

# WHAT HAPPENED TO THE “WORK” IN WISCONSIN WORKS?

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**W**ork or else. That was the tag line on a *Milwaukee Journal Sentinel* series on the Wisconsin Works program, or W-2, that ran during the first two years of program implementation. The paper’s characterization of the new program may have sounded a bit ominous, but it accurately captured the revolutionary idea at the heart of W-2 (albeit in bumper-sticker fashion).



But what would become of those welfare parents who did not have the skills or experience to succeed in the workforce? Would they and their children be subject to the *Journal Sentinel*’s grim “or else”? In fact, the W-2 program provided for such families by way of a community service job, or CSJ. The CSJ was essentially a publicly funded position, typically with a local non-profit or government agency,

When former Governor Tommy Thompson introduced his Wisconsin Works proposal in November of 1994, he cited the following principle first among those that would govern the new program: “For those who can work, only work should pay.”<sup>1</sup> The Thompson administration’s “1999 Plan” document, in which the W-2 proposal was first spelled out in detail, identified “work as the only alternative” to cash welfare and noted:

The new system must provide a means for a willing parent to provide income for his or her family, but it should only provide for this income through work.<sup>2</sup>

In short, work or else.

in which W-2 participants could learn the habits of day-to-day work. Participants would not receive an hourly wage or employment benefits like other employees; instead, their “salary” would be their W-2 cash benefit, food stamps, and health care. In other respects, though, they were to be treated like regular employees, with fixed schedules, specific job responsibilities, and expectations of appropriate workplace behavior.

W-2 parents could spend as long as two years working in a community service job slot. In the meantime, they would continue looking for regular employment. While they looked, they would be working every day in their CSJ,

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gaining experience, learning work skills, and earning the confidence of a supervisor. That supervisor could provide references to potential employers, or even better, convert the participant into a regular, paid employee. For their part, participants in a CSJ would experience the dignity of working for a living and earning their check, just as the working-class, non-welfare families in their neighborhoods did. This was an experience that the old “something for nothing” welfare programs had denied them.

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At least this was the way things were supposed to work. What we have seen in five years of practice under W-2, however, is major erosion in the program’s emphasis on work. W-2 administrative data indicate that participants being paid solely for work are a minority — about one-quarter of the W-2 population. Rather than earning benefits solely through work, the typical W-2 client mixes work with education, training, and other non-work activities. Furthermore, W-2 participants’ weekly hours of activity are well short of what would be expected in a typical work setting. Finally, W-2 clients are increasingly being placed into a program category, W-2 Transitions, for which work expectations are minimal. As a result, a significant minority of W-2 parents are engaged in no work activities at all.

### **What W-2 Participants are Supposed to be Doing**

As originally designed, the W-2 program required work of virtually all participants. The most work-ready W-2 clients, it was thought, would find private-sector work immediately, though they could still qualify for W-2 supportive services such as child care and transportation assistance. Most W-2 clients, though, were expected to enroll in a community service job slot. Community service jobs were supposed to be just that — *jobs*, that is, “full time work,” to use the language of the Thompson administration’s W-2 proposal. In fact, the proposal explicitly stated, “CSJ wages are for actual work, not for participation in education and training.”<sup>3</sup>

That language was amended in the legislative process, however. The amended language allowed for the inclusion of education and training as part of a CSJ:

[A] Wisconsin works agency may require a participant placed in a community service job program to work not more than 30 hours per week in a community service job. A Wisconsin works agency may require a participant placed in the community service job program to participate in education or training activities for not more than 10 hours per week.<sup>4</sup>

The addition of training hours to the W-2 program was a political compromise that the Thompson administration accepted in order to get its legislation passed. Still, the program retained the principle that “for those who can work, only work should pay.” The clear intent was to ensure that all W-2 clients were engaged in work, that their schedules simulated a regular work week, and that the vast majority of their hours were made up of work. Training, when it was provided, could only be provided to those already working, and would clearly be a secondary activity.

The Thompson administration did, however, recognize one class of exceptional cases — W-2 clients who were unable to work due to disabilities, temporary health problems, or issues with substance abuse. In the administration’s initial proposal, such individuals would be placed in an activity tier known as “W-2 Xtra.” In the legislative process, this tier was renamed “W-2 Transitions.”

Individuals assigned to W-2 Transitions were to be engaged in work activities, education, specialized skills training, and/or substance abuse treatment. If Transitions clients were assigned solely to non-work activities, it was because they had been determined unable to take on normal work responsibilities. According to the administration’s initial proposal, though, such cases would arise “only in unusual circumstances having to do with clinically evidenced limitations certified by DVR.” (“DVR” refers to the Division of Vocational Rehabilitation within the Department of Workforce Development.)<sup>5</sup>

Aside from these special cases, all W-2 participants would be expected to earn their benefits by working.

**What W-2 Participants are Actually Doing**

States are required to make quarterly reports to the federal government on the administration of their welfare programs. Among the data included in those reports are figures on the number of weekly hours welfare program participants are engaged in various activities — work, job search, education and training, and so on. By looking at these reports, one can determine the extent to which the W-2 program is enforcing the “only work should pay” principle.

Table 1 presents data on work, education, training, and other activities for all adult W-2 participants not exempt from work requirements (due, for example, to health reasons or a newborn in the home). The data in the table cover the second quarter of 2002 through the first quarter of 2003.

Column B, however, indicates that only about one-quarter of W-2 participants are engaged solely in work activities.<sup>7</sup> Thus, although the principle that “only work should pay” was to have been the heart of W-2, roughly three-quarters of W-2 participants are *not* engaged exclusively in work.

Columns C and D allow one to determine how many W-2 participants are engaging in no work activities at all, either because they simply are not participating in any program activities, or because they are participating in activities that do not include work. Taken together, these two columns capture about one-third of W-2 participants in the course of a year; these are individuals doing no work in exchange for their benefits.

Column E describes the main alternative to work available in the W-2 program — education and training. The column indicates that more than half of W-2 participants have been engaged in education and training activities

**TABLE 1 WORK, EDUCATION, AND TRAINING ACTIVITIES FOR ALL ADULT, NON-EXEMPT W-2 PARTICIPANTS, BY QUARTER, 2ND QUARTER 2002 THROUGH 1ST QUARTER 2003**

	A	B	C	D	E	F
	Percent of participants engaged in some activity	Percent of participants engaged solely in work activities	Percent of participants not engaged in any activity	Percent of participants engaged in some activity, but none involving "work"	Percent of participants engaged in some education and training activity	Percent of participants engaged in some work activity
<b>Q2 2002</b> (n=24453)	85.5	23.1	14.5	17.9	57.9	67.6
<b>Q3 2002</b> (n=25919)	84.8	24.2	15.2	17.7	55.2	67.1
<b>Q4 2002</b> (n=27050)	87.5	22.4	12.5	22.1	55.2	65.3
<b>Q1 2003</b> (n=26191)	82.9	27.3	17.1	19.1	51.3	63.8

Data source: Extracts from federal TANF reports, provided by the Wisconsin Department of Workforce Development <sup>6</sup>

Column A indicates the high levels of participation in W-2 program activities: work, job search, education and training, and other activities. At around 85 percent, these are among the highest participation rates in the country.

during the most recent four quarters for which data are available.

Column F indicates, however, that even higher proportions — around two-thirds —

have been engaged in work. Still, Columns E and F taken together indicate that almost as many W-2 clients are engaged in education and training as are engaged in work. This, in a program that originally was designed to reward work and only work.

Going into somewhat more detail with the data in Table 1, one finds additional grounds for concern. Consider first the individuals represented in Column B. These are W-2 participants whose activities are ostensibly most faithful to the work-first, work-only principle of the original W-2 proposal. Yet over the four quarters represented in Table 1, these individuals were working an average of only 21 hours per week — barely more than half-time. This is a far cry from the “full-time work” that W-2’s designers envisioned as a prerequisite for receiving benefits.

Column C indicates that roughly 15 percent of W-2 participants are receiving cash payments, food stamps, and health care while engaging in no activities at all — not work, not education and training, not job search, not drug treatment.

One explanation for such non-activity is that this group is new to the W-2 program, and has not yet been assigned to program activities. Yet, while new participants probably account for some of the fifteen percent of idle W-2 clients, they almost certainly do not account for all. The most recent federal data on welfare applications indicate that between October 2001 and March 2002, the state of Wisconsin approved 12,436 W-2 applications.<sup>8</sup> That equals about 1,000 new welfare cases per month. An estimated ten percent of these case heads, though, would not be required to engage in work activities because they are caretakers for newborn children.<sup>9</sup> That leaves about 900 cases per month, or roughly seven percent of the monthly caseload, in which the case head might not be expected to engage in any activities because the case was new. As we saw above, however, more than twice this many W-2 participants — 15 percent — currently are not engaged in any activities at all.<sup>10</sup> Why these individuals are receiving W-2 bene-

fits without participating in program activities remains a disconcerting mystery.

Referring again to Table 1, Column D indicates that almost one-fifth of W-2 clients are engaged in program activities that do not include work. On average, these individuals are involved in 22 hours’ worth of activities per week, a mix of education and training, job search, and other activities. There are two different ways of looking at this figure, neither of which is heartening. On the one hand, this subgroup of clients, like the group engaged exclusively in work, is effectively on a half-time schedule rather than a full-time or near full-time work week. On the other hand, this group is being subsidized to participate in training and look for a job, but is doing no actual work as a condition of the subsidy.

As noted above, combining Columns C and D from Table 1 indicates that about one-third of W-2 participants are engaged in no work activities at all, a disappointing finding considering that the name of the program is “Wisconsin *Works*.” One possible explanation for the size of this “no work” group is that the W-2 caseload over time has come to include ever-larger proportions of W-2 Transitions participants. In the time period covered by Table 1, for example, individuals in W-2 Transitions constituted about one-quarter of the total W-2 caseload. These are cases, moreover, for which the expectation of work may be relaxed.

Two points need to be made about the Transitions group, however. First, this group is not incapable of work. Data from the first two years of the W-2 program indicate that at least one-quarter of W-2 Transitions participants were already working at the time they enrolled in W-2, or were soon after assigned to employment-search or a CSJ-type work slot. Clearly, we should expect this group to have some substantial level of work engagement under W-2, even if that engagement is not universal.

Second, the Department of Workforce Development may wish to investigate why the W-2 caseload has come to consist of so many Transitions participants. As noted above, the Transitions category was supposed to have

been used “only in unusual circumstances.” The conventional wisdom is that as time has passed, the W-2 caseload has fallen and now consists of a disproportionately large number of hard-to-serve cases, including a large minority of W-2 Transitions clients. As early as July of 1999, however, little more than a year into full program implementation, new W-2 applicants were already being assigned to the Transitions tier at a rate of almost 20 percent.<sup>11</sup> By January of 2000, the W-2 caseload consisted of nearly 22 percent Transitions clients, a figure that grew to nearly 24 percent by July of that year.<sup>12</sup> Thus, the proportion of Transitions cases became substantial very early in the life of the program. This suggests that W-2 caseworkers may be over-assigning to the Transitions tier, resulting in an unnecessarily low level of work expectations for a significant minority of W-2 clients.

Finally, on the basis of the source data for Table 1, one can calculate the average weekly participation hours for W-2 participants engaged in at least one program activity, be that work, training/education, job search, some other activity, or a combination. The average weekly figure is 26 hours — again, well short of a full-time commitment. Just over half of this average, or a mere fourteen hours per week, was spent in work. The remainder was spent in education/training, job search, or other activities.

### **Why We Should Care**

When the Thompson administration created the W-2 program, it identified one bedrock principle that made the program unique among its peers in other states: “For those who can work, only work should pay.” Work — in the private sector if possible, in a publicly financed CSJ if necessary — was to be required in order to receive assistance. Training was

added to the program in a political compromise, but work — 30 to 40 hours’ worth of work a week, if possible — remained the centerpiece of W-2.

As we have seen, this commitment to work under W-2 has eroded over the years.

- Only about one-quarter of W-2 participants are engaged solely in work activities.
- About one-third of W-2 participants are engaged in no work activities at all.
- Nearly as many W-2 clients are engaged in education and training as are engaged in work.

- About one-quarter of W-2 clients are now assigned to the W-2 Transitions tier, for which work expectations are reduced.

- Among W-2 participants engaged in some activity, the average amount of time per week devoted to work is just 14 hours. The remaining 12 hours are spent in education and training, job search, and other activities.

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*W-2's fairness will be gauged by comparison with low-income families who work for a living*

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In light of the apparently waning commitment to work under W-2, we should remember that there were at least two good reasons for establishing the primacy of work in the first place. The first had to do with a key program principle established early on by the Thompson administration, one that still appears in the W-2 manual: “W-2's fairness will be gauged by comparison with low-income families who work for a living.”<sup>13</sup> Low-income families who work for a living do just that — they work, and typically do so for more than fourteen hours per week. They generally cannot split their time between work and vocational training on the taxpayers’ tab. They certainly cannot avoid work altogether. Is it fair to them that W-2 participants should be able to do these things while working fami-

lies cannot? W-2's designers didn't think so, and with good reason.

The second reason for insisting on the primacy of work was the belief that actual work experience, rather than education and training, was the best preparation for employment. According to the original W-2 proposal document:

[E]xperience shows that individuals without a work history are usually in a stronger employment position after one or two years of work (at any wage) than after a comparable period of work preparation through education and training.<sup>14</sup>

That experience has been borne out in research conducted by the Manpower Demonstration Research Corporation. This research found a work-oriented approach to be generally superior to an education/training approach in terms of cost-effectiveness, and just as effective in terms of employment and earnings outcomes.<sup>15</sup> A return to a strictly work-oriented approach under W-2, therefore, could free up funds for needed support services such as child care and transportation, without adversely affecting clients' chances for success.

For both of these reasons, then — equity to low-income working families, and the cost-effectiveness of a work-oriented approach in comparison with one that emphasizes education and training — the Department of Workforce Development needs to return the W-2 program to first principles. This would mean that *all* W-2 clients would be required to work, and to work a sufficient number of hours, say 25 to 30, such that work time coupled with other activities would simulate a traditional work week. Failure to enforce such standards is a disservice both to working taxpayers who fund the W-2 program, and to the very clients whom it is intended to help.

## Notes

1. Wisconsin Department of Workforce Development, "Governor Thompson Unveils End to Welfare," undated news release, available on-line at [http://www.dwd.state.wi.us/dwd/newsreleases/1998/2396\\_536.htm](http://www.dwd.state.wi.us/dwd/newsreleases/1998/2396_536.htm).
2. Wisconsin Department of Workforce Development, "The 1999 Plan: Wisconsin Works," undated manuscript, p. 2. The document was leaked to Wisconsin media in July of 1995.
3. *Ibid.*, p. 52.
4. State of Wisconsin, "1995 Wisconsin Act 289," published May 9, 1996, p. 24.
5. Department of Workforce Development, "1999 Plan," p. 12.
6. The quarterly summary data are aggregated from monthly data supplied by the Department of Workforce Development. The monthly data contain participation information for every adult and minor parent participating in W-2 in that month. (Data on minor parents were not included in Table 1, however.) If an individual participated in W-2 for three consecutive months in a quarter, his or her participation hours/activities would be listed three times in that quarter — once for the first month, once for the second, and once for the third. Within any given quarter, therefore, it is possible for an individual to appear in the data as many as three times.
7. For purposes of Tables 1, "work activities" include unsubsidized and subsidized employment, work experience, on-the-job training, community service programs, and providing child care services. "Education and training activities" include vocational education, job skills training directly related to employment, education directly related to employment, and school attendance.
8. United States Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, "Temporary Assistance for Needy Families (TANF): Fifth Annual Report to Congress," February 2002, Chapter 2, Table 2:5:3: <http://www.acf.hhs.gov/programs/ofa/annualreport5/0205c.htm>.
9. The 10 percent estimate is based on the percentage of newborn caretakers among all W-2 participants in the October 2001 through March 2002 time period. See the State of Wisconsin's "W-2 Placement Caseloads by Month by Calendar Year" tables at: <http://www.dwd.state.wi.us/dws/rsdata/w2data.htm>. Ten percent is a very conservative estimate, however. Data published by the Manpower Demonstration Research Corporation indicate that the actual number may be 20 percent or more. See Susan Gooden, Fred Doolittle, and Ben Glispie, "Matching Applicants with Services: Initial Assessments in the Milwaukee County W-2 Program," Manpower Demonstration Research Corporation, November 2001, Table 3.3, p. 47.
10. I assume here that it should take new W-2 participants no more than one month to begin engaging in program activities. The W-2 manual is actually less generous than this, setting a standard of seven business days for new W-2 clients to be given a program assignment. See State of Wisconsin, Department of

Workforce Development, W-2 Manual Release 03-01, Section 4.5.0, available on-line at: [http://www.dwd.state.wi.us/dws/manuals/w-2\\_manual/chapter\\_4/4.5.0.htm](http://www.dwd.state.wi.us/dws/manuals/w-2_manual/chapter_4/4.5.0.htm).

11. State of Wisconsin, Legislative Audit Bureau, "An Evaluation: Wisconsin Works (W-2) Program," Report 01-07, April 2001, p. 24.
12. Numbers calculated on the basis of State of Wisconsin, "W-2 Placement Caseloads by Month."
13. Department of Workforce Development, W-2 Manual Release 03-01, Section 1.1.0, principle 4.
14. Department of Workforce Development, "The 1999 Plan: Wisconsin Works," p. 2.
15. See Gayle Hamilton, Stephen Freedman, Lisa Gennetian, Charles Michalopoulos, Johanna Walter, Diana Adams-Ciardullo, Anna Gassman-Pines, Sharon McGroder, Martha Zaslow, Jennifer Brooks, and Surjeet Ahluwalia, *How Effective Are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs*, Manpower Demonstration Research Corporation and Child Trends, Inc., for the United States Department of Health and Human Services, Administration for Children and Families, and Office of the Assistant Secretary for Planning and Evaluation, United States Department of Education, Office of the Deputy Secretary, Planning and Evaluation Service, Office of Vocational and Adult Education, December 2001.