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GOVERNMENT PUBLICATIONS

TOMMY G. THOMPSON, GOVERNOR

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INTRODUCING THE END OF WELFARE

On April 25, 1996, Wisconsin Governor Tommy G. Thompson signed into law the most significant change in the history of the welfare system. The new law ends authorization for the Aid to Families with Dependent Children program (AFDC) effective in the Fall of 1997, and calls for its replacement with a system based on work.

The new system will be called "W-2—Wisconsin Works," and it is based squarely on work. Rather than offering welfare checks to those who do not work, as AFDC does now, W-2 offers participants the opportunity to earn wages and learn how to increase their value to employers.

Since taking office in 1987, Governor Thompson has made welfare reform one of his top priorities. He has introduced more than ten reform initiatives, and he has pushed hard to continually improve the welfare-to-work program called JOBS.

These efforts have paid off. During the Thompson administration, Wisconsin has reduced its AFDC caseload by more than 36 percent, far more than any other state.

W-2 will be based on a long track record of experience with the JOBS program in Wisconsin, as well as a series of experimental reforms. These experiences clearly show that a work-based system of support presents the best opportunity for helping low-income families attain self-sufficiency and escape poverty.

The demonstrations important to the development of Wisconsin Works include Work Not Welfare (operating in Fond du Lac and Pierce Counties), Work First, Children First, Pay For Performance and others. W-2 is based on the expectation of personal responsibility, which has been a consistent theme in all Wisconsin welfare reform initiatives.

W-2 IS WHAT TAXPAYERS WANT AND WELFARE RECIPIENTS NEED

"W-2 means the end of the automatic welfare check. We believe that everyone is capable of some level of work, and W-2 will help participants move directly into work at the earliest possible time. This comprehensive replacement for welfare will demand more of participants, but in the long run it will provide independence and a future.

"I would like to thank the many citizens and organizations that have contributed so much to the creation of W-2. We received a tremendous amount of valuable input and suggestions on issues ranging from child care to job skills. Without such help we would not be able to make this dramatic break with the past."

A handwritten signature in black ink, reading "Tommy G. Thompson". The signature is written in a cursive, flowing style with a large, prominent "T" at the beginning.

Tommy G. Thompson
Governor

WHY REPLACE WELFARE?

FOR TOO MANY, WELFARE IS A WAY OF LIFE.

- AFDC has no time limits.
- At any given point in time, 65 percent of AFDC recipients are individuals who will spend eight years or more on welfare.

WELFARE DOES NOT REQUIRE WORK.

- The current AFDC cash payment is a straight transfer of income, with no reciprocal obligation.
- The JOBS program emphasizes training, not employment.

WELFARE PROVIDES THE WRONG INCENTIVES AND DISINCENTIVES.

- Recipients are under no obligation to leave welfare.
- Businesses are not encouraged to help reduce welfare dependency.
- Government becomes the other parent in single parent households.
- Socially undesirable behavior, such as having additional children without means of support, is rewarded.

W-2—A WELFARE REPLACEMENT PLAN

KEY FEATURES

- No automatic welfare check.
- All parents will be required to work to support their families.
- The system will help find the best self-sufficiency alternative, and there will be a place for everybody, regardless of capabilities.
- Opportunities for advancement are provided through the self-sufficiency ladder.
- Child care and health care will be available to all low-income families who need it to work.
- Child support payments will go to whom they belong - - working custodial parents and their children.
- A unified delivery system will be funded based on performance.

PHILOSOPHY AND GOALS

Work fulfills a basic human need — it connects individuals to society and its values. By providing income without the need for work, welfare isolates recipients from society. Such a destructive influence can end only if work and income are rejoined.

W-2 will achieve this through the consistent application of the following eight principles:

- For those who can work, only work should pay.
- W-2 assumes everybody is able to work within their abilities.
- Families are society's way of nurturing and protecting children, and all policies must be judged in light of how well these policies strengthen the responsibility of both parents to care for their children.
- The new system's fairness will be gauged by comparison with low-income families who work for a living.
- There will be no entitlement. The W-2 reward system is designed to reinforce behavior that leads to independence and self-sufficiency.
- Individuals are part of various communities of people and places. W-2 will operate in ways that enhance the way communities support individual efforts to achieve self-sufficiency.
- The new system should provide only as much service as an eligible individual asks for or needs. Many individuals will do better with just a light touch.
- W-2's objectives are best achieved by working with the most effective providers and by relying on market and performance mechanisms.

A PLACE FOR EVERYBODY—A LOOK AT W-2

W-2 will help parents provide for their families under new circumstances in which cash assistance without work is not available. Under W-2 there will be no entitlement to cash assistance. But there **will** be a place for everybody in the new system, with W-2 providing work opportunities for parents of all capabilities. The program will build on these capabilities to increase the financial independence of parents and their families.

ELIGIBILITY

Families consisting of custodial parents and their children age 18 or younger, with incomes below 115 percent of poverty and with low assets, are eligible for all W-2 services. Non-custodial parents and pregnant women are eligible for certain services.

W-2 health care and child care are available to families with low incomes and with low assets.

WORK OPPORTUNITIES UNDER W-2

There will be four work options available for a parent under W-2. They are, in order of preference:

- **Unsubsidized employment:** Individuals entering W-2 will be guided first to the best available immediate job opportunity in the private sector. The agency will match every W-2 participant's capabilities with the best work options currently available, rather than diverting them to extended education and training programs.
- **Trial Jobs (Subsidized employment):** Many individuals in need of work can succeed, with the help of W-2, in finding unsubsidized employment. But in certain circumstances, transition to private employment can be facilitated through a wage subsidized job—for instance, when an individual enters W-2 with a willing attitude but without a work background.
- **Community Service Jobs (CSJs):** For those who need to practice the work habits and skills necessary to be hired by a private business, community service jobs will be available. CSJs will provide structured, meaningful work settings which will allow participants to practice good work habits and learn skills which are readily transferrable to the private sector.

- **W-2 Transitions:** W-2 Transitions is reserved for those who are unable to perform independent self-sustaining work even in a community service job. To receive cash benefits, W-2 Transitions participants will engage in work activities consistent with their capabilities (e.g. in sheltered workshops) as well as participating in other activities including vocational rehabilitation and treatment necessary to facilitate their movement into less structured employment.

MOVEMENT UP THE SELF-SUFFICIENCY LADDER

The W-2 agency will operate the four major components described above in an integrated fashion so that participants are always entering the highest (i.e., least subsidized) workforce stage possible, and are moving up to the next level at the earliest opportunity.

MOVEMENT UP THE SELF-SUFFICIENCY LADDER IS FACILITATED BY THE W-2 DESIGN

	BASIC INCOME PACKAGE	WEEKLY WORK-WEEK	PROGRAM TIME LIMITS
Unsubsidized Employment	Market wage + food stamps + EITC	40 hrs/week standard	None
Trial Jobs	At least minimum wage + food stamps + EITC + \$300 maximum wage subsidy to employer	40 hrs/week standard	3 months with an option for a 3 month extension per job; 24 month maximum
Community Service Jobs	\$555 cash grant + food stamps (no EITC)	30 hrs/week work standard; and up to 10 hrs/week in educational and training activities	6 months with an option for a 3 month extension per job; 24 month maximum
W-2 Transition	\$518 cash grant + food stamps (no EITC)	28 hrs/week in work activities standard; and up to 12 hrs/week in education and training activities	24 month limit; extensions permitted on a case-by-case basis with Department approval

Those in **W-2 Transitions** will receive a cash grant of \$518 per month plus food stamps. Transitional participants will be required to engage in work activities (including the AODA programs, mental health counseling and physical rehabilitation activities) for up to 28 hours per week and to participate in education and training activities up to 12 hours per week.

Moving up the self-sufficiency ladder, those working in a **community service job** will receive \$555 per month plus food stamps. Participants will be required to work up to 30 hours per week and to participate in educational and training activities for up to 10 hours per week to receive the grant.

Up a ladder rung are those in **trial jobs**. Trial job participants will earn at least minimum wage plus food stamps and are also eligible for the federal and state earned income tax credit (EITC). These tax credits amount to a significant earnings supplement. When earnings from wages and tax credits are combined, earners in families of a parent and two children have incomes of more than \$12,000 (post-tax) annually, plus food stamps.

At the top rung of the self-sufficiency ladder are those who obtain private, **unsubsidized jobs**. The average starting wage of AFDC recipients who go to work is currently about \$6.00 per hour. This wage, when combined with federal and state EITCs, amounts to more than \$14,500 (post-tax) annually, plus food stamps.

THE FINANCIAL AND EMPLOYMENT PLANNER

Those entering W-2 for help in providing for their families will meet with a financial and employment planner. The FEP is a skilled advisor who will work with an individual to facilitate the maximum degree of self-sufficiency at every stage of the individual's interaction with W-2.

An individual needing assistance will enter into a problem-solving discussion with a financial and employment planner to determine the best option for attaining self-sufficiency, including temporary measures to provide for immediate needs.

For those in immediate need of income, the FEP can offer temporary community service jobs, similar to regular CSJs but available on short notice for short periods while an individual is looking for permanent employment.

Those who are able to work but need short-term financial assistance to get started may qualify for "job access loans."

Job access loans are not a replacement for cash assistance—they are small, flexible loans designed to help a family pay for immediate job-related expenses such as required work uniforms or job-specific tools. Job access loans can be repaid either in cash, or through a combination of cash and volunteer work.

For W-2 participants who go to work, the FEP will continue to be available to offer advice and assistance. If an individual loses a job, he or she will return to the same FEP, learn from the experience and begin again with a new job opportunity.

THE W-2 DELIVERY SYSTEM

W-2 will be part of the Partnership For Full Employment (PFE) system operated by the future Department of Workforce Development (DWD). Scheduled to begin operation in July 1996, the new department will implement and administer the W-2 program. DWD will have a jobs and employment focus, and provides the ideal setting for Wisconsin Works.

Under the new department's direction, multi-disciplinary Job Centers will be the service delivery engine for W-2, wherever they exist. Job Centers provide "one-stop shopping" job placement and training services at the local level for all people seeking work.

Currently, 35 Job Centers are already operating across the state, with 27 under development. In many localities, the county welfare office and Job Service are co-located in the Job Center.

At the local level, a single agency will operate W-2. The W-2 agency will be assigned to provide a way for families to achieve self-sufficiency - - and will be given the authority and flexibility to achieve this objective in the best, most effective way. Rather than devising another set of complex rules to replace those in the AFDC program, the state will exercise its management responsibilities through carefully designed performance contracts.

W-2 agencies will be selected by the state in one of several ways which include:

By a competitive Request for Proposal (RFP) process (this is discretionary).

By other lawful processes outlined in the W-2 legislation including:

- selecting the W-2 agency through a noncompetitive process in which the counties would have to meet specific criteria; or
- operating the program itself if there is no acceptable provider in a geographical area.

The contract area covered by a W-2 agency will normally be defined by county boundaries. The exception is Milwaukee, because of its size and the complexities of running any program there, the county will be divided into several W-2 geographic operating areas. W-2 agencies will be responsible for managing the entire W-2 population within their boundaries, including intake and eligibility determination. Some agencies may be selected to operate in more than one W-2 area.

MORE ABOUT COMMUNITY SERVICE JOBS

Community service employment can result in rewards to both communities and the individuals who accomplish such work for their fellow citizens. In addition to providing services of value, community service employment can provide those without an extensive work history the fastest route to unsubsidized employment - - but only if CSJs are operated like real jobs, with real responsibilities and expectations of work to be accomplished.

Community service jobs under W-2 will be structured to simulate private employment. Participants will learn the valuable work habits and work socialization skills which all employers require from their workers. These habits and skills include reliability, willingness to work hard, and the ability to get along well with supervisors and co-workers.

Participants in CSJs generally will work a 30 hour work week and will receive a cash grant of \$555, plus food stamps. Individuals who are temporarily unable to work due to sickness or injury may qualify for CSJ wages until they have recovered.

Each community service job will last six months, which can be extended to nine months on a case-by-case basis. CSJs are limited so that they are seen by participants and employers as temporary, and so that participants seek and accept private employment as soon as possible. Participants are subject to a lifetime limit of 24 months of community service employment. However, on a case by case basis, the 24 month lifetime limit can be waived with the state's approval.

W-2 participants will obtain employment in CSJs through the help of the financial and employment planner. Management of CSJ slots will be done through the W-2 system, but the actual providers of CSJ sites can be government entities (municipal, county and state), community and charitable organizations, and various other public or private organizations. The displacement of existing workers will be prohibited.

MORE ABOUT TRIAL JOBS

Trial jobs, which use employer wage subsidies of limited duration, offer business an opportunity to offset some of the risks involved in hiring untested workers. Trial jobs also provide the most realistic setting for those with limited work histories to learn about the world of work, while at the same time offering the possibility of permanent employment at the end of the trial job period.

Wage subsidies will be offered to businesses who are willing to create work opportunities for those who may not have otherwise been hired. The W-2 system will manage the recruitment of trial job opportunities, and financial and employment planners will make them available to W-2 participants as needed.

Trial job wages will pay at least the minimum wage (\$4.25 per hour). An employer receives a subsidy of up to \$300 to partially cover the hourly wage for the duration of the trial job.

The trial job period lasts three months, but can be extended to six months by mutual agreement among the employer, employee and the employee's financial and employment planner. Trial jobs are voluntary to both the employer and employee, and either can end the relationship before the expiration of the trial job period without penalty.

Trial jobs will be simple for employers to use. Minimal paperwork will encourage their creation.

MORE ABOUT W-2 TRANSITIONS

All W-2 participants, even those with limitations, should do some work in return for support, while at the same time participating in other activities designed to help move them up the self-sufficiency ladder. Some individuals are willing, but unable to succeed in a private job or a W-2 work opportunity; reasons for this can include temporary or permanent physical or mental disability, or the care of a severely disabled child. W-2 will provide for individuals who are unable to support themselves and their families wholly through work, but are willing to participate in some work plus other W-2 activities consistent with their capabilities. Other activities might include specialized training, AODA treatment, or physical rehabilitation.

Although W-2 Transitions participants are not expected to generate their entire income through employment, some work is required. For those with significant physical or mental limitations, such work might be carried out through sheltered workshops or specialized private work sites.

Participants will receive a cash grant of \$518 plus food stamps. The grant will be earned on a pay-for-performance basis, which means that participants must attend work for up to 28 hours per week and participate in training and educational activities up to 12 hours per week. The FEP will monitor whether or not the participant is making satisfactory progress consistent with their capabilities.

To qualify for W-2 Transitions, participants must be assessed by the state Division of Vocational Rehabilitation or a similar assessment agency. Participation is usually limited to 24 months, with extensions permitted on a case-by-case basis by the W-2 agency with the State's approval.

OTHER W-2 FEATURES

MINOR TEEN PARENTS

Minor teenagers who have become parents have many barriers to overcome in order to provide for their current and future family. Teen parents age 18 or under will not be expected to work, but rather to finish high school with the goal of employment immediately thereafter.

Minor teens who are parents are still children themselves, and require appropriate guidance and supervision. They will be expected to continue to live at home with support from their parents rather than in a separate household, except in unusual circumstances. The basic financial responsibility of supporting a minor teen parent and child will rest with the parents of the teen.

Minor teen parents who cannot live at home will be provided an alternative supervised living arrangement, such as with a foster care family or in a group home. W-2 will not subsidize unsupervised living arrangements for minor teens.

HEALTH CARE

Health care under W-2 will be delivered through managed care providers who will bid to provide health services.

Coverage will be available to all families with low incomes and with low assets. All family members will be covered including children through age 18.

All families will pay a portion of their health care premium based on income, with the state paying the difference. Families with low incomes will pay only a nominal portion of the premium amount, which will rise as income increases.

Working families who are eligible for employer-provided coverage will be required to accept such coverage (or other private coverage).

CHILD CARE

Under the current system, child care is available to all families on AFDC, but not necessarily for all low-income working families because of funding limitations. Under W-2, child care will be made available to all eligible families with low income and with low assets who need it to work.

W-2 will retain the current child care delivery system in which families can select from a wide range of providers through the use of child care vouchers.

As with health care, all families will contribute toward the cost of child care through a co-pay based on income, with the state paying the difference. All families will pay a percentage of the cost of the care selected, with very low income families paying only a nominal percentage, with the percentage rising as income increases.

With the anticipated increase in demand for subsidized care, new providers can be expected to enter the child care delivery system. The existing three categories of providers, Licenced Group Centers, Licensed Family, and Certified Family Day Care (Level I), will be retained.

In addition, W-2 will allow responsible home child care providers easier entry into the W-2 provider system through the creation of a new, less restrictive category, Provisional Day Care (Level II).

CHILD SUPPORT ENFORCEMENT

The existing welfare system discourages non-custodial parental support of children because basic family living costs are provided through the public aid system and child support payments are used to offset these payments. With parents under W-2 shouldering the responsibility for providing for their families through work, child support payments should be fully passed through to the custodial parent. Child support payments which are now used to offset the cost of providing cash assistance will for the first time go entirely to the custodial parent(s) of working W-2 families. This provision will significantly increase the amount of income available to many families whose parents are participating in work under W-2.

Non-custodial parents may participate in W-2 and receive services if they cooperate in establishing child support orders and (where necessary) establishing paternity. Non-custodial parents under W-2 will have incentives to make payments to their families, since they will be ineligible for help under W-2 if they do not.

Children First, now operating in several Wisconsin counties, will be expanded under W-2. Children First has been successful at dramatically increasing payments from non-custodial parents by requiring either the required payments or participation in unpaid work experience.

EDUCATION AND TRAINING

As part of the education and training system in the new Department of Workforce Development, the W-2 program will make available a wide variety of opportunities for participants to improve their skills.

For those who have demonstrated a consistent commitment to work, W-2 will pay for child care necessary to attend education and training activities. Certain restrictions and time limitations on the use of child care for the purpose of attending education and training activities will assure the best use of limited resources.

THE SAFETY NETWORK

W-2 shifts the emphasis from need-based entitlement to one requiring maximum effort toward self-sufficiency - - the program itself is a safety net with multiple features to protect children who could be placed at risk. The challenge is to assure that a safety network protects these children without creating a "back door" support system for irresponsible parents.

To reach this goal, some of Work Not Welfare's most innovative safety network features will be combined with additional components. The W-2 safety network features include:

- **Parenting and Life Skills Education**—Offered as part of the core abilities training available to all W-2 participants.
- **W-2 Transitions**—This integral part of W-2 offers a flexible way for those who cannot work full-time in competitive employment to still make some contribution to their own support.

- **Children's Services Network**—As in the Work Not Welfare demonstration program, this network will provide a link to a comprehensive array of services for children and families, including charitable food and clothing centers, transportation and housing, etc.
- **Community Steering Committee**—This group, made up of community leaders from business, government and the non-profit sector, will oversee the creation of job opportunities and the availability of volunteer and charitable resources.
- **Child Welfare**—When appropriate, the state and county system will intervene as it does now, providing child protection, out-of-home-care, and adoption services, among others.