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Alternative to welfare: the Milwaukee Jobs Commitment

Anne Connolly Gibbs

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AN ALTERNATIVE TO WELFARE:
THE MILWAUKEE JOBS COMMITMENT


BY

ANNE CONNOLLY GIBBS

AN APPLIED MANAGEMENT
DECISION REPORT
SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE DEGREE OF
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APPROVAL PAGE

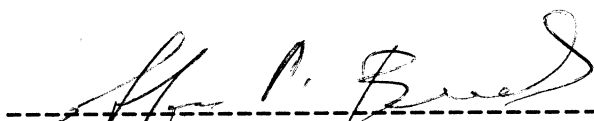
This committee has approved the Applied Management Decision Project of Anne Connolly Gibbs.



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Date

A Brief Synopsis of the Study

Poverty is an ubiquitous problem. Many solutions have been tested by governmental and private agencies alike, yet few have been totally successful. Poverty exists at about the same level as it did a decade ago.

Traditional welfare programs, such as Aid to Families With Dependent Children and General Assistance, tend to perpetuate poverty because their tangible and intangible benefits are so strong that welfare participants have little incentive to get off welfare. Recognizing this phenomena, most state welfare programs now incorporate, to varying degrees, a workfare component into their design. Many cities are implementing welfare reform programs. This paper examines several of these programs and briefly analyzes their strengths and weaknesses.

The central theme of the paper is that although the only solution to poverty is income, this income must be obtained through a fair wage and package of benefits received in return for labor. Jobs, alone, can not eradicate poverty. They must offer benefits at least comparable to the benefits received while on welfare. This includes a package of sufficient income to support a family, including health care, child care, transportation and some type of "career ladder" so that a worker can see an opportunity for growth in his or her job.

This paper examines the strengths and weaknesses of a pilot project which has been designed for two target neighborhoods in Milwaukee. Known as The New Hope Project: The Milwaukee Jobs Commitment, the goal of this project is to provide jobs and benefits that offer the poor an incentive to voluntarily choose employment over welfare. One of the central tenets of the project is that all who work full-time and year-round should be entitled to a wage and package of benefits that puts them above the official poverty level.

The Milwaukee Jobs Commitment was designed by a steering committee consisting of political, business and religious leaders in Milwaukee, as well as welfare recipients and community activists. As of this writing (May, 1990) the project has still not been implemented, although it has been in the design stage for nearly two years.

Milwaukee Jobs Commitment has the support of the mayor of Milwaukee, Senator Herb Kohl, Congressmen Jim Moody and Gerald Kleczka, as well as Dr. Howard Fuller, director of the Department of Health and Human Services, and key business leaders in the community. If the pilot project is successful, it will be used as a prototype for welfare reform throughout the state of Wisconsin.

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SECTION 1
DESCRIPTION OF THE PROBLEM

An Overview

Two-thirds of America's impoverished citizens, 32.5 million Americans, are employed. These people receive no help from the government and they continue to work and receive an income that places them below the poverty line.

The poverty line for each family unit varies, depending on the characteristics of the family unit (e.g. the age of the head of household, family size and the ages of related persons in the unit). The poverty line also is updated yearly as the cost of living changes, as measured by the Consumer Price Index.

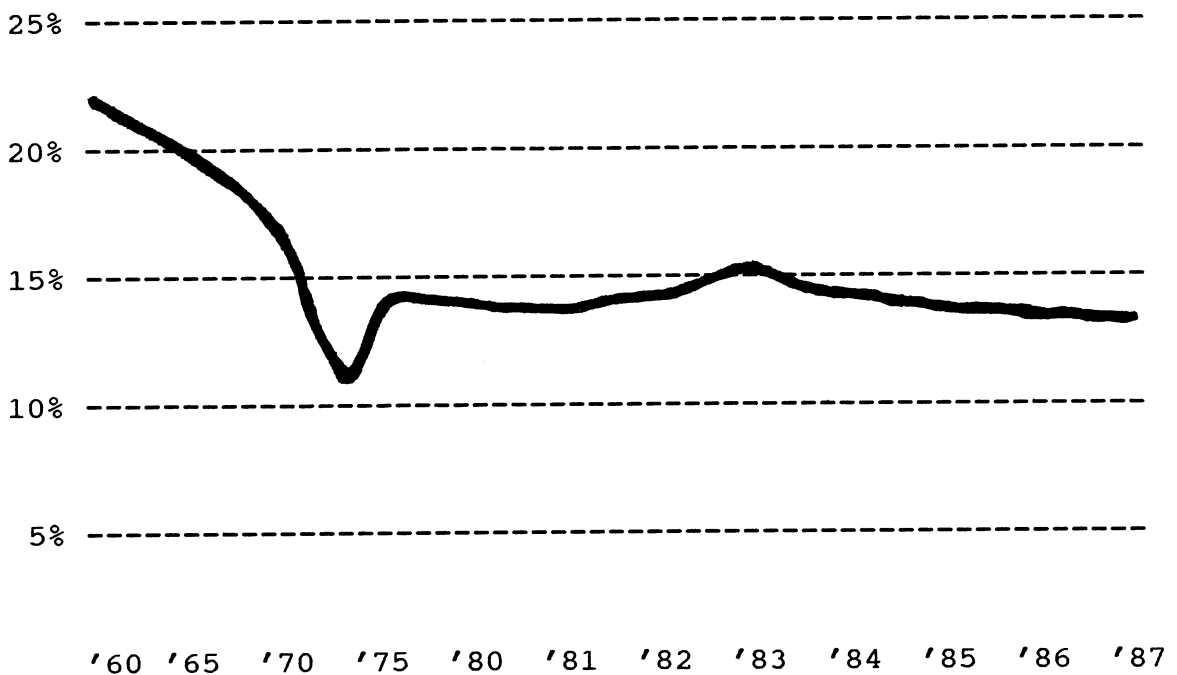
As of 1964 no official mechanism was in place to measure poverty in the United States, nor was poverty a focus of government studies or programs. However John Kennedy, influenced by the poverty he observed while campaigning directed his Council of Economic Advisers to study the problem. They determined that poverty was an income of under \$1,500 for a person living alone and under \$3,000 for a family. The Social Security Administration developed an alternate definition for poverty. As a base line, they used data compiled by the Department of Agriculture in the 1950s regarding the cost of an economy food plan, which would

provide adequate nutrition, or what was called a market basket of food. The Social Security Administration then multiplied the dollar amount of the economy food plan by three, assuming that families of three or more persons spend approximately one-third of their income on food. For smaller families and persons living alone, the cost of the economy food plan was multiplied by slightly higher factors, to compensate for the relatively larger fixed expenses of smaller families. The Social Security Administration's method of determining the poverty level was adopted as the framework for determining poverty.

It is generally agreed, however, that the poverty line depicts a minimal, if not inadequate, standard of living. The Gallup organization has polled the American public in various communities for the last quarter century with the question "What is the smallest amount of money a family of four (husband, wife and two children) needs to get along in the particular community. Consistently, the official poverty line has been lower than the income those polled required to "get along." (Gallup, 1978)

Although the official standard of measuring poverty (as discussed previously) had not yet been established, the national poverty rate was first calculated in 1959, when it was 22.4 percent (The Milwaukee Journal, 8-31-1988). The rate fell steadily as national anti-poverty programs were developed, reaching a low point of 11.1 percent in 1973.

Since then it has gone up and down, peaking at 15.2 percent in 1983. The 1987 poverty rate was 13.5 percent, which equated to 32.5 million Americans who lived in poverty. (Milwaukee Journal, 8-31-1988) Figure 1.1 illustrates the percentages of poor from 1960 through 1987.



Source: Census Bureau (cited in Riemer, 1988)

Figure 1.1
Percentage of Persons Living in Poverty

Poverty levels vary by race. In 1987 Whites had a 10.5 percent poverty rate, while the rate for Blacks was 33.1 percent and the rate for Hispanics was 28.2 percent.

Table 1.1 lists the official United States poverty levels for households of different sizes in 1987.

Table 1.1
Official U.S. Poverty Levels, 1987

| Household size | <u>Related children under 18 years</u> | | | |
|---------------------------------|--|---------|---------|----------|
| | None | 1 | 2 | 3 |
| 1 person (unrelated individual) | | | | |
| Under 65 years | \$5,909 | | | |
| 65 and older | 5,447 | | | |
| Two persons | | | | |
| Head age 15 to 64 | 7,606 | \$7,829 | | |
| Head age 65 or older | 6,865 | 7,799 | | |
| Three persons | 8,885 | 9,142 | \$9,151 | |
| Four persons | 11,715 | 11,907 | 11,559 | |
| Five persons | 14,128 | 14,334 | 13,895 | \$13,555 |
| Six persons | 16,250 | 16,314 | 15,978 | 15,656 |
| Seven persons | 18,698 | 18,814 | 18,412 | 18,131 |
| Eight persons | 20,912 | 21,096 | 20,717 | 20,384 |
| Nine persons | 25,156 | 25,277 | 24,941 | 24,659 |

Source: U.S. Census Statistical Abstract, 1988

Only one-third of the poor receive public assistance, primarily through welfare programs. The two-thirds majority, however, works or is seeking work. The existence of such large numbers of poor workers (Figure 1.2) suggests that many people who are poor want to work, prefer work to welfare or for one reason or another cannot qualify for welfare.

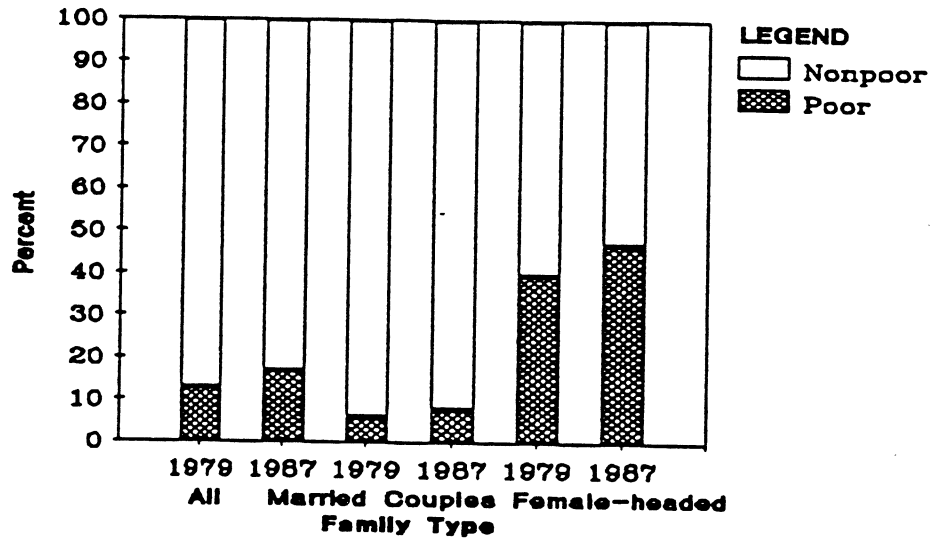


Figure 1.2
Number of Families Who Work Yet Remain Poor,
By Family Type -- 1979 and 1987

Source: Congressional Research Service,
Current Population Surveys
(cited in New Hope Project Report, July, 1989)

Milwaukee County has made strides in thwarting the growth of poverty through a work relief program, Workfare, which was initiated in 1981. Every able-bodied general assistance recipient is required to perform some kind of work as a means of "abating" the welfare grant. In 1985 the program was broadened to include general education, skills training and job placement.

This program may have contributed to the decrease in the numbers of General Assistance (GA) recipients in Milwaukee County. The county has experienced a 54 percent drop in monthly general assistance cases from November, 1985 to November, 1988 -- from 12,858 cases to 5,870 cases. (De Leon, 1989)

It has had little effect, however, on the numbers of Aid to Families with Dependent Children (AFDC) recipients. Almost 40,000 county households, or about 120,000 people continue to receive \$225 million in public assistance through AFDC. (De Leon, 1989)

In Milwaukee County the number of AFDC cases dropped 4 percent between the peak year of 1986 and 1988. (In November 1988, there were 36,916 AFDC cases.) During the same period, AFDC cases dropped 15 percent for the rest of the state. (De Leon, 1989)

Meanwhile, urban Milwaukee County continues to claim a greater share of the statewide AFDC population. From 37.7

percent of the state's cases in 1984, it rose to 38.4 percent in 1985, to 39 percent in 1986, to 40.2 percent in 1987 to 42.2 percent in 1988. These ratios appear even more disproportionate when one considers that Milwaukee County has 19.5 percent of the state's population. More than 10,000 of the county's AFDC families have received aid payments continually for eight years or longer. (De Leon, 1989)

The increasing size of the caseload suggests that the improving state economy and rising employment rates have not benefited Milwaukee's poor as much as poor people located elsewhere in Wisconsin. There are a number of possible explanations:

--Employment, particularly in manufacturing, has rebounded more slowly in Milwaukee than in other parts of the state, according to a study by Sammis White, director of the Urban Research Center at the University of Wisconsin-Milwaukee. Manufacturing employment in the four-county metropolitan Milwaukee area is 20 percent lower than it was in 1979, although manufacturing jobs in the rest of the state are up 3 percent since 1979 and 10 percent since 1986. (White and Zipp, 1988) While the numbers of manufacturing jobs in the Milwaukee have decreased, the numbers of low-paying jobs in food and service industries have increased. However, these jobs may not offer financial remuneration sufficient to lift people from poverty.

--Milwaukee's welfare population is different from the

welfare population of the rest of the state. In Milwaukee a much higher percentage represents minorities -- more than 70 percent in Milwaukee County, as contrasted to 26 percent elsewhere. Minorities tend to have a higher unemployment rate than whites. (See Table 1.2)

Table 1.2

1987 Unemployment Rates for Milwaukee County

| White | | Minority | | Total | |
|-------------|---------------|-------------|---------------|-------------|---------------|
| <u>Male</u> | <u>Female</u> | <u>Male</u> | <u>Female</u> | <u>Male</u> | <u>Female</u> |
| 5.1% | 3.4% | 15.5% | 11.1% | 6.9% | 4.8% |

Source: Bureau of the Census (cited in New Hope Project Report, 1989)

One caveat to be aware of when reading unemployment data is that unemployment rates are the official measure of unemployment. Because the rates fail to incorporate data regarding those discouraged workers who have stopped looking for jobs, they tend to under-estimate real unemployment. (Riemer, 1988)

--A higher percentage of Milwaukee's welfare recipients live in one-parent families headed by women -- 82 percent, compared to 67 percent in the rest of Wisconsin. In addition, a smaller percentage work and also receive aid -- 11 percent - - as contrasted to 28 percent in the rest of the state.

--Furthermore, Milwaukee is acquiring the reputation of becoming a welfare magnet because of Wisconsin's reputation for superior benefits. A standard AFDC grant for a family of three in Milwaukee County is \$517 per month. That same family would get only \$288 per month in Michigan.

A study released in November, 1989 by the Wisconsin Research Policy Institute, estimated that welfare recipients who move to Milwaukee County from other states because of the more generous benefits offered by Wisconsin are costing the county \$129 million a year. These costs include the costs of education of the children of welfare parents and the additional law enforcement expenses, as well as the traditional welfare benefits. Wisconsin's welfare benefits are ranked among the top ten states in the nation. (Wisconsin Research Policy Institute, 1989)

--Poor minority groups, particularly Hispanics and Southeast Asians, have grown in population in Milwaukee but not statewide. For instance, the number of Southeast Asians - - largely Hmong from Laos -- increased from 1,369 to 3,551. These people often do not speak English and, as a result, cannot meet the minimal requirements for most jobs in the Milwaukee area. Therefore, they tend to have a higher welfare rate than the general population. (Gilbert, 1989)

All of these factors suggest that welfare recipients in Milwaukee are in a worse position to capitalize on job creation and make the transition from welfare in times of

prosperity than are welfare recipients elsewhere in the state.

Although some steps have been taken to curb the spread of welfare, the problems associated with welfare and the even more pervasive problems associated with poverty still remain as ominous and pervasive as ever. Welfare reforms are only bandaids for the ubiquitous problem of poverty. Until a solution to poverty is found, Milwaukee County will make little progress in helping its citizens.

Problem Summary

Despite economic growth and an elaborate welfare system, poverty in Milwaukee County has not decreased over the last decade. Many of the jobs available to poor workers do not pay a sufficient wage to alleviate their poverty. Nor in many cases does the wage provide sufficient monetary incentive to encourage the poor to work rather than to choose welfare. Poverty policies need to be structured to ensure that people who work for a living earn the right not to be poor. The problem, simply stated, is poverty and how to alleviate it.

SECTION 2
ALTERNATIVES TO POVERTY

Welfare

A person can attempt to get out of poverty in one of two ways -- through obtaining a job that pays an income above the poverty level or through obtaining a variety of transfer payments, subsidies and services. Although the actual disposable income one receives when on welfare is not sufficient to raise that person above the official poverty level, many people opt for welfare for reasons this paper shall discuss.

For purposes of this study, welfare is defined as those services, commodities and direct cash outlays expended by federal, state and local governments to alleviate poverty. Welfare, for purposes of this study encompasses any subsidy to a poor person which is not an exchange for labor. It includes, but is not limited to, Aid to Families with Dependent Children (AFDC), General Assistance (GA), including food stamps and Medicaid, and that portion of Social Security received by poor people. Welfare also includes those indirect payments to providers of services in the medical or legal professions, through Medicaid, Medicare, Legal Aid, etc. Social services, such as day care and care for the elderly and disabled are also part of welfare. Included also is the money

spent on housing and neighborhood services.

Approximately \$987,592,692 was spent to alleviate poverty in Milwaukee County in 1988 by federal, state and local governments combined. Table 2.1 gives a listing of the various governmental programs in 1988 and the estimated expenditures for each program. The data does not take into account those programs that are available to the general population but used disproportionately by low income people, such as public education. It also excludes all private subsidies to the poor, such as those made through churches, shelters for the homeless, food pantries, charitable foundations, United Way, etc.

The amount of expenditures was determined through information supplied by each of the governmental agencies that provided funds, programs or services for the poor. In several instances discrepancies were noted in the reported expenditures. For example, the Department of Commerce's Bureau of Economic Analysis reported financial data that did not correlate with the expenditures reported on the books of the individual agencies. When a budget discrepancy was noted, the data from the accounting departments of the agencies was chosen to be included.

Table 2.1

**Public Spending for Anti-Poverty Programs
Targeted to Those Able to Work and/or Their Families,
Milwaukee County, 1988**

| | |
|---------------------------------------|----------------------|
| Medical | |
| County Hospitals | \$ 24,876,365 |
| Administration | 933,390 |
| Additional Taxpayer Contribution | 2,913,317 |
| Mental Health Care Account | 4,807,341 |
| Additional tax levy for Med. Complex | 4,867,214 |
| Medicaid, Title XIX | 334,808,437 |
| | ----- |
| Total Medical | \$373,206,064 |
| | |
| Social | |
| Youth Care and foster homes | \$74,685,271 |
| Child Day Care-Title XX (estimate) | 5,000,000 |
| Day Care AFDC children | 2,907,035 |
| Teen Parents (estimate) | 2,000,000 |
| Bureau of Indian Affairs | 400,000 |
| | ----- |
| Total Social | \$84,992,306 |
| | |
| Housing and Neighborhood | |
| City Programs: | |
| Dept. of City Development (HUD funds) | \$ 14,650,349 |
| User-Side Subsidy | 3,400,000 |
| Block Grants (estimate) | 17,000,000 |
| McKinney Program for Homeless | 680,000 |
| County Programs: | 8,374,406 |
| | ----- |
| Total Housing and Neighborhood | \$ 44,104,755 |

| | |
|---|---------------------------|
| Job Training Partnership | \$ 4,457,000 |
| Youth Development and Training | 2,182,000 |
| AFDC Job Training, WEOP & WJT start-up | 3,900,000 |
| | ----- |
| Total Employment and Training | \$ 10,539,000 |
| Total Services | \$ 512,842,125 |
| Cash Assistance | |
| AFDC | \$ 223,805,000 |
| Refugee Assistance | 340,841 |
| General Assistance | 12,559,557 |
| Earned Income Tax Credit (estimate) | 12,137,250 |
| Supplemental Security Income | 98,400,000 |
| Unemployment Insurance | 56,503,000 |
| Workers' Compensation | 2,692,000 |
| Financial Assistance Programs (Emergency Aid, Energy Assistance) | 45,435 |
| | ----- |
| Total Cash Assistance | \$ 405,483,083 |
| Commodities | |
| Food Stamps | \$67,619,599 |
| Energy Assistance | 1,647,885 |
| | ----- |
| Total Commodities | \$69,267,484 |
| TOTAL FOR ALL PROGRAMS | \$ 987,592,692 |

To have a more comprehensive understanding of the magnitude of cash outlays, the total expenditures are divided by the total number of poor people, i.e. those whose incomes are below those of the Official U.S. Poverty Levels (see Table 1.1). The estimated population for Milwaukee County for 1988 is 924,744. Although 1988 poverty rates were not available for Milwaukee County at the time of this study, the rate has been projected to be about 12.7 percent, according to the U.S. Census Bureau. (Milwaukee Journal, 8-31-88)

Therefore, approximately 112,442 people have incomes below the poverty level in Milwaukee County. By dividing the expenditures by the number of poor people, one sees that approximately \$ 8,795 was the cash outlay in 1988 for each person in poverty.

Of course, not every poor household has access to resources of this magnitude, since many cannot or do not take advantage of the services offered. Some groups, on the other hand, utilize a disproportionate amount of welfare payment. An article in The Milwaukee Journal (1-15-90) said that transfer payments to Blacks, including AFDC, Social Security and Food Stamps, accounted for nearly half of all income to Milwaukee County's Black community, up from 9 percent in 1963.

Problems with current welfare system

Expenditures of this magnitude would suggest that poverty should be less prevalent than it continues to be. The expenditures should result in self-sufficiency, however this has not happened. Work levels among AFDC recipients have not risen noticeably since 1967 (Mead, 1987). So then, what are the flaws of the current welfare system that keep poor people poor?

Little discretionary income: Part of the answer can be attributed to how the expenditures are allocated among services, commodities and cash assistance. From the data in Table 2.1, one can compute that 51.5 percent of all expenditures is for services and the costs of administering those services; 7.5 percent is for commodities. Only 41 percent represents direct cash outlays to the poor, and from this 41 percent the costs of administering the programs must be subtracted. (Data is not available on administration costs). The poor, in short, are given very little discretionary income.

Limited freedom of choice: To exacerbate the situation, welfare inhibits the function of natural supply and demand curves. Frequently welfare recipients have limited freedom of choice. In fact, they often are given only two choices -- to take the limited selection of goods or services authorized by the government or to take nothing at all. If the government offers a certain type of job training, for example, welfare recipients may be forced to take it, even though their

preferences may be for an alternative, such as college.

Services of inferior quality: Furthermore, welfare recipients may have to settle for inferior services. For example, reimbursement to health care is set at what is known as the Diagnostic Related Group (DRG) amount. This level of reimbursement is usually lower than the actual cost to the provider. Thus two things occur -- an unwillingness of the provider to continue to provide services to the welfare recipient and cost shifting to the private payer. When providers refuse to treat the poor, the market mechanism -- whereby the good providers are rewarded with increased business and reimbursement and the inferior providers are bypassed -- does not operate efficiently. The poor have to settle for whomever will serve them, whether the providers be good or inferior. Often, the poor are relegated to the inferior provider.

Requirement to remain poor in order to obtain benefits: The mainstay of the current welfare system, AFDC, which with the medical benefits that are part of the AFDC program, accounts for more than 54 percent of all welfare benefits. AFDC requires that recipients remain poor. To qualify for AFDC a person must have 1) little or no income; 2) less than \$1,000 in assets (not including a home and a car worth no more than \$1,500); and 3) a dependent child (or be at least six months pregnant). As soon as an AFDC recipient fails to meet these requirements, the AFDC benefits are cancelled.

Disincentives to employment: AFDC contains strong disincentives for the recipient to become employed. Prior to federal program changes in 1981, a woman receiving AFDC who was also employed was able to keep \$30 plus 1/3 of her remaining income each month without reducing her AFDC grant. In 1981 the federal government imposed limits on the length of time the \$30 and 1/3 could be used. The effect was that after four months of employment the grant is significantly reduced. After 12 months of employment an AFDC recipient's grant is reduced one dollar for each dollar of income earned. This is the equivalent of a 100 percent tax on earnings!

Historic data proves that this system provides a strong disincentive to employment: When this federal change was enacted, employment among AFDC recipients dropped from 14 percent to 10 percent nationally, and from 24 percent to 14 percent in Wisconsin. (Loftus, 1989)

Welfare dollars generate fewer additional dollars: About 40,000 households in Milwaukee and 85,000 throughout Wisconsin are currently receiving AFDC, at an estimated cost of \$202 million a year to the state and \$322 million to the federal government, with the total cost being \$524 million a year. The state reimburses counties for 37.5 percent of their general assistance expenses and for 42 percent of their AFDC expenses.

The true cost, however, is much higher, because it must include the opportunity cost of wages that are not generated,

taxes that are not being put into government coffers, and human potential that is not being tapped and nurtured.

If, for example, each of the 85,000 households on welfare in Wisconsin were to have one wage-earner earning \$5.00 an hour, those households would generate \$850 million a year in income ($\$5/\text{hr.} \times 2,000 \text{ hrs./year} \times 85,000 \text{ households} = \$850,000,000$). If they also received health insurance from their employers, at a cost of one-quarter their income, they would be receiving the equivalent of \$1.0625 billion a year ($\$850,000,000 + 212,500,000 = \$1,062,500,000$). Of course these funds would generate more funds. The results would be that the demand for goods and services would increase and eventually more jobs would be created in response to the increased demand. Wage earners would contribute tax dollars to the city, state and federal government. Overall, the economy of Wisconsin would be much more vibrant.

Welfare dollar worth more than a dollar of wages:

Actually, a welfare dollar is worth more than a dollar received as wages for work. A dollar received in a paycheck has to go much further than a dollar received from welfare, when these additional costs are taken into account. Costs, such as for transportation and child care, are incurred in the process of earning wages through work. Therefore, for two reasons -- the dollar of welfare forfeited for every dollar of wages, and the additional costs incurred in earning a dollar of wages -- AFDC recipients have disincentives to work.

AFDC encourages mothers to remain single: The structure of the welfare system not only discourages work, as described in the preceding paragraph, but it also discourages family unity, because a woman can often more easily qualify for AFDC and other benefits if she has an "unformed" or broken family (i.e., one or more children and no spouse) (Riemer, 1988).

People on AFDC have, by necessity, made dependency on it a way of life, as shown in research by the Urban Research Center of the University of Wisconsin-Milwaukee under the direction of Sammis White (1988). White has found that in the Milwaukee area the average duration on AFDC is 5.6 years. Eleven percent of those enrolled on AFDC have left it for a period of time, but then returned. The average recipient who has been off AFDC has been on it 1.15 times between 1985 and 1988. This return to AFDC after having been off it implies that the recipient, because of one reason or another, was unable to be gainfully employed (White, 1988).

Those receiving General Assistance in Milwaukee seem to be more prone to self-sufficiency than those receiving AFDC. Before receiving GA, 58 percent of the recipients were employed. The average GA recipient receives GA for only seven months per period and claims to have received GA for an average of one year and two months in total (White, 1988).

Barriers to Getting Off Welfare

Welfare reform strategies often are only temporary band-aids which may be a quick-fix, but fail to address the underlying problems. Most importantly, welfare, whether reformed, restructured or revised, remains a program to maintain people rather than to support their integration into a productive economic community. In addition several non-structural barriers keep people on AFDC, including lack of training and education, lack of child care, lack of health care, lack of transportation to a job, and lack of well-paying jobs.

Lack of training and education: According to another study by White conducted in the summer of 1985, welfare recipients in Milwaukee have not achieved the same level of education as their counterparts who are not on welfare. Among those receiving General Assistance, more than half (56 percent) have not completed high school or its equivalent. Among the AFDC population not currently in school, 42 percent have not finished high school. For the adult population as a whole in Milwaukee, 32 percent have not completed high school. (White, 1985)

Literacy is another consideration of employability. Throughout the United States only eight percent of the population is estimated to be functionally illiterate, whereas almost over four times that rate (30 percent) is found among GA recipients. (White, 1985)

At the literate end, half the U.S. population can read at

the tenth-grade level, but only 14 percent of the GA population can. This lack of literacy certainly limits the number of jobs members of this population can perform and bodes ill for their future employability, as more jobs in our economy require literacy.

Of those polled by White's research team in 1986, only 58 percent of those with less than a high school degree or equivalent had ever been employed, as contrasted to 73 percent of those with high school degrees and 79 percent of those with education beyond the high school level.

Lack of Child Care Facilities: Another strong disincentive to employment is the lack of child care. The mean number of children per AFDC household in Milwaukee is 2.4, with 34 percent of the families having one child and 30 percent having two. Nine percent of the families have four children and seven percent have five or more. (White, 1988)

In Milwaukee County 54,845 children are in families receiving AFDC. Most children on AFDC are infants or toddlers and require full-time day care.

Average day-care costs in the Milwaukee area range from \$67.50 a week for an older child who is cared for in a home setting to \$95 a week for an infant attending a group day care center. (McCauley, 1989) A family with an infant and toddler both needing day care easily can spend more than \$8,000 a year. If a person were to find employment at a job which paid \$4.00 an hour (a common wage for unskilled labor) and worked

full-time for a 52-week year, that person would earn only \$8,320 before taxes -- hardly enough to pay for child care, let alone to live.

Even if a former welfare recipient were to receive a wage that could support child-care payments, severe shortages of child care facilities exist in the Milwaukee area. The 1989 capacity for child care in licensed facilities in Milwaukee county is for 14,588 children. (McCauley, 1989) Projections are not optimistic that the capacity will increase substantially within the year future, and several factors are point to the conclusion that a shortfall will continue to exist between capacity and demand, namely the low wages for child care workers and the state's new workfare program which strains existing capacity. (McCauley, 1989)

The new workfare program requires mothers of children as young as 2 years to take employment. Previously mothers whose children were under 6 years were exempt from the workfare program.

An informal study of area day care centers recently conducted by The Milwaukee Journal indicated that the average starting wage for a day care worker is \$4.50 and hour. Among the qualifications for these starting workers is a bachelor's degree in early childhood education (McCauley, 1989). This low wage cannot be much of an attraction to a college graduate.

Since new state program recipients of AFDC with children

age 2 or older are required to work, there is additional strain on the already insufficient number of child care facilities in metro-Milwaukee. It is estimated in 1990, 51,688 children will need child care facilities in Milwaukee County. Only 14,588 slots exist, so only two out of seven children requiring day care will be able to have it. (McCauley, 1989)

The resultant significant shortages in capacity may, in the longer run, drive up the wages of child care workers, given that more child care facilities are built. In the short run, however, the problem is acute.

Lack of Health Care: Loss of health insurance if a household leaves welfare is a major disincentive to work. People who would prefer to work are faced with the choice of working with no health insurance or staying on welfare where the health benefits are comprehensive. However, the costs of health insurance, co-payments, and deductibles are prohibitive for those earning limited incomes.

The average cost of health insurance is \$2,500 per policyholder, according to the actuarial consulting firm of Mercer Meidinger Hansen. (1989) Family coverage, depending on the level of benefits, on the amount of co-payment and on the level of deductibles, may be more than twice that amount. In 1989 the estimated cost for family participation in a Health Maintenance Organization was approximately \$250 per month, or \$3,000 per year.

These costs have been rising at a faster rate than expenditures on any other category analyzed through the Consumer Price Index by the Bureau of Labor Statistic. (Health Insurance Association of America, 1989)

The Health Insurance Association of America (HIAA) estimates that the cost of medical care is rising at a rate of about 12 percent a year. (HIAA, 1989)

Lack of transportation to a job: Jobs are in short supply in the central-Milwaukee area but are readily available in the suburbs. In the past decade business have relocated to the suburbs. For example, in Waukesha County the supply of jobs has nearly doubled since 1970, while during the same period jobs in Milwaukee increased by nine percent. A drop in manufacturing employment devastated Milwaukee's Inner City and left one of every four black workers officially unemployed. (White and Zipp, 1988)

Manufacturing employment in the Milwaukee metropolitan area is 20 percent less than it was in 1979. (Gunn, 1989) Many of the suburban jobs pay wages too low to be desirable to the residents of the suburbs, but these wage levels are more than satisfactory to impoverished residents of the city of Milwaukee.

Many Inner City residents do not have the means to get to jobs in the suburbs. The Milwaukee Transit System has few bus routes to the suburbs and, according to a study by the Milwaukee Urban League, 40 percent of Milwaukee's black

households have no automobiles. Obviously, if unemployed workers are to find jobs, they must have transportation to those jobs. (Milwaukee Urban League, 1988)

Another transportation consideration is the amount of time required for a resident of the Inner City to travel to a job in the suburbs. Under optimal conditions the commute is 45 minutes to an hour each way. The addition of as much as two hours in commuting time for a job that pays close to the minimum wage is a strong disincentive to work.

In a survey of Milwaukee welfare recipients by Sammis White (1988), it was found that ten percent said they felt hampered by lack of transportation; 24 percent say this lack sometimes interferes (it did not interfere if the job were accessible by bus); 15 percent said that it is an occasional problem. It can be concluded from this survey, therefore, that transportation is a major barrier to employment for only 10 percent of welfare recipients, with public transportation being the major variable.

In July of 1988 a program called Job Ride was established with a \$200,000 grant from the state. This money was used to subsidize Wisconsin Coach Lines' bus rides from the Inner City to Waukesha and to subsidize the cost of operating several vans to places of employment. The Milwaukee County Transit System has also proposed van routes to aid in this "reverse commuting," although they have not as yet implemented this program. (Faris, 1988)

Lack of well-paying jobs: The Milwaukee labor market has lost 50,000 manufacturing jobs since 1979, however total employment in the Milwaukee area is on the rise, with virtually all the growth in jobs being in the lower skill and lower pay trade and service jobs -- the type of jobs for which welfare recipients are suited. (White and Zipp, 1988)

According to White and Zipp (1988), service industries continue to dominate employment. In 1979 the metro-Milwaukee area had 1.9 service jobs for every manufacturing job. By 1983 the ratio had risen to 2.5 service jobs for every manufacturing job, and it has remained at that ratio since then. The new jobs are less likely to be unionized and more likely to rely on part-time workers to help hold down wage costs. In addition, the source of job growth is in small firms, as opposed to the trend toward growth in the large manufacturing firms of Milwaukee's earlier decades. (White, 1988)

The average annual wage in 1988 in Milwaukee's 10 highest growth industries in the service sector was \$16,225, compared with \$18,775 in the industries showing the greatest decline. Jobs in the 10 manufacturing industries with the largest growth here since 1979 paid, on average, \$8,000 less than those in the 10 manufacturing industries that have lost the most jobs in the same period. The 10 manufacturing industries with the greatest growth paid \$22,590 on average in 1986; the 10 with the greatest job loss paid \$30,592 (White, 1988).

While the overall 1988 unemployment rate in Milwaukee was 5.5 percent, the unemployment rates among minorities are much higher -- 26 percent for blacks, 11.4 percent for Hispanics and 13.5 percent for Native Americans. (Farris, 1988) These numbers do not take into account hidden factors, such as the numbers of illegal aliens and the numbers of people who have given-up in their search for jobs. Including these factors, the numbers of unemployed may be double (Farris, 1988).

Not only is it important that jobs be available, it is also important to know what wage scale welfare recipients would be willing to work for. Milwaukee's economy is an employers' market, as evidenced by the low scale of wages. Many fast food restaurants in the inner city still pay beginning workers close to the minimum wage of \$3.80 an hour, whereas on the East Coast, McDonald's starting wage is as high as \$6.50 an hour. In Boston, clerical workers can easily earn \$10 an hour, but in Milwaukee there is an excess of clerical workers.

It is essential that jobs pay enough so that welfare recipients can afford to take them. Of course the level of pay differs as people's needs differ, but considering all the costs -- transportation, child care, health care, meals on the job, wardrobes, motivational and opportunity costs -- the pay must be at a level high enough to compensate for these additional imputed expenses.

White's research team surveyed GA and AFDC recipients in 1985 to determine the minimum income they would require to

leave welfare. The mean income AFDC recipients with work experience desired was \$986 per month, after taxes. This figure varied dramatically when broken down by age of mother or by number of children. The average monthly take-home pay required by families ranged from a low of \$918 per month (\$7.39 per hour pre-tax) for a family with one child to \$1,139 per month for a family with four children. Mothers over the age of 40 who had small children at home said they would require \$1,856 take-home pay per month (\$13.91 per hour, pre-tax) to leave welfare.

General Assistance recipients, many of whom appear to have more work experience although not as much education as the AFDC mothers, said they were seeking jobs that paid an average of \$4 an hour, pre-tax. Many said they would work for the minimum wage (White, 1988).

Even at the \$3.80 an hour minimum wage, the income of approximately \$684 a month before taxes is much higher than the \$175 a month a single adult receives on General Assistance, even taking into account the fact that GA is not taxed. It would appear that a welfare recipient would have a monetary incentive to become employed.

The official poverty levels, by category, are higher than the income levels of welfare recipients within the same category. Workers who work full-time and year-round at the minimum wage, earning \$6,968, can escape poverty only if they have no dependents. Although the federal minimum wage will

soon be changing, it has remained at its \$3.35/hour level since 1981. The purchasing power of \$3.35 in 1981 is worth about \$2.50 in 1988 dollars, when adjusted for inflation. (U.S. Statistical Abstract, 1988)

The Evolution of Welfare Programs

Job programs of the 1960s

Under the Kennedy Administration, programs to alleviate poverty with a focus of jobs were initiated, namely the Manpower Development and Training Act of 1962 (MDTA) and the Job Corps, which Congress approved in 1964. Both programs were criticized for the following limitations:

- The MDTA tended to be successful with only the most highly motivated workers, who ultimately had a better chance of finding employment, whether or not they had participated in job training programs. Some of the neediest poor, such as unskilled people in rural areas, rarely had the opportunity to enroll in job training. The hard-core unemployed in urban ghettos often failed to get stable work, even after having completed job training programs. (Patterson, 1986)
- The dropout rate in the Job Corps program was about 33 percent. The program was also expensive, costing about \$7,500 per enrollee in 1965 dollars. However, Job Corps

director Otis Singletary refuted the criticism of high dropout rates. His argument was that all of the enrollees had already dropped out of high school, and even among privileged college students, half do not finish their studies. (Patterson, 1986)

-- Critics challenged the relevancy of the skills being taught in the training programs. Job Corps typically sent inner city youths to do conservation work in the countryside, which did little to give them skills that would be useful in the business community (Patterson, 1986).

Omnibus Budget Reconciliation Act (OBRA)

The Omnibus Budget Reconciliation Act of 1981 was an attempt by the Reagan Administration to reform welfare, in particular AFDC. OBRA eliminated the "thirty plus a third" rule by which welfare recipients, after four months of consecutive employment, were permitted to retain the first \$30 per month of earnings as well as one-third of the rest, without having those amounts subtracted from their benefits. In addition, OBRA cut monthly allowable deductions for work-related and child care expenditures.

OBRA also allowed state governments to require recipients of AFDC to work in assigned jobs or to actively search for regular jobs, as a condition to receiving benefits. This provision spawned a variety of state welfare employment

programs, ranging from work-for-benefit programs to comprehensive programs of education and training eventually leading to employment.

States have found that in implementing workfare programs it is necessary to not only determine welfare eligibility, but also recipients' education, work skills and day care requirements. In its first two years of implementation of workfare programs, California, for example, discovered that 60 percent of the participants required remedial education. The state had grossly underestimated this need, with its 20 percent estimate prior to beginning the workfare project (How to Make Workfare Work, 1988).

As a result of OBRA, many states have established state welfare employment programs. In his research, David A. Long (1988) showed a correlation between the per capita income of the state and the comprehensiveness of the program, particularly in regard to the training element. Those states with higher per capita incomes tended to implement what Long termed "integrated program functions" that provided training into their workfare programs. They also tended to combine training programs that had previously been handled by more than one agency under a single umbrella program.

As a direct result of OBRA, the sixteen states with the highest per capita incomes, eight (50 percent) established a "workfare" component; of the 17 states with mid-level per capita incomes, ten (59 percent) established a workfare

component; of the 17 states with the lowest per capita incomes, ten (59 percent) established a workfare component (Long, 1988). In other words, the establishment of a workfare component was independent of the state's per capita income.

Federal law generally exempts mothers of children younger than 6 years from work programs. In Wisconsin, however, at Gov. Tommy Thompson's request, the federal government has allowed the age limit to be reduced to 3 months. (Loftus, 1989) In practice this limit is not enforced, but Wisconsin mothers with children over the age of two are required to participate in workfare. However, mothers are not forced to participate in job training programs or to be employed unless they are able to place their children in certified or regulated child care programs.

Federal Family Support Act and Workfare

The Family Support Act of 1988 (FFSA) was designed in response to the growing recognition of the shortcomings of welfare. Its intent was to lessen the abuse created by the failure of absent parents to support their children and to connect welfare to work, easing the transition by extending child care and health care benefits.

The act's workfare provisions have been criticized as being more punitive than constructive, since most states could not provide access to jobs, let alone provide jobs that offer a wage sufficient to support a family. The extension of health

and child care benefits of FFSA is considered a plus, but had a major flaw in that the denial of these benefits occurred at a pre-determined time and had no correlation to the needs of the recipient.

Earned Income Tax Credit

The Earned Income Tax Credit (EITC), if generous enough, can discourage people from staying on welfare by giving them tax breaks for income earned in employment. It gives a tax credit based on family size and the age of the children. The current EITC, passed in 1988's deficit reduction bill, it gives significantly smaller tax incentives to the working poor than its designers had hoped for. A couple with four children -- two under the age of six -- and a \$14,000 annual income, for example, will receive only a \$1,615 tax break. For the benefit to work effectively as an alternative to welfare, the tax break should be more generous.

The EITC is an evolved form of the negative income tax proposed by conservative economist Milton Friedman, and first described in published form in his book, Capitalism and Freedom (1962). In Friedman's plan the poor would be subsidized in a program to be run by the Internal Revenue Service. They would be paid a subsidy equal to 50 percent of the difference between the sum of income and allowed tax exemptions and deductions. A family of four with no income and \$3,000 in exemptions and deductions might get 50 percent

of \$3,000 minus 0, or \$1,500 (half the poverty line used by the government at that time). A family of four earning \$1,000 and entitled to \$3,000 in deductions could get half of the difference, \$1,000. Its total income would be \$2,000 -- \$1,000 from income and \$1,000 from the government. The negative income tax was designed to encourage the incentive to work. Higher earnings would not be completely be offset by cuts in benefits. (Patterson, 1986)

Cashless Welfare System

In the summer of 1989 Milwaukee County Board members began looking into the possibility of a cashless welfare system. This would, if feasible, replace aid checks with vouchers, electronic benefits transfers or other mechanisms to help the recipients. Although this would not be an alternative to welfare, per se, it would make welfare a little less convenient and less easy to abuse, and in the long run might encourage recipients to opt for employment. Vouchers for housing could be used only for housing; vouchers for clothing could be used only for clothing, etc.

A system such as this will further restrict the freedom of choice of AFDC recipients. It will also encourage a cashless, barter economy, with people trading vouchers for other desired goods or services. It was proposed by the supervisors as a response to record-high child abuse and neglect cases in the county -- approximately 8,600 for 1989. A county study

indicated that 83 percent of the substantiated child abuse and neglect cases in the county involved AFDC families. The supervisors intended that the cashless would give greater assurance that AFDC grants would be used for what they see as their intended purpose -- the care and support of children in poverty (Hanley, 1989).

A federal rule now limits the length of time an AFDC recipient can be paid by voucher and a state law limits voucher payments to cases that have substantiated budget mismanagement (Hanley, 1989).

Work Relief Program

Participants in the Milwaukee County Work Relief Program, which required welfare recipients to work in exchange for welfare benefits, were polled in 1985 by White's research group. Only about half of the participants were optimistic that their participation in the program would lead to gainful employment. The reason cited for their pessimism was that the Work Relief jobs were only of the "make work" type and they did not help the participants develop marketable skills.

GA and AFDC participants, alike, said, when polled, that they would like to see the Work Relief Program upgraded to provide more real training and work experience relevant to jobs in the marketplace. (White, 1985)

SECTION 3
PROPOSED SOLUTION

The only real alternative to welfare is employment, but even employment is only a partial solution. For people to choose work as a preference over non-work, they must have the incentive to do so. Motivating factors for choosing work include:

- a meaningful job;
- the skills that enable them to perform the meaningful job;
- remuneration for work which would be higher than remuneration for non-work;
- assurance that dependents would be cared for, despite the absence of the employed provider;
- transportation to the job;
- assurance that their health needs will be met.

A non-profit organization in Milwaukee designed a pilot project which is intended to meet the above criteria. It is to be a experiment on a small scale, targeted at two areas within the city of Milwaukee that are representative of the welfare population of the city. Participation in the project will be voluntary. Participants will be guaranteed an income above the poverty level, and will have their health insurance, child care and transportation provided. An additional

proposal of the plan is to create a semi-monopoly on the pool of available workers so that the workers can have more power in negotiating wages and benefits. The project is to be principally funded privately, so that it can have the flexibility and so that it will be removed from the political arena.

Project Overview

Known as "The New Hope Project: The Milwaukee Jobs Commitment," this project is to be a three-year demonstration project, with the goal of "restoring work to its central place in the social contract," according to the written project summary. (New Hope, 1989)

The project is based on the assumption that poor people, given the chance to work, make a living wage and have access to needed child care and health insurance, will choose work over welfare and unemployment.

The project's central philosophical assumption is that people respond to structures that emphasize their inherent dignity and their right to be responsible for choices they make, of their own free will. It is also assumed that it is more cost-effective to provide employment rather than welfare.

If both these premises are true, according to the reasoning of the project designers, a state of equilibrium should be achieved in which:

--jobs will be provided because jobs are the most economically efficient method of getting people out of poverty

--people will want to work, when given the option of choosing between work and non-work

Background of the Sponsoring Organization

The original sponsoring organization of the welfare alternative was Congress for a Working America (CFWA). The Milwaukee Chapter of CFWA, one of nine in the United States, was established in Milwaukee in 1981. CFWA is a private, non-profit and non-partisan organization, with the goal of helping un-employed and under-employed people gain access to and retain family-sustaining jobs.

In the summer of 1988 CFWA-Milwaukee established a steering committee and an advisory committee to design a project which would be an alternative to welfare in Milwaukee County. Comprised of nearly sixty representatives of community-based organizations, religious organizations, organized labor and people who are directly affected by the problems of poverty, welfare and unemployment, these committees worked for a year to design an alternative to the cycle of poverty and welfare in Milwaukee County.

After the initial development of the project, it is the plan that it will be sponsored by the entire Milwaukee community under the auspices of the Greater Milwaukee

Committee. The project designers believe that one of the critical success factors for the project is that it have as wide as sponsorship as possible.

Pilot Project

The Milwaukee Jobs Commitment (MJC) is a pilot project involving only 600 people. The steering and advisory committees decided to take the pilot project approach, as a way of "test marketing" the idea. The pilot project will be funded, in large part, by grants from business and foundations, however it may reconsider some types of government funding. The designing committee preferred private funding over public funding and to limit the size of the pilot because:

- With a smaller group, variables are more easily controllable.
- It is easier to fund a smaller project than a larger project.
- Private funding removes the project from the uncertainties of the political process.

Project Design

The fundamental emphasis of the project is on jobs, which are voluntarily chosen. Project participants volunteer to participate. They will be given options, from which they can

choose what is best for themselves, making their own judgments about the relative value of incentives and work alternatives. The intent of the incentives structure is to encourage participants to achieve full-time, unsubsidized employment in the private sector.

This project represents a radical departure from traditional employment and training projects by emphasizing work before training and incorporating the exercise of choice within a framework of incentives.

The project will provide an incentive system of wage supplements, child care and health insurance. It will also link participants to existing resources within the community that can aid in giving the participants the skills for job retention and advancement.

The success of this project will be evaluated, both in terms of its effects on individuals and the cumulative effects of increased employment and higher income on the target neighborhoods.

Program Enrollment and Options

Each eligible person in the neighborhood will meet with a MJC staff person to select the various benefits and services that meet the individual's family's needs. The participant and the staff person will decide on a package from the following menu of options:

1. The Project will assist the participant in immediately

securing employment at the person's skill level. This will encompass a range of employment opportunities, including a job search on the open market, a daily position obtained through a staff job broker, or placement in a community service position. If the individual is already working but earning an income below poverty, a wage supplement will be provided.

2. The project will help to enroll the person's children in an appropriate day care facility so the person will be unencumbered by child care duties while working or looking for work.

3. The project will enroll the person and his or her dependents in a group health care program if the person's employer does not provide appropriate health care coverage.

4. The participant will receive from the project a wage supplement to bring the person's income above the poverty level for his or her family size.

5. A project staff person will refer the participant to existing programs in the community that can aid the person in job retention or skills development. This option would aid participants wanting to move up the job ladder or to jump to higher ladders of career development.

6. These supports will not be time-limited to 12 months. If an individual's income is below 200 percent of the poverty level for his or her family size, he or she will be eligible for supports. Subsidies will be structured so that they taper off as income approaches 200 percent of poverty. (See Tables

3.1, 3.2 and 3.3)

Table 3.1

Wage Supplement for Project Participants -- 2-person Family

First column: Participant's potential annual earnings
 Second column: Supplement provided by project
 Third column: Total income, including supplement
 Fourth column: Poverty line for family size (1988 dollars)
 Fifth column: Earned Income Tax Credit for participant (1989 dollars; does not include state EIC enacted in June, 1989)

| Earnings | Supplement | Income | Povline | Income v. Pov. | EITC |
|----------|------------|----------|---------|----------------|-------|
| \$0 | \$0 | \$0 | \$7,730 | (\$7,730) | \$0 |
| \$500 | \$99 | \$599 | \$7,730 | (\$7,131) | \$72 |
| \$1,000 | \$198 | \$1,198 | \$7,730 | (\$6,532) | \$142 |
| \$1,500 | \$297 | \$1,797 | \$7,730 | (\$5,933) | \$212 |
| \$2,000 | \$396 | \$2,396 | \$7,730 | (\$5,334) | \$282 |
| \$2,500 | \$495 | \$2,995 | \$7,730 | (\$4,735) | \$352 |
| \$3,000 | \$594 | \$3,594 | \$7,730 | (\$4,136) | \$422 |
| \$3,500 | \$693 | \$4,193 | \$7,730 | (\$3,537) | \$492 |
| \$4,000 | \$792 | \$4,792 | \$7,730 | (\$2,938) | \$562 |
| \$4,500 | \$891 | \$5,391 | \$7,730 | (\$2,339) | \$632 |
| \$5,000 | \$990 | \$5,990 | \$7,730 | (\$1,740) | \$702 |
| \$5,500 | \$1,089 | \$6,589 | \$7,730 | (\$1,141) | \$772 |
| \$6,000 | \$1,188 | \$7,188 | \$7,730 | (\$542) | \$843 |
| \$6,500 | \$1,230 | \$7,730 | \$7,730 | (\$0) | \$874 |
| \$7,000 | \$1,176 | \$8,176 | \$7,730 | (\$446) | \$874 |
| \$7,500 | \$1,092 | \$8,592 | \$7,730 | (\$862) | \$874 |
| \$8,000 | \$1,008 | \$9,008 | \$7,730 | (\$1,278) | \$874 |
| \$8,500 | \$924 | \$9,424 | \$7,730 | (\$1,694) | \$874 |
| \$9,000 | \$840 | \$9,840 | \$7,730 | (\$2,110) | \$874 |
| \$9,500 | \$756 | \$10,256 | \$7,730 | (\$2,526) | \$874 |
| \$10,000 | \$672 | \$10,672 | \$7,730 | (\$2,942) | \$833 |
| \$10,500 | \$588 | \$11,088 | \$7,730 | (\$3,358) | \$809 |
| \$11,000 | \$504 | \$11,504 | \$7,730 | (\$3,774) | \$757 |
| \$11,500 | \$420 | \$11,920 | \$7,730 | (\$4,190) | \$709 |
| \$12,000 | \$336 | \$12,336 | \$7,730 | (\$4,606) | \$637 |
| \$12,500 | \$252 | \$12,752 | \$7,730 | (\$5,022) | \$607 |
| \$13,000 | \$168 | \$13,168 | \$7,730 | (\$5,438) | \$559 |
| \$13,500 | \$84 | \$13,584 | \$7,730 | (\$5,854) | \$507 |
| \$14,000 | \$0 | \$14,000 | \$7,730 | (\$6,270) | \$437 |
| \$14,500 | \$0 | \$14,500 | \$7,730 | (\$6,770) | \$409 |
| \$15,000 | \$0 | \$15,000 | \$7,730 | (\$7,270) | \$337 |
| \$15,500 | \$0 | \$15,500 | \$7,730 | (\$7,770) | \$307 |

Table 3.2

Wage Supplement for Project Participant -- 3-person Family

First column: Participant's potential annual earnings
 Second column: Supplement provided by project
 Third column: Total income, including supplement
 Fourth column: Poverty line for family size (1988 dollars)
 Fifth column: Earned Income Tax Credit for participant (1989 dollars; does not include state EIC enacted in June, 1989)

| Earning | Supplement | Income | Povline | Income v. Pov. | EITC |
|----------|------------|----------|---------|----------------|-------|
| \$0 | \$0 | \$0 | \$9,690 | (\$9,690) | \$0 |
| \$500 | \$245 | \$745 | \$9,690 | (\$8,945) | \$72 |
| \$1,000 | \$490 | \$1,490 | \$9,690 | (\$8,200) | \$142 |
| \$1,500 | \$735 | \$2,235 | \$9,690 | (\$7,455) | \$212 |
| \$2,000 | \$980 | \$2,980 | \$9,690 | (\$6,710) | \$282 |
| \$2,500 | \$1,225 | \$3,725 | \$9,690 | (\$5,965) | \$352 |
| \$3,000 | \$1,470 | \$4,470 | \$9,690 | (\$5,220) | \$422 |
| \$3,500 | \$1,715 | \$5,215 | \$9,690 | (\$4,475) | \$492 |
| \$4,000 | \$1,960 | \$5,960 | \$9,690 | (\$3,730) | \$562 |
| \$4,500 | \$2,205 | \$6,705 | \$9,690 | (\$2,985) | \$632 |
| \$5,000 | \$2,450 | \$7,450 | \$9,690 | (\$2,240) | \$702 |
| \$5,500 | \$2,695 | \$8,195 | \$9,690 | (\$1,495) | \$772 |
| \$6,000 | \$2,940 | \$8,940 | \$9,690 | (\$750) | \$842 |
| \$6,500 | \$3,190 | \$9,690 | \$9,690 | (\$0) | \$874 |
| \$7,000 | \$3,045 | \$10,045 | \$9,690 | (\$355) | \$874 |
| \$7,500 | \$2,900 | \$10,400 | \$9,690 | (\$710) | \$874 |
| \$8,000 | \$2,755 | \$10,755 | \$9,690 | (\$1,065) | \$874 |
| \$8,500 | \$2,610 | \$11,110 | \$9,690 | (\$1,420) | \$874 |
| \$9,000 | \$2,465 | \$11,465 | \$9,690 | (\$1,775) | \$874 |
| \$9,500 | \$2,320 | \$11,920 | \$9,690 | (\$2,180) | \$874 |
| \$10,000 | \$2,175 | \$12,175 | \$9,690 | (\$2,485) | \$859 |
| \$10,500 | \$2,030 | \$12,530 | \$9,690 | (\$2,840) | \$809 |
| \$11,000 | \$1,885 | \$12,885 | \$9,690 | (\$3,195) | \$757 |
| \$11,500 | \$1,740 | \$13,240 | \$9,690 | (\$3,550) | \$709 |
| \$12,000 | \$1,595 | \$13,595 | \$9,690 | (\$3,905) | \$637 |
| \$12,500 | \$1,450 | \$13,950 | \$9,690 | (\$4,260) | \$607 |
| \$13,000 | \$1,305 | \$14,305 | \$9,690 | (\$4,615) | \$539 |
| \$13,500 | \$1,160 | \$14,660 | \$9,690 | (\$4,970) | \$507 |
| \$14,000 | \$1,015 | \$15,015 | \$9,690 | (\$5,325) | \$457 |
| \$14,500 | \$870 | \$15,370 | \$9,690 | (\$5,680) | \$409 |
| \$15,000 | \$725 | \$15,725 | \$9,690 | (\$6,035) | \$357 |
| \$15,500 | \$580 | \$16,080 | \$9,690 | (\$6,390) | \$307 |
| \$16,000 | \$435 | \$16,435 | \$9,690 | (\$6,745) | \$257 |
| \$16,500 | \$290 | \$16,790 | \$9,690 | (\$7,100) | \$207 |
| \$17,000 | \$145 | \$17,145 | \$9,690 | (\$7,455) | \$157 |
| \$17,500 | \$0 | \$17,500 | \$9,690 | (\$7,810) | \$107 |
| \$18,000 | \$0 | \$18,000 | \$9,690 | (\$8,310) | \$57 |
| \$18,500 | \$0 | \$18,500 | \$9,690 | (\$8,810) | \$7 |
| \$19,000 | \$0 | \$19,000 | \$9,690 | (\$9,310) | \$0 |

Table 3.3
Wage Supplement for Project Participant -- 4-person Family

First column: Participant's potential annual earnings
 Second column: Supplement provided by project
 Third column: Total income, including supplement
 Fourth column: Poverty line for family size (1988 dollars)
 Fifth column: Earned Income Tax Credit for participant (1989 dollars; does not include state EIC enacted in June, 1989)

| Earnings | Supplement | Income | *Povline | Income v. Pov. | **EITC |
|----------|------------|----------|----------|----------------|--------|
| \$0 | \$0 | \$0 | \$11,650 | (11,650) | \$0 |
| \$500 | \$396 | \$896 | \$11,650 | (10,754) | \$72 |
| \$1,000 | \$792 | \$1,792 | \$11,650 | (\$9,858) | \$142 |
| \$1,500 | \$1,188 | \$2,688 | \$11,650 | (\$8,962) | \$212 |
| \$2,000 | \$1,584 | \$3,584 | \$11,650 | (\$8,066) | \$282 |
| \$2,500 | \$1,980 | \$4,480 | \$11,650 | (\$7,170) | \$352 |
| \$3,000 | \$2,376 | \$5,376 | \$11,650 | (\$6,274) | \$422 |
| \$3,500 | \$2,772 | \$6,272 | \$11,650 | (\$5,378) | \$492 |
| \$4,000 | \$3,168 | \$7,168 | \$11,650 | (\$4,482) | \$562 |
| \$4,500 | \$3,564 | \$8,064 | \$11,650 | (\$3,586) | \$692 |
| \$5,000 | \$3,960 | \$8,960 | \$11,650 | (\$2,690) | \$702 |
| \$5,500 | \$4,356 | \$9,856 | \$11,650 | (\$1,794) | \$772 |
| \$6,000 | \$4,752 | \$10,752 | \$11,650 | (\$898) | \$842 |
| \$6,500 | \$5,150 | \$11,650 | \$11,650 | \$0 | \$874 |
| \$7,000 | \$4,922 | \$11,922 | \$11,650 | (\$272) | \$874 |
| \$7,500 | \$4,708 | \$12,208 | \$11,650 | (\$558) | \$874 |
| \$8,000 | \$4,494 | \$12,494 | \$11,650 | (\$844) | \$874 |
| \$8,500 | \$4,280 | \$12,780 | \$11,650 | (\$1,180) | \$874 |
| \$9,000 | \$4,066 | \$13,066 | \$11,650 | (\$1,416) | \$874 |
| \$9,500 | \$3,952 | \$13,352 | \$11,650 | (\$1,702) | \$874 |
| \$10,000 | \$3,638 | \$13,638 | \$11,650 | (\$1,988) | \$859 |
| \$10,500 | \$3,424 | \$13,924 | \$11,650 | (\$2,274) | \$809 |
| \$11,000 | \$3,210 | \$14,210 | \$11,650 | (\$2,560) | \$757 |
| \$11,500 | \$2,996 | \$14,496 | \$11,650 | (\$2,846) | \$709 |
| \$12,000 | \$2,782 | \$14,782 | \$11,650 | (\$3,132) | \$657 |
| \$12,500 | \$2,568 | \$15,068 | \$11,650 | (\$3,410) | \$607 |
| \$13,000 | \$2,354 | \$15,354 | \$11,650 | (\$3,704) | \$559 |
| \$13,500 | \$2,140 | \$15,640 | \$11,650 | (\$3,990) | \$507 |
| \$14,000 | \$1,926 | \$15,926 | \$11,650 | (\$4,276) | \$457 |
| \$14,500 | \$1,712 | \$16,212 | \$11,650 | (\$4,562) | \$409 |
| \$15,000 | \$1,498 | \$16,498 | \$11,650 | (\$4,848) | \$357 |
| \$15,500 | \$1,284 | \$16,784 | \$11,650 | (\$5,134) | \$307 |
| \$16,000 | \$1,070 | \$17,070 | \$11,650 | (\$5,420) | \$257 |
| \$16,500 | \$856 | \$17,356 | \$11,650 | (\$5,706) | \$207 |
| \$17,000 | \$642 | \$17,642 | \$11,650 | (\$5,992) | \$157 |
| \$17,500 | \$428 | \$17,928 | \$11,650 | (\$6,278) | \$107 |
| \$18,000 | \$214 | \$18,214 | \$11,650 | (\$6,564) | \$57 |
| \$18,500 | \$0 | \$18,500 | \$11,650 | (\$6,850) | \$7 |
| \$19,000 | \$0 | \$19,000 | \$11,650 | (\$7,350) | \$0 |

Exiting and Re-entering the Project

1. Participants in the project who lose a job in the private sector will immediately be offered community service work. No arbitrary limit will be placed on the numbers of times a person may seek another job.
2. Participants in the project will be encouraged to move to better paying jobs through the incentive inherent in the wage supplement formula. They will also be encouraged to pursue additional training, if they desire.
3. People may leave the project at any time. They will automatically graduate from the project when an unsubsidized job is secured.
4. As a participant's income increases, the cost of that person to the project will be reduced through decreased use of supplements and services.

Operational Components of the Project

Eligibility

MJC will focus on individuals over the age of 18. Eligibility will be based on the individual's or family's income being below the poverty line. If the family's income exceeds 200 percent of the official poverty level, the individual member of that family is ineligible to participate. Enrollment in the project will be totally voluntary. The voluntary component is most necessary, considering the central

tenet of the project's philosophy, namely that given the choice, the poor would chose the option of working for a reasonable wage over welfare.

Program Enrollment and Options

A) A participant has three options for employment: a permanent private sector job, a temporary, brokered job, or a semi-permanent job in a community service capacity.

B) Day care facilities will be provided for dependent children. Although these services will not be free, they will be greatly subsidized.

C) The project will enroll the worker and his/her dependents in a group health care program, if the employer has not provided that benefit.

D) The participant will receive from the project a wage supplement to bring the person's income above the poverty level for his/her family size. (See Tables 3.1, 3.2 and 3.3)

E) A project staff person will refer participants to existing programs within the community that can aid in job retention or skills development. Participation in these resource programs would be voluntary, but would be useful for those wishing to move up the ladder of career development.

Private Sector Placement

Milwaukee Jobs Commitment emphasizes private sector employment because it is from private sector employment that

people obtain the skills necessary to build long-term and financially rewarding careers. Private sector jobs in which the employees perform a marketable service in a competitive environment are the key to the perpetuation of jobs. Community service ("make-work" types of jobs) tend to evaporate when the funding evaporates, leaving their workers without anything.

It is the goal of the project to exploit existing employment opportunities rather than to create new jobs. If a need already exists and an unemployed person can fill that need, the employment process is more economical and efficient.

The project considers temporary jobs as a viable option, insofar as temporary jobs lead to permanent jobs. Ideally, project participants will find permanent employment on the open job market, and use the project for assistance in child care or health care or for help in breaking down any of the other disincentives to employment. (See Table 3.4)

Table 3.4

Milwaukee Jobs Commitment Career Ladder

| | |
|--|--|
| Professional/ Managerial Jobs | People seldom advance in a straight line. Individual support and education play a significant role in the potential for increased earnings and security. |
| Family-Sustaining Jobs | The MJC will use actual work experience as the context for an individual's decisions to seek training, further education or a different kind of job. |
| Permanent Jobs (entry level) With Training, Advancement | Not everyone will move up the rungs of a career ladder. For those who have the desire, MJC will have the capacity to support the motivation. |
| Permanent Jobs (low-paying) | |
| Temporary Jobs (low-paying) | |

Target Neighborhoods

The MJC pilot project will be targeted to two neighborhoods in Milwaukee, each having a high level of unemployment and welfare utilization. The neighborhoods have relative residential stability, racial and ethnic populations characteristic of the total group of poor in greater Milwaukee, and are conveniently located near community resources. It is important that the areas have residential stability so that the results can be accurately monitored over the three-year period.

Northside: The Northside target neighborhood is bounded by 32nd Street on the east, 40th on the west, Vliet on the south, and North Avenue on the north, and is within ZIP code 53208.

Southside: The Southside target neighborhood is bounded by Kinnickinnic Ave., 16th Street, Washington and Becher, and is within ZIP code 53204. The total population for the two neighborhoods is 29,456, with 15,129 people in the Northside neighborhood and 14,327 people in the Southside neighborhood.

Welfare utilization is high in each area, so the project designers considered them excellent testing grounds for testing the hypothesis that given the choice between productive work and welfare, the poor would prefer to work.

Table 4.5 details the number of welfare cases as of Nov. 9, 1988 by the corresponding target area ZIP codes. Welfare data is available by ZIP code only. Because the samples are

data is available by ZIP code only. Because the samples are smaller than the entire ZIP code areas, this data reflects greater welfare utilization than within the targeted areas.

Table 3.5

Welfare Utilization in Targeted Zip Code Areas

| <u>Zip Code</u> | <u>GA</u> | <u>AFDC</u> | <u>Food Stamps</u> | <u>Med. Assistance</u> |
|-----------------|-----------|-------------|--------------------|------------------------|
| Northside | | | | |
| 53208 | 810 | 4,254 | 5,433 | 4,927 |
| Southside | | | | |
| 53204 | 449 | 3,541 | 4,395 | 3,835 |
| ----- | | | | |
| Total | 1,259 | 7,795 | 9,828 | 8,762 |

"Brokering" of Jobs

The project is designed so that participants will be "brokered" for temporary jobs. If access to a large pool of employable workers can be limited, those that have access to these workers gain a degree of leverage. This semi-monopoly on the labor pool results in bidding up the wages and benefits employers are willing to give workers.

Currently, Milwaukee has 140 temporary employment agencies. The operation of these agencies works to the benefit of the agencies themselves and to the detriment of the workers. Because each agency competes with 139 others for the pool of

available jobs, the agencies have an incentive to offer workers at the lowest possible cost to the employer. If only a few agencies were in the business of finding jobs, the competition for jobs by agencies would be less, although the employers' demand for workers would be the same. Employers, then, would pay a higher wage and offer more benefits to workers.

Although, at first this component may appear naive, the key to its implementation is in the voluntary enrollment of workers with a particular agency. The incentive for them to enroll with the agency would be the greater personal benefit they would realize in so doing. If the increases in the compensation employers are willing to pay are passed on to the workers rather than to the job brokers, the workers will seek these more favorable brokers. If the supply of workers can be accessed through limited channels, the workers gain more leverage in negotiating favorable wages and benefits.

Community Service Jobs

Although the project emphasizes private sector employment, it is expected that many people will be unable initially to compete in the private labor market. It is also assumed that there are more workers available than there are jobs, and some jobs must be created to fill this shortfall.

Community service jobs will be designed to give workers marketable skills. They are intended to be a temporary first-

step on the way to private-sector employment. They will be available in non-profit organizations and co-ops. These jobs will generally pay less than private-sector jobs, so the workers will have a personal incentive to move to something more lucrative. The maximum length of any community-service job will be one year. The jobs must provide appropriate opportunities for the workers to learn marketable skills.

MJC will monitor the community service placements, to ascertain that appropriate jobs are being offered. Project participants who obtain these jobs will not supplant non-project workers or take jobs away from others. By doing so, the project would not be serving the greater good of the Milwaukee community.

The income for community service workers would come from the project, and would consist of two components -- a minimum wage plus a supplement. Community service jobs offer a limited earning potential; the incentive to move to a higher paying job would encourage workers to view these jobs as temporary.

The host organization will delineate the parameters of the job, however the project will monitor its quality and appropriateness. The host organizations and the project will develop "exchange" contracts identifying respective roles and responsibilities.

Wage Supplement

Most of the people in the target neighborhoods will only be able to obtain jobs which pay at or near the minimum wage. The minimum wage is not a sustaining wage, even if a person works full-time for 52 weeks a year. If working is to be a financially viable alternative to welfare, supplements are necessary.

MJC will offer supplements to all program participants. The supplements will be at a level so that the sum of wages paid plus the supplement will raise their gross level above the poverty line, if the participants work full-time and year-round. (Tables 3.1, 3.2 and 3.3)

Other goals of the wage supplement are to:

- Encourage the working poor to work full-time
- Encourage the working poor to seek and hold increasingly higher paying jobs
- Minimize the total cost of the wage supplement component itself.

Design of the supplement:

1. Wage supplements are based on a 40-hour week; 48-week year, to allow for holidays and vacation days, as are customary in the working environment. Part-time wages will be subsidized on a pro-rated basis.

2. Wage supplements will be provided in increasing increments up to earnings, matching 100 percent of the minimum wage. As the wage plus supplement approach the specified

dollar limit for the person's family size, the size of the supplement will decrease.

3. The disbursement of the supplement will be administered through a financial institution.

4. The Earned Income Tax Credit (EITC) will be utilized whenever possible as a means of reducing the project's cost for wage supplements. This is a state tax credit available to income-eligible persons with children.

5. Part-time workers will receive a pro-rated supplement, based on the number of hours they work.

Child Care

Lack of child care prevents many otherwise willing workers from accepting jobs. Its high cost and the inadequacy of childcare assistance programs such as Title XX are disincentives to getting jobs. MJC will incorporate a child care component into its design.

Assistance will be provided on a sliding scale, depending on the recipient's income. The parent will begin to be responsible for a co-payment portion of the cost, when his/her income equals or exceeds 25 percent of the difference between the minimum wage and the maximum wage supplement for the family's size. When a participant's income exceeds 200 percent of the poverty level, he/she will no longer be eligible for assistance.

Project participants may chose group day care or family day

care services, as long as the provider is licensed or certified. Payments for the child care will be made directly to the provider.

Currently about 75 percent of the 6,434 parents in the target neighborhoods have informal day care for their children, in a "latch key" type of arrangement with neighbors or relatives. About 22 percent of the children have a parent who is at home with them on a full-time basis (Milwaukee School Census, 1988). Only 3 percent of the children are in formal day care programs (United Way Day Care Study, 1988).

Health Insurance

It is also a belief of the project designers that people are entitled to health care, if needed. Because people receiving public assistance receive comprehensive health benefits, participants in the Milwaukee Jobs Commitment should have the same calibre of benefits if this study is to be appropriately designed. Health benefits comparable to those offered through Title XIX will be available for project participants. This is a high level of coverage and it includes office visits, hospitalization, dental care and prescription drugs.

Although the cost of health care is expensive, the project designers have opted to make it mandatory because illness, though seldom anticipated, may be even more costly than insurance. The project designers believe that especially

those people who are poor need insurance because they have no excess funds in reserves for protection in the event of illness.

Participation in the health insurance plan will be mandatory. Participants will pay a portion of the insurance costs on a sliding scale basis, similar to the scales used for the childcare component. A minimum co-payment for services will be required, (e.g. \$2 per prescription).

The project design assumes that 40 percent of the participants will not require health insurance through the project, because of employer health insurance programs.

Other Support Services

Milwaukee Jobs Commitment recognizes that project participants will need support services and access to further education and training. Well-developed services to serve these needs already exist in the Milwaukee community, which the MJC will utilize. It will create working relationships with a variety of groups and programs to provide assistance in:

- education
- training, such as on-the job training and apprenticeship programs
- mental health therapy or alcohol and drug counselling, if needed

MJC will have some internal job searching and retention

support groups which will be staffed by volunteers and staff members. Peer support groups will be encouraged.

Milwaukee Jobs Commitment will provide participants with information and referrals for existing community resources in education, training and social services. It will encourage continuing education and training by making participants aware of training and educational opportunities already available within the community.

A partial listing of Milwaukee organizations with whom Milwaukee Jobs Commitment intends to work includes: Career Youth Development, Carpenters Union, De Paul Clinics, Esperanza Unida, Interfaith Conference Mentor Program, ITT, Milwaukee Area Technical College, Milwaukee Public Schools, SER Jobs for Progress and the Social Development Commission.

Marketing Strategy

The marketing of the Milwaukee Jobs Commitment should consist of three phases:

- The preliminary phase
- The fund-raising phase
- The implementation phase

At each phase in the process, because the goals and the targeted market vary, the marketing strategy should also vary.

The Preliminary Phase

The marketing during this stage should be low-keyed and concentrate on "testing the waters" for support and interest. Press releases should be limited and should focus more on the problem of poverty rather than on the MJC project, per se. This approach is recommended because it is unknown whether MJC will indeed be operational. To say too much before the existence of the project is a certainty and before all the operational components are fully designed may result in a credibility problem. By educating the community to the problems of poverty and welfare, the ground will be more fertile in bringing the project to fruition.

This is a time to quietly gather support for the project by taking it to key community leaders in the political, business and religious arenas. If key community leaders can

feel as if they are a part of the project during its inception, they may have a vested interest in adopting it when it finally takes on a life of its own. The broader the base of support in this initial stage, the better the odds for success in the implementation phase.

Another part of the recommended strategy at this time is to send out feelers to foundations and benefactors, not with the intention of soliciting for money, but the stated purpose of asking for advice as to the criteria these groups use when selecting projects they wish to support.

Foundations generally make broad-based information available. Although this is useful, more specific, "insider" information should be solicited. By asking foundation directors for advice without asking for a commitment of funds, much useful information can be gleaned.

To continue in the information-gathering mode, it would be most useful to contact key people who have successfully implemented similar projects in other cities. By getting their input and learning from their successes and setbacks, MJC's odds of success will be better. This is the time to visit with as many key groups in other welfare alternative projects as possible, including the project participants as well as the project designers.

This is also a time to get input from perspective project participants in the Milwaukee community. By clearly understanding their needs and constraints upfront, the project

design can be more finely tuned.

The Fund-Raising Phase

This phase rapidly gets into full swing once the project has been designed. It is crucial to the success of the project that the people with the power to implement the project support it. This is a time to work strongly with the leaders in politics, business and religion. The politicians can effect change through legislation and public support; business can effect change through monetary support; the churches can effect change through mobilizing public opinion.

This is also the time to send proposals to philanthropic organizations. Without external funding, the project will fail.

This phase is characterized by hesitancy, concern and skepticism on the part of those in power to make MJC a reality. Before they commit themselves of the wisdom of supporting the project, they need to be convinced of its soundness and its potential to effect change. They also must the cost of the project is justified by the benefit the Milwaukee community will receive through project implementation.

The promotional strategy should focus on informing key people of the benefits of the project without any attempt at hard-sell. It should be implemented in this manner:

1. Television and radio talk-show programs should have spots with project designer and Milwaukee Budget Director David

Riemer his boss, Mayor John Norquist, and Howard Fuller. They should discuss the problems of poverty of the Milwaukee Jobs Commitment proposal.

2. Key community leaders and foundations should be sent articles describing similar projects in other cities. Included with these articles should be a letter from the mayor, endorsing the Milwaukee Jobs Commitment.
3. The press should receive the same packet of information.
4. Religious leaders in the target areas should be visited by steering committee members, who explain the project. The intent would be that the religious leaders would promote the project as "A New Hope" for the congregation.
5. During this informational phase, it is important that two-sided messages take place, i.e. those that are receiving the messages must be able to respond to them. Their questions and concerns must be first recognized and then addressed. Mailed press releases are informational and important, but can in no way supplant direct conversations, question/answer sessions or round-table discussions.

As of this writing, this phase is in progress. It is being implemented in this manner:

1. Mayor John Norquist has phoned key business CEOs in the Milwaukee area, briefly describing the project and asking them if they would invite a member of the steering committee to explain the project in a brief 10-minute

session. As the request has come from the mayor, all business leaders have consented to listen to the brief presentation. They have exhibited a conservative attitude toward the project, with each waiting to see what the others will do.

2. The Greater Milwaukee Committee held a joint meeting with the Milwaukee Council of Churches, during which the project was explained. The Greater Milwaukee Committee decided to further study the project. It has formed a committee to do so and to report back to the group at large.
3. Several national and local foundations have been contacted and they have expressed interest in the project. Proposals have been sent to them and key members of the steering committee have met with the foundations' decision makers.
4. All local, state and federal legislators who have constituency in the Milwaukee area have been visited by at least one member of the steering committee.
5. Howard Fuller of the Department of Social Services has given his philosophical support to the project.
6. A key leader in the Milwaukee business community, Kenneth R. Willis, president of Time Insurance Company was appointed chairman of The Greater Milwaukee Committee's task force studying the project. Willis and Time Insurance have a strong vested interest in building the labor force in the city of Milwaukee. Because of rapid expansion, Time has hired 500 new employees in the past two years. They

experienced difficulty in finding enough qualified people. Willis, therefore, has a strong vested interest in seeing this project become successful.

The Implementation Phase

This phase has goals that are quite distinct from the other two phases. In the end, the success of the project is dependent on the ability of the participants to rise from poverty. Marketing can be effective in helping to achieve that goal by developing a metro-wide campaign to find jobs.

Ideally, the Milwaukee Jobs Commitment will have been adopted by the key organization of business leaders, The Greater Milwaukee Committee. This group will be able to identify existing employment opportunities and will have a vested interest in seeing that the project is successful. The long run benefit to Milwaukee's business community, if the project is successful, is larger and higher calibre pool of workers from which to choose.

If the business community feels some ownership of the project, it will feel a corresponding commitment to its success. Therefore, the involvement of the Greater Milwaukee Committee is a key element in the success of the project.

During the implementation phase, participants will be offered help in job placement through existing private and public agencies. Select Staff, which is a temporary help agency affiliated with the Congress for Working America, will

be a key agency in placing project participants in jobs.

The project will target some of its funds to incentive-based contracts with outside placement agencies. The dollar amounts will be based on two factors -- permanent placements that endure beyond four months and on the wage and benefit levels of the jobs secured. The better quality jobs will produce higher remuneration for the agencies.

Additionally, the marketing strategy during the implementation phase should:

1. Stress the positive aspects for employers in hiring participants, such as the motivation of the workers, the good of the Milwaukee community and the support network that will help to keep the workers motivated.
2. Make employers aware of the possible tax breaks, through the targeted-jobs tax credit, which gives employers up to \$2,400 for hiring a young, disadvantaged worker.
3. When working with project participants, it is important that they are motivated to work. Their continued participation in the work force is the central tenet of the project, namely that jobs are preferred to welfare. Therefore, it is most important that project participants are motivated to work.

Ancillary marketing material should be available for project participants which stresses critical success factors, such as motivation, good working habits, attendance at the job, etc.

Because the routine of daily work may be more demanding than the accustomed freedom of lifestyle for welfare recipients, project participants need to keep motivated and they need the support of family members and peer groups. Group meetings or social gatherings which include family members will help to foster support. If participants or their families need more personal advice, counselors should be available.

Marketing within the implementation phase should also be directed to community organizations within the target neighborhoods. The neighborhood organizations and churches should be well-informed of the goals of the project and of the good the project is doing for the community. Community organizations and churches can be a strong factor in reinforcing the goals of the project.

The media promotion of the project during the implementation phase should consist of press releases with feature articles on personal success stories from participants' viewpoints and employers' viewpoints as well as data that shows the financial benefits of the project. Project directors should be available for TV or radio talk shows.

The mayor, legislators and key business people should "talk-up" the project. Their enthusiasm may carry over to the community at large.

Table 3.6

THE FIRST YEAR BUDGET *

Project Administration

| Project Staff | Cost |
|----------------------------------|---------------|
| Director | \$ 30,000 |
| Financial Manager | 25,000 |
| Pvt. Placement Coordinator (2) | 48,000 |
| Community Service Developer | 24,000 |
| Comm. Service Crew Leaders (2) | 48,000 |
| Clerical (2) | <u>34,000</u> |
| Sub-total Project Staff | \$ 209,000 |
| Fringe Benefits | 69,650 |
| Outside Placement Fees | 65,000 |
| Site Preparation (2 offices) | 15,000 |
| Operating Expenses | 50,000 |
| Miscellaneous (petty cash, etc.) | <u>2,000</u> |
| Total Project Administration | \$ 410,650 |

Program Costs

| | |
|-----------------------------|------------|
| Wage Supplement | \$ 687,380 |
| Community Job Program Costs | 1,148,440 |
| Child Care | 1,292,394 |
| Health Care | 1,036,800 |

**Evaluation 100,000

Total Costs of Project, first year \$ 4,675,664

*The budget would be the same for each of the three years.

**Evaluation is required by the donor foundations. This is the recommended cost set by them.

Budget Narrative

If the proposed 600 workers participate in Milwaukee Jobs Commitment, the average first-year cost for each participant will be \$7,793. The explanation for costs in each category follows:

Project Administration

Project Staff:

Director -- Responsible for the administration of the ~~project~~

Financial Manager --Responsible for all internal financial matters and management of benefits

Placement Managers -- Work with participants, helping them with job search, benefits, referrals for education and training, etc.

Community Service Developer -- Negotiates community service placements among non-profit organizations and workers

Community Service Crew Leaders -- Coordinate jobs within neighborhood and work crews' shorter-term projects

Clerical -- One clerical worker for each site

Fringe Benefits -- Based on 35 percent of the projected income of staff

Incentive-based Outside Placement Fees -- Performance-based to organizations that place individuals in permanent jobs.

Fees will be scaled according to pay level of placement, i.e. the higher the wage, the higher the fee.

Site Preparation Costs -- \$15,000 for two sites, to cover office set-up and equipment

Operating Expenses -- Costs of operating offices, including rental, supplies, phone, etc. and cost of liability insurance for staff and board

Miscellaneous -- Petty cash, contingency fund for bus tickets, etc.

Program Costs:

Wage Supplement -- Needed to bring the 600 participants' income to a level that is above poverty

Community Job Costs -- Salaries needed to pay the base wages of an estimated 170 workers participating in the community service jobs, and insurance and vehicle costs for neighborhood crews. The estimate of 170 is based on the assumption that the real unemployment rate for the target areas averages 30 percent.

Child Care -- Needed to cover the projects' portion of child care costs, and based on a 70 percent rate of family participation

Health Care -- Needed to pay the project's portion of a comprehensive health care plan, and based on 60 percent participation of families (those not covered through employers' plans)

Project Evaluation -- This is required by the donor

foundations. This section is based on input and recommendations received from them:

The primary criteria for measuring the success of Milwaukee Jobs Commitment is the evidence of public policy changes that have a positive effect on poverty. These changes may not be directly traceable to the project, per se, but they will be evidence of a change in the public attitude toward poverty. This change in attitude is one of the primary goals of the project.

The project evaluation will focus on the changes in individuals and in the target neighborhoods.

The Individual:

Information on each of the 600 participants will be maintained throughout the three-year demonstration period, so that the progress of each individual can be tracked over time. Critical components of the evaluation of participant outcomes will include:

- Changes in employment status and wage and supplement rates at six-month intervals
- Career and earnings mobility
- Degree to which participants stay on the work track versus the welfare track.

The Neighborhoods:

The evaluation will examine the effect of higher employment

of the two target neighborhoods, by looking at the following indicators:

--Changes in welfare utilization

--Changes in indicators reflecting quality of life, such as crime, delinquency and residential stability

--Changes in aggregate income for the neighborhood

--Rate at which neighborhood residents join the project versus the attrition rate

It will be easier to assess the impact of the project on individuals rather than on the community. This is because changes in an area will occur more slowly during the three-year time frame.

SECTION 4
ALTERNATIVE PROGRAMS

In Wisconsin

Federal Waiver of Funds

As this solution is being proposed, other welfare alternatives are also being implemented in the state. These are at the encouragement of the federal government that is matching in a 50/50 arrangement proposed and government-sanctioned alternatives to traditional welfare programs. As of April of 1990, \$95 million of federal dollars was available to welfare alternative programs within the state of Wisconsin. Currently these funds, known as the Federal Waiver Savings, are available only to programs that are already working within the existing welfare program, such as state, county, Job Service JOBS agencies and Native American tribal agencies. The programs must have a job element that can make it possible for people to get out of the welfare cycle. The fact that these funds are being made available supports the idea that the federal government does not see the current welfare system as the ultimate answer to the pervasive problem of poverty.

Building Employment Skills Today (BEST)

BEST is a comprehensive package of programs designed to help people receiving welfare break the cycle of welfare dependency by building employment skills. It is an umbrella program consisting of various programs that give welfare recipients education and job training, assistance in the job search and job placement, work experience in community jobs, child care health care and child support. Among the programs under BEST's umbrella are:

-- Community Work Experience Program (CWEP): a program intended for those who lack job skills; CWEP provides unsubsidized employment in the public sector.

-- Work Experience and Job Training Program (WEJT): a program that helps with job search and placement, education and skills training and community work experience; WEJT now operates in 26 counties in Wisconsin and will soon be serving approximately 19,000 welfare recipients annually.

-- Work Supplementation Program (WSP): an on-the-job training program that provides a subsidy to employers to hire job-ready welfare recipients as full-time employees; applicants are carefully screened; if it is determined they possess the necessary job skills they are presented to employers, who make the hiring decisions.

-- Employment Search Program (ESP): a program that helps with job search skills and interviewing techniques; targeted to AFDC recipients who are "job ready."

-- Food Stamp Employment and Training Program: another program that emphasizes the development of job skills having a work experience component at non-profit work sites and educational and vocational training sites.

-- Child Care: the state provides a subsidy for child care for those who leave welfare and become employed.

-- Health Care: Families who get off AFDC are permitted to continue receiving medical assistance for a year after their AFDC benefits have expired. Wisconsin is also piloting a state health insurance program for those who do not have medical insurance and are not otherwise eligible for medical assistance.

In addition to these targeted programs, Wisconsin also allows the \$30 + 1/3 Earned Income Disregard to continue for 12 months after an AFDC recipient becomes employed. This, in effect, allows the person to continue to receive a portion of the AFDC benefit for a year after becoming employed.

Children's Income Security Supplement

One program that received statewide press coverage recently is state assembly speaker Tom Loftus' Children's Income Security Supplement. Operational only in Oneida County, this is a program that combines child support and a child support supplement, a work expense offset and health insurance for dependent children in a package of benefits for poor working mothers. These benefits gradually decrease as the employment

income increases. They end completely when the mother is earning an annual income of \$16,000.

Loftus sees his plan as a "laboratory" to test the feasibility of ending welfare throughout the state. This is very similar to the approach taken by the Milwaukee Jobs Commitment. In fact, Loftus developed his plan after studying the proposals of the Milwaukee Jobs Commitment. Key to both plans is employment is the alternative to welfare. He has ruled out Milwaukee County as a testing ground for the project, as has Milwaukee County Executive David Schulz. Schulz said he was not sure Milwaukee County would be a good testing ground for Loftus' program because of the size of the county's welfare rolls. Since the Children's Income Security Supplement has been operational only since January, 1990, it is too early to measure the results.

Next Door Foundation

The Next Door Foundation, funded by the United Way, is working to involve 650 youths and young adults in a three-year project in employability skills training, job placement and career counseling. It is the goal of the foundation to develop a working partnership with the Milwaukee business community, which, it projects, will result in employment opportunities for 450 young adults, ages 17 to 25.

Although both the above programs are indeed worthy, they address only part of the problem. The true solution must

address the total problem of poverty, not only for those areas of the state that have more employable residents nor for only younger people who may or may not have a family to support.

In Other States

Project Chance -- Illinois

Nearly 132,000 clients found jobs through Illinois's Project Chance's in its first three years of operation, however the program has not been considered entirely successful. In the 12-month period that ended June 30, 1988, 53,752 poor people throughout the state of Illinois found jobs, at a price tag of \$433.3 million (Reardon & Silverman, 1988). This equates to a cost per job of \$8,061.

Although 53,752 seems to be a sizeable number of jobs, this number represents jobs throughout the entire state. The number of poor in Cook County alone was estimated to number 754,000 in 1984 (Kallenback and Lyons, 1986).

Inner-city black Chicagoans with inadequate education and little work experience have not been able to find jobs, despite the \$433.3-million-a-year price tag for Project Chance. Most of those who did find employment through the project were people who would have an easier opportunity to find employment, with or without Project Chance, because of their skills and motivation. These were principally down-state Whites with good job skills. Only one-third of the

Blacks comprised 72 percent of the program's caseload (Reardon and Silverman, 1988).

Project Chance administrator Randale R. Valenti acknowledges that the problem of finding jobs for hard-core unemployed has not been solved. However he said that the program has been successful in teaching people skills and getting them to believe that they sometime may eventually get out of the welfare system. He said he sees Project Chance as a "process" rather than a "product." With Project Chance the "process " of getting people of a system of self-perpetuating welfare has begun, according to Valenti (Reardon and Silverman, 1988).

Greater Advantages for Independence (GAIN) -- California

This program, which was begun by San Francisco's mayor Art Agnos also has had mixed success. It has a budget of \$209 million a year, half of which is spent on education. A major criticism of the program is that by design it has disincentives for people getting off welfare. For example, if an AFDC mother obtains a grant to participate in the program, her child care benefits will be reduced. As a result, welfare recipients have a disincentive to participate (Walsh, 1988).

Another criticism of GAIN is that, even after participating in the education facet of the program, most AFDC clients cannot find jobs that pay them wages to at a sufficient level

cannot find jobs that pay them wages to at a sufficient level to compensate for their lost welfare benefits. As a result, welfare recipients prefer to remain on welfare rather than to accept low-paying jobs (Walsh, 1988).

San Diego Project

From July 1985 through June 1987, San Diego operated a pilot project involving 10,500 of the most disadvantaged welfare recipients. Participants included 8,000 welfare recipients; 2,500 were kept out of the project, as a control group. Fewer than half of those who were eligible actually did participate in any given month.

The project was monitored by the Manpower Demonstration Research Corporation of New York, a nonprofit social science research organization. It found that 46 percent of those in the project secured jobs, as did 36 percent of those in the comparison group. Those in the program earned, on average, 22 percent more than those not in the project. Welfare payments dropped 8 percent to participants. At project end, 65.8 percent of the participants were still receiving welfare payments, as were 72.4 percent of the control group. The study concluded that this program was not a "quick fix" for poverty (Stevens, 1988).

The Manpower Demonstration Research Corporation also studied similar projects in California, Maryland, Illinois, Arkansas, Maine, New Jersey, Virginia and West Virginia. It

job-search feature, paid for themselves (Stevens, 1988).

Employment and Training Choices (ET) -- Massachusetts

This program began in 1983 as a voluntary program. Seventy percent of the original participants are still employed and the program has a waiting list of AFDC recipients. Half of ET's \$84 million annual budget is spent on child care. In 1988, ET spent \$5,305 per job placement, which is contrasted to the \$1,794 expended per placement in the first year of the project. Massachusetts has the lowest unemployment rate in the country -- 3 percent, so it has a high demand for all workers. This, in great part, contributes to the success of ET, which is considered the most successful welfare alternative in the country. Starting annual wages for ET participants average near \$13,500. When a 1986 study found that low wages pushed 43 percent of ET's participants back into welfare, a wage floor was established, requiring employers to pay ET participants at least \$6.00 an hour (Walsh, 1988). In Massachusetts the minimum wage is \$5.50 an hour.

ET also has a training component, so that participants can, if needed, acquire the skills necessary to be successfully employed. The average classroom training costs for an ET participant are \$3,500. The average cost for ET participants for On the Job Training is \$2,700. (Cherry and Goldberg, 1988)

SECTION 5**CONCLUSION**

Is the Milwaukee Jobs Commitment a viable solution to the problem of poverty in Milwaukee? Simply stated, the only real solution to poverty is income. So, in that respect, a program that provides income to those on poverty is a solution to poverty. The real test is in the manner in which that income is provided. Income which is earned in exchange for labor is preferable to income which is merely distributed in a cash transfer.

Cash transfers are neither equitable nor efficient. They are inequitable in that it is not just for one person to get money, merely by virtue of membership in the human race, while another person must labor at a job that is often tiring and difficult so that he too can acquire money.

Likewise, cash transfers are inefficient, in that they rob people of their incentive to work. Even those who are productive members of the labor force feel a disincentive to work, when they see that others are given the same amount of money for doing, essentially, nothing productive.

Another factor contributing to the inefficiency of cash transfers is the cost involved in administering the transfer. With the additional bureaucracy and paper-work, the actual cost can be greater by as much as twenty percent than the amount of the transfer.

Philosophically, Milwaukee Jobs Commitment is a sound idea. Any solution that attempts to make an individual self-supporting is preferable to a welfare system that keeps people dependent on doles for their livelihood. Operationally, the various components of the project merit scrutiny:

The Voluntary Element

The voluntary element of the project is one of its strengths. By having only those participants who wish to work, many of the costs incurred in finding jobs for hard-core unemployed will be eliminated. Women with young children often prefer not to be employed. Cherry and Goldberg (1988) found that of married women with children from 0 to 6 years of age only 23 percent worked more than 1500 hours a year. Of married women who have children from 6 to 18 years, 37 percent work more than 1500 hours a year. If married women with children prefer part-time jobs to full-time jobs, it follows that AFDC recipients might also have a preference to either not work or to not work full time.

The fact that the Milwaukee Jobs Commitment mirrors the job marketplace is also one of its strengths. This program is not targeted to a select few who meet limited criteria. The only criteria are that the participant is poor and is willing to participate. The non-selectivity of criteria reflect the workplace as a whole, and thus replicates the job market.

The subsidy

To achieve maximum efficiency and to be assured that those who are currently working at low-wage jobs in the private sector have an incentive to continue working, it is important that the wage that private-sector workers achieve is greater than the wage received by those in community-service jobs, created by the government or by community organizations. The cash transfers, community service jobs and wage supplements must be designed in such a way that:

- work is always encouraged
- more work is always encouraged
- work at higher paying jobs is always encouraged
- work in the private sector is encouraged
- married family life, in contrast to AFDC, is not penalized.

This type of subsidy has been designed into the Milwaukee Jobs Commitment.

The ET program in Massachusetts requires employers to pay participants at least \$6 an hour. Massachusetts is able to set such a high wage because of the low unemployment rate in the state. In Milwaukee, on the other hand, where the unemployment rate for minorities is estimated to be about 30 percent, employers have no economic incentive to pay a wage much higher than the minimum, unless they cannot find workers.

In the short run, Milwaukee Jobs Commitment can subsidize workers who earn minimum wage so that they earn enough to have a sustainable income above poverty. In the long run, however, the consequences become more complex.

In essence, a subsidy to minimum wage workers results in a raising of the level of the minimum wage. However, when a subsidy is paid by a third party, a shifting occurs, in which those who hire the workers have less of an economic interest in efficiency in the workplace, as they are paying for only a portion of the cost of the labor. Therefore, subsidized employment does not truly reflect the typical operations in a non-subsidized marketplace.

The subsidy also results in fewer jobs being available for another sector of the economy, namely those who are working, not with the intent of making a living, but who merely want to augment the family's income or have a part-time job, while pursuing other primary goals, such as attending school.

As long as there are fewer jobs available than there are people to fill those jobs, subsidized employment will continue to create inefficiencies and artificial shortages in the job marketplace. It follows, therefore, that the only real solution is to increase the number of jobs. However, jobs are not created through government subsidies. They come about through a robust economy and through an entrepreneurial business climate.

Marginal workers lug down this type of dynamic business

climate and, as previously explained, the subsidy does not encourage efficiency and tends to perpetuate workers with marginal performance.

If Milwaukee Jobs Commitment becomes "grandfathered" by the Milwaukee business community through the Greater Milwaukee Committee, it will be a big plus for the project. Fundamental to the success of the project is the availability of jobs. These jobs must be provided by the Milwaukee business community and the key organ of that community is the Greater Milwaukee Committee. Community service jobs, although they are preferable to no jobs at all, will not solve the problem, for they are not fueled by the supply and demand curve of the economy. They are merely "make-work" jobs.

Marginal workers

In examining Project Chance in Chicago, ET in Massachusetts and the San Diego Project, it is apparent that the major consideration of any project must be the problem of the hard-core unemployed. If the success of the project is judged merely in terms of how many people were placed in jobs, the analysis will be superficial, at best. The tough analysis of the success of the project has to consider how many people who are difficult to employ found jobs and kept jobs.

The initial cash outlay per job placement in the ET project was \$1,794. This was the expenditure for the easy-to-place

workers. Five years later, when most of the easy-to-place workers had already found jobs, the cash outlay per job placement was \$5,305 per worker. In Illinois' Project Chance the average cost per job placement was \$8,061. The proposed costs for Milwaukee Jobs Commitment would be close to the Illinois price tag at \$7,793 per person.

Although ET's cost is less, the second part to the ET scenario is that each worker had to make at least \$6 an hour plus benefits. This brings the total cost of wages and benefits to over \$8.00 an hour for each person employed.

Despite these large cash outlays, all of the welfare projects cited earlier still were not able to place the hard-core unemployed. The Milwaukee Jobs Commitment will be no different. Easy-to-place workers that have job-entry skills may be able to find jobs. The illiterate and unskilled will not be served by the project.

It is important that decision-makers realize this caveat. The Milwaukee Jobs Commitment is an attempt to provide jobs of adequate income to those who are willing and able to work. Its intent is to take this upper level of welfare recipients off the welfare dole. The Milwaukee Jobs Commitment does not address the problem of the hard-core unemployed.

Training

Milwaukee Jobs Commitment has only a minimal commitment to

training of workers. This reflects the previously mentioned design of the program, in that it is finding jobs for only those who are most employable. As pointed out earlier, ET expended an average of \$3,500 per participant for those who needed classroom training and \$2,700 per participant for on-the-job training.

The Milwaukee community many find that a continuation of the current system of welfare may be more cost-effective in dealing with the unemployable, i.e. those who cannot find jobs because their skill levels are so minimal or those who simply do not want to work.

If Milwaukee Jobs Commitment were to become norm for the Milwaukee community, rather than to be limited to a pilot project, the voluntary aspect of the program would be subject to debate. The Milwaukee community would have to decide at that time whether it would be willing to make the level of commitment to the poor to solve the deep-seeded problems of unemployment.

Milwaukee may decide to maintain a dual system -- one which offers both a welfare system and a jobs program. The design of such a system must be such that welfare recipients receive substantially less than workers, so that those who simply receive cash transfers will have an economic motivation to get off welfare and to become employed.

Income Deficit

In dollars and cents, taking into account nothing more than money, the cost of eliminating poverty is substantially reduced. The Census Bureau has devised for determining only the dollar cost, the "income deficit."

"Income deficit is the difference between the total income of families and unrelated individuals below the poverty level, and their respective poverty thresholds. In computing the income deficit, families reporting a net income loss are assigned zero dollars and for such cases the deficit is equal to the poverty threshold. The measure provides an estimate of the amount which would be required to raise the incomes of all poor families and unrelated individuals to their respective poverty thresholds. The income deficit is thus a measure of the degree of impoverishment of a family or unrelated individual. "

In 1985 the income deficit, according to the Census Bureau \$46.169 billion. Poor people nationwide represented 14 percent of the population or 33,100,000. The per person cost to get out of poverty in 1985 would have been only \$1,394. It is determined by dividing the number of poor people by the aggregate income deficit.

In contrast, under our current system of welfare, the expenditures per poor person in Milwaukee County in 1988 were \$ 8,795. The budgeted cost for the Milwaukee Jobs Commitment will be \$7,793 per person. Although either program is very expensive when contrasted to the income deficit, Milwaukee Jobs Commitment will be \$1,000 less per participant than the current welfare program.

However, even if the costs were equal, a program which would take people off welfare, giving them the opportunity to work and the cash incentive to do so, if they desire, is certainly more cost effective than the current system of welfare, for reasons outlined previously.

Reasons for Choosing Not to Work

The decision not to work is often freely made. Many times the lack of jobs is not the determinant for people not to work. Unemployment is often a voluntary choice in that many job seekers, both on and off welfare, refuse to take some available jobs for merely personal reasons. For example, the jobs may not pay enough or they may not be palatable to the unemployed person. Lawrence Mead (1987) found that nationwide only 40 percent of adults who work less than full-time give inability to find a job as the main reason, and only 11 percent of those not working at all do so.

This information points out an important consideration in the evaluation and design of any type of voluntary job program. If jobs are to be an alternative to welfare, those jobs must have two components, namely they must pay enough and they must be acceptable to the job-seeker. The Milwaukee Jobs Commitment does not address the second criteria, that of acceptability.

Tax Savings

In 1988 David Long published a study of the budgetary impacts of four welfare employment programs as relating to savings in government spending. He analyzed a five-year period in which workfare programs were operable in four areas of the country -- San Diego, Baltimore, Arkansas and Virginia.

The San Diego program included mandatory job-search and work experience for AFDC applicants. The Baltimore provided job-search assistance, work experience, education and/or training to AFDC applicants and recipients, in which participation in at least one component was required. The Arkansas program required job-search for all AFDC applicants and recipients, and assigned some individuals to work experience. The Virginia program provided mandatory job-search assistance for AFDC applicants and recipients, followed by work experience, education or training (for some).

Table 5.1, compiled by Long, lists budget impacts of the four programs on government spending. The Table includes estimated impacts per enrollee over five years. Long chose the five-year period so that some of the extraordinary costs, such as start-up costs and lags in disqualifications for subsidies, would be averaged into the results.

Table 5.1
Governmental Budget Impacts per Welfare Employment Enrollee
Over a Five-Year Period

| Budget Impacts | <u>Levels of Government</u> | | |
|----------------------------|-----------------------------|---------------|-------|
| | Federal | State & Local | Total |
| San Diego | | | |
| Increased tax payments | \$474 | \$46 | \$520 |
| Reduced use of AFDC | 414 | 416 | 830 |
| Reduced use other programs | 355 | 88 | 443 |
| Program costs | -462 | -201 | -663 |
| Net budget impact | 781 | 349 | 1130 |
| Baltimore | | | |
| Increased tax payments | 241 | 60 | 300 |
| Reduced use of AFDC | 56 | 56 | 111 |
| Reduced use other programs | 351 | 37 | 388 |
| Program costs | -696 | -342 | -1038 |
| Net budget impact | -48 | -189 | -238 |
| Arkansas | | | |
| Increased tax payments | 57 | 10 | 67 |
| Reduced use of AFDC | 407 | 246 | 653 |
| Reduced use other programs | 117 | 27 | 144 |
| Program costs | -146 | -12 | -158 |
| Net budget impact | 435 | 271 | 709 |
| Virginia | | | |
| Increased tax payments | 200 | 17 | 216 |
| Reduced use of AFDC | 164 | 161 | 325 |
| Reduced use other programs | 72 | 93 | 115 |
| Program costs | -335 | -95 | -430 |
| Net budget impact | 101 | 126 | 226 |

Note: Because of rounding, detail may not sum to totals.
 Local governments include county and city governments.

New Hope Project Task Force Report

On July 9, 1990, Kenneth Willis issued the Greater Milwaukee Committee's Task Force Report regarding the Milwaukee Jobs Commitment. The task force, which began in October, 1989, was formed to study the feasibility of the project.

The task force did endorse the Milwaukee Jobs Commitment project. On the advice of Professor Robert Haveman of the LaFollette Institute at the University of Wisconsin-Madison, the task force recommended a rigorous evaluation component be structured into the design of the project. It recommended that \$1 million be budgeted over the three-year duration of the project to be used solely for this evaluation.

Following are the specific recommendations of the task force regarding the evaluation process. They are excerpted from the "New Hope Project Task Force Report" (1990).

"The two neighborhoods will be studied to identify eligible and ineligible residents (based on income and age). The eligible groups will be divided into two parts: participants and control groups. Next, characteristics will be identified to ensure that the eligible group is representative of the number and variety of the unemployed and working poor in the area. This will allow the project to randomly select and match like people from the participant group with persons from the control group. Evaluation is a key ingredient to the success of this project. It must be properly designed in order to permit appropriate findings that will be viewed as objectives by the academic community. We will not know true results of the New Hope Project without a carefully organized and randomly selected target population that permits appropriate evaluation. The evaluation will look at changes in individuals' income, welfare status, and work status. Measures will include:

-- whether there has been substantial increase in income;

- whether the length of time on job has improved over three years;
- and whether the amount of subsidy required has decreased. Proposed numbers that would signify success would include reducing welfare usage by 33% compared to the control group, while increasing income above poverty (without subsidy) by 50% over the control group.

Only the most tentative design can be suggested at this time, pending finalization of the project design. Below are some suggested features of such a design:

First, it may be prudent to forego any hope of measuring community effects in any rigorous way. The migration problems, the small magnitude of the experiment, and the difficulties associated with measuring such effects probably preclude any realistic hope for measurable effects at this level of aggregation.

Second, a neighborhood census (or partial census based upon a sample of households) should still be done. This will provide some notion of the baseline target population characteristics, allow the participant group to be compared to that population, and (perhaps) assist in the outreach effort.

Third, some form of "blocking" or selection of potential participants according to preselected criterion beyond what is envisioned currently may be prudent. For example, what are the implications if most of the available slots are filled by less disadvantaged persons (or by larger size families, given the larger supplements for bigger families) who move into the neighborhood to avail themselves of the program supplements.

Fourth, during the process of generating a pool of potentially eligible participants, some type of random assignment to an experiment and control group must be made. Without an experimental design it will be impossible to argue convincingly that any measurable outcomes are not artifacts of selectivity or changes in contextual circumstances (e.g. abrupt changes in the labor market).

Fifth, data on both participants and controls must be collected at several points in time. The intended effects are both short- and long-term. An in-depth baseline data would be required, followed by a continuous stream of labor market and income data. Moreover, additional data on how the individual/family is functioning should be collected on a periodic basis. Data collection should extend beyond the individual participation in the program and/or the termination of the program itself.

Sixth, attrition will be a significant problem -- both in terms of individuals selecting themselves out of the program and loss of contact with those in the control or non-participating experimental group.

Seventh, the criterion measures need more discussion. Clearly economic well-being reductions in dependency and upward occupational mobility are important. but many other measures of individual, family, and social functioning must also be important -- some of which may be difficult to tap in a meaningful way. Further, micro-level quantitative data should be supplemented by qualitative data exploring how the program works and what participants actually experience."

In Conclusion

Should the Milwaukee Jobs Commitment be pursued? My answer is yes, with reservations. The availability of jobs is dependent on the ability of the community to provide them. Milwaukee Jobs Commitment is essentially a jobs program. With its broad base of support from the Milwaukee business, political, religious and social sectors, the program has the community backing it needs to be successful.

However, Milwaukee Jobs Commitment must be more flexible and creative in leveraging off some of the programs already operating under the BEST umbrella. Milwaukee Jobs Commitment needs to re-evaluate ways in which it can interface with programs such as the State Health Insurance Program, and state-run programs that provide child care subsidies, subsidies to employers who hire former AFDC recipients and some of the numerous training and job-readiness programs.

The philosophical stance taken by the steering committee during the design stage of the project, to avoid any type of governmental funding, is not easily accepted by potential

benefactors, especially in light of the numerous innovative welfare alternative programs that are already in operation throughout the state.

The goal of Milwaukee Jobs Commitment is to provide participants with a path to self-sufficiency through jobs that realistically compensate them for their labor. Their remuneration must exceed those foregone benefits they would have received had they been on welfare. This is indeed a worthy goal.