outside Milwaukee, which contains most of the more disadvantaged cases.
- 42 Daniel Friedlander, *Subgroup Impacts and Performance Indicators for Selected Welfare Employment Programs* (New York: Manpower Demonstration Research Corporation, August 1988). The share of a county’s JOBS caseload coming from the target groups is only a weak influence on performance in JOBS. This variable was significant in only one of the six JOBS performance models described in Mead, *New Paternalism in Action*, pp. 27-33.
- 43 Congressional Budget Office, “A Preliminary Analysis of Growing Caseloads in AFDC” (Washington, DC: Congressional Budget Office, December 1991); idem, “Forecasting AFDC Caseloads, with an Emphasis on Economic Factors” (Washington, DC: Congressional Budget Office, July 1993).
- 44 Congressional Budget Office, “Forecasting AFDC Caseloads,” found a benefit effect only on the AFDC-UP caseload, which is small part of the whole.
- 45 The following is a revision of the analysis in Mead, *New Paternalism in Action*, pp. 7-11.
- 46 Many states do not spend enough on JOBS to “draw down” all the federal matching funds they are allowed. In 1993, the average state spend only 71 percent of its allotment. Calculated from Committee on Ways and Means, *1994 Green Book*, p. 349.
- 47 Change in the proportion of participants in job search over 1991-3 was strongly and negatively associated with caseload growth, suggesting that eventually job search had its expected effect. But this term, though significant, made other terms nonsignificant and led to a less interpretable result, so I omitted it.
- 48 The argument may be made that the connection between JOBS participation and caseload change is really inverse. That is, the negative sign on JOBS participation means that growing caseloads overwhelmed JOBS and depressed enrollment rates, not that higher JOBS participation slowed up caseload growth. However, both JOBS participation and caseloads grew rapidly in this period, not just caseloads, so either might be driving the negative association. And on this interpretation, growth in all JOBS activities should be inverse to caseload trends. In fact, the job search and higher education terms are positive. This suggests that JOBS, not the caseload, is the causal force.
- 49 Charles Murray, “The Coming White Underclass,” *Wall Street Journal*, October 29, 1993, p. A14.
- 50 The coefficient of this term suggests that raising the size of female-headed families would cut welfare growth by over 100 points, more than reversing it. But that assumes that family size rose by a whole person. That is improbable, as the actual range of this variable was only 0.4 persons.
- 51 Note that JOBS participation fell slightly for the average state over 1991-3, despite the federal requirements to raise participation that prevailed in these years. This is because my measure includes all welfare adults, whereas the JOBS requirements applied only to the employable adults, who in 1994 were 43 percent of the total, according to federal data. Most states managed to meet the JOBS participation thresholds even though rising caseloads drove down participation by the broader measure.
- 52 One omitted factor that might have played some role was that the three nongrowing states were all below average in population growth, a variable that was positive but not significant for the states in general.
- 53 Pawasarat and Quinn, “Wisconsin Welfare Employment Experiments,” chap. 14.
- 54 The time series used here is a form of ordinary least-squares (OLS) regression analysis. OLS assumes that the dependent term is “stationary.” That is, it has a stable mean, around which observations can be assumed to vary over time. Because raw welfare caseloads tend to rise or decline without a clear mean, they violate this assumption. One way to ameliorate, if not cure, the problem is to include as an explainer the value of the dependent term in the previous period. Pawasarat and Quinn, “Wisconsin Welfare Employment Experiments,” chap. 14, analyze the raw caseload, and they do not include this control. For both reasons, serial correlation in the error term is excessive. In my analysis, the dependent term is altered to the rate of change in welfare, which is stationary, and I do control for

the lagged value of the dependent term.

These problems also appear to afflict the national-level time series study mentioned earlier, Congressional Budget Office, "Forecasting AFDC Caseloads." For a discussion of the stationarity problem, see Menzie David Chinn, "Beware of Econometricians Bearing Estimates: Policy Analysis in a 'Unit Root' World," *Journal of Policy Analysis and Management* 10, no. 4 (Fall 1991): 546-67.

55 The WEJT dummy is positioned in January 1988 when widespread implementation of the program began. The JOBS dummy is positioned in October 1989, when the program officially went into effect. Both variables measure "0" before this date and "1" afterwards. Both dates, of course, are only approximate measures for a gradual implementation process.

56 The model also included dummy variables for the months of the year, to pick up variation in rates of change that is merely seasonal. These results are not reported. The months of January, August, and September showed significantly higher rates of welfare growth, or slower rates of decline, compared to December, which was the reference category.

57 In these versions, all of which suffer from nonstationarity, the dependent term was raw caseload level, as in Pawasarat and Quinn; caseload level expressed in natural logarithms; and caseload as a percent of population. The main reason why the first of these models did not find clear benefit or unemployment effects, and Pawasarat and Quinn do, is probably that it included a control for the dependent term in the previous time period.

58 In the first period, the JOBS coefficient was .102, not quite significant; in the second period, the JOBS term was dropped. In the first period, only the January dummy was significant at .10 other than the lagged value of the dependent term; in the second, it was omitted. In the first period, the labor force participation rate had no importance; in the second, it was the only significant explainer other than the lagged value of the dependent term.

59 JOBS variables are available only for 1991 through 1993. The earliest year of full program data was 1991, and 1994 data was rendered suspect by the change between computer systems.

60 Welfare demographics came from a special analysis of adult recipients by county in December 1986 done by the Wisconsin Department of Health and Human Services.

61 Active status meant the sum of clients in job readiness, job search, full-time or part-time work, on-the-job training, unpaid work, other unpaid work experience, work supplementation, remedial education, post-secondary education, and training — all expressed as a percentage of registrants. Inactive status meant the sum of clients in post-job-search status, not due for services, in holding status, scheduled for participation, unassigned, or the object of an exemption request — all expressed as a percentage of registrants. Because clients may be in more than one of these statuses over a year, the range of both measures extends above 100.

62 One evaluation study that finds delayed benefits from a remediation strategy is Daniel Friedlander and Gary Burtless, *Five Years After: The Long-Term Effects of Welfare-to-Work Programs* (New York: Russell Sage Foundation, 1995).

63 Adjudication here includes clients in reconciliation, a consultative process designed to restore participation, plus thus on whom JOBS has requested a sanction.

64 Mead, *New Paternalism in Action*, pp. 21, 27, 30. For similar findings for local WIN programs in New York, see Lawrence M. Mead, "Expectations and Welfare Work: WIN in New York City," *Policy Studies Review* 2, no. 4 (May 1983): 657-9; and idem, "Expectations and Welfare Work: WIN in New York State," *Polity* 18, no. 2 (Winter 1985): 237-8, 241.

65 Change 1986-94 is broken up into two intervals because the data come from incompatible surveys by the U.S. Bureau of Labor Statistics.

66 The enormous coefficient on this term is not to be taken literally. It is an offset to the terms measuring a county's relative size of caseload and whether it is metropolitan or rural. A model with just these terms would have an enormous residual for Milwaukee, for which the Milwaukee dummy compensates.

67 One might have expected the sign on these terms to be positive. The evaluation literature suggests that assessment has only limited use in gauging the employability of clients. See Patricia Auspos and Kay E. Sherwood, *Assessing JOBS Participants: Issues and Trade-offs* (New York: Manpower Demonstration Research Corporation, August 1992).

68 The WEJT dummy used in the time series model applied to the whole state. It was positioned in January 1988, when widespread implementation of WEJT began. The variable used here applies to counties, so it was positioned at the point that was most likely to differentiate among them. I chose June 1988, when several large counties went over to the program.

69 Data from the Wisconsin Department of Health and Social Services.

70 Data from the Wisconsin Department of Health and Social Services.

71 Edward L. Schilling, Director, Fond du Lac County Department of Social Services, "Summary of Testimony," Subcommittee on Human Resources, Committee on Ways and Means, U.S. House of Representatives, December 6, 1995.

72 Mead, *New Politics of Poverty*, chaps. 4-8.

73 Mary Jo Bane, "How Much Does Poverty Matter?" in *Security for America's Children: Proceedings of the Fourth Conference of the National Academy of Social Insurance*, ed. Paul N. Van de Water and Lisbeth B. Schorr (Dubuque, IA: Kendall/Hunt, 1992), pp. 37-44.

74 Wiseman, "State Strategies," p. 34. According to Corbett, "Welfare Reform in Wisconsin," pp. 47, 47 n. 37, there is some doubt whether poverty rates have risen; census data showed a rise during the 1980s but Current Population Survey data show a decline between 1986 and 1991.

75 Paul E. Peterson and Mark C. Rom, *Welfare Magnets: A New Case for a National Standard* (Washington, DC: Brookings, 1990), p. 82.

- 76 In January 1987, AFDC plus Food Stamps paid 74 percent of the 1986 poverty line in the median state, and 92 percent in Wisconsin. In January 1994, the comparable figures were 69 and 79 percent. See Committee on Ways and Means, *Background Material, 1987 Edition*, pp. 406-7, and idem, *1994 Green Book*, pp. 366-7.
- 77 For a summary of these effects see Judith M. Gueron and Edward Pauly, with Cameron M. Lougy, *From Welfare to Work* (New York: Russell Sage Foundation, 1991), and Lawrence M. Mead, "Are Welfare Employment Programs Effective?" in *Effective Social Programs*, ed. Jonathan Crane (New York: Russell Sage, forthcoming).
- 78 Moffitt, "Effect of Employment and Training Programs."
- 79 For discussion of these problems, see Charles F. Manski and Irwin Garfinkel, eds., *Evaluating Welfare and Training Programs* (Cambridge, MA: Harvard University Press, 1992), especially chapters 6-7.
- 80 Sandra K. Danziger and Sherrie A. Kossoudji, "What Happened to General Assistance Recipients in Michigan?" *Focus* 16, no. 2 (Winter 1994-1995): 32-4.
- 81 The following discussion is based, in part, on a special round of interviews that I did with welfare and JOBS officials in Milwaukee on December 4, 1995.
- 82 Wisconsin Department of Health and Social Services, *JOBS Annual Report*, pp. 44-7.
- 83 The following summarizes Mead, *New Paternalism in Action*, pp. 27-33.
- 84 Admittedly, this was in regressions where Milwaukee was only one of 72 counties, equally weighted. It would be more important in a weighted model.
- 85 The term was significant only in the model for share of JOBS clients employed while still in the program, and its coefficient was small and negative, the reverse of expectations. So I omitted it.
- 86 Since the state is the official contractor for Milwaukee JOBS, one might blame it rather than local people for underperformance. But until recently state supervision was loose.
- 87 Team A included the Department of Human Services (DHS), Opportunities Industrialization Center (OIC), and the Job Service. Team B included Goodwill Industries, the YWCA, and the Coalition of Hispanic Agency Directors (CHAD). DHS also provided child care to Team B. The seventh agency, Lau Family, which serves Asians, was left outside the team structure.
- 88 They received credit for placing clients in work supplementation or on-the-job training and for meeting federal requirements that 40 percent of two-parent primary wage earners be working and that 55 percent of spending go toward designated target groups. Both teams met the target group requirement, and neither met the two-parent work requirement.
- 89 Wisconsin Department of Health and Social Services, *JOBS Annual Report*, p. 28.
- 90 The team led by welfare claimed to have placed more people than the other, but the state declared the match a draw. The disagreement rested on differences over reporting data that arose from the changeover of computer systems during 1994.
- 91 Data from the Private Industry Council of Milwaukee County, which performs administrative functions for JOBS in the city.
- 92 Milwaukee's providers had to make job placements at least equal to 60 percent of the level in the previous year, a threshold missing in the statewide incentive system. Above 60 percent, they earned \$600 for a full-time placement, \$300 for part-time, plus \$200 per client per month placed in a work component.
- 93 Data from the Private Industry Council of Milwaukee County.
- 94 Gueron and Pauly, *From Welfare to Work*, expresses this viewpoint.
- 95 Amy Rinard, "State Has Biggest AFDC Drop in U.S.," *Milwaukee Sentinel*, May 1993.
- 96 Dave Daley, "State Cuts Bold Path on Welfare," *Milwaukee Journal*, July 17, 1994.
- 97 U.S. Department of Health and Human Services, Office of Inspector General, *Welfare Administrative Costs* (Washington, DC: U. S. Department of Health and Human Services, February 1995), tables 1 and 8.
- 98 State Senator Gwendolynne S. Moore, press release, July 11, 1994.
- 99 Wiseman, "State Strategies," reaches the same conclusion using a more historical analysis.
- 100 Rebecca A. Maynard, "Subsidized Employment and Non-Labor Market Alternatives for Welfare Recipients," in *The Work Alternative: Welfare Reform and the Realities of the Job Market*, ed. Demetra Smith Nightingale and Robert H. Haveman (Washington, DC: Urban Institute Press, 1995), pp. 114-15, 114 n. 2.
- 101 Toby Herr, Robert Halpern, and Aimée Conrad, *Changing What Counts: Rethinking the Journey Out of Welfare* (Evanston, IL: Northwestern University, Center for Urban Affairs and Policy Research, April 1991).

- 102 The following discussion draws on Wiseman, "State Strategies," pp. 21-8, and Wisconsin Department of Health and Social Services, "Wisconsin Works: Draft Plan" (Madison: Department of Social Services, April 1995).
- 103 Data from the Administration for Children and Families, U.S. Department of Health and Human Services.
- 104 For a chronicle of how Tommy Thompson used the waiver process to launch and fund his reforms, see Wiseman, "State Strategies," pp. 4-21.
- 105 Marvin Olasky, *The Tragedy of American Compassion* (Wheaton, IL: Crossway Books, 1992).
- 106 Mead, *New Politics of Poverty*, chaps. 2-9.
- 107 Mead, "Are Welfare Employment Programs Effective?"
- 108 Mead, *New Politics of Poverty*, chap. 11.

APPENDIX A

Below are given descriptive statistics and sources for the variables mentioned in the statistical analyses of Part 2. I include only variables included in the final models. Information on other terms considered is available from the author.

NATIONAL-LEVEL CASELOAD CHANGE ANALYSIS

Descriptive statistics	Mean	S.D.	Lowest	Highest
Dependent term				
1. Percent change in persons on AFDC, 1989-93	34.6	27.8	-5.1	130.8
Independent terms				
2. Percent of welfare adults active in JOBS, 1991	15.0	11.4	1.0	54.3
3. Change in percent of adults active in JOBS, 1991-3	-0.66	7.8	-27.2	14.2
4. Percent of JOBS participants in job search, 1991	11.9	9.9	0.0	51.0
5. Percent of JOBS participants assigned to postsecondary education, 1991	11.6	10.3	0.0	40.4
6. Change in percent of JOBS participants assigned to postsecondary education, 1991-3	-0.4	9.9	-28.9	21.8
7. Percent of AFDC cases receiving \$50 for child support, 1989	18.6	8.5	4.7	40.6
8. Change in percent of AFDC cases receiving \$50 for child support, 1989-93	3.6	6.2	-9.0	18.0
9. State added AFDC-UP, 1989-93	0.4	0.5	0.0	1.0
10. Percent of state population on AFDC in 1989	3.8	1.4	1.2	7.7
11. Percent of state population black, 1990	10.6	12.0	0.3	65.9
12. Percent of households headed by women with own children under 18, 1990	6.4	1.0	4.8	9.5
13. Average number of persons under 18 in households headed by women own children under 18, 1990	1.8	0.1	1.6	2.0
14. Change in unemployment rate, 1989-93	1.1	1.4	-1.5	4.1

Sources (same variable numbers as above):

- 1: U.S. Congress, House, Committee on Ways and Means, *Overview of Entitlement Programs: 1990 Green Book* (Washington, DC: U.S. Government Printing Office, June 5, 1990), pp. 574-5; U.S. Congress, House, Committee on Ways and Means, *Overview of Entitlement Programs: 1994 Green Book* (Washington, DC: U.S. Government Printing Office, July 15, 1994), pp. 391-2.
- 2-3: U.S. Department of Health and Human Services, Administration for Children and Families, "Final Estimates of JOBS Participation for FY 1991" (May 19, 1993); U.S. Department of Health and Human Services, Administration for Children and Families, "Final Estimates of JOBS Participation for FY 1993" (June 29, 1994).
- 4-5: U.S. Congress, House, Committee on Ways and Means, *Overview of Entitlement Programs: 1993 Green Book* (Washington, DC: U.S. Government Printing Office, June 7, 1993), pp. 636-7.
- 6: *1993 Green Book*, pp. 636-7; U.S. Department of Health and Human Services, Administration for Children and Families, "Final Tables Based on Form ACF-108 Data for Fiscal Year 1993" (September 29, 1994).
- 7: U.S. Congress, House, Committee on Ways and Means, *Overview of Entitlement Programs: 1992 Green Book* (Washington, DC: U.S. Government Printing Office, May 15, 1992), pp. 750-1.
- 8: *1992 Green Book*, pp. 750-1; *1994 Green Book*, pp. 503-4.
- 9: *1990 Green Book*, p. 547; *1994 Green Book*, pp. 393-4.
- 10: *1990 Green Book*, pp. 574-5; U.S. Department of Commerce, Bureau of the Census, *Statistical Abstract of the United States 1994* (Washington, DC: U.S. Government Printing Office, September 1994), p. 27.
- 11: U.S. Department of Commerce, Bureau of the Census, *County and City Data Book 1994* (Washington, DC: U.S. Government Printing Office, August 1994), Table A, cols. 5, 10.
- 12-13: U.S. Department of Commerce, Bureau of the Census, *1990 Census of Population: General Population Characteristics* (Washington, DC: U.S. Government Printing Office, 1992), Tables 39-40.
- 14: U.S. Department of Commerce, Bureau of the Census, *Statistical Abstract of the United States 1992* (Washington, DC: U.S. Government Printing Office, 1992), p. 402; *Statistical Abstract 1994*, p. 399.

(APPENDIX A)

WISCONSIN TIME SERIES ANALYSIS**Descriptive statistics****Dependent term**

1. Percent change in AFDC caseload

	Mean	S.D.	Lowest	Highest
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	-0.3	1.3	-3.5	3.5
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Independent terms

2. Percent change in AFDC caseload in previous month
3. Percent change in real AFDC benefit level (adjusted for inflation)
4. Benefit increase in 1987
5. Benefit cut in October 1987
6. Initiation of WEJT (January 1988)
7. Initiation of JOBS (October 1989)
8. Percent change in population
9. Percent change in employment
10. Labor force participation rate
11. Unemployment rate

	-0.3	1.3	-3.5	3.5
	-0.4	0.6	-6.1	0.6
	0.05	0.2	0	1
	0.8	0.4	0	1
	0.8	0.4	0	1
	0.6	0.5	0	1
	0.06	0.03	-0.01	0.1
	0.2	1.2	-3.0	3.0
	66.9	2.5	59.9	71.7
	5.1	1.2	3.3	8.5

Sources:

- 1: Wisconsin monthly welfare caseload data.
- 2: Wisconsin monthly welfare caseload data.
- 3-5: Income Maintenance Manual Chapter VI—Historical Tables: Part A (AFDC).
- 6-7: Information on implementation dates from Department of Health and Social Services, State of Wisconsin.
- 8: Wisconsin Demographic Services Center, "Population Time Series."
- 9-11: Department of Industry, Labor, and Human Relations, State of Wisconsin, Civilian Labor Force Estimates, 1986 and 1993.

WISCONSIN CROSS-SECTIONAL ANALYSIS**1986-94****Descriptive statistics****Dependent term**

1. Percent change in persons on AFDC, 1986-94

	Mean	S.D.	Lowest	Highest
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	-45.5	16.5	-71.6	0.1
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Independent terms

2. Change in percent of JOBS clients in active status, 1991-3
3. Percent of JOBS clients in inactive status, 1991
4. Change in percent of JOBS clients in inactive status
5. Percent of JOBS clients in training, 1991
6. Percent of JOBS clients in remedial education, 1991
7. Percent of JOBS clients in postsecondary education
8. Change in percent of JOBS clients in counselling, 1991-3
9. Percent of JOBS clients in adjudication, 1991
10. Change in percent of JOBS clients sanctioned, 1991-3
11. Change in percent of AFDC benefit costs recovered in child support, 1989-94
12. Change in unwed pregnancy rate, 1986—93
13. Percent of welfare adults ages less than 21, December 1986
14. Percent of welfare adults aged 21-25, December 1986
15. Percent of welfare adults male, December 1986
16. Percent of welfare adults Asian, December 1986
17. County is metropolitan rather than rural
18. Number of persons employed
19. Percent change in number of persons employed, 1986-9
20. Percent change in number of persons employed, 1990-4
21. Unemployment rate, 1986
22. Change in unemployment rate, 1986-9
23. Change in unemployment rate, 1990-4

	-5.5	27.3	-127	98.4
	67.9	23.4	13.1	117.8
	-1.9	18.7	-41.4	46.8
	3.7	2.7	0.5	16.4
	11.1	5.1	1.5	27.7
	10.3	4.2	1.8	20.8
	-3.6	8.4	-25.7	23.7
	27.7	11.3	3.8	51.8
	1.9	3.9	-7.3	12.1
	1.0	0.9	-1.2	3.6
	6.6	4.3	-10.9	19.9
	8.8	1.9	4.2	12.6
	19.0	3.0	9.7	25.3
	25.9	5.8	11.9	42.8
	5.8	12.8	0	59.5
	0.3	0.4	0	1
	31,027	58,909	610	446,500
	10.9	5.8	-3.6	33.7
	9.6	7.5	-5.5	43.0
	8.6	3.5	4.4	33.7
	-3.2	1.5	-11.7	-0.9
	0.7	1.0	-2.6	3.8

Sources:

Note: "WPRS" refers to reports from the Wisconsin Integrated Data System-Work Programs Reporting System, the primary JOBS reporting system in 1991 and 1993.

- 1: Department of Health and Social Services (DHSS), State of Wisconsin, yearly welfare caseload data.
- 2: [Wisconsin WPRS #61 (1993), col. 2 + col. 4 + WPRS # 63 (1993), col. 1 + col. 2 + col. 3 + col. 4 + col. 5 + col. 6 + WPRS # 64 (1993), col. 1 + WPRS #65 (1993), col. 1 + col. 6, expressed as a percentage of 1993 registrants ("Total individuals" from WPRS #56, Dec. 31, 1992, plus "Referrals," from Wisconsin WPRS #60 (1993), col. 1)] - [Wisconsin WPRS #61 (1991), col. 2 + col. 4 + WPRS #63 (1991), col. 1 + col. 2 + col. 3 + col. 4 + col. 5 + col. 6 + WPRS #64 (1991), col. 1 + WPRS #65 (1991), col. 1 + col. 6, expressed as a percentage of 1991 registrants (sum of "Total" from p. 25 of AFDC Work Programs/On Board (Active File) Report, Dec. 31, 1990, and "Referrals," from Wisconsin WPRS #60 (1991), col. 1)].

(APPENDIX A)

- 3: Wisconsin WPRS #61 (1991), col. 6 + WPRS #62 (1991), col. 1 + col. 2 + col. 3 + col. 4 + col. 7, expressed as a percentage of 1991 registrants.
- 4: [Wisconsin WPRS #61 (1993), col. 6 + WPRS #62 (1993), col. 1 + col. 2 + col. 3 + col. 4 + col. 7, expressed as a percentage of 1993 registrants] - [Wisconsin WPRS #61 (1991), col. 6 + WPRS #62 (1991), col. 1 + col. 2 + col. 3 + col. 4 + col. 7, expressed as a percentage of 1991 registrants].
- 5: Wisconsin WPRS #65 (1991), col. 6, expressed as a percentage of 1991 registrants.
- 6: Wisconsin WPRS #64 (1991), col. 1, expressed as a percentage of 1991 registrants.
- 7: Wisconsin WPRS #65 (1991), col. 1, expressed as a percentage of 1991 registrants.
- 8: [Wisconsin WPRS #61 (1993), col. 3, expressed as a percentage of 1993 registrants] - [Wisconsin WPRS #61 (1991), col. 3, expressed as a percentage of 1991 registrants].
- 9: Wisconsin WPRS #62 (1991), col. 5 + col. 6, expressed as a percentage of 1991 registrants.
- 10: [Wisconsin WPRS #62 (1993), col. 6, expressed as a percentage of 1993 registrants] - [Wisconsin WPRS #62 (1991), col. 6, expressed as a percentage of 1991 registrants].
- 11: [Wisconsin Bureau of Child Support, Child Support Program Incentive Calculation, "Total Collections," FY89, expressed as a percentage of total AFDC benefits from Wisconsin Yearly Welfare Data (DHSS), 1989] - [Wisconsin Bureau of Child Support, Child Support Program Incentive Calculation, "Total Collections," FY 94, expressed as a percentage of total AFDC benefits from Wisconsin Yearly Welfare Data (DHSS), 1994].
- 12: Department of Health and Social Services, State of Wisconsin, "Maternal and Child Health Statistics in Wisconsin," 1986 and 1993.
- 13-16: Department of Health and Social Services, State of Wisconsin, special demographic analysis of the AFDC adult caseload, December 1986.
- 17: "Wisconsin Metropolitan Counties," per Office of Management and Budget, bulletin 93-05, December 1992.
- 18-23: Department of Industry, Labor and Human Relations, State of Wisconsin, Civilian Labor Force Estimates, 1986 and 1993.

1986-90**Descriptive statistics****Dependent term**

1. Percent change in persons on AFDC, 1986-90

Mean S.D. Lowest Highest

-34.9 14.7 -60 20.5

Independent terms

2. Unwed pregnancy rate, 1986
3. Percent of welfare adults aged less than 21, December 1986
4. Percent of welfare adults aged 21-15, December 1986
5. Percent of welfare adults working over 20 hours per week, December 1986
6. Percent of welfare adults black, December 1986
7. Size of JOBS caseload relative to the statewide JOBS caseload, 1993
8. County is metropolitan rather than rural
9. Milwaukee
10. Percent change in number of persons employed

15.8 8.2 6.8 67.6

8.8 1.9 4.2 12.6

19.0 3.0 9.7 25.3

11.9 3.2 2.8 19.6

4.1 14.8 0 83.7

1.4 4.7 0.1 40.1

0.3 0.4 0 1

0.01 0.1 0 1

10.9 5.8 -3.6 33.7

Sources:

- 1: Wisconsin yearly welfare caseload data.
- 2: Department of Health and Social Services, State of Wisconsin, "Maternal and Child Health Statistics in Wisconsin," 1986 and 1993.
- 3-6: Department of Health and Social Services, State of Wisconsin, special demographic analysis of the AFDC adult caseload, December 1986.
- 7: Wisconsin yearly welfare caseload data.
- 8: "Wisconsin Metropolitan Counties," per Office of Management and Budget, bulletin 93-05, December 1992.
- 10: Department of Industry, Labor and Human Relations, State of Wisconsin, Civilian Labor Force Estimates, 1986 and 1993.

1991-4**Descriptive statistics****Dependent term**

1. Percent change in persons on AFDC, 1991-4

Mean S.D. Lowest Highest

-16.6 10.8 -37.5 8.5

Independent terms

2. Percent of JOBS clients in active status, 1991
3. Change in percent of JOBS clients in active status, 1991-3
4. Percent of JOBS clients in assessment, 1991
5. Change in percent of JOBS clients in assessment
6. Change in percent of JOBS clients in counselling
7. County began WEJT in June 1988
8. Poverty rate for female headed families with children under 5, 1989
9. Percent of population Hispanic, 1990
10. Percent change in number of persons employed, 1991-4
11. Change in unemployment rate, 1991-4

93.1 24.0 22.8 177.0

-5.5 27.3 -127 98.4

30.8 14.2 2.0 56.0

2.0 13.6 -30.9 48.5

-3.6 8.4 -25.7 23.7

0.07 0.3 0 1

60.3 12.8 15.5 85.1

0.8 1.0 0.1 5.2

9.5 5.4 -2.9 29.4

-0.5 1.1 -4.6 2.7

Sources:

- 1: Wisconsin yearly welfare caseload data.

2: Wisconsin WPRS #61 (1991), col. 2 + col. 4 + WPRS #63 (1991), col. 1 + col. 2 + col. 3 + col. 4 + col. 5 + col. 6 + WPRS #64 (1991), col. 1 + WPRS #65 (1991), col. 1 + col. 6, expressed as a percentage of 1991 registrants.

3: [Wisconsin WPRS #61 (1993), col. 2 + col. 4 + WPRS #63 (1993), col. 1 + col. 2 + col. 3 + col. 4 + col. 5 + col. 6 + WPRS #64 (1993), col. 1 + WPRS #65 (1993), col. 1 + col. 6 +, expressed as a percentage of 1993 registrants] - [Wisconsin WPRS #61 (1991), col. 2 + col. 4 + WPRS #63 (1991), col. 1 + col. 2 + col. 3 + col. 4 + col. 5 + col. 6 + WPRS #64 (1991), col. 1 + col. 6, expressed as a percentage of 1991 registrants].

4: Wisconsin WPRS #61 (1991), col. 1, expressed as a percentage of 1991 registrants.

5: [Wisconsin WPRS #61 (1993), col. 1, expressed as a percentage of 1993 registrants] - [Wisconsin WPRS #61 (1991 and 1993), col. 1, expressed as a percentage of 1991 registrants].

6: [Wisconsin WPRS #61 (1993), col. 3, expressed as a percentage of 1993 registrants] - [Wisconsin WPRS #61 (1991), col. 3, expressed as a percentage of 1991 registrants].

7: Derived from Jessica Kasten study of caseload change, University of Wisconsin-Madison, May 1995.

8: U.S. Census Summary Tape File 3A (1990).

9: U.S. Census Summary Tape File 31A(1990), "Hispanic."

10-11: Department of Industry, Labor and Human Relations, State of Wisconsin, Civilian Labor Force Estimates, 1986 and 1993.

APPENDIX B

WISCONSIN WELFARE COSTS, 1987-94: TOTAL

	Fund Source	1987-9 Budget	1993-4 Budget	Change	Percent Change
Cash Benefits					
Aid to Families with Dependent Children	State	224,975,300	153,569,400	-71,405,900	-32
	Federal	328,108,900	240,888,900	-87,220,000	-27
Relief of Needy Indian Persons	State	8,532,600	3,301,600	-5,231,000	-61
General Relief Cash Benefits	State	17,228,800	7,714,900	-9,513,900	-55
State Supplement to Federal SSI Program	State	84,785,000	126,461,400	41,676,400	49
Refugee Assistance to Individuals	Federal	4,029,100	5,000,000	970,900	24
Child Support Collections (AFDC)					
<i>Pass-Through to Recipients</i>	Other	11,290,800	10,226,400	-1,064,400	-9
<i>Offset to AFDC State Costs</i>	Other	-19,606,900	-21,604,500	-1,997,600	10
<i>Offset to AFDC Federal Costs</i>	Other	-26,581,600	-23,815,800	2,765,800	-10
State Subtotal		327,205,600	279,669,200	-47,536,400	-15
Federal Subtotal		305,556,400	222,073,100	-83,483,300	-27
Subtotal — Direct Benefits		632,762,000	501,742,300	-131,019,700	-21
Other Payments/Vouchers/Training					
Medical Assistance Benefits	State	470,055,000	873,721,800	403,666,800	86
	Federal	646,865,300	1,437,636,200	790,770,900	122
	Other		3,802,500	3,802,500	
General Relief Medical	State	8,141,500	17,780,600	9,639,100	118
	Federal	0	9,156,200	9,156,200	
New Hope Project	State	N/A	500,000		
Emergency Assistance Program	State	359,000	1,954,200	1,595,200	444
Child Care for Current and Former AFDC Recipients	State	N/A	5,070,000		
Services for Learnfare Pupils	State	N/A	858,800		
State Supplement to Empl Oppor Demo Projects	State	N/A	250,000		
Employment and Training Programs (JOBS, etc.)	State	2,507,500	17,275,700	14,768,200	589
	Federal	8,633,100	21,517,900	12,884,800	149
Work Opportunities Pilot Program	State	N/A	40,000		
Services for Homeless Individuals	State	N/A	75,000		
WIC Supplemental Food Program	State	1,187,700	2,853,000	1,665,300	140
	Federal	26,920,300	46,546,200	19,625,900	73
Food Distribution Grants	State	N/A	170,000		
Interagency and Intra-Agency Aids	Other	33,400	3,110,600	3,077,200	9,213
Federal					
<i>Project Aids</i>	Federal	1,571,200	797,000	-774,200	-49
<i>Block Grant Aids</i>	Federal	68,802,600	54,506,000	-14,296,600	-21

(APPENDIX B)					
	(Fund Source)	(1987-9 Budget)	(1993-4 Budget)	(Change)	(Percent Change)
<i>Program Aids</i>	Federal	34,827,300	19,288,900	-15,538,400	-45
<i>Local Assistance</i>	Federal	1,817,400	41,069,800	39,252,400	2,160
State Subtotal		482,284,100	927,462,900	445,178,800	92
Federal Subtotal		<u>789,437,200</u>	<u>1,630,518,200</u>	<u>841,081,000</u>	107
Subtotal — Other Payments, etc.		<u>1,271,721,300</u>	<u>2,557,981,100</u>	<u>1,286,259,800</u>	101
Administrative Costs					
General Program Operations	State	17,509,300	19,356,600	1,847,300	11
Welfare Reform Studies	State	N/A	180,000		
Incentives to Establish Paternity	State	N/A	180,000		
County Child Support Assistance	State	N/A	179,400		
Income Maintenance Administration	State	19,889,100	26,307,700	6,418,600	32
	Federal	40,681,100	84,884,000	44,202,900	109
Child Support Administration					
<i>Incentive Payments to Counties</i>	Other	N/A	9,478,900		
<i>County Administration</i>	Other	N/A	635,900		
<i>State Operations</i>	Other	160,300	308,000	147,700	92
Medical Assistance Administration	State	6,052,800	14,580,300	8,527,500	141
	Federal	11,532,900	21,876,800	10,343,900	90
Fees for Administrative Services	Other	0	308,000	308,000	
Interagency and Intra-Agency Programs	Other	17,000	113,500	96,500	568
Employment Programs (JOBS, etc.)	State	436,100	2,489,500	2,053,400	471
	Federal	1,431,000	3,073,900	1,642,900	115
Welfare Fraud and Error Reduction					
<i>State Operations</i>	Other	65,500	746,600	681,100	1,040
<i>Local Assistance</i>	Other	100,000	1,136,500	1,036,500	1,037
Federal					
<i>Project Operations</i>	Federal	3,831,900	957,600	-2,874,300	-75
<i>Grant Operations</i>	Federal	8,504,500	1,883,900	-6,620,600	-78
SSI Administrative Fees	State	N/A	1,740,900		
WIC Supplemental Food Program Administration	State	40,600	0	-40,600	-100
	Federal	1,980,700	2,339,300	358,600	18
State Subtotal		44,270,700	77,741,800	33,471,100	76
Federal Subtotal		<u>67,962,100</u>	<u>115,015,500</u>	<u>47,053,400</u>	69
Subtotal — Administration		<u>112,232,800</u>	<u>192,757,300</u>	<u>80,524,500</u>	72
TOTAL EXPENDITURES					
State		853,760,400	1,284,873,900	431,113,500	50
Federal		<u>1,162,955,700</u>	<u>1,967,606,800</u>	<u>804,651,100</u>	69
Grand Total		<u>2,016,716,100</u>	<u>3,252,480,700</u>	<u>1,235,764,600</u>	61

Notes:

Other funds includes child support collections, user fees, and transfers from other agencies.

Except for federal child support offset, *other* funds are allocated to state costs.

Figures for change between budgets are omitted where accounts do not correspond.

Source: Department of Health and Social Services, State of Wisconsin.

WISCONSIN WELFARE COSTS, 1987-94: AFDC/WORK

	Fund Source	1987-9 Budget	1993-4 Budget	Change	Percent Change
Cash Benefits					
Aid to Families with Dependent Children	State	224,975,300	153,569,400	-71,405,900	-32
	Federal	328,108,900	240,888,900	-87,220,000	-27
	<i>Subtotal</i>	553,084,200	394,458,300	-158,625,900	-29
Relief of Needy Indian Persons	State	8,532,600	3,301,600	-5,231,000	-61
General Relief Cash Benefits	State	17,228,800	7,714,900	-9,513,900	-55

(APPENDIX B)					
	(Fund Source)	(1987-9 Budget)	(1993-4 Budget)	(Change)	(Percent Change)
Refugee Assistance to Individuals	Federal	4,029,100	5,000,000	970,900	24
Child Support Collections (AFDC)					
<i>Pass-Through to Recipients</i>	Other	11,290,800	10,226,400	-1,064,400	-9
<i>Offset to AFDC State Costs</i>	Other	-19,606,900	-21,604,500	-1,997,600	10
<i>Offset to AFDC Federal Costs</i>	Other	-26,581,600	-23,815,800	2,765,800	-10
	<i>Subtotal</i>	57,479,300	55,646,700	-1,832,600	-3
State Subtotal		242,420,600	153,207,800	-89,212,800	-37
Federal Subtotal		<u>305,556,400</u>	<u>222,073,100</u>	<u>-83,483,300</u>	-27
Subtotal — Direct Benefits		547,977,000	375,280,900	-172,696,100	-32
Other Payments/Vouchers/Training					
New Hope Project	State	N/A	500,000		
Emergency Assistance Program	State	359,000	1,954,200	1,595,200	444
Child Care for Current and Former AFDC Recipients	State	N/A	5,070,700		
Services for Learnfare Pupils	State	N/A	858,800		
State Supplement to Empl Oppor Demo Projects	State	N/A	250,000		
Employment and Training Programs (JOBS, etc.)	State	2,507,500	17,275,700	14,768,200	589
	Federal	8,633,100	21,517,900	12,884,800	149
	<i>Subtotal</i>	11,140,600	38,793,600	27,653,000	248
Work Opportunities Pilot Program	State	N/A	40,000		
State Subtotal		2,866,500	25,949,400	23,082,900	805
Federal Subtotal		<u>8,633,100</u>	<u>21,517,900</u>	<u>12,884,800</u>	149
Subtotal — Other Payments/Vouchers/Training		11,499,600	47,467,300	35,967,700	313
Administrative Costs					
General Program Operations	State	17,509,300	19,356,600	1,847,300	11
Welfare Reform Studies	State	N/A	180,000		
Incentives to Establish Paternity	State	N/A	180,000		
County Child Support Assistance	State	N/A	179,400		
Income Maintenance Administration	State	19,889,100	26,307,700	6,418,600	32
	Federal	40,681,100	84,884,000	44,202,900	109
	<i>Subtotal</i>	60,570,200	111,191,700	50,621,500	84
Child Support Administration					
<i>Incentive Payments to Counties</i>	Other	N/A	9,478,900		
<i>County Administration</i>	Other	N/A	635,900		
<i>State Operations</i>	Other	160,300	308,000	147,700	92
	<i>Subtotal</i>	160,300	10,422,800	10,262,500	6,402
Employment Programs (JOBS, etc.)	State	436,100	2,489,500	2,053,400	471
	Federal	1,431,000	3,073,900	1,642,900	115
	<i>Subtotal</i>	1,867,100	5,563,400	3,696,300	198
Welfare Fraud and Error Reduction					
<i>State Operations</i>	Other	65,500	746,600	681,100	1,040
<i>Local Assistance</i>	Other	100,000	1,136,500	1,036,500	1,037
	<i>Subtotal</i>	165,500	1,883,100	1,717,600	1,038
State Subtotal		38,160,300	60,999,100	22,838,800	60
Federal Subtotal		<u>42,112,100</u>	<u>87,957,900</u>	<u>45,845,800</u>	109
Subtotal — Administration		80,272,400	148,957,000	68,684,600	86
TOTAL EXPENDITURES					
State		283,447,400	240,156,300	-43,291,100	-15
Federal		<u>356,301,600</u>	<u>331,548,900</u>	<u>-24,752,700</u>	-7
Grand Total		639,749,000	571,705,200	-68,043,800	-11

Notes: See previous table.