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Reforming Welfare Reform

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During its recent session, the Minnesota Legislature weakened rules governing the Minnesota Family Investment Program (MFIP), one of the state's welfare programs. Instead, it should have taken a recommendation from a state long famous for welfare reform.

In March, the Wisconsin Policy Research Institute (www.wpri.org) released its latest report on the subject, "Ten Years of Welfare Reform: Five Ways to Fix W-2."

Like any welfare program, Wisconsin Works, or W-2, can either aim to get the client into the first job available (the workforce attachment model), or move the client out of poverty through high school completion and other education (the human capital development model).

The report's author David Dodenhoff, says that W-2's goal should be to "help clients find sustainable, desirable, employment"—the development approach—but also "quickly," the workforce model.

For the "more disadvantaged clients," W-2 should drop the "take the first job approach." Instead, they should receive up to 18 months to prepare for employment and resolve issues that interfere with employment. The hope is that these clients, who have the farthest to travel to get ready for work, will therefore have a lower rate of welfare recidivism.

Dropping the "first available job" requirement comes with a price tag: The client's 60-month lifetime limit on participation in W-2 should be limited to no more than 18 months at a time. Carrot, meet stick.

Dodenhoff's second recommendation concerns clients who are more ready to work. Currently, most W-2 adults without a high school diploma or GED are funneled into formal education programs.

Citing the Manpower Demonstration Research Corp.'s controlled study of high school dropouts, Dodenhoff notes that five years after program completion, "the group that participated in the education-and-training track fared slightly worse than the group that

was assigned to a work-first track.” Not only were the work-first clients more likely to be in the work force, they also had higher earnings.

The GED, it turns out, may not be that helpful after all. (Perhaps this is a clue that legislators ought to consider ways of bringing down the dropout rate as a way of avoiding welfare costs.)

Dodenhoff’s third recommendation deals not with education but with work: “Insist on real work for everyone who can work.” In particular, raise the goal for workforce participation.

Under federal law, states are expected to have 50 percent of their single-parent clients involved in work activities 30 hours per week. Twenty of those hours must be in “core activities,” most of which involve actual work. They include private sector and public sector jobs, subsidized and unsubsidized jobs, and unpaid work in community service or non-profit settings.

It’s hard to find out just how many hours welfare clients are actually engaging in work or job-related education. The report offers several sets of numbers—too complicated to go in much detail here—and concludes that “the vast majority” of W-2 clients are not complying with the 30-hour requirement, or even the 20-hour “core activity” requirement.

Dodenhoff suggests that W-2 should promote “desirable” employment. But what’s “desirable?” That’s where the trouble starts. To hear the critics of welfare reform, there aren’t enough “desirable” jobs. By that, they mean that they don’t pay enough, or (in the case of some job assignments) not at all.

Working for only a few dollars an hour, or for none at all, is certainly not desirable, even if, by the definition of the economist, most people who fill such a job are not productive enough to justify anything more. Unfortunately, it’s precisely the question of the value of work and its role in welfare programs that Minnesota lawmakers have got wrong.

Earlier in the year, Gov. Pawlenty said that unpaid work experience might be used for meeting the requirements of the MFIP welfare program. On the other hand, Rep. Linda Berglin (DFL-Minneapolis) and welfare-rights activists derided such work as “workfare” and even “slave labor.” Thanks to action taken in the last session, welfare clients can now veto assignments to unpaid work.

While the welfare-rights crowd can rejoice at this turn of events, it overlooks at least one important fact: Those jobs are not, in fact, “non-paying.” In exchange for the work, the welfare clients continue to receive cash assistance checks, job counseling, discounted or even free child care, and other goods such as food stamps and the earned income tax credit. Giving them the power to pick and choose is, frankly, an insult to the working poor who aren’t on welfare.

I don't know if Wisconsin will follow the recommendations offered by David Dodehoff and Wisconsin Policy Research Institute. I do know one thing: They shouldn't follow the Minnesota's example.