



# *Whither Welfare Reform?*

## Lessons from the Wisconsin Experience



C C i

---

CENTER FOR CIVIC INNOVATION  
AT THE MANHATTAN INSTITUTE



# *Whither Welfare Reform?*

---

## **Lessons from the Wisconsin Experience**

**September 21, 2004**

# *Whither Welfare Reform?*

## *Lessons from the Wisconsin Experience*

Introducer:

**HENRY OLSEN**

*Executive Director,*

*Center for Civic Innovation at the Manhattan Institute*

Moderator:

**GORDON BERLIN**

*President, MDRC*

Panelists:

**JASON DEPARLE**

*New York Times*

**LAWRENCE MEAD**

*New York University*

**JASON TURNER**

*Heritage Foundation*

**HENRY OLSEN:** I am executive director of the Center for Civic Innovation of the Manhattan Institute—a group within the institute that is sponsoring today's event and has sponsored social science research in the past by former budget director June O'Neill on the effect of welfare reform. Today's moderator, Gordon Berlin, is president of MDRC, one of the nation's premier social science research firms.

**GORDON BERLIN:** We have a remarkable group of speakers today. Jason DeParle, the author of *American Dream: Three Women, Ten Kids, and a Nation's Drive to End Welfare*, is a senior writer at the New York Times who has reported on social welfare policies for the last sixteen years. His stories have appeared on the front page of the New York Times more than those of any other reporter who has written about these issues. He brings the sharp eye and probing questions of a fine journalist to bear, and he

weaves an intricate story of federal and state reform as seen through the eyes of the people who formulated those policies. He had direct access to Tommy Thompson and Bill Clinton, and we hear their points of view through the staff who administered those programs and through the people who experienced those programs. Mr. DeParle teaches us an eternal truth that must be relearned every five or ten years: that poor people's lives are very complicated and that government only plays a small part in those lives.

Lawrence Mead is a professor in the Department of Politics at New York University. He has been a student of welfare policy since the 1970s, when we collaborated on a study of the Work Incentive Program, the nation's first welfare to work program. His most recent book, *Government Matters: Welfare Reform in Wisconsin*, is his fourth major work on the politics of poverty and welfare reform. He breaks new ground in this book, applying an academic political scientist's tools to the process of how policy gets formed and, more importantly, how it gets implemented.

Jason Turner, our final speaker, is the protagonist in both of these books—or at least one of them. He's a unique combination of idealist, reformer, and experienced manager, terms that aren't usually applied to one human being. I first met Mr. Turner when he was spearheading federal welfare reform in the first Bush administration, overseeing the Family Support Act's implementation. Then he played a leading role in Wisconsin in the formulation of the policies in that state and in their implementation in Milwaukee. Finally, he brought those policies to New York City.

Questions to keep in mind as you listen to the three speakers are: First, how should we define success in welfare reform? Does success mean reducing welfare dependency? Reducing poverty? Increasing work? Or is success defined by saving taxpayer dollars? Probably most of us would like to see a policy that could do all those things. But the evidence strongly suggests that those goals are in conflict with one another, which is why welfare has been so difficult to reform for so long. So as you listen to each speaker, ask yourselves which problem he is solving.

Second, what is the underlying cause of the twin problems of dependency and poverty that plague 15 to 20 percent of Americans, depending on how you count? Is it the behavioral shortcomings of the people involved? Is it the opportunity structure—that is we cannot create jobs that pay enough so that people can support their families? Or have welfare and government programs themselves created these problems? This last question has been with us since the 1600s. We don't want children to grow up poor, but if we give their parents money to increase their income, parents are likely to work less and, some people would argue, actually marry less. The deserving poor children and the undeserving poor parent are a tied sale, which also makes welfare very difficult to reform.

The history of welfare reform is also at play here. Remember that welfare was originally created as part of the 1935 passage of the Social Security Act, and its goal was to enable widows to stay at home with their children. Over the next forty or fifty years, our norms changed. Single parenthood became single moms who were not widowed but who were divorced, separated, or who had never married. Our norms changed also in terms of work: more and more single parents went to work.

For years, Congress struggled to reconnect today's normative behaviors with a policy that didn't work, one that had come from a different era. And the resulting patchwork was another reason that welfare reform proved to be so difficult to achieve. Between 1975 and 1990, despite four major reform attempts, the number of people on the welfare rolls didn't change. They ranged between 3.5 million and 3.9 million families. Suddenly, in 1993 or 1994, caseloads skyrocketed to more than 5 million. We were in a state of crisis. Bill Clinton said that we had to end welfare as we knew it. Governor Tommy Thompson and the people involved in Wisconsin had a similar discussion. Seven years later, welfare caseloads had plummeted by over 50 percent. No one anticipated that. How did it happen? Was it the policy? Was it the administration? Was it the remarkable economy, and unemployment going down to 4 percent, something economists didn't think was possible? For answers to those and other questions, we'll start with Jason DeParle.

**JASON DEPARLE:** Thanks very much to the Manhattan Institute and to the Center for Civic Innovation for hosting this event. Thanks to Larry, Gordon, and Jason for all they've taught me about welfare over the years. Gordon said something nice about my being able to get welfare stories into the New York Times. In part, it's due to a very special friend who is here, Jack Rosenthal, who was for many years the editor of the New York Times Magazine. I can't think of another editor of a national magazine who was as committed to poverty coverage over the years. Without him, my book probably wouldn't have been possible. The book is called *American Dream*. It takes its title from a line in the first speech by Bill Clinton in which he said that too many children grow up in this country without getting a shot at the American Dream.

And that's the canvas of the book. It starts with two competing and ultimately colliding events in October 1991. In October 1991, Bill Clinton gave his first speech, in which he promised to end welfare; and in October 1991, two women coming from Chicago got off a bus in Milwaukee to go on welfare. Their names were Angela Jobe and Jewell Reed. They had no idea that they were settling down—they came only to get higher benefits. Their boyfriends had gone to jail in Chicago. The women couldn't pay the rent in Chicago. They came to Milwaukee because the differential between welfare and housing was more in their favor in Milwaukee, so they could rent a place. They had no idea that they were moving to a place that would soon become the welfare reform capital of the world. So they were moving right into the center of the bull's-eye without knowing it.

A few years later, in 1995, Jason Turner, an unlikely conservative idealist reformer, moved to Milwaukee, convinced that he could make work programs work even in the heart of the slums, where they had never worked before. Wisconsin was never the same after that, including in Angie's and Jewell's lives. Angie and Jewell are cousins, and they recruited another cousin up to Milwaukee, and thus became three members of an extended family. After Jason came to Milwaukee and put his new work rules into

place, two of the three cousins quickly left the welfare rolls and became steady full-time workers. One had been on welfare for twelve years, and one had been on for eight. Neither had a high school degree, but both very quickly navigated the transition, much more quickly than I would have expected-perhaps even than Jason would have expected-into steady full-time work. I'll come back to the third woman in a moment.

The woman I want to talk about the most is Angie Jobe. She's the main character of the book I wrote, and I want to talk about her work experience-what it meant to her, what it provided for her economically, and what it did for her kids. Jason Turner, as a conservative idealist, felt strongly that work would mean something to people, that it would bring dignity, honor, and meaning into their lives.

In Angie's case, Jason was right. Angie became a nursing aide in a nursing home, which is a bottom-of-the-ladder, physically stressful job. I hadn't realized that nursing aides get injured more often than coal miners. It's dangerous work because the aide must do a lot of lifting. And Angie loved the job; it gave a kind of meaning to her. My favorite story about Angie is when she was with a frail, elderly, frightened woman, probably an Alzheimer's patient. Angie is African-American, and the patient was white. Angie leaned down to clean her one day, and the patient-very early in Angie's career as a nursing aide-snapped at her, "Get your hands off me, you, you-know-what!" On the street, Angie might have pulled out her knife. But in the nursing home, Angie just laughed it off, saying, "Oh, they're not responsible for what they say." She bonded with her patients, which brought out a creativity, an empathy, and a humanity in her that perhaps other aspects of her life hadn't. My book tries to place her experience into a larger context.

The second thing I'd like to talk about in Angie's experience is how much the job paid: not much. I gained access to twelve years of her earnings and welfare records from the state. She released the records, so this is not just her memory of what she earned, but what her various employers recorded her having paid into the system for unemployment insurance. If you look at her last five years

on welfare versus her first three years off welfare, she's up about \$3,400 a year, once her welfare goes down and her earnings go up. When you net everything out, she's up about 15 percent. So you say, well, that's a start. But that doesn't account for work expenses; the cost for her to have a car and drive to work wiped out at least half of that.

One thing I was not aware of, even having been around welfare as much as I had, was how much material hardship people suffered. And Angie was a successful worker. She out-earned 85 percent of the people coming off the rolls in Wisconsin. Her electricity was shut off three times in three years because she couldn't pay the bill, and she ran out of food more times than I could count. More times than I could count, partly because she never wanted to talk about it. But I knew that it would sometimes be 9 PM and someone would be starting a fight in her house, and then I'd realize that part of it was that no one had eaten; they hadn't had dinner that evening. On her thirty-third birthday, I went to see Angie in the nursing home at 5 PM. She hadn't eaten that day. But if you asked her about it, she'd say that nobody was going hungry in her house. She wouldn't want to talk about it.

Angie and Jewell, the other successful worker, both lost their health insurance. Jewell had bleeding ulcers and was hospitalized and had her wages garnished to pay off her hospital bill. When I asked her about it, she said, well, don't all people who work have their wages garnished? She was puzzled that I was surprised that she had lost her wages. She had such low expectations.

I wrote the book for two reasons. One, to try to enlarge the community of people who are interested in the subjects of welfare and poverty. Second, for people who are already interested in these subjects, so many policy discussions in Washington now are extremely ideological-few more than welfare; I tried to write the book so that both liberals and conservatives could consult it as a common record. It's fine if people come to different conclusions from mine about what it means. I tried to question my own conclusions-I was against the welfare reform law when it passed. I tried to put my own biases aside and start with a clean slate. I tried

to say something that would challenge both the conservative group and a liberal group. Last night, I was before a more liberal audience and someone asked me if I thought the law worked in terms of putting people to work. And I said absolutely yes. There's no question that it did, much better than I had expected. What I would like to say before a more conservative audience is that many times, we forget how materially difficult these people's lives are. Even I was not prepared for how much hunger I saw.

Regarding the kids, here is probably the biggest disappointment. I think that Jason Turner and others had hopes that the mothers, by going to work, would be role models for their kids and put their lives on a new trajectory. I found very little evidence of that, not only in the three families I followed but in the broader welfare world. Clinton always used to tell a story about a woman named Lilly Hardin whom he had met when he was governor of Arkansas. He asked her what the best thing was about leaving welfare for work. She looked him in the eye and said, "Now when my boy goes to school and they ask him, what does your mama do, he can give an answer." Well, between the time that Governor Clinton told that story and the time that President Clinton repeated it, that kid had gone to jail for a shooting. Even his mother's successful entry into the workforce may have just meant that she wasn't around as much in his life.

Similar circumstances play out in Angie's and Jewell's kids' lives. At one point, Angie's teenage daughter wound up spending weekends with a prostitute, who was a friend of a friend of the family and would take her to have her nails done and shop for clothes. Angie's eldest son, Red, when asked who his role model was, said that it wasn't Angie, his working mother, but his aunt's boyfriend who was a drug dealer because he had money. And when he was asked to write an essay for school about places he would like to visit, he chose Las Vegas because prostitution was legal there and Kim was making money through prostitution as well.

My last point concerns the third woman, Opal. She turned out to be a crack cocaine addict, although I didn't know it when I met her. She had the most horrendous journey imaginable through the

social services bureaucracy. Milwaukee privatized the system, so there were five private agencies-some for profit, some nonprofit-running the welfare system in Milwaukee. Over the course of three years, Opal had six caseworkers at three different agencies, none of whom ever figured out that she was on drugs even though it was in her file. None of them gave her a work assignment even though it was a system that was supposed to assign universal work. None of them got her into a program that could help her deal with her addiction. They just mailed checks, as in the old days. At one point, Opal was living in a crack house and Wisconsin Works (W-2, the welfare replacement program) was sending her checks there. Had it happened at just one agency, I would have thought it was a quirk.

The first of the three agencies was Goodwill (a corporate blue-chip nonprofit), which withdrew from the program after paying a million-dollar fine. The head of that program said that they were guilty of bumbling, not trickiness; that was his defense of the agency. The second agency was the Opportunities Industrialization Center, a black nationalist grassroots group, the head of which was just convicted on federal corruption charges. The third agency was a for-profit company called Maximus, which ran into all kinds of problems and ended up paying back a million dollars to the state after misappropriating a lot of money. So I thought that the system was just in disarray.

We have to keep some sort of work-based safety net in place for working mothers like Angie. She has worked time and a half for many years and just can't make enough on her own as an unskilled worker to keep the lights on. But that's only a sustenance answer.

The longer-term answer has to be found in the men. The biggest surprise to me was just how much yearning there was among the kids and their mothers for the fathers. I started to think more about the fatherhood agenda as I worked on the book, because it was coming from the kids. I asked Angie how she had become a nursing aide. It has to do with her guilt over not taking care of her alcoholic father as he was dying. She hadn't seen him in several

years. After she finally saw him, he died a few months later. She hadn't known he was dying, and she felt guilty that she hadn't been connected to him at that time. So she went to a nursing home in order to care for other people as a sort of displaced caretaking experience. Her daughter Keisha goes to a high school across town because it has a pre-law program, even though it's terrible for her asthma and she's a bad student and it puts more pressure on her. The reason that she wants to go to a high school with a pre-law program is that her dad is in jail and she wants to get him out of jail.

There are ten stories like that. Every character was yearning for his or her father, yet none of them had known their fathers. So whether it's economic support or the family marriage promotion, there must be common ground for the Left and the Right to do something to bring the men back into the home.

**LAWRENCE MEAD:** In my book, I describe what Wisconsin did. Mainly, it reformed welfare by requiring adult recipients to work. That may sound conventional today, but when Wisconsin instituted this requirement in the mid-1980s, it was a new idea. Now that the whole country has done so to a great extent, Wisconsin is not alone. But Wisconsin was the first state to do it seriously in an urban setting, and it also took the idea to extremes not seen anywhere else in the country. Wisconsin Works, the eventual system that it implemented, is the most radical reform in the country and has many features not found in any other state.

For the country as a whole, the welfare caseload fell by about 60 percent in the last ten years, but in Wisconsin starting from 1986, which was when its caseload peaked, the fall was more like 80 percent. So in Wisconsin, there is the obliteration of traditional welfare on a scale unseen anywhere else. Despite the extremes of the reform, there were good effects. As Jason DeParle said, many people remained poor, but there were some gains in income. The most notable success would probably be unusually high work levels. This is a state that not only drove people off welfare; it drove them into employment on a scale not seen elsewhere. There were probably some favorable effects on families, but, as Jason DeParle

said, they are not sufficient. There is little evident new hardship; many people are still struggling, but they were struggling before reform, in any case.

In addition to these basic policies, Wisconsin developed a style of social administration that I call "paternalism." It involved expecting people to help themselves, but also administering work programs tightly-overseeing the clients to ensure that they fulfill their obligations. In many Wisconsin reform programs, caseworkers played a key role in providing support but also in expecting effort from the clients-what I call "help and hassle." That partly explains the unusual impact of Wisconsin's work programs. Besides describing the content of the reform, I discuss in my book how it was done, and this is the main point. The Wisconsin reform is a triumph of government. Wisconsin did not do everything right, but it did many things right. But the reformers were extremely ambitious and carried the reforms through on a level that we seldom see.

First, the politics of the reform was remarkably high-minded, at least compared with other states. Tommy Thompson played a key role, but he had a lot of help from people from both parties. In many states, welfare is a deeply divisive issue, and in the past, it had been divisive in Wisconsin. But as soon as the reform started in earnest in the mid-1980s, the two parties formed a concord around a work-based reform, and their agreement was sufficient to transform the system. Democrats agreed to give up entitlement, which was quite surprising. In most urban states, Democrats defend the old system, fearful that attempts to change will lead to a backlash against the poor. Democrats were willing to give up the idea of a right to aid regardless of how one lives. They were ready to condition aid on work. On the other side, Republicans gave up the ambition of downsizing government. They didn't use welfare reform to attack the welfare state or to diminish government's role in helping the poor.

So the two sides collaborated on a reform that was conservative in some respects, but also ambitious. In some ways, it expanded the welfare state, in that government accepted a larger role

in helping the poor. There were still work expectations but also lavish new benefits, and the state gambled that it could afford those benefits. It was able to afford them chiefly because the caseload fall was much greater than anyone expected. The state carried through several waves of reform programs beginning in the late 1980s and finally implemented W2.

In addition to the politics, which was quite inspired, I'd like to discuss the administration: Wisconsin has bureaucrats that are talented and dedicated. Again, I'm not saying that they did everything right, but compared with many other states, what they did was remarkable. These bureaucrats not only carried out experimental programs at the state level, but many counties took the lead in developing those programs. In counties such as Kenosha and Grant, local administrators took it upon themselves to solve the welfare problem without waiting for the politicians. They developed pilot programs that they sold to the state and then to the nation, and then even overseas. Today, officials from other countries trek to Kenosha or Grant County to see how to solve the welfare problem. Officials also rebuilt welfare administration. It wasn't enough to recast welfare policy; they wanted to reinvent welfare administration. So in the implementation of W2, there is bureaucratic competition for choosing the agencies and an ambitious performance management system. No other state has done anything like this.

I don't, however, think that they did everything right, and I criticize the state in three respects. First, some of the early reform programs before W2 were half-baked. They were shots in the dark. Some of them weren't very successful, although they did contribute to an overall momentum of reform. Second, the design of W2 was severe—probably more severe than necessary to accomplish its goals. The immediate and unyielding work test that they had and the very strong focus on work first probably went a little beyond what was necessary. They took a risk but got away with it. Third, the implementation of the new system was troubled, especially in Milwaukee. However, W2 still enforced work and penalized people who didn't participate in work with benefit

sanctions. So work was enforced even though not necessarily in the way that was planned.

The surprising thing is that much of this success was due to political culture. The secret in Wisconsin was a high-minded political culture that the state had had for a very long time. States that have this kind of culture—such as Minnesota, Oregon, Iowa—tend to have a high-minded political process oriented to problem solving rather than partisanship. They also have strong social administration. Those were the assets that enabled these states to lead the nation toward the transformation of welfare. Even in the good-government group, Wisconsin leads because it has other assets—in particular, a tradition of national leadership going back more than a century.

States with different traditions have done worse. The big urban states, such as New York, tend to be more deeply divided about welfare. They also have big governments but lack the inspired administrators whom you tend to find in the good-government tradition. New York is seriously divided about welfare reform. Its bureaucracy, although capable, is not of the same quality as that in Wisconsin. This has made it very difficult for New York to come to terms with the movement toward a new welfare policy. The southern states are less divided but also have much weaker administrations. They are not accustomed to running complicated social programs such as this, and some of them—notably, Florida and Texas—have been virtually paralyzed in the implementation of welfare reform.

What are the implications? First, we have the policy basically right. First, we have the policy basically right. The idea of requiring welfare recipients to work does provide leverage over the social problem. It is not a complete answer by any means, but it is very constructive. Wisconsin also shows that we can go further down that road than most states have done and still get good results. We shouldn't be afraid of pushing reform to the point where most welfare adults have to work—something that has not been achieved yet in many urban states. I hope the reauthorization of Temporary Assistance for Needy Families will accomplish this.

Second, we have to worry about state capacity. If governmental capacity is a key to success-and I think it is-we have to push the states toward a good-government style. The federal government has had policies in the past to upgrade state administration. It has largely given that up, but we can have clear-cut standards for state performance, particularly in achieving meaningful participation rates in work programs. We should ensure that at least half of the recipients have to participate.

Third, we must complete the tasks left unfinished by reform. We have to do more to raise the income of the mothers who have left welfare for work. Some of them are still struggling, and I hope we can find more effective ways to supplement their incomes. Also, we must find a way to get the fathers involved, and we must find for them a way to combine "help and hassle" as we have found for the mothers-a system where we'll help them work and contribute to their families, but will also require them to do so. How to restructure assistance for them seems to be our main task now.

**JASON TURNER:** When I arrived in Wisconsin, I had a twofold problem and what I thought was a solution. One problem was that welfare didn't connect work to benefits, and thus separated people from what is a central function of mankind: work. The second problem was that government is almost never in a position to make a radical change in a particular individual's life. Government is a very imperfect tool that is, for the most part, not particularly effective as an administrative agency, and especially as an agency of an inspiration.

So I stumbled into what was an enormous opportunity that I recognized as such at the time: that Governor Thompson's work over the ten years prior to my arrival in Wisconsin had created an environment in which both sides-liberals and conservatives-had decided to end the system. So the state legislature passed a law ending the system, and the governor gave me the opportunity to lead the work group to redesign a work-based system. That almost never happens in government. One doesn't usually get a chance to start with principles and come up anew with a plan. But that's exactly what happened in Wisconsin in this instance.

We wanted welfare benefits to work just like a job. We wanted to look to the low-wage working poor for a comparison model, not to people already on welfare. We wanted people to look for alternatives to welfare, if at all possible, rather than coming on welfare first and then trying to get off it. If people didn't need assistance of any kind, we didn't want to set them up with it just because they were eligible for it, because when you give more and more benefits to an individual, it is more and more difficult for him or her to become self-reliant. We wanted parents, not the government, to take responsibility for their families. Finally, we wanted to find a way for the private sector and performance standards and contracts to be the vehicles to create a market-based agency for change rather than the old command-and-control system that we were used to in government. In order to do so, we needed to create a strong, formal philosophy that was articulated, and we wanted to drive it to its conclusion using nongovernmental vehicles.

For that reason, we divided Milwaukee into five units and had a competition. Some things worked, and some things didn't work, and they're chronicled well in Jason's and Larry's masterful accounts of what happened. Their books are both conceptual, and they talk about the philosophy. They were very detailed and nuanced relating to the political and administrative functions, and they also look at the outcomes from the data as well as from the individual lives of the people who were affected. Reading both books is a real graduate course in government and in poverty that couldn't be replicated anywhere. We should note that political science is going through a corrupting period in which more and more discussions and books and academic tenure positions are being based on looking at data sets and making comparisons and statistical correlations rather than doing the kind of legwork that Jason and Larry did—going out and talking to people and utilizing their intellect to formulate an analysis. That kind of book is now increasingly rare in this field, and that is an important lesson for all of us.

I once worked on the streets as a landlord in a low-income area of Washington, D.C., where I encountered firsthand many of

the problems that Jason DeParle chronicles. I saw the complete breakdown of any kind of order or any kind of cultural leadership by parents to children or by employers to workers, people to one another. There is a profound dissolution of connections between individuals and children that is very disturbing.

During the course of Jason's chronicling of these families, I would estimate that there were half a dozen murders of people associated one way or another with the characters in his book. Jason mentioned food not being in the refrigerator; yet these three families all had access to food stamps. There were profound problems that were endemic to what was going on in their lives, so much so that it would seem that the first step for those of us engaged in how to preserve and strengthen society from where we find it right now is to protect the areas of society where these profound problems don't yet exist but that are on the margins of the problems. Protect people from going to those locations and from the scourge of these cultural problems.

Jason pointed out that access to work was a necessary but obviously insufficient vehicle for reforming the underlying problems in the culture of the underclass. Jason used the term "underclass," although it was called into question by members of the left of center as a term that was impolite. But it's a very descriptive word and one that should be brought to bear. My own theory is that the underlying wealth of our country makes it less important for people to have the kinds of connections and responsibilities that in most of history were required for survival. There is more access to wealth now, so that if you have a baby out of wedlock, it doesn't spell death any more. Not that it should spell death in our culture; but the excessive wealth that we have in our country is possibly partly responsible for the weakening of the social structure. That's a central theme that I gleaned from Jason.

**AUDIENCE QUESTION:** I am from the City University. You all alluded to the next great challenge: the men. What would be the one critical reform that each of you would institute to bring men back into the family?

**LAWRENCE MEAD:** Probably the most hopeful single step would be to expand and develop further work-enforcement programs connected to child support. The fathers who owe child support would get some help in working and paying their judgments, but at the same time they would face oversight under some structure where they had to perform. Child Support Enforcement programs are not yet ready for prime time. They haven't shown the impacts that we find in the welfare work programs, but they're the best thing we have so far.

**JASON TURNER:** There is no solution that I can think of that will fundamentally affect men at the moment. The best thing I can think of, and something I'm working on, relates to the fact that when men are incarcerated it's a time for opportunity as well as a time for punishment. When they are released from prison, many of these men want to change their lives. That's the time for opportunity, and we haven't been taking advantage of it. We need to connect work and other kinds of socialization programs just at the point when they come out of prison. We should use the parole system to enforce work, just as welfare caseworkers enforce work through welfare benefits.

**AUDIENCE QUESTION:** I am from New York City. Fred Siegel, who is a friend of the Manhattan Institute, wrote in his book *The Future Once Happened Here* about the attitude in the 1960s, particularly under the Lindsay administration, of actually encouraging people to get on welfare rather than to leave welfare. Is there anywhere in government where that attitude—that we should actually be trying to get more people on welfare—now exists? Second, when the Giuliani reforms went into effect and the welfare rolls dropped, there were predictions that the city would become like Calcutta, with homeless people lining the streets. That didn't happen; so what did happen to those half a million or more people who left the welfare rolls?

**LAWRENCE MEAD:** The original attitude of the 1960s toward expanding welfare and entitlement would be found today among many community groups, particularly in large urban settings where the conservative side of the spectrum is simply not

accepted. A principle of welfare reform is the end of entitlement: now you have to do something, rather than just be needy, in order to get welfare. There are still plenty of groups in New York who reject this. Some politicians say the same, because they respond to the community groups, even though the electorate is against entitlements.

Your second question had to do with what happened to people who left welfare. Most of them went to work, which means that they're generally better off, although they would not be hugely better off at first. That's why we don't see Calcutta, because most of those people still have income and are able to support themselves. Again, there will be exceptions, but as a rule most experts vastly underestimate-indeed, even I underestimated-the capacity of people to leave welfare and get work. They were, in fact, very able to do it. Many of them were working off the books already, so it was a matter of formalizing that transition.

**GORDON BERLIN:** We all know about the role the Lindsay administration played in the creation of the modern welfare state, when during its first term it welcomed people onto the rolls, in effect opening the floodgates. But almost no one but Charlie Morris has written about the second term of the Lindsay administration, in which they pioneered many of the same policies you heard about from Jason Turner - tightening eligibility requirements at the front door of the system, etc. In the second term, they actually began to bring the welfare rolls down. The big question today is what would happen if we were to get into a situation in which the economy didn't have an unemployment rate as low as it has had. Even in this recession, it didn't go much above 6 percent.

**AUDIENCE QUESTION:** I am from the New York Civil Rights Coalition. I address my question to Jason DeParle to comment on Jason Turner's thought that we have to protect the rest of society from the scourge of the underclass. One way of dealing with poverty is not only placing the mothers into jobs, but removing the so-called welfare family out of its poor environment. Is there a role for government, through subsidy, to ensure that family members, for instance young teenagers, get jobs and to ensure that

they get subsidies in middle-class areas and communities in order to get out of the slums and the underclass environment where there is crime, and to get opportunities to attend better schools, and so on?

**JASON DEPARLE:** I can't address what Jason Turner had in mind because I'm not sure what he means in policy terms of protecting the rest of society. My own sense was that I wanted to see something that would integrate society more economically. What I felt from the families I followed was a terrible cultural isolation. One small reflection of that was Jewell's comment about all people getting their wages garnished. Another time, I asked her if anyone she knew was selling drugs. She said that that's every black man's job.

Trying to imagine myself in Jewell's mind, I never got a sense of victimization from her. There was never a sense of subjugation in her life. And there wasn't a sense of thwarted aspiration—that she had wanted to be this or that but her life wound up another way. There was no sense that she had been shooting for something that she couldn't get. What I came away feeling was a profound alienation that goes back to the title of the book, *American Dream*.

I said, Angie, it's a big, prosperous country out there, and it works for millions of people. Why couldn't you get with the program? And she bristled and asked if I thought she had moved to Milwaukee because there was so much there for her. Good jobs waiting for her in Milwaukee? Some new life awaiting her? She didn't come there for that. It was just the opposite of the immigrant attitude of "I came here for something."

So there's a great isolation and alienation in their lives, and I ask myself, what do you do with that programmatically? One policy intervention that has had the most robust effects in Milwaukee is from a program called the New Hope Project, which provides after-school care for boys. It didn't make any difference for girls. But for the boys who got into this after-school program, it was the statistical equivalent of raising their SATs by 100 points. So that's a good boost. Who wouldn't do that for their kids? It is a testament to how isolated and alone these kids are. It gives them a

place to go after school. Affluent parents are always talking about how overscheduled their kids' lives are. Poor kids' lives are unscheduled, always. There is nothing for them there. So anything that could integrate them into a more functional atmosphere is the one light post for us.

**AUDIENCE QUESTION:** I'm from the New York Times. Could you three talk about the utility or the benefit of the earned income-tax credit?

**LAWRENCE MEAD:** The earned income-tax credit (EITC) has played a major role in raising incomes for people who leave welfare and for other low-wage workers. The EITC is a subsidy for low wages. If you have wages below a certain level, the IRS will subsidize them with an increment. And you get this increment back from the government even if you don't have other tax obligations, so it's refundable.

**GORDON BERLIN:** A six-dollar-an-hour job becomes nearly a nine-dollar-an-hour job.

**LAWRENCE MEAD:** For a family with children, the subsidy is as much as 40 percent on their wages. So it's a big increment, and it clearly reduces poverty. However, it's not clear, as some claim that it causes more people to go to work. You might say that it would increase the payoff of going to work and therefore more people would be likely to leave welfare and take jobs. Some economists think so, but I think otherwise and can go into the details if you want. Incentives generally have little to do with whether people go to work; they have more to do with whether you receive a good income after you go to work. What generally causes people to go to work is moral and administration suasion. There has to be some help for child care and other matters, but there also has to be pressure and a demand to go to work. That's what people respond to more than they do to the incentives.

**JASON DEPARLE:** The earned income-tax credit is a huge part of how Angie and Jewell get by. Wisconsin has a generous tax credit that is adjusted for family size, and since Angie has four kids and Jewell has three, each gets \$4,000-5,000 a year. When you said the "unresolved question," I thought that you were going to say

whether that money translates into upward mobility. There is not much evidence one way or the other. What there is suggests that it's a mix. Some of it just goes in to buying furniture around the house and spending splurges, and some of it gets reinvested in cars or in a better school, or moving so that the kids can attend a better school. We might want to experiment with implementing some counseling or advisory casework with the ITC, so that less of it went into buying a new bedroom set every year and more of it got channeled into things that could produce upward social mobility. It is already doing some of that, but I'd like to find a way to see it do more.

**AUDIENCE QUESTION:** In various media, there is mention of people with multiple problems who are more difficult to move off welfare. What are your views about that particular population? Is it a myth?

**LAWRENCE MEAD:** The evidence for whether the remaining cases are less employable is mixed. Some say they are less employable. I'm inclined to think that the current cases are probably less employable than those we had ten years ago. However, it doesn't follow from that that they shouldn't be required to work. In fact, it's the less functional who actually may gain the most from going to work and having to work. It may be that they cannot totally get off welfare. That is, we can't get them off the welfare system into something that we might call self-reliance or independence from government. But that has never been the main goal of welfare reform, and most reformers have seen that goal as secondary to raising work levels. So for this less functional population, we should move ahead. They should also be required to work: it is good for them. But we should also be ready to offer support of various kinds. Getting off welfare is secondary to functioning in the ways that society normally expects.

**JASON DEPARLE:** As shorthand when we talk about welfare cases, we tend to think of the easiest cases leaving first and then the somewhat less easy, and down to the hardest. It didn't happen that way. When you impose these new work requirements, sometimes the hardest cases are the first to leave because they can't

keep up with the bureaucracy. It requires a certain level of functionality to keep your benefits. So maybe the current caseload is a bit more disadvantaged than the beginning caseload, but it's certainly not true that we sorted through these cases and the easiest ones went first. Some of the most troubled people went first, and we're not even entirely sure what has become of them.

**GORDON BERLIN:** The bureaucratic problem of combining employment and treatment is no small matter, and that's what I think Larry was talking about. You'd have to find a way to combine two very different disciplines, different administrations, different goals. It's a management challenge.

**AUDIENCE QUESTION:** I am from Baruch College. I was wondering how representative Jason DeParle's characters are of those who left welfare in Wisconsin, and also how representative they are of the people who would have been affected by welfare reform more broadly—and that would include those who didn't go on welfare. Welfare caseloads declined not only because people left, but because people didn't go on.

**JASON DEPARLE:** The answer is yes, they are representative; but the question is, what are they representative of? They certainly are not representative of all low-income single mothers, and they are not representative of all welfare recipients. They are broadly representative of the long-term urban welfare population, which is the heart of the political debate. They were the subject of the most cultural and political angst, so that's largely why I focused on them.

This is a question of journalists. If you're trying to tell a story of 9 million people through three, you're not going to succeed perfectly. What are they representative of and what aren't they representative of? Two of the three women didn't have a high school degree, so on paper, they would have been more disadvantaged; yet they out-earned 85 percent of the people coming off the rolls, so there is a counterbalance there. You could look at Angie and say that she had four kids out of wedlock, their father was in prison, and she didn't have a high school degree. So on one hand, she's more disadvantaged; but on the other hand, she earned more. Taken

together, these women are illustrative of both the problem and the possible solution.

**AUDIENCE QUESTION:** We're having this discussion in large measure because many people have recognized that the nature of the caseload has changed dramatically over the last sixty-plus years, from widows to single women. And we're having this discussion because as a society we have disconnected-and in this population, to a far greater degree than in other populations-the idea that marriage and child rearing go together, that a father is a part of the family unit and that children are a part of the father's lives. What do the three of you think are the causal factors in that societal and cultural shift, and to what degree are you therefore optimistic or pessimistic that we can move back to a reconnection of those ideas?

**LAWRENCE MEAD:** A reason that marriage has declined is the one that Jason Turner mentioned. The affluence of society makes marriage no longer so critical to the survival of women and children as it once seemed to be. And that has freed men. There are other forces, too, such as birth control, that have allowed couples to control procreation, or at least to have some limits. Because of that, the stigma against unwed pregnancy has declined. That's a factor.

I would also say that society is much more divided about the marriage question than it is about employment. A key feature of the Wisconsin politics was that neither party made marriage a focus of welfare reform efforts. Had they pressed that question, it would have been harder to get consensus in Wisconsin than it is in Washington.

I also think that there is greater focus today on marriage as a solution to poverty. The government is now investing serious money-about \$200 million-in the development of programs that may be able to promote marriage between unwed parents or preserve marriage among low-income people who are married. Those programs are not nearly as proven as what we have in the welfare-work area, but we are moving toward serious development and evaluation. In that area, we are about where we were twenty years

ago in the welfare-work area. So it's not going to happen overnight, but there is serious effort toward addressing the marriage question.

**JASON DEPARLE:** I would only add that when you say how optimistic you are, it is easy to be pessimistic about the state of marriage in the low-income population. But I am not particularly pessimistic, partly because of when I came into this field, in the mid-1980s: that was pessimism. Everything was bad and getting worse: the nonmarital birth rate, poverty, employment rates and wages. One great legacy of this experience, as imperfect as it is, is that it did work to some degree, and it rehabilitates the idea that government can do something. I don't think the marriage proposal is going to solve the problem of marriage in America, but it might make a contribution. There's no reason for cheap cynicism about government and social policy any more.

**JASON TURNER:** We've learned through welfare reform the power of positive suggestion. So much of welfare recipients' decision to go to work had to do with the fact that they had absolutely no authority and no guidance in their lives. Some guidance was given imperfectly through the bureaucracy and the welfare system. The larger society through the media said that you should go to work, and people took action. If we reestablished the norm, if the middle class would reestablish the norm and would not be afraid to articulate it in various forums, that could have a significant impact as well, although it will take a long time for marriage to be reestablished as the norm everywhere.

**GORDON BERLIN:** To change that norm, we also have to change the norm regarding divorce among middle-class and upper-class families. It's a more deeply embedded issue for all of society.

**AUDIENCE QUESTION:** I am from Milwaukee. What fiscal incentives, accountabilities, and punishments work and do not work for the managers of employment systems and welfare reform? You focused on the participants—the workers, the welfare recipients; but for the managers, what have we learned that works and does not work?

**LAWRENCE MEAD:** Two things work for the managers. One is incentives. The Wisconsin W2 system did create performance incentives for managers to achieve the goals set by government. The second is simply the desire to solve the problem. Most managers in the nonprofit sector are strongly motivated to achieve public goals. Those goals were defined with unusual clarity in this case, and most of the agencies were motivated to achieve them. Whether or not they did so is another question.

**JASON DEPARLE:** I can't give you any thoughts about what worked because I found such a shocking lack of accountability. In Wisconsin, they privatized but didn't supervise. So the non-detailed answer would be that if a state is going to turn over that much authority to other entities, it has to keep track of what it is doing. That failed to happen in Wisconsin.

**JASON TURNER:** One thing that we learned in New York and earlier in Wisconsin-is that the bureaucracy is highly tuned in to the signals that it gets from performance standards and contracting. It is very capable of picking up what the mission is if the performance contracts are properly introduced. We saw that the agencies in Milwaukee were highly tuned in to the idea that they had to get people off welfare and into work. As Jason DeParle correctly points out, the same idea of ensuring that they were in a community service job while they were on welfare was not articulated through the performance standards; there was an insufficient accountability partly for that reason as well.

M A N H A T T A N   I N S T I T U T E  
C O N F E R E N C E   S E R I E S • N o . 1 1



---

M A N H A T T A N   I N S T I T U T E   F O R   P O L I C Y   R E S E A R C H

52 Vanderbilt Avenue • New York, NY 10017

[www.manhattan-institute.org](http://www.manhattan-institute.org)

The Manhattan Institute is a 501(C)(3) nonprofit organization.  
Contributions are tax-deductible to the fullest extent of the law. EIN #13-2912529