

ARTICLES

A NEW OFFER TO WISCONSIN'S POOR

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I. INTRODUCTION

Assume you are a woman who has been working at home caring for your two young children. Your husband has left. You follow your first instinct and look for a job. You find an entry-level, full-time position at minimum wage. Your take-home pay will be \$767 a month.¹ You may qualify for up to \$295 in Food Stamps.² You worry about paying household bills, especially the additional child care expenses. You resolve to say a prayer for your and your children's health because you certainly cannot afford the \$400 a month insurance plan your employer offers.

You realize that your other choice is welfare. Your monthly check would be less (\$517), but you would still have the \$295 in Food Stamps.³ You could stay home with your children, with no child care costs and reduced transportation expenses. Furthermore, you would have full health insurance through the Medical Assistance program. Despite everything you have been taught, you find it would pay not to work.

It is no wonder Wisconsin decided to scrap much of the system we know as welfare.⁴ The state now has an historic opportunity to develop a new means of assisting individuals and families out of poverty. We need to remember why poverty matters and to understand why neither the traditional public assistance policy nor the traditional employment

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1. Gross income of \$737, less \$56 for Social Security and Medicare taxes and \$16 for Wisconsin income tax (nothing withheld for federal income tax), plus \$102 in advance payment of the federal earned income tax credit.

2. WISCONSIN LEGISLATIVE FISCAL BUREAU, INFORMATIONAL PAPER NO. 44, AID TO FAMILIES WITH DEPENDENT CHILDREN 37 (1993).

3. *Id.* at 15, 37.

4. 1993 Wis. Laws 99 ends the Aid to Families with Dependent Children program on December 31, 1998.

policy is adequate. We need to commit ourselves to principles for true reform and make a new offer to Wisconsin's poor.

II. THE SIGNIFICANCE OF POVERTY⁵

Poverty is a significant concern because it is so prevalent. At the time of the 1990 Census (measuring 1989 income), 18.4% of Milwaukee households had incomes below the poverty level.⁶ The household poverty rates for both the four-county Milwaukee metropolitan area and for Wisconsin as a whole were each 10.4%.⁷ The percentage of City residents (adults and children) living in poverty was 22.2%.⁸ The corresponding rates for the metropolitan area and Wisconsin were 11.5% and 10.6%, respectively.⁹

Poverty is increasing in both Milwaukee and across the state. The number of city residents living in poverty grew by 61% between 1979 and 1989.¹⁰ State-wide, the percentage of people considered as poor increased by 22% over the same period. This reversed the trend of declining poverty in Wisconsin.¹¹

5. Unless otherwise noted, all statistics in this section are drawn from 1990 Census Tapes STF1A and STF3A, as extracted by the City of Milwaukee Department of City Development. Much of this information is published by the Department. DEP'T OF CITY DEV., CITY OF MILWAUKEE, MILWAUKEE URBAN ATLAS (1990) [hereinafter 1990 MILWAUKEE URBAN ATLAS].

6. 1990 MILWAUKEE URBAN ATLAS, *supra* note 5, app. 4, at 8. The existing federal delineation of poverty is problematic. Although the same nominal formula for setting the poverty line has been used for over thirty years with annual adjustments for inflation, the theoretical construct on which the formula is based has not been applied consistently. The result has been a significant devaluation of the poverty standard, especially as a measure of relative deprivation. See JOHN E. SCHWARZ & THOMAS J. VOLGY, THE FORGOTTEN AMERICANS 32-51 (1992). For a complete review of the history of the poverty line, its problems, and possible alternatives, see PATRICIA RUGGLES, DRAWING THE LINE: ALTERNATIVE POVERTY MEASURES AND THEIR IMPLICATIONS FOR PUBLIC POLICY (1990). The current poverty measure is also controversial because it counts only cash income, and ignores the ameliorative effects of Food Stamps and other non-cash public assistance. See, e.g., James Kilpatrick, *U.S. Poverty: How Poor is a Question*, MILWAUKEE J., Sept. 14, 1992, at A9. A National Academy of Sciences panel is currently examining possible ways of changing the calculation of the poverty line. Guy Gugliotta, *Poverty: Where is the Line?*, MILWAUKEE J., May 30, 1993, at J1.

7. CACI, Inc., 1990 CENSUS: THREE DEMOGRAPHIC SNAPSHOTS 3 (1992).

8. 1990 MILWAUKEE URBAN ATLAS, *supra* note 5, app. 4, at 8.

9. CACI, Inc., *supra* note 7, at 3.

10. The 1980 Census (based on 1979 income) indicated that 13.8% of Milwaukee residents were poor. The 1970 Census identified an individual poverty rate of 11.4%. 1990 MILWAUKEE URBAN ATLAS *supra* note 5, at 50.

11. The individual poverty rate in Wisconsin was 15.7% in 1959 and 9.8% in 1969. U.S. BUREAU OF THE CENSUS, STATISTICAL ABSTRACT OF THE UNITED STATES 337 (1973). The 1979 level was 8.7%. U.S. BUREAU OF THE CENSUS, 1980 CENSUS OF POPULATION AND HOUSING, vol. 1, ch. C (PC80-1-C).

Poverty is also significant because of its concentration. The City of Milwaukee has a disproportionate share of the state's poor residents. Although Milwaukee contains 13% of the state's population, it has 29% of Wisconsin's poor.¹² When looking at the number of poor receiving assistance from Aid to Families with Dependent Children (AFDC), the concentration is even more striking: Milwaukee County represents 46% of the state's total AFDC caseload.¹³

Poverty is also concentrated *within* the City of Milwaukee. Poor persons are clustered in certain neighborhoods, principally in the central city. In 1989, 22% of the city's census tracts showed 40% or more of the households living in poverty.¹⁴ These tracts included 17% of the city's total population. On the other hand, 18% of the city's census tracts had household poverty rates less than half the state-wide rate. These areas, located on the city's fringes, contained 21% of the city's residents.¹⁵

Poverty is also an important issue because it disproportionately affects certain groups. Over 90% of the city census tracts with minority populations above the city-wide percentage of 39.2% had poverty rates greater than the city-wide rate of 22.2%. In the fifty-nine Milwaukee census tracts with the highest poverty rates, the median minority percentage of the population was 93.9%. The census tracts with the lowest percentage of poor people had a median minority population percentage of 4.0%. In all, 41.9% of black, and 35.5% of hispanic Milwaukee citizens were poor, as compared to 10.8% of the city's whites.

In Milwaukee, female-headed households and children are heavily represented among the poor, a fact linked to racial and social demographics. In 1989, half of the city's black families were female-headed households with children under the age of eighteen. These families had a poverty rate of 64.1% and constituted over half of the city's

12. CACI, Inc., 1990 CENSUS: THREE DEMOGRAPHIC SNAPSHOTS 3 (1992).

13. WISCONSIN LEGISLATIVE FISCAL BUREAU, *supra* note 2, at 48. Milwaukee County contains 20% of the state's total population and 29% of the state's residents living in poverty.

14. 1990 MILWAUKEE URBAN ATLAS, *supra* note 5, app. 4, at 1-6. The 40% threshold may be used to delimit "ghetto" concentrations of poverty. See Paul A. Jargowsky & Mary Jo Bane, *Ghetto Poverty in the United States, 1970-1980*, in *THE URBAN UNDERCLASS* 239 (Christopher Jencks & Paul E. Peterson eds., 1991); DAVID T. ELWOOD, *POOR SUPPORT: POVERTY IN THE AMERICAN FAMILY* 193 (1988).

15. These statistics were computed by cross referencing the appendices of the Atlas, counting tracts, and adding up their populations. 1990 MILWAUKEE URBAN ATLAS, *supra* note 5 app. 1, 4.

poor families. One-third of all the poor persons in Milwaukee were African-American children.¹⁶

The significance of poverty to the mayor of any large city, including Milwaukee, cannot be overstated. As the city's 1992 Strategic Plan states, "To understand poverty in central Milwaukee is to understand the overwhelming fact behind every major issue facing the city."¹⁷ Poverty and the problems associated with it place a profound strain on community resources. Insufficient family income has a ripple effect through all aspects of community life.

For example, the municipal tax base reflects the city's poverty problem. Property taxes are the primary source of locally generated revenues for Milwaukee, and residential property represents over half of the city's total taxable property value. Therefore, the value of Milwaukee's homes is of vital importance. In the highest poverty areas, the median value of a single-family, owner-occupied home is about half that of the city-wide median.¹⁸ These areas present higher expenditure needs, yet they are the least able to generate the revenues needed to meet those needs. The whole city is in the predicament relative to other communities in the state.

Finally, poverty is significant because the continuing and growing phenomenon of deprivation in a land of plenty diminishes our quality of life. The values essential to community life erode in the face of such unequal income and wealth distribution. We have both a moral and a pragmatic responsibility to address this problem. Real opportunities for economic self-sufficiency must be created.

III. THE FAILURE OF WELFARE

Welfare is not the answer. Of course, there is no single "welfare" program in the United States. Public assistance to persons of limited means takes a variety of forms. Each program has its own targeted population, eligibility criteria, and source of funding. However, when most Americans think of welfare and its failures, they think of Aid to Families

16. State-wide, 40.8% of blacks, 27.2% of hispanics, and 8.3% of whites were in poverty. Nonetheless, three-quarters of Wisconsin's poor were white. *Id.*

17. OFFICE OF STRATEGIC PLANNING, DEP'T OF ADMIN., CITY OF MILWAUKEE, 1992 STRATEGIC PLAN 9 (1991).

18. At the time of the 1990 Census, the median value of a single-family, owner-occupied home in Milwaukee was \$53,500. The median value of the same home among the census tracts with poverty rates over 40% was \$27,600. 1990 MILWAUKEE URBAN ATLAS, *supra* note 5, app. 2, 4.

with Dependent Children (AFDC). Indeed, AFDC embodies the worst characteristics of this nation's approach to public assistance.

AFDC is targeted at children who have been deprived of parental support by reason of death, continued absence from the home, incapacity, or unemployment of a parent.¹⁹ To be eligible for AFDC, an applicant must meet both asset and income tests.²⁰ For those two-parent households that qualify based on unemployment, there are additional criteria to assess the principal wage earner's unemployed status.²¹

Welfare is a system out of touch with the values and operating principles of the general economy. It provides a monthly check regardless of a recipient's ability to work. If a family meets the program's criteria of need, benefits are paid.

Of course, a person can work and also receive welfare. The sub-poverty level of AFDC benefits encourages supplementation.²² Unfortunately, several roadblocks confront a family head who wants to work. For example, if eligibility is based on unemployment, the principal wage earner cannot work more than 100 hours each month.²³ In addition, earnings may cause a family to fail the income eligibility tests.²⁴ More important, earnings beyond limited income are disregarded in a dollar-for-dollar reduction in benefits,²⁵ making additional work effort financially useless.

19. Wis. STAT. § 49.19(1)(a) (1991-92). Single, pregnant women with no other children are also eligible. Wis. STAT. § 49.19(4)(g) (1991-92). The eligibility of the 74,978 open AFDC cases on May 31, 1992 was based on the following factors: never married (42,391), terminated marriage (18,697), unemployment (6574), incapacity (2094), pregnancy (1104), death (986), and other absence (3132). WISCONSIN LEGISLATIVE FISCAL BUREAU, *supra* note 2, at 7.

20. See Wis. STAT. § 49.19(2), (4) (1991-92).

21. See Wis. STAT. § 49.19(4)(dm) (1991-92).

22. Letter from John O. Norquist, Mayor of Milwaukee, to Paul Offner, Committee on Finance, U.S. Senate 3 (Nov. 3, 1993) (on file with author)(citing Christopher Jencks & Kathryn Edin, *The Real Welfare Problem*, AM. PROSPECT, Oct. 1990)).

23. 45 C.F.R. § 233.100(a)(1) (1990). Under federal waivers, Wisconsin is operating a demonstration project testing the effect of elimination of the 100-hour rule. See Wis. STAT. § 49.19(15) (1991-92). Half of the AFDC-U cases in the state are now exempt. See WISCONSIN LEGISLATIVE FISCAL BUREAU, *supra* note 2, at 8.

24. Gross income cannot exceed 185% of the standard of need for the family size. After subtracting work-related expense items (actual child care expenses up to \$200 per month for a child under two and \$175 for older children, plus a flat \$90 representing other expenses), net income cannot exceed 100% of the standard of need. See Wis. STAT. § 49.19(4)(es)(5)(a) (1991-92); WISCONSIN LEGISLATIVE FISCAL BUREAU, *supra* note 2, at 11-13.

25. In addition to the earned income used to determine program eligibility, \$30 plus one-sixth of the remaining earned income is disregarded in calculating AFDC benefits in each of the first 12 months of receiving benefits. Wis. STAT. § 49.19(5)(am) (1991-92). Wisconsin uses this disregard under a federal demonstration waiver. The federally specified disregard is \$30 plus one-third of remaining earned income for each of the first four months of participation,

Other benefits associated with AFDC further prejudice the choice between welfare and work. Persons receiving AFDC are automatically eligible for medical assistance (Medicaid).²⁶ AFDC recipients may also be eligible for assistance with child care costs through a variety of programs.²⁷ Because these benefits are often not available for nonwelfare workers (especially in unskilled or low-skilled jobs), remaining on AFDC becomes paramount.

In an attempt to address the difficulty of transferring from welfare reciprocity to independent work, the Family Support Act of 1988²⁸ mandates twelve months of transitional medical and child care assistance for families who become ineligible for AFDC because of earned income.²⁹ As a result, the choice between continued dependency and work is postponed, but not eliminated.³⁰ Moreover, these and other benefits created to aid in the transition from welfare to work make welfare even more beneficial. They are available only to those who are or have been AFDC recipients, generating an incentive for more families to seek out the public dole.³¹

Instead, some AFDC recipients choose to work but hide the earnings.³² This avoids AFDC's harsh benefit reduction rates and can secure a meaningful increase in household income. However, it also constitutes welfare fraud. It becomes illegal to go to work to support yourself and your family. A sane system that induces people to work to survive and

then \$30 a month for the succeeding eight months. 42 U.S.C.A. § 602(a)(8)(A)(iv), (B)(ii) (West Supp. 1993). As a condition of the waiver, this standard disregard continues to be used for a control group that includes 10% of Wisconsin's AFDC cases. See WISCONSIN LEGISLATIVE FISCAL BUREAU, *supra* note 2, at 14.

26. Wis. STAT. § 49.46(1)(a) (1) (1991-92).

27. See, e.g., 1993 Wis. Laws 16 §§ 1105, 1353, 1430.

28. Pub. L. No. 100-485, 102 Stat. 2343 (1988).

29. 42 U.S.C.A. §§ 602(g)(1)(A), 1396r-6 (West 1991); see Wis. STAT. §§ 49.46(1)(c), 49.50(6g) (1991-92).

30. Some want to extend the eligibility period for transitional benefits. For example, in August 1993, The U.S. Department of Health and Human Services approved changes in Iowa's welfare system that include 24 months of transitional child care benefits. Center on Law and Social Policy, *HHS Approves Iowa Waiver*, FAMILY MATTERS, Aug. 1993, at 10. The 1993-95 budget passed by the Wisconsin Legislature (1993 Enrolled Senate Bill 44, § 1430n) directed the Wisconsin Department of Health and Social Services to request a federal waiver to extend transitional child care to 18 months; this provision was vetoed by Governor Thompson. See 1993 Wis. Laws 16.

31. The Family Support Act requires each state to establish and operate a Job Opportunities and Basic Skills (JOBS) education, training, and work experience program. 42 U.S.C.A. § 682 (West 1991); see 1993 Wis. Laws § 1353. This further enhances welfare's attractiveness relative to work at the lower end of the labor market.

32. The work includes employment for cash in the informal economy and holding jobs under other names. See Christopher Jencks, *RETHINKING SOCIAL POLICY* 206-09 (1992).

then requires them to hide their earnings to stay out of jail is both cruel and insane. The time has come to legalize work.

The welfare system has other features inimical to self support. Paternalism pervades the AFDC program. Parents receiving welfare are often presumed to be unable to make rational, intelligent choices for themselves and their families. Furthermore, society's enmity toward welfare induces self loathing among recipients. The system engenders values and behaviors that strengthen the grip it has on its supposed beneficiaries. Instead of a ladder out of poverty, welfare becomes a virtual prison.

Welfare is also destructive to the general population and to democracy. The public at large hates welfare because it is fed up with a system that purports to help, but so obviously hurts. The public sees the inherent waste in paying people to do nothing. This translates into an enraged and resentful electorate. Many politicians exploit these feelings with angry denunciations of welfare recipients, proffering meaningless promises of reform. The result is a debased civic culture in dire need of true reform.

Welfare's greatest failure is that it addresses the income insufficiency of only a fraction of the poor. AFDC and other welfare programs do not encompass everyone who lives in poverty. For example, in 1991 the Food Stamp program did not serve 36.7% of the poor population and³³ Medicaid did not cover 52.7% of those in poverty.³⁴ The focus on welfare forgets these Americans.³⁵

IV. THE SHORTCOMINGS OF THE LABOR MARKET

The phenomenon of the working poor evidences that a job may not be a ticket out of poverty because "[t]o reach self-sufficiency, workers must overcome two problems. One is to find wages that can sustain their families. . . . [and] [t]he second problem is to find steady full-time employment."³⁶ Furthermore, some feel that "[t]he primary cause of poverty in the United States is precisely th[e] shortage of employment and

33. STAFF OF HOUSE COMM. ON WAYS AND MEANS, 103D CONG., 1ST SESS., BACKGROUND MATERIAL AND DATA ON PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS 1622 (Comm. Print 1993).

34. *Id.* at 1637, 1639.

35. See SCHWARZ & VOLGY, *supra* note 6. For a more complete discussion of welfare's narrow focus and the omission of most poor persons from anti-poverty initiatives, see DAVID R. RIEMER, *THE PRISONERS OF WELFARE: LIBERATING AMERICA'S POOR FROM UNEMPLOYMENT AND LOW WAGES* 75-89 (1988).

36. See SCHWARZ & VOLGY, *supra* note 6, at 102.

prevalence of low-wage employment. America's poor will never get out of poverty, in the foreseeable future, until these deficiencies in the American job market are corrected."³⁷

A recent survey of employers in the Milwaukee metropolitan area demonstrates the labor market problems.³⁸ During the week of May 24, 1993, approximately 21% of employers had job openings.³⁹ In 1993, the hourly rate at which a full-time worker could support a family of four just above the poverty line was seven dollars.⁴⁰ Forty-five percent of the available full-time jobs, however, paid less than seven dollars an hour. Part-time work paid even less, due to fewer hours of employment and a lower hourly rate.⁴¹

The survey results are even more startling when the number of available jobs is compared to the number of people who need work. Researchers estimated that there were about 60,000 persons in the Milwaukee metropolitan area during May 1993 who were either seeking employment or could be expected to seek employment.⁴² The 11,870 full-time job openings could provide employment for no more than one in five. Adding part-time positions would still leave 65% of job seekers without any work. This "job gap" in the Milwaukee area was much worse than the official unemployment rate of 5.0%.⁴³

37. RIEMER, *supra* note 35, at 182.

38. John Pawasarat, *Survey of Job Openings in the Milwaukee Metropolitan Area: Week of May 24, 1993*, in EMPLOYMENT AND TRAINING INST. AND SOC. SCI. RES. FACILITY, U. WIS.-MILWAUKEE 2 (1993).

39. *Id.* An estimated 11,870 full-time and 9727 part-time jobs were open for immediate hire. *Id.*

40. The 1993 federal poverty level for a family of four is \$14,350. 58 Fed. Reg. 8,288 (1993). A full-time, year round job (2080 hours) paying \$7.00 an hour yields a gross income of \$14,560.

41. Over 85% of the part-time openings paid less than \$7.00 an hour. Pawasarat, *supra* note 38, at 5-7. The ability to command a higher wage is directly related to a worker's education, training, and experience. The survey found that 70% of the full-time jobs requiring a bachelor's degree plus experience paid \$14.00 or more an hour. On the other hand, nearly 44% of the full-time jobs requiring neither a high school diploma (nor) experience paid less than \$5.00 an hour. *Id.* Much of the differential between full-time and part-time wage rates can be explained by the different skill requirements: over 68% of the full-time job openings but only about 34% of the part-time positions required education or training beyond a high school diploma. *Id.* at 16-19.

42. This equals the number of persons counted as unemployed by the Bureau of Labor Statistics (38,820) plus a portion of those receiving AFDC or Food Stamps who were not in the labor force, but who were not disabled or otherwise able to work (22,413 to 24,371). *Id.* at 14-15.

43. *Id.* at 16, 19. The job gap is immeasurably worse in the poorest neighborhoods. The employer survey found "only 1289 full time and 1307 part-time jobs in the City's Community Development Block Grant target area. In 1990, this area contained 42.5% of the metropolitan

The Milwaukee employment problem reflects the entire U.S. labor market. In 1989, nearly two million Americans worked full-time, year-round yet remained below the poverty line. Another four million of these fully employed workers had earnings below a reasonable measure of self sufficiency.⁴⁴ Workers in eleven million full-time, year-round jobs had annual earnings less than \$11,500.⁴⁵ The number of impoverished households headed by year-round, full-time workers is roughly equaled by poor families whose heads worked only part of the year because they were unable to find adequate work.⁴⁶ There are probably at least two to three job seekers for every vacant job.⁴⁷

Even those who can find work at a decent wage face other challenges in the labor market. For example, a parent who seeks a job must usually secure child care for his children independently. This cost of going to work will most likely not be reflected in the wage rate, and only modest assistance will be provided through the income tax system. Health insurance, a job-based benefit in the United States rather than a general entitlement, presents another major challenge. As a worker changes jobs, she may or may not be able to retain health coverage.⁴⁸

It is easy to respond to poverty and welfare by simply saying that people should get a job. However, this facile response ignores the reality faced by those we expect to work. We must face up to the failings of the labor market and craft policies that offer reasonable opportunity for self support.

area's unemployed (17,111 persons)." *Id.* at 14-15. According to the 1990 Census, the median jobless rates among the city's highest-poverty census tracts were 21.5% for males and 21.1% for females. The citywide unemployment rates were 9.4% and 8.4% respectively. Moreover, a significantly lower number of men and women in these areas were in the labor force and thus subject to counting as unemployed. *See* 1990 MILWAUKEE URBAN ATLAS, *supra* note 5, app. 3.

44. *See* SCHWARZ & VOLGY, *supra* note 6, at 65.

45. *Id.* at 81. Some of these workers were not considered to be in poverty because they were single or in small households with relatively low poverty thresholds.

46. *Id.* at 101.

47. *See* RIEMER, *supra* note 35, at 32 (citing research of Katherine G. Abraham, current head of the Bureau of Labor Statistics).

48. The May 1993 survey of Milwaukee area employers asked whether open jobs offered health benefits. Eighty percent of the full-time jobs and twenty-nine percent of the part-time positions included eligibility for health insurance coverage. Pawasarat, *supra* note 38, at 10-11. The published study does not, however, specify the length of waiting period, level of co-payment, or type of coverage.

V. PRINCIPLES FOR TRUE REFORM

To move forward in Wisconsin, consensus principles need to be developed so that we can build a new approach to reduce poverty. The principles should be consistent with the basic precepts of our political culture and offer real prospects for reform.

A. *Eliminate Welfare*

Welfare is a destructive failure. It imprisons families and makes self support nearly impossible. It assaults community values. Tinkering with welfare will do no good.⁴⁹ Welfare is thoroughly rotten, and it should be completely destroyed.

B. *Renew the Social Contract of Work*

We need an explicit social contract regarding work. To the greatest extent possible, we each owe the community our labor in support of ourselves and our families. In return, the community owes each of us reasonable security to make self support possible. Upon this foundation of mutual obligation and support, we can build a strong and vibrant society.

C. *Make Work Available*

One aspect of the social contract should be helping those who can work obtain full-time employment. Government can facilitate information exchange regarding job openings, attack discriminatory barriers to employment, and otherwise improve the market's functioning. Government must encourage private-sector job creation.

By eliminating welfare, government can also eliminate the system's distortion of the labor market and constriction of economic activity. This should narrow the gap between the number of jobs and job seekers. To the extent a gap remains, an aggressive job search may not result in a job in the regular economy. Government needs to be prepared to make available community service jobs as a last resort.⁵⁰

Community service jobs should be for a limited term, pay no more than the minimum wage, and provide work for no more than thirty hours per week. They should be real jobs, from which a worker can be fired or disciplined for misconduct or nonperformance. The jobs should have two purposes: (1) to make individuals more attractive to private em-

49. See ELWOOD, *supra* note 14, at 5-7.

50. *Id.* at 179-80.

ployers, and (2) to produce tangible benefits for the taxpayers who are footing the bill.

Community service employment involves complicated and emotional issues. There are legitimate concerns about "make work" jobs. Poorly designed jobs could create their own destructive dependency. Creating and managing so many positions constitutes an administrative challenge. Business interests are skeptical of any direct government intervention in the economy. Labor worries about displacement of other workers.

To address these concerns, the Office of the Mayor recently assembled city officials and community representatives to develop a workable plan for large-scale community service employment in Milwaukee.⁵¹ The job characteristics suggested here reflect the group's conclusions about the appropriate parameters for community service work.⁵² The working group decided five types of community service jobs would be needed: adult work crews, new apprenticeships, nonprofit internships, filler labor, and training businesses. They identified specific jobs that could be created in these categories.⁵³ Based on these jobs, the estimated cost would be between \$147 million (for 20,000 jobs) and \$396 million (for 50,000 jobs).⁵⁴ This cost would be offset by welfare benefit and administration savings. This approach could actually save taxpayer money.

51. The working group's full proposal and supporting analysis is contained in a Letter from John O. Norquist, Mayor of Milwaukee to Mr. Paul Offner, Committee on Finance, U.S. Senate (Nov. 3, 1993) (on file with author).

52. The focus is on using community service work as a bridge to regular employment. The job structure would stress job readiness and productivity. Restrictions on hours, rate of pay, and advancement would make the jobs less rewarding than those in the regular economy. A community service assignment would be limited to 26 weeks. If a worker has not moved into other work at the conclusion of an assignment, she would be required to engage in an intensive job search for up to eight weeks. If this search is unsuccessful, the worker could apply for a new community service job.

53. The working group concluded that Milwaukee would need between 20,000 and 50,000 community service jobs to meet the employment needs of all those who are without jobs or who can be reasonably expected to take jobs. If 50,000 jobs are needed, these could be created as follows: young adult service corps (588), environmental compliance (10,625), public building, infrastructure, and urban forestry maintenance (389), housing repair (6250), neighborhood security (10,625), community health (630), assistance to the elderly and disabled (206), teacher assistance (8080), youth recreation support (3775), child care assistance (3020), muralists (80), festival support (80), theater set design assistance (22), nonprofit businesses with employee training emphasis (250), and part-time, flexible day work (5400).

54. Providing child care and health care benefits to all community service workers would cost an additional \$171 million to \$425 million.

D. Make Work Pay

Full-time, year-round employment should enable adults to be self supporting. When earnings alone fall short, government should supplement them. This is the role of the Earned Income Credit.

Working parents should also be able to support their children adequately. Earnings supplements should include an adjustment for family size. This could be through a single, variable supplement or through a separate family allowance predicated on work.

Likewise, working more should pay more. Net income must rise as work earnings rise. This requires careful coordination of the phasing-out of tax credits (earnings supplements and family allowances) and the phasing-in of positive taxes.

E. Support Work and Family

Work should support families. Workers must have access to quality, affordable child care and health care. A child should be able to count on the earnings of both parents for support. Earnings supplements and income taxes should not create economic incentives or disincentives that interfere with family decisions, such as whether to get married or stay married.

VI. A NEW OFFER TO THE POOR

The initial step in creating a contract is an offer. To renew the social contract of work in this state, Wisconsin should make a New Offer to its poor residents. If accepted, this New Offer would become the basis for a mutually binding relationship between the individual and the community.

The Offer should first recognize the different obligations of those who can reasonably be expected to work and those who cannot. For the latter group, principally the disabled and the aged, society will offer a guaranteed annual income. One approach would be to boost the Supplemental Security Income and Social Security programs to ensure they (1) serve all those who are in fact unable to work, and (2) support recipients above the poverty line.

For those who can work but do not have a job, the Offer will be work. The state will provide reasonable assistance to connect low-income workers to jobs. In return, a worker will be expected to search actively and aggressively for employment in the regular economy. When job searches are unsuccessful, workers may apply for state-created community service jobs.

The New Offer for those who have jobs (and for those who become employed) will be earnings supplementation. The supplement, which could be a modification and expansion of the current Earned Income Credit, will ensure that full-time, year-round work will support a family above the poverty line.

Modifications of the Earned Income Credit should include improvements in the advance payment option. Using an earnings supplement to make work pay requires making the supplement available on an ongoing basis. Earned Income Credit changes should also address the marriage penalty that the current credit structure imposes on some households.⁵⁵

The New Offer will include access to affordable, quality health care and child care. Universal health care similar to that being discussed at both the state and federal levels would fulfill the state's obligation. For child care, an expansion of current voucher programs with sliding-scale co-payments could provide the requisite support for work.

The Offer will also require financial responsibility for children. A working parent would fulfill this obligation by contributing a percentage of earnings to the child's support, regardless of with whom the child resides.

Finally, the Offer should be restricted to persons who are at the age of eighteen or older.⁵⁶ We should not encourage family formation by minors. Incentives for premature independence limit long-term self sufficiency. Children should reside at home to the greatest extent possible, even if they have children of their own.

VII. WISCONSIN'S CHALLENGE

Faced with the prospect of welfare ending by the year 1999, Wisconsin has a fundamental choice. One choice is to re-enact a modified version of welfare. Debates will rage about the balance of carrots and sticks that will best reduce the welfare rolls. Pages of legislation will be devoted to delimiting the deserving from the undeserving poor. Much concern will be given to crafting a basket of services that can be called a safety net for children. This will be balanced by arbitrary participation

55. If a person earning \$12,000 a year marries a person who also earns \$12,000 and has two children, the federal earned income tax credit payable in 1994 drops from \$2528 to \$230. However, if the couple lives together without marrying, the parent could still receive the maximum credit.

56. An exception could be made for minors who are married. Special exceptions would also be needed for those without access to a safe and secure household headed by a responsible adult. Cf. WIS. STAT. § 49.19(4e)(1991-92)(limiting AFDC eligibility for parents under 18 years of age).

limits. Yet, all of these measures will only address the situation of a fraction of the state's poor. This approach will leave no one satisfied; poverty will continue unabated.

Wisconsin can choose a better course. By making a simple New Offer of work, we can offer real opportunity to all citizens. Low-income families can take jobs, climb out of poverty, and contribute to the broader community. A reinforced mutuality of obligation will strengthen the social fabric. We can then put the divisiveness of welfare behind us and concentrate on building a robust economy that will benefit us all.