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# WELFARE REFORMED: A HERITAGE OF SUCCESS, A LEGACY OF HOPE<sup>†</sup>

TOMMY G. THOMPSON\*

*I hated being on (welfare). I felt worthless. I felt like I was at the bottom of the barrel. It was nasty and I never want to go back.*  
– Michele Bitter<sup>1</sup>

While Governor of Wisconsin, I heard many stories like Michele Bitter's, stories of humiliation and despair. They led me to commit my state to ending welfare and replacing it with a system that replaced pain with hope, despondency with opportunity.

Government-provided welfare—the common term for cash assistance for low-income families with children—existed in various, and somewhat limited, forms prior to the 1960s. But in 1965, the Johnson Administration launched a massive expansion of federal welfare programs as part of its “War on Poverty” initiative. The War on Poverty began with the noblest of intentions: end poverty in America. In August 1964, Lyndon Johnson went so far as to proclaim that the enactment of his welfare proposals would mean, “The days of the dole in our country are numbered.”<sup>2</sup>

Tragically, for millions of poor Americans, the essential result of President Johnson's anti-poverty crusade was a list of millions of Americans who became caught in a revolving door of reliance on debilitating government aid. Thirty years after the Johnson Administration's ambitious “War on Poverty” began, welfare was synonymous with governmental failure.

According to Ohio University professors, Lowell Gallaway and Richard Vedder, by 1994 the federal government was supporting no fewer than seventy-six welfare programs at a cost of more than \$240 billion annually.<sup>3</sup> Professors Vedder and Lowell

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<sup>†</sup> Parts of this article are derived from Secretary Thompson's book: *POWER TO THE PEOPLE: AN AMERICAN STATE AT WORK* (1996).

\* Secretary of the Department of Health and Human Services; Former Governor of the State of Wisconsin.

1. *What Welfare Reform Did For Me* (Wisconsin Public Television broadcast, May 26, 2000).

2. LOWELL GALLAWAY & RICHARD VEDDER, *INSTITUTE FOR POLICY INNOVATION, THE COST OF WAITING FOR WELFARE REFORM* 4 (1994).

3. *See id.*

note that this funding was “more than *twice* the amount necessary to raise every welfare recipient above the poverty level.”<sup>4</sup>

Clearly, welfare did not work as it was intended. This was evident to me as a young legislator in Wisconsin, and was accentuated even more when I first ran for Governor of Wisconsin in 1986. One experience especially stands out in my memory. While I was campaigning in Milwaukee, a young woman came up to talk with me. Placing her hand on my arm, she said, “Please do something about welfare. It’s killing us.”

This mother and her two children were on welfare. Trapped in a web of dependency and bureaucracy, she did not know where to turn.

She was not alone in her feeling of desperation. Over the years, I talked with many people who felt ensnared by the welfare system. Undereducated, with limited skills and few opportunities, and burdened with a low sense of self-worth, they felt their only option was to continue taking government checks to sustain themselves and their families. While some “welfare cheats” clearly abused the system, most people on welfare wanted to work.

But instead of giving people a secure but short-term safety net, welfare eroded the incentive to work, to assume responsibility for one’s actions, and to take a place as a contributing member of society.

No one should have been surprised that welfare would bear bitter fruit. As early as 1935, Franklin Roosevelt warned against the results of extensive and virtually unlimited government aid. “The federal government must, and shall, quit this business of relief,” said FDR. “To dole out relief is to administer a narcotic, a subtle destroyer of the human spirit.”<sup>5</sup> Those words were as prophetic as they were eloquent.

For many years, the reality of welfare’s failure haunted every thoughtful American. And the Presidents who sought to reform the program were met only with resistance from the Washington bureaucracies and self-proclaimed “advocates” of the poor. Giving public assistance without condition led to the demise of marriage in many communities and unacceptably low participation in the workforce by poor and low-income adults.

Jimmy Carter called the failure of welfare “abject and almost unanimous,” and his successor, Ronald Reagan, shared the same

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4. *See id.* at 2.

5. David W. Hall, *A Non-Theological Postscript, in WELFARE REFORMED: A COMPASSIONATE APPROACH* 203 (David W. Hall ed., 1994).

frustration.<sup>6</sup> In Edmund Morris's words, President Reagan believed that welfare created a "stultifying atmosphere of programs that reward people for *not* working, programs that separate families and doom these children to repeat the cycle in their own adulthood."<sup>7</sup>

With the passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996,<sup>8</sup> our national welfare nightmare began to end. The 104th Congress made a concerted effort to listen to the states, gaining insight from them into what reforms were most effective. Most especially, they looked to Wisconsin, where we were freeing people from the welfare trap.

After twice vetoing welfare reform proposals, President Clinton signed welfare reform into law in August 1996.<sup>9</sup> The revolving door of dependency, out-of-wedlock births, and one-parent families began to slow down, and families in poverty started gaining new hope.

PRWORA was not the legislative equivalent of cosmetic surgery. It was dramatic corrective action that transformed the welfare system. It eliminated the main welfare program, Aid for Families with Dependent Children (AFDC),<sup>10</sup> and other federally mandated welfare entitlement programs and replaced them with the Temporary Assistance to Needy Families (TANF) program.<sup>11</sup> TANF limits eligibility for most beneficiaries to five years and, with certain exceptions, requires that all adults receiving aid find employment.

This major alteration in the fabric of the national welfare program has led to a fifty percent decline in the number of Americans receiving federal aid from the peak in the early 1990s—about three million families. In the words of Professors June O'Neill and M. Anne Hill in their recent study of welfare reform, "Between January of 1994 and September of 2000, eight and a half million people left the U.S. welfare roles and the pro-

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6. *U.S. Anti-Poverty Programs Abject Failures, Carter Says*, SEATTLE POST-INTELLIGENCER, Oct. 19, 1995, at A3.

7. EDMUND MORRIS, *DUTCH* 368 (1999).

8. Personal Responsibility and Work Opportunity Reconciliation Act, Pub. L. No. 104-193, 110 Stat. 2105 (1994).

9. *Id.*

10. 42 U.S.C. § 601 (1994), *amended by* Personal Responsibility and Work Opportunity Reconciliation Act, Pub. L. No. 104-193, 110 Stat. 2105 (1994).

11. Personal Responsibility and Work Opportunity Reconciliation Act, Pub. L. No. 104-193, 110 Stat. 2105 (1994).

portion of the total population on welfare declined from 5.5 percent to 2.1 percent, a level not seen since the early 1960s.”<sup>12</sup>

My department just issued a new report titled, “Indicators of Welfare Dependence.” It shows that as the welfare dependency rate fell between 1993 and 1998, the poverty rate for all individuals also fell from 15.1% in 1993 to 11.8% in 1999.<sup>13</sup> And in 1998, 3.8% of the total population received more than half of their total family income from TANF, food stamps, or Social Security insurance—down from 5.8% in 1993.<sup>14</sup>

And five years since the welfare reform bill was signed, welfare caseloads across America have been cut by more than half, from 12.2 million to 5.8 million, but more important is the fact that these families are better off.<sup>15</sup>

In Wisconsin, we were able to lay the groundwork for ending welfare in America through bold innovation that proved there was a better, more compassionate way to help the poor.

But the seeds of welfare reform were planted well before the mid-1990s. They began to take root in the 1980s as President Reagan championed the idea of giving states waiver authority to enact groundbreaking reforms. In Wisconsin, we took quick advantage of this authority to begin our reform initiatives. Put simply, we reformed welfare as it had long been known in our state well before passage of the 1996 federal welfare reform bill.

When I took office in 1987, Wisconsin’s welfare system was in terrible shape. The state had more than 100,000 families on the welfare rolls, many of them having come in from other states. The system was broken. It was time for drastic change.

We first tried to make the existing welfare system work as well as possible. Our reforms started in 1987 and eliminated exemptions to existing work requirements, allowed people to keep more of their earnings, allowed people to retain Medicaid coverage for a longer period, and started a program we called Learnfare, based on the simple principle that children should attend school.

Under the existing structure, the government was providing families with welfare checks without any accountability, not even demanding that the children of welfare families get an educa-

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12. JUNE E. O’NEILL & M. ANNE HILL, MANHATTAN INSTITUTE FOR POLICY RESEARCH, *GAINING GROUND? MEASURING THE IMPACT OF WELFARE REFORM ON WELFARE AND WORK 5* (2001).

13. 2001 DEP’T OF HEALTH AND HUMAN SERVS. ANN. REP., *Indicators of Welfare Dependence*, available at <http://aspe.hhs.gov/hsp/indicators01/index.htm>.

14. *Id.*

15. *Id.*

tion. That is a recipe for repeating the cycle of poverty. We insisted that the cycle end.

We did that by requiring that if a child did not attend school regularly, Learnfare reduced a family's welfare check.<sup>16</sup> If a child missed three days of school during one month, the next month we deducted the equivalent amount from the welfare check.<sup>17</sup>

But even as Learnfare was beginning, I knew it was only a first step. I began inviting welfare mothers to the Governor's Residence for lunch. We would tell the caseworkers accompanying them to go down into another room to eat. Then the welfare mothers would sit around the dinner table and tell me their stories. And, more significantly, they would describe the barriers they faced that prevented them from leaving welfare.

Initially, they would be very concerned. Why had they been invited to have lunch with the Governor? Why had a Republican invited them? They thought it was something sinister. But once they found out I came from humble circumstances and that I really wanted to help them, they opened up and would tell me how welfare was painting them into a narrow, destructive corner.

As I talked with them, it became apparent that there were tremendous obstacles looming over these women, discouraging them from leaving welfare and keeping them on public assistance. They wanted a better life, and they wanted hope and the opportunity to work. They wanted somebody to care. They gave me common sense ideas about how I could reform the system.

For one thing, they were virtually all mothers, and needed quality, affordable childcare before they could go to work. In addition, they needed healthcare to make sure their children would have medical insurance. And on AFDC, they had health coverage they were understandably reluctant to give up.

Then there was the very practical concern about transportation—how could they get to, and come home from, work? Public transportation could be difficult and, for women on limited incomes, costly.

Finally, they knew that to get good jobs, they needed training. Some needed such basic skills as learning to read and write with proficiency, skills without which they could not complete a job application or draft a resumé. Some lacked any understanding of what to say in an interview or even such essential job skills as showing up on time and putting in a full day's work.

The dreams of the women I met with were dashed repeatedly against these roadblocks to a good future. Ultimately, we

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16. WIS. STAT. § 49.26 (2000).

17. *Id.*

realized that AFDC simply could not accommodate the reforms necessary to remove the barriers preventing departure from the welfare system.

Simply put, AFDC rewarded people for not working. It gave financial incentives for having more children and not getting married. And it offered no hope for a better way of life, or a way out of poverty. In short, AFDC was trapping people in poverty. It swept them into a small corner of our society, leaving them there in a permanent cycle of dependence and despair. AFDC was not compassionate—it was destructive.

So, in September 1997, we replaced AFDC with a new plan called “Wisconsin Works,” commonly called W-2.<sup>18</sup> W-2 joins compassion with common sense, enabling people on welfare to overcome the obstacles to productive employment and a better life.

W-2 is the keystone of all of our welfare accomplishments—the greatest change in social policy in America in sixty years. W-2 mandates a simple principle: to obtain cash payments, you have to work. It customizes support for individuals based on their personal needs. And if someone does not fulfill agreed-to work requirements, benefits are reduced for every hour of work not completed.

But W-2 also emphasizes the uniqueness of individual welfare recipients and provides the services welfare recipients need—the ones listed by the welfare mothers I met in Madison. Cases are managed along more personalized lines. In-work supports such as childcare and Medicaid are available to every poor family, whether the family receives welfare benefits or not. That is critical: the working poor should not be penalized for taking the first steps toward independence.

In the area of childcare, we increased spending from \$12 million to more than \$200 million annually,<sup>19</sup> and there are no waiting lists as a result. Now we are taking childcare to the next step with our Early Childhood Excellence Centers that provide high quality learning for low-income children. These centers will set a new standard in early childhood development and pass on the best practices to other childcare providers—putting at-risk children on more solid footing as they enter school.

We also listened not only to people on welfare, but to employers who helped us define the kinds of skills welfare recipients needed to obtain to become productive members of the

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18. WIS. STAT. § 49.141 (2000).

19. Governor Tommy Thompson, State of the State Address (Jan. 31, 2001), available at <http://www.wisgov.state.wi.us/sos/>.

labor force. We developed an “employment ladder” to help people climb the rungs of training and education, including employer-based partnerships, flexible training programs to accommodate work schedules, trial jobs, and transportation programs that, among other things, reimburse employers for providing transportation or provide workers with transit to and from work.

Throughout the process of reforming welfare in Wisconsin, I said we would need to invest more upfront—invest in people who needed a genuine hand up—in order to realize savings on the backend. Those savings would come through a stronger, more productive economy that produced revenues the state otherwise would not have and also through money saved from an unending cycle of welfare funding. More importantly, we were saving lives from poverty, an investment in which returns could not be calculated in dollars and cents. And by helping people become more self-sufficient, we demonstrated our conviction that each individual has worth.

W-2 and our other reforms in Wisconsin are succeeding beyond our grandest expectations. As of August 2001, the latest date for which data are available, the W-2 cash assistance caseload was 7,960.<sup>20</sup>

More important is the fact these families are better off. Their lives are not perfect, but they are quantifiably better. For example, according to Professors O’Neill and Hill, TANF “accounts for . . . more than 60 percent of the rise in employment among single mothers.”<sup>21</sup>

Of course, the challenge is not completely over. The genius of W-2 is its flexibility and its continual ability to improve. W-2 helped thousands of families get jobs. Now it must focus on helping them climb the ladder of opportunity to greater self-sufficiency.

The Wisconsin Department of Workforce Development has undertaken the process of helping to sustain families who have made the transition from welfare to work. Wisconsin is working to put resources toward helping families stay in the workforce and not slip backwards. The efforts of the program now are turned toward ensuring that once the connection to work is made, the person stays employed and continues to advance professionally.

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20. Wisconsin Department of Workforce Development chart, *W2 with Payment Placement Caseload*, available at <http://www.dwd.state.wi.us/des/research/statistics/> (last visited Oct. 30, 2001).

21. O’NEILL & HILL, *supra* note 12, at 6.



The nation took notice of what we did in Wisconsin. We proved welfare could be temporary and empowering, not permanent and debilitating. We showed that with the right combination of skills, assistance, and personal initiative, people who previously had been dependent on the welfare system could become self-sufficient contributors to our economy, society, and country. Congress, and the Clinton Administration, followed suit.

Whether at the state or federal level, we will never make things perfect—but we can always make things better. The TANF program has to be reauthorized by October 1, 2002.

The President's proposal seeks \$16.5 billion for block grants to States and Tribes and an additional \$319 million each year for Supplemental Grants in order for states that have experienced high population growth and had historically low funding levels to achieve parity.

At the same time, we will continue the current "maintenance-of-effort" requirement to retain state contributions to assistance for children and families. We will reauthorize and improve the \$2 billion Contingency Fund, and we will restore over five years the policy permitting the transfer of up to 10% of TANF funds to the Social Services Block Grant.

We will also seek to maximize self-sufficiency through work. Work is the key to climbing the ladder out of welfare into the mainstream of hope and opportunity. So, first and foremost, states will be required to engage all TANF families headed by an adult in activities leading to self-sufficiency.

In addition to the requirement of universal engagement, we will increase the direct work requirement. Our proposal requires welfare recipients to engage in a forty hour work-week, at least twenty-four hours of which must be in direct work, including employment, on the job training, and/or supervised work experience.

We will allow substance abuse treatment, rehabilitation, or work-related training for up to three months within any twenty-four month period. And we will also gradually increase minimum participation rate requirements of 5% per year.

Child support is an equally critical component of the federal and state effort to promote family self-sufficiency. For the low-income families who receive child support, it makes up more than a quarter of the family budget.

Welfare reform has made a dramatic difference in child support collection. The number of paternities established or acknowledged has reached almost 1.6 million. In FY 2001, a

record of nearly \$19 billion in child support was collected, serving an estimated 17.4 million child support cases. The Administration's proposals are targeted to increase collections to families by nearly \$1.1 billion over five years beginning in FY 2005. And under a similar proposal to increase support reaching families, states would be given the option to adopt simplified distribution rules under which all support collected would be sent to families that have made the transition from welfare.

We have to evaluate why there has been such a marked drop in the receipt of Medicaid by families leaving welfare.<sup>22</sup> States must be careful to reach out to targeted populations eligible for Medicaid assistance to ensure their needs are being met.

Since becoming Secretary of Health and Human Services, I have signed more than 1500 waivers and state plan amendment applications, enabling states to provide more than 1.8 million people with Medicaid and State Children's Health Insurance Program (S-CHIP) assistance. We also expanded existing benefits to 4.5 million persons.

The necessity of helping those among us who lack the means of sustaining a decent life is a moral imperative. That imperative is rooted in the American commitment to human dignity, which the Declaration of Independence reminds us is a bequest of our Creator.

People on welfare are not faceless statistics lined neatly in some dusty government report. They are real people, people with names and families, people who feel pain and despair but who long for a good future and a welcoming life.

In my 1999 Wisconsin "State of the State" address, it was my privilege to introduce a woman named Michelle Crawford, a former welfare mom.<sup>23</sup> Consider her self-description: "I thought I would always be on welfare. I was always down on myself, thinking I would never accomplish anything."

But through W-2, Michelle's life was changed. Here's what she said to the people of Wisconsin when I invited her to speak:

When my welfare caseworker asked if I knew about W-2, I didn't want to join because I had children at home to take care of. I was scared and nervous, but I knew I had to try this. At first, they had me doing housekeeping and cleaning and I thought to myself, "I do this at home—what am I doing here!" But I started volunteering to do more when

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22. See generally BOWEN GARRETT & JOHN HOLAHAN, THE URBAN INSTITUTE, DO WELFARE CASELOAD DECLINES MAKE THE MEDICAID RISK POOL SICKER? (2000).

23. 94th Wis. Senate Journal 30 (Jan. 27, 1999).

others didn't show up for work. And I wondered what was back in the factory. I always wanted to be a machinist—my dad was one. So when my boss, Dave, asked if I'd like to try it—I took a chance.

And it was hard. I learned about the machines using a CD-rom, and I had to do homework. I took the first test and passed—then I took the second test and passed. Dave then called me for an interview—and he even offered to drive me there. I thought to myself, "Please don't let me mess this up . . . this is a real job." I was so proud when I got the job. Now I tell my kids that this is what happens when you do your homework.

When I hear stories like Michelle's, I cannot help but conclude that all our efforts were worth it.

Transforming welfare has not been easy. But the difficulty of any important task should serve not as a deterrent to action but as a spur to tenacity. In the words of Father Theodore Hesburgh, who said, "My basic principle is that you don't make decisions because they are easy; you don't make them because they are cheap; you don't make them because they're popular; you make them because they're right."

Changing the face of the nation's welfare system has been, and continues to be, the right thing to do.

To transform welfare is to restore hope, to honor work, to strengthen families, to reconstruct communities. Continuing this transformation must be one of the central aims toward which we work as a society. Our challenge now is to help the families who have left the welfare rolls climb the economic ladder to claim their share of the American dream. There can be few more important goals for our country as we contemplate our national priorities for the new century.