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The Growing Crisis Among Wisconsin's Poorest Families:

*A Comparison of Welfare Caseload Declines and Trends in
the State's Poverty Population, 1986-1997*

By Dr. Thomas S. Moore and Vicky Selkove

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Rationale and Methodology

Wisconsin is considered a national leader in welfare reform, primarily because the number of families receiving cash assistance has declined so dramatically. Though many credit the most recent program, Wisconsin Works (W-2), for this decrease in welfare rolls, the vast majority of caseload reductions actually occurred between 1986 and 1997, prior to W-2's implementation. During this period of welfare policy experiments, caseloads declined by two-thirds, or more than 200,000 persons. This is the first study that examines the impact these massive cuts in assistance had on Wisconsin's poor during this decade.

The study addresses two key questions:

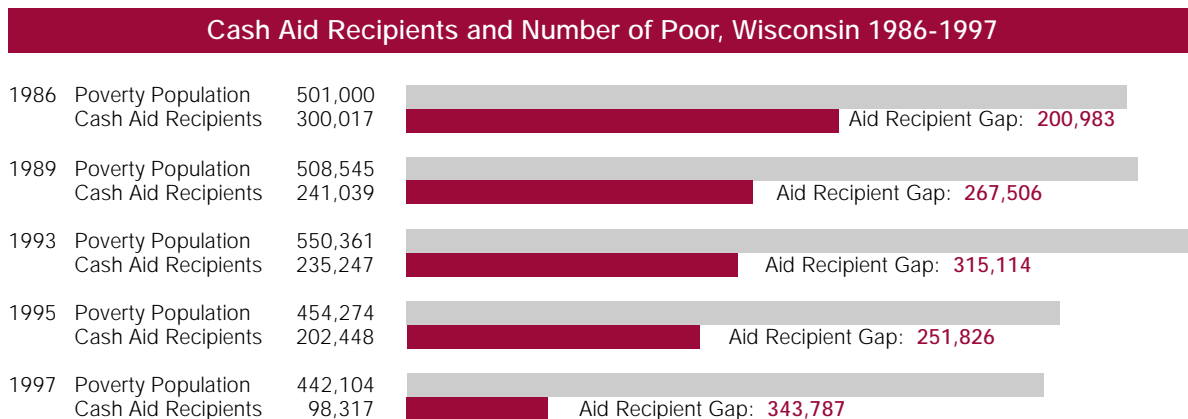
1. Was the decrease in the state's welfare caseload accompanied by a comparable decrease in the number of poor?
2. What changes have occurred in the real incomes and economic well-being of the state's poor population?

IWF worked with ECONorthwest, a public policy research organization, to compile and analyze administrative data from Wisconsin's food stamp program. The study also uses Census Bureau poverty and population figures to document the financial impact reduced cash assistance has had on Wisconsin's low-income households from 1986 to 1997.

Major Findings

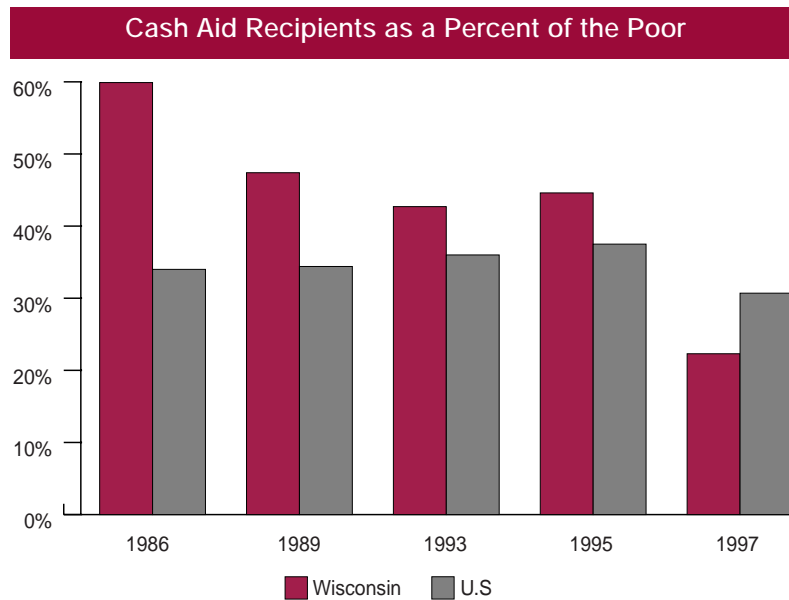
1. The decrease in Wisconsin's welfare caseload has not been accompanied by a comparable reduction in the number of persons living in poverty.

Despite the rapid overall growth in the state's economy and the dramatic declines in the welfare rolls, there was only a small reduction in the number of poor. Between 1986 and 1997, while the number of people on welfare fell by 67%, the number of people in poverty fell by less than 12%. The study indicates that Wisconsin's dramatic caseload declines have not been matched by a comparable improvement in poor families' standard of living. Wisconsin was much more effective at moving families off cash assistance than at eventually moving them out of poverty.

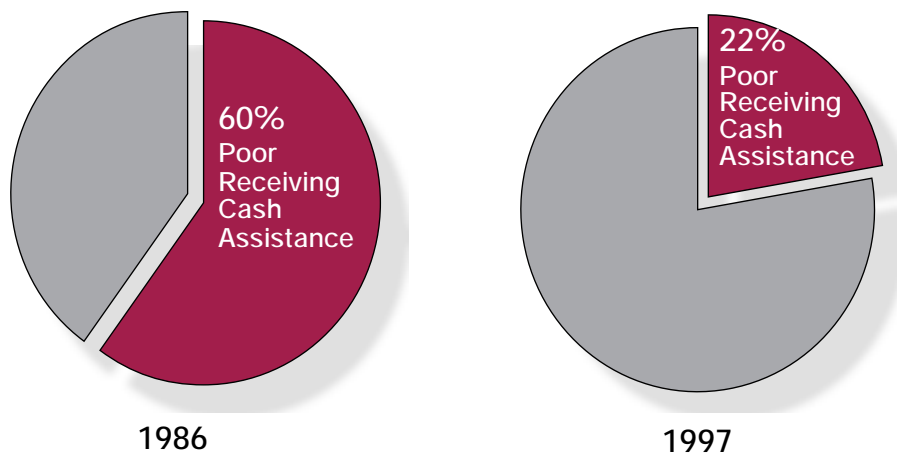


2. Families in poverty are receiving less assistance in Wisconsin than ever before.

In 1986, nearly 60% of Wisconsin's poor received cash assistance, a level well above the national average. By 1997, in a dramatic reversal, over 75% of those in poverty received no cash assistance. This unparalleled reduction in welfare receipt per poor person indicates that the vast majority of poor families no longer have the support needed to meet the growing costs of housing, utilities, clothing and other basic needs.

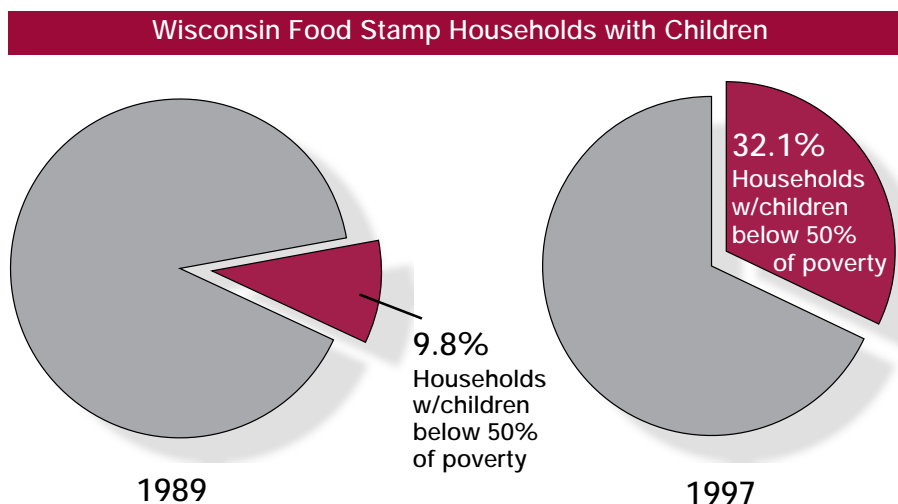
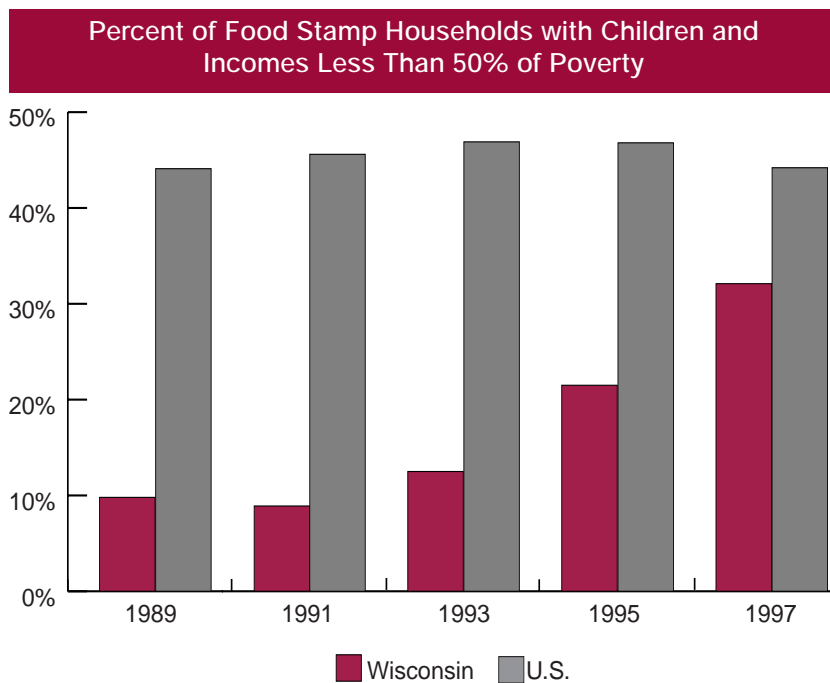


Wisconsin Poverty Population Receiving Cash Assistance 1986 & 1997



3. Welfare reform has left behind a growing number of families trapped in extreme poverty.

In 1989, only 10% of Wisconsin's food stamp families with children were living at a level of extreme poverty, with incomes less than 50% of the poverty level (\$6,665 for a family of three in 1997). By 1997, 32% of Wisconsin's food stamp households with children were at this extreme level of poverty. Between 1989 and 1997, the estimated number of extremely poor food stamp families had more than doubled, and represented a growing percentage of all food stamp families. Virtually all of the increase in the number of extremely poor households was among families receiving cash assistance. The number of these families in extreme poverty jumped from 1,661 in 1989 to 11,298 in 1997. This is largely due to policies that have cut the real value of cash benefits, pushing families with the most barriers to work into dire poverty.



Conclusion and Policy Recommendations

Since 1986, Wisconsin's welfare policy changes have been more effective at moving families off the welfare rolls than at moving them out of poverty. In fact, this study shows that for a large segment of the state's poorest families, welfare reform has actually resulted in increased deprivation. This report concludes that thousands of Wisconsin families lack the necessary supports to meet family needs, many are facing greater poverty than ever before, and caseload declines have not been matched by a comparable increase in self-sufficiency among the state's poorest families.

Extreme poverty and severe gaps in family access to public assistance remain a problem under W-2. Although food stamp income data is not yet available for 1998-1999, numerous recent studies confirm that the patterns of sustained financial difficulty found in IWF's analysis continue today. Though the mass exodus of low-income families from Wisconsin's welfare rolls is viewed as evidence of welfare reform's success, much remains to be done to improve the standard of living for the state's poorest families and increase opportunities for long-term self-sufficiency. Policy adjustments are needed to ensure that:

- Skill training and education are supported under the W-2 program, enabling participants to meet employers' requirements.
- Eligible families are more effectively linked with support services (child care, transportation) and entitlement programs (Food Stamps, Medicaid).
- Families in W-2 with severe employment barriers are not pushed deeper into poverty by low benefit levels, leaving parents unable to meet basic family needs.

Epilogue

The following studies document increased hardship since W-2's statewide implementation:

Families in Poverty: Parents with Disabilities and Their Children; Wisconsin Council on Developmental Disabilities, November 1998.

Initial Findings on the Impact of Wisconsin Works (W-2) on Food Security and Employment; Hunger Task Force of Milwaukee, July 1998.

State of Milwaukee's Children Report; Start Smart Milwaukee, May 1999.

Survey of Those Leaving AFDC or W-2; State of Wisconsin, Department of Workforce Development, January 1999.

Transitions to W-2: The First Six Months of Welfare Replacement; The Institute for Wisconsin's Future, June 1998.

W-2 Community Impact Study; The Milwaukee Women and Poverty Public Education Initiative, November 1998.

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The Institute for Wisconsin's Future is a statewide policy research and community education center. IWF was established in 1994 by a coalition of concerned academics, community and religious leaders, labor organizations and business professionals to produce and disseminate analysis of key public policy issues to assist citizens in making informed public policy decisions.



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1717 S. 12th Street • #203
Milwaukee, WI 53204-3300

414-384-9094

fax: 414-384-9098

email: iwf@execpc.com

web: www.execpc.com/~iwf