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Surveying US and Canadian Welfare Reform



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Foreword by Marvin Olasky



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Foreword

by Marvin Olasky, Senior Fellow, Acton Institute for the Study of Religion and Liberty

This Fraser Institute study is an accurate and concise account of how the United States took action once the percentage of Americans collecting welfare increased to 5.5% in 1993; by 2000, that percentage was down to 2.1%. North of the border, the percentage of Canadians collecting welfare grew to 10.7% in 1995; last year it was down to 6.8%. That still leaves Canada with a rate well above that which led Americans to a welfare revolt.

This study also does a good job of reporting how innovation in several states—Wisconsin foremost among them—showed the rest of the United States that change was possible not only theoretically but demonstrably in real life. The study fairly characterizes America’s increased use of faith-based approaches, a tendency that represents the second (and current) phase of welfare reform.

What may not be clear, except to those who lived through it, is how quickly American thinking about welfare turned around. Ten years ago, the debate in Congress tended to be between those who wanted some new multi-billion-dollar welfare panacea and those who did not challenge the essential premises of that proposal but counter-proposed an amount only 80% as grand. Now, the debate concerns the means by which private charities, including religious organizations, should be encouraged to do more of the work at which government-provided welfare has failed.

How much of the American experience is applicable to Canada? Analysis of available governmental mechanisms is important but I suspect the larger outcome depends on how much faith Canadians have in government and how much understanding they have of how government-provided welfare generally hurts the very people it is designed to help.

American audiences tend to respond favourably to the story of a young farm girl out milking the family cow when a stranger approaches and asks to see her mother. “Momma,” the young lady calls out, “there’s a man here to see you.” The mother looks out the kitchen window and replied, “Haven’t I always told you not to talk to strangers? You come in this house right now.” The girl protests: “But momma, this man says he is a United

States senator.” The wise mother replies, “In that case, bring the cow in with you.”

Are Canadians equally skeptical about the trustworthiness of leaders in Ottawa or does general support for national health-care translate into general support for those who think government can fix not only wounded bodies but crippled attitudes? Another issue: how much do Canadians think the purpose of work is merely to pay for daily bread and how much do they view work as part of the bread itself?

From the 1960s to the 1980s, Americans tutored by liberal academia and media came to believe that shining shoes, taking in laundry, or flipping burgers was a demeaning activity and that it was better for people to be on welfare than to perform such tasks. The will to fight welfare expansion grew in the 1990s when more Americans realized that treating an able-bodied person as weak and helpless was the truly demeaning posture because that was turning someone made in God’s image into a pet.

From the 1960s to the 1980s, Americans listened to liberal groups claiming that the welfare system had to grow “for the sake of the children.” That hot-air balloon deflated when more Americans understood that when children come to see welfare as a way of life, they are unlikely to strive, study, and work as hard as they must to be all they can be and not pass on an acceptance of welfare dependency to their own children.

In short, the key American development was the realization that both liberals and conservatives had things backward. Liberals needed to realize that their tender mercies were actually cruel, because they were enticing adults and children to settle for a sad life that they would otherwise be able to transcend. Conservatives needed to realize that the problem of welfare was not its cost in dollars but its cost in lives. Legislators who patted themselves on the back for helping the poor needed to realize that they were really encouraging stinginess in what the poor needed most: challenging personal and spiritual help.

What have Canadians come to realize? This study is a terrific primer on what to do when the will to change is present. Wherever and whenever there’s a will, this study will suggest the way.



Executive summary

The provision of welfare and related services is a sensitive undertaking requiring a delicate balance between the compassionate delivery of services to those in need and the maintenance of fiscal prudence. Both Canada and the United States reformed welfare in the last eight years. Reforms in the United States went further and have been more successful (see figure 1). This study summarizes the reforms undertaken in both countries with emphasis placed on successful innovations and experimentation.

Parallels in the historical development of welfare

The historical development of welfare in Canada and the United States is quite similar. Over the past four decades and, indeed, over the last century, both countries have witnessed a watershed change in the provision of welfare, moving from a largely private delivery system to a near government monopoly. The focus of welfare has also been radically altered from one of targeted assistance to the universal provision of benefits. The foundation for public delivery of welfare in both countries was laid in the 1920s and 1930s with the Old Age Pensions Act in Canada (1927) and the Federal Emergency Relief Act (1933) in the United States. Both countries also undertook major expansions in social-welfare programs beginning in the 1960s with Prime Minister Trudeau's "Just Society" and President Johnson's "Great Society."

Both countries also enacted federal legislation in 1996 that loosened regulations covering welfare. In Canada, the replacement of the Canada Assistance Plan (CAP) with the Canada Health and Social Transfer (CHST) allows the provinces greater flexibility in the delivery of social services. Similarly but more fundamentally, the passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in the United States represents a significant reduction in federal regulations covering welfare provision by the states. The results of both legislative initiatives means more control and flexibility for Canadian provinces and American states in the delivery of welfare.

Success in decreasing welfare case loads

Both Canada and the United States have experienced declines in the number of welfare cases, both in absolute terms and as a percentage of the population. The United States has experienced a decline in the number of welfare recipients from a high of 14.2 million in 1994, representing 5.5% of the population to 5.8 million in June of 2000, representing 2.1% of the population. The number of welfare recipients in the United States has declined by 8.4 million, a decrease of 59.4% between 1994 and 2000.

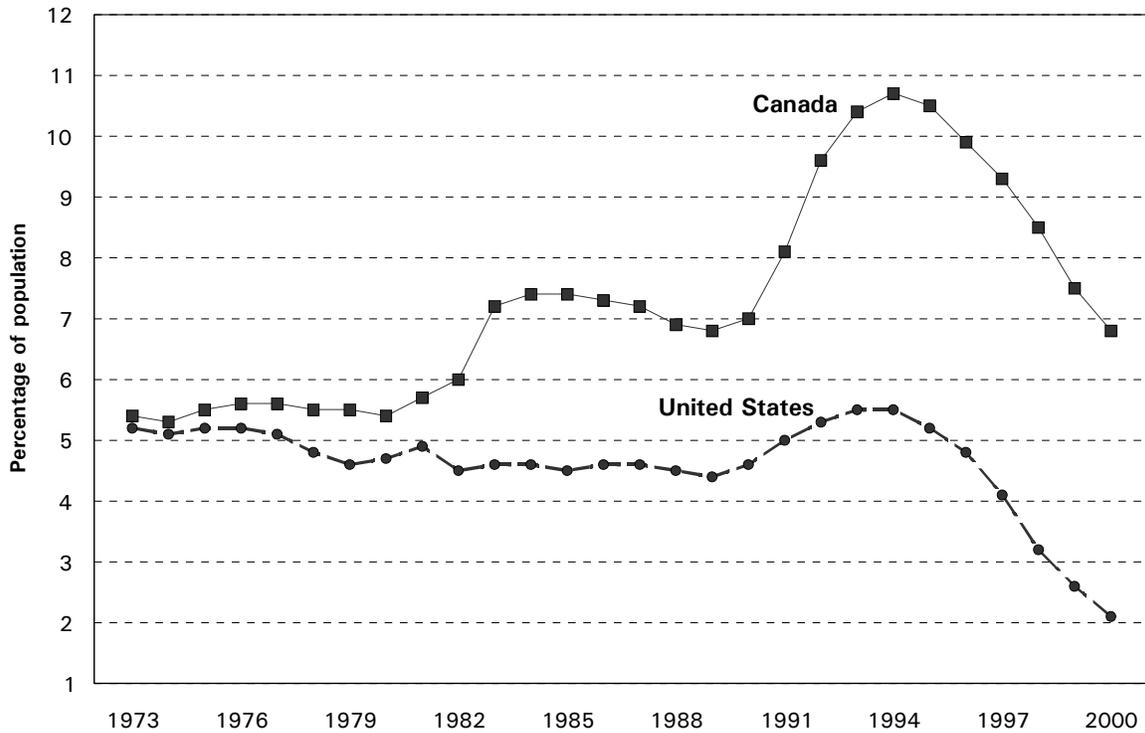
Canada has similarly experienced declines in the number of welfare recipients. The number of welfare beneficiaries in Canada has declined from a high of 3.1 million in 1994, representing an astonishing 10.7% of the population to 2.1 million in 2000, representing 6.8% of the population. Between 1994 and 2000, the number of welfare beneficiaries dropped by 1,015,000, a decline of 32.7% over six years.

Although Canada has experienced a decline in the number of welfare beneficiaries since the peak during the mid-1990s, the number of beneficiaries is still above the number at the beginning of the decade. In fact, there were actually 155,000 more welfare beneficiaries at the end of the 1990s than there were at the beginning of the decade.

Welfare reform in the United States: Innovation and experimentation

The passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996 ushered in a period of experimentation and innovation in the delivery of welfare and related services at the state level in the United States. The types of reform implemented by various states cover three broad areas: (1) internal government reform, (2) privatization, and (3) use of faith-based organizations (FBOs).

Figure 1: Welfare recipients as a percentage of the population in Canada and the United States



Sources: US Department of Health and Human Services; Human Resources Development Canada; Statistics Canada; calculations by the authors.

(1) Internal government reforms

These reforms pertain to the nature and provision of welfare and related services at the state level. Three types of internal reforms have been implemented in the United States: ending the entitlement status of welfare, diversion, and sanctions and immediate work requirements.

Ending the entitlement

Wisconsin was the first state to impose time limits for the receipt of welfare benefits, namely 24 months. Other states, including Wyoming and Idaho, also placed time limits on welfare beneficiary eligibility. By introducing such time limits, these states effectively ended the right to welfare benefits and, by doing so, changed the tone of welfare provision in their states. The federal government set a time limit of five years; states can set shorter terms.

Diversion

Diversion programs, most notably in Wisconsin and Florida, attempt to prevent individuals and families from entering the welfare rolls by exploring alternative possibilities such as support from relatives, charitable organizations,

and lump-sum emergency payments to potential welfare recipients in lieu of future benefits for expenses such as car repairs in order to keep the individuals employed or in a position to obtain employment.

Sanctions and work requirements

One of the more fundamental changes under PRWORA was immediate work requirements combined with strong sanctions for failure to participate. Wisconsin and Wyoming led the way in state reforms. For instance, Wisconsin requires recipients to work in exchange for benefits within 30 days except in unusual circumstances.

(2) Privatization

Wisconsin

Privatization reforms include contracting out to both for-profit and non-profit organizations of a number of the administrative and delivery functions of welfare programs. For instance, Wisconsin contracts with for-profit companies to complete eligibility screening, manage cases, and deliver welfare benefits and related services.

Although the goal of welfare reform in Wisconsin was increased efficiency and quality in the delivery of

services, the use of for-profit companies also led to savings over two years of \$10.25 million. The reason is that the contracts are based on a flat-fee payment. Thus, companies must innovate to find cost-effective ways of delivering services in order to generate a profit. However, they are impeded from simply reducing the quality of service or refusing service through a stringent “failure to serve” penalty clause.

Texas

The State of Texas suggested the framework for the most wide-sweeping privatization effort in the United States. The aim of the proposed Texas Integrated Enrollment and Services (TIES) was to create “one-stop” access for those receiving state benefits. The program would have integrated a number of separate programs and established contracts with both for-profit and non-profit organizations to complete such tasks as eligibility determination, service referrals, program enrollment, maintenance of client information, and general case-load management. Unfortunately, the federal government, under former President Clinton, overturned the Texas initiative on the basis that it violated the PRWORA. Nonetheless, it represents one of the most far-reaching attempts at welfare privatization and may act as an example for other states now undertaking large-scale privatization.

New York

Perhaps one of the most innovative experiments in welfare delivery has been undertaken by New York City, which has entered into a contract with America Works, a for-profit company, to place long-term unemployed New York City welfare recipients in jobs. The goal of America Works is to assist hard-to-employ individuals make the transition out of welfare dependency and into stable employment.

America Works developed a four-stage process to help individuals make the transition: orientation, training, trial work period, and recruitment. Participants are prepared for the discipline of working life, such as the necessity of arriving on time, during the week-long orientation. The training portion lasts roughly five weeks and covers a range of work-related skills, such as clerical procedures and proper behaviour during interviews, and lessons on appropriate dress. Next, the trial work period places the participant in the work environment, initially employed through America Works and supported by an America Works representative who visits the employment site regularly to assist the participant and employer. At

the end of the four-month trial period, the employer recruits the participant directly on a full-time basis and the America Works representative remains involved, periodically intervening if any problems arise.

America Works receives no payment until the participant is placed in a job. At this point, it receives an initial payment of 18% of the total value of the \$5,490 received for a fully assisted recipient. It then receives 70% if the employer hires the recipient as a permanent employee after the four-month trial period, and receives the remaining 12% if the individual remains employed for the next three months. If the participant drops out at any point during the seven-month duration of the program, America Works refunds to the state the intermediate payment.

In 1998, 88% of those placed through America Works in the previous three years were still off the welfare rolls. Another study concluded that America Works is able to train workers for about \$5,500 per recipient, substantially less than the estimated \$24,000 price tag for a comparable program run by New York City.

(3) Programs with faith-based organizations

Another major aspect of the reforms enacted under PRWORA was the ability to enter into contract with, and use, non-profit, faith-based organizations. Section 104 of the Act, referred to as the Charitable Choice clause removes barriers that previously kept states from entering into contractual agreements with faith-based organizations.

Charitable Choice attempts to allay concerns about separation of state and religion by precluding government funds from being used to advocate, support, or further religious initiatives. It also attempts to protect the faith-based organizations by prohibiting the government from requesting the organization to alter its program. This is one of the more contentious reforms and will likely be subject to court challenge.

Given the contentious nature of this reform, it is interesting to note that currently 20 states maintain agreements with faith-based organizations. Studies have estimated that between 2,000 and 2,500 welfare recipients are serviced by faith-based organizations at any given time. Further, between \$15 billion and \$20 billion are spent each year by faith-based organizations on social services.

Mississippi

The State of Mississippi was one of the first states to use religious congregations to help welfare families make the

transition from dependency to work. The program, referred to as Faith and Families of Mississippi, brings members of congregations together to aid families in their area. The networks of volunteers provide such assistance as child-care, transportation, life skills, employment advice, counseling, and moral support. In March of 1999, there were 338 religious organizations helping 504 families.

Texas

The Pathfinders Program introduced by then-Governor Bush was modeled on the Mississippi program. Pathfinders brings together a diverse group of community volunteers, including business people, civic activists, and religious ministers, to “adopt” welfare families. Like the Mississippi program, the number and variety of services provided to the families vary depending on the needs of the specific family. Services such as child-care, housing assistance, on-the-job training, counseling, transportation, and life-skills training, as well as constant encouragement are provided by the Pathfinder teams. In June of 1999, Pathfinders reported that 75.7% of the families involved in the program were off welfare assistance and 54.4% were gainfully employed.

Other states have contracted with faith-based organizations and other non-profit agencies to deliver specific services. For instance, Michigan contracts with faith-based organizations to deliver child-care services at awkward hours. Similarly, Michigan contracts with the Good Samaritan Ministries to connect needy families with local religious agencies, similar to the programs operated in Mississippi and Texas. Ohio and Maryland also use faith-based organizations in manners similar to Mississippi and Texas.

Canadian welfare reform: Pale by comparison

The introduction of the Canada Health and Social Transfer (CHST) in 1996 presented provinces with a unique opportunity to enact and experiment with innovative reforms in social assistance. None of the Canadian provinces have undertaken some of the most important reforms that have been implemented in the United States.

The ratio of welfare recipients to population has decreased from the 1994 peak and is down slightly from where it was in 1990. Alberta and Ontario have been the most aggressive provinces at reforming welfare and have the largest declines from their respective peaks.

Alberta and Ontario

Alberta was the first province to make significant reforms to welfare and provided a policy template for other provinces. It undertook large-scale reform of the welfare bureaucracy, reduced benefits, increased monitoring and fraud investigation, introduced a stronger focus on diversion and employment, and incorporated the limited use of non-profit organizations to aid in the delivery of services.

Ontario is the only province to introduce workfare, that is, mandatory employment stipulations for the receipt of benefits. Like other Canadian provinces, it also reduced benefits, overhauled its administrative bureaucracy, and focused on diversion and employment. Ontario also experimented with private contractors and the limited use of non-profit and charitable organizations.

The Canadian ratio of welfare recipients to population is higher today than the American ratio was at its peak. Only Alberta has a proportion of welfare recipients to population similar to that of the United States. If Canada wants to help welfare recipients get off welfare, provinces need to consider reforms that have been proven successful in the United States.

Policy recommendations for Canada and the provinces

(1) End the entitlement to welfare

Provincial governments should adopt specific time limits, for instance 48 or 60 months, for receipt of welfare benefits. Research shows that more than half of all welfare cases in Canada last 25 months or more during a “spell” on welfare. A lifetime limit of assistance of 5 years or less would create an effective incentive for recipients to find self-sustaining employment. Offsetting this could be provincial exemptions roughly equal to the percentage of the population that is unavoidably in need of assistance, which would mitigate the effects of this reform on the most vulnerable.

(2) Divert potential recipients

Few provinces have moved to implement diversion programs that steer individuals away from welfare benefits. Significant case-load reductions in Alberta came from a sharp decrease in the number of people who were applying for welfare for the first time. Canadian provinces would be

well advised to implement diversion programs so as to expose as few people as possible to welfare and its attendant dependency problems.

(3) Implement full-check sanctions

Where many provinces lag behind their American counterparts is in the implementation of tough sanctions for non-compliance. Studies from the United States have demonstrated that states with full-check sanctions rather than delayed full-check sanctions achieve greater case-load reductions. Few jurisdictions outside of Alberta and Ontario have implemented serious sanctions that threaten the full welfare benefit after the first instance of non-compliance. Full-check sanctioning becomes all the more important when research from Canada demonstrates that “People on welfare who are looking for work tend to have shorter rather than longer spells on welfare” (National Council of Welfare 1998: 26).

(4) Immediate work requirements

Provisions for immediate work requirements as a condition of receiving assistance are imperative for ending the sense of entitlement to welfare and increasing the work ethic among recipients. Work requirements are important because they “eliminate the recipient’s option to receive a free income from welfare; this in turn reduces the economic utility or attractiveness of welfare for the recipient in comparison to other alternatives, such as obtaining a private-sector job or relying on family and friends for support” (Rector 2000:13). Outside Alberta, the reality is that work requirements often do not come into effect until several months after a recipient has been collecting welfare. For example, mandatory enrolment in Ontario Works takes place only after a waiting period of four months, during which welfare operates much as it did in the past.

In the United States, requiring work for welfare usually means that most new applicants must find private-sector employment or perform community-service work immediately or shortly after enrolling in welfare. Community workfare programs are oriented towards creating and reinforcing a positive work ethic.

(5) Focus on employment, not training and education

Welfare-to-work programs aimed strictly at education and training are not as effective as programs aimed at em-

ployment at reducing welfare case loads, reducing welfare costs, or substantially raising incomes of participants. Provincial governments across Canada continue to invest considerably in a range of government-sponsored training programs for welfare recipients. Few provinces, with the notable exception of Ontario, have even attempted to introduce workfare into their welfare-to-work programs. Provinces should redirect the effort and substantial funds they currently spend on training and education programs towards initiatives geared to assist recipients obtain employment.

(6) Encourage private for-profit welfare providers

Provinces have largely ignored opportunities to reform social-assistance programs and the welfare bureaucracy through the use of private contractors or through outright privatization. Canadian provinces have yet to introduce private-sector welfare-to-work programs (like America Works) to assist long-time welfare recipients in finding employment. To date, private-sector involvement in Canadian welfare reform has almost exclusively taken the form of wage subsidies to employers.

Moreover, many states have accrued savings by following Wisconsin’s lead in contracting out welfare intake, eligibility determination, and case management. Canadian provinces should be commended for their efforts to regionalize and restructure the delivery of social services by adopting efficient “one-stop” access to services. However, opening the contract process up to competitive bidding, while providing for the “right of first selection” for public-sector welfare providers would serve to reinforce the importance of achieving desired outcomes.

(7) Encourage the involvement of faith-based non-profit organizations

Despite the growth in the delivery of social services by non-profit organizations throughout jurisdictions in Canada, faith-based welfare initiatives in Canada similar to those covered by the United States’ Charitable Choice provision have been almost entirely nonexistent. This is so despite the fact that religious organizations are already organized into a massive network that can mobilize their followers to fulfill the often explicitly stated goal of serving others and helping the needy. Preliminary research demonstrates that faith-based welfare reforms have made church-state collaboration more acceptable

to public officials and religious congregations. More importantly, the research reveals that as a result of faith-based reforms, congregations have moved away from providing commodities to the poor and instead have started to focus on working with individual recipients through mentoring and face-to-face contact, which has yielded positive results.

Currently, more information is needed on the non-profit sector in Canada and the extent to which this sector collaborates with governments across Canada in providing services. Hence, despite the concerns to safeguard church and state, based on American outcomes, provincial governments would be well advised to initiate dialogue with the various faith communities with the eventual goal of adopting reforms similar to those of the United States.

Conclusion

The welfare reforms described in this study have demonstrated a high level of success on numerous fronts. The United States appears to be in the process of successfully transforming its welfare system into a work-focused and temporary assistance program. Since 1994, the American welfare case load has declined over 50%, more people are working, child poverty is decreasing, and the number of out-of-wedlock births has stabilized.

The creation of the CHST has given the go-ahead to Canadian provinces to move forward with innovative reforms and experimentation with social assistance and social service delivery. In doing so, provincial governments would be wise to consider the experiences of our neighbours to the south.



Introduction

The provision of welfare and related services is one of the most sensitive and influential programs delivered by government as it deals with people in desperate and often times nearly hopeless situations. Given the personal circumstances of those receiving welfare, it should be delivered in a compassionate manner while remaining effective in achieving its objectives and affordable to taxpayers. Those providing welfare and related services must ensure that those in need of genuine assistance receive it in a timely and supportive manner while ensuring that the system does not become a permanent crutch. It is a difficult and, often times, trying balance.

Over the past four decades and indeed over the last century, western societies have witnessed a watershed change in the provision of welfare, moving from a largely private delivery system to a near government monopoly. The focus of welfare has also been radically altered from one of targeted assistance to the universal provision of benefits. These changes have altered the nature and tone of welfare and related services.

This study describes the historical development of welfare in both the United States and Canada. More importantly, it reviews reform efforts undertaken over the last decade with particular attention to successful reform initiatives undertaken in the United States. The study attempts to describe successful reforms that could be imported to Canada to improve our own welfare programs. The importance of welfare provision and its design should not be underestimated: thus, we as a nation need to look beyond simply who provides welfare and focus

more intensely on what works and how to make welfare more effective for both those receiving it as well as those who pay for it.

Organization of this study

This Critical Issues Bulletin is organized into seven sections. The first section provides an historical overview of the development of welfare in the United States up to the early 1990s. The second section summarizes and explains the welfare-reform initiatives begun at the state level in 1994/1995 and at the federal level in 1996 with the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). The third section provides examples of successful and oftentimes quite innovative experiments by various states with alternative welfare-delivery mechanisms and program reforms, including private for-profit provision and participation by faith-based organizations. The fourth section reviews the success and effectiveness of American federal and state welfare reforms for both recipients and taxpayers. The fifth section provides an overview of welfare development in Canada parallel to the first section's summary of American welfare development. The sixth section summarizes recent federal and provincial welfare-reform programs in Canada. Finally, section seven provides a series of policy recommendations for further welfare reform in Canada based on the analysis of American state welfare reform.



1 Historical development of welfare in the United States

The foundation of the welfare state was laid in the 1930s during the Great Depression. As part of President Roosevelt’s New Deal legislative program, the Federal Emergency Relief Act (ERA), a \$500 million program of grants to state and local governments, was enacted. The ERA represented 0.08% of the value of all goods and services produced (GDP) in that year. For the first time in American history, public funds were directed to all needy unemployed persons and their dependents and not just to widows, orphans, or the disabled.

The federal government also implemented the Social Security Act in 1935, which established a two-tiered national income-support system. One tier consisted of two new social-insurance programs: Social Security and Unemployment Compensation. The other tier consisted of four joint federal-state means-tested programs, which gradually became known as welfare. The programs included Old Age Assistance, Aid to the Blind, Aid to the Disabled, and Aid to Dependent Children (ADC). Under these programs, states received reimbursement from the federal government equal to a percentage of their expenditures in these spending areas. The reimbursement percentage was set at a minimum of 50%.

The creation of these four welfare programs enhanced the role of state governments in welfare administration by requiring uniform statewide standards, state financial participation, and the creation of a state agency for administration and supervision. These programs were specifically tailored towards those individuals and families not considered employable. Two parent families and employable adults were restricted to state and local relief programs that were established prior to these reforms.

As a result of President Roosevelt’s New Deal legislation, welfare in the United States was transformed. From 1932 to 1939, total welfare expenditures for all levels of government increased from \$208 million (0.03% of GDP) to \$4.9 billion (0.5% of GDP) and it greatly increased federal involvement in welfare (Tanner 1996).

Aid to Families with Dependent Children (AFDC)

For the next quarter century, the welfare system remained relatively unchanged except for some expansion in the social insurance program. One change worth noting is that Aid to Dependent Children (ADC) was renamed Aid to Families with Dependent Children (AFDC) in 1963 to reflect the fact that the program was expanded to include two-parent families in which the father was unemployed.

In the 1960s, the Aid to Families with Dependent Children (AFDC) program began to grow faster than the population due to a lessening of the welfare stigma resulting from Lyndon Johnson’s “War on Poverty” and the increasing pressure of welfare rights groups to reduce the restrictive criteria imposed by state welfare agencies. During this period, President Johnson also signed the Economic Opportunity Act, which established the Office of Economic Opportunity and appropriated almost a billion dollars for work-training programs, such as the Neighborhood Youth Corps and the Work Incentive Program. Moreover, President Johnson also expanded the 1961 food and commodity pilot program into the federal food-stamp program.

In 1965, President Johnson called for the establishment of the “Great Society.” Its goal was to rebuild American cities through Community Action grants and a variety of other programs. This period also witnessed the implementation of Medicaid, monies directed to the poor for health care, and the signing of the Housing and Urban Development Act, which authorized the construction of 600,000 federally subsidized housing units.

In 1967, President Johnson responded to AFDC’s growth with welfare-reform legislation that established AFDC work programs. Under this program, parents with no pre-school children could be made to participate in the work program or risk losing their welfare benefits. However, attempts at welfare reform came too little and too late. At the beginning of the “War on Poverty” (1965),

the number of people receiving AFDC was 4.3 million, or 2.2% of the total American population (table 1). By 1972, this figure had risen to 11.2 million people, or 5.2% of the total American population. Moreover, between 1965 and 1975, measured in constant dollars, “medical aid almost quintupled, food aid did quintuple, housing spending increased sevenfold, and job training funds increased fifteenfold” (Rector and Lauber 1995: 11).

After the election of President Nixon in 1968, his administration proposed replacing AFDC with the Family Assistance Program (FAP), hoping to stem the growth of the AFDC program. The FAP, a political compromise, toughened work requirements and reduced benefits while broadening the federal role, creating a national minimum benefit entitlement and expanding coverage for two parent families. After a great deal of debate, Congress rejected the FAP in 1972.

Nevertheless, after rejecting the Family Assistance Program (FAP), Congress approved a proposal to federalize most of the welfare tier of the income-support system by replacing Old Age Assistance, Aid to the Blind, and Aid to the Disabled with the Supplemental Security Income (SSI) program. The SSI program, administered by the Social Security Administration, has remained outside the debate over welfare reform.

In 1975, Congress enacted the Earned-Income Tax Credit (EITC). The purpose behind the tax credit was to

offset the adverse effects of Social Security and Medicare payroll taxes on working poor families and to improve work incentives by allowing these families to keep more of their income. The EITC was subsequently expanded in 1986, 1990, and 1993.

During the Reagan administration, the AFDC program was reformed twice, first by the Omnibus Budget Reconciliation Act of 1981 and then by the Family Support Act of 1988. Both of these reforms emphasized work obligations on behalf of parents receiving aid. This reform effort gave birth to the Job Opportunities and Basic Skills (JOBS) training program, which permitted states to require welfare recipients to participate in job-search programs and perform community service work.

According to Tanner (1996) such efforts came at a high cost. Over President Reagan’s two terms in office, federal welfare spending increased from \$199 to \$230 billion, in constant 1993 dollars. Hence, even though after 1975 the growth in welfare slowed, the cost of welfare entitlements continued to increase. In addition to creating higher costs for taxpayers, welfare also became increasingly federalized. By 1990, the federal share of AFDC had risen to 55% from the original 33% (Tanner 1996). As a result, calls for welfare reform grew louder. The goal of self-sufficiency became increasingly important as the working poor tired of supporting others capable, but unwilling, to support themselves and their families.

Table 1 Number and percentage of individuals and families receiving Aid to Families with Dependent Children (AFDC) and Temporary Assistance for Needy Families (TANF), 1936–2000

	Recipients	Families	Recipients as a percentage of the population	Families as a percentage of the population
1936	534,000	147,000	0.4	0.1
1937	674,000	194,000	0.5	0.2
1938	895,000	258,000	0.7	0.2
1939	1,042,000	305,000	0.8	0.2
1940	1,182,000	349,000	0.9	0.3
1941	1,319,000	387,000	1.0	0.3
1942	1,317,000	387,000	1.0	0.3
1943	1,050,000	304,000	0.8	0.2
1944	910,000	260,000	0.7	0.2
1945	907,000	259,000	0.6	0.2
1946	1,112,000	312,000	0.8	0.2
1947	1,394,000	393,000	1.0	0.3
1948	1,595,000	449,000	1.1	0.3
1949	1,918,000	541,000	1.3	0.4
1950	2,205,000	644,000	1.4	0.4
1951	2,134,000	621,000	1.4	0.4
1952	2,022,000	583,000	1.3	0.4
1953	1,970,000	560,000	1.2	0.3
1954	2,076,000	580,000	1.3	0.4
1955	2,214,000	612,000	1.3	0.4
1956	2,239,000	611,000	1.3	0.4
1957	2,395,000	645,000	1.4	0.4
1958	2,719,000	724,000	1.6	0.4
1959	2,920,000	774,000	1.6	0.4
1960	3,005,000	787,000	1.7	0.4
1961	3,354,000	869,000	1.8	0.5
1962	3,676,000	931,000	2.0	0.5
1963	3,876,000	947,000	2.0	0.5
1964	4,118,000	992,000	2.1	0.5
1965	4,329,000	1,039,000	2.2	0.5
1966	4,513,000	1,088,000	2.3	0.6
1967	5,014,000	1,217,000	2.5	0.6
1968	5,705,000	1,410,000	2.8	0.7

	Recipients	Families	Recipients as a percentage of the population	Families as a percentage of the population
1969	6,706,000	1,698,000	3.3	0.8
1970	8,466,000	2,208,000	4.1	1.1
1971	10,241,000	2,762,000	4.9	1.3
1972	10,947,000	3,049,000	5.2	1.5
1973	10,949,000	3,148,000	5.2	1.5
1974	10,864,000	3,230,000	5.1	1.5
1975	11,165,185	3,498,000	5.2	1.6
1976	11,386,371	3,579,000	5.2	1.6
1977	11,129,702	3,588,000	5.1	1.6
1978	10,671,812	3,522,000	4.8	1.6
1979	10,317,902	3,509,000	4.6	1.6
1980	10,597,445	3,642,380	4.7	1.6
1981	11,159,847	3,870,765	4.9	1.7
1982	10,430,960	3,568,781	4.5	1.5
1983	10,659,365	3,650,746	4.6	1.6
1984	10,865,604	3,724,864	4.6	1.6
1985	10,812,625	3,691,610	4.5	1.6
1986	10,996,505	3,747,531	4.6	1.6
1987	11,065,027	3,784,018	4.6	1.6
1988	10,919,696	3,747,948	4.5	1.5
1989	10,933,980	3,770,960	4.4	1.5
1990	11,460,382	3,974,322	4.6	1.6
1991	12,592,269	4,373,883	5.0	1.7
1992	13,625,342	4,768,495	5.3	1.9
1993	14,142,710	4,981,248	5.5	1.9
1994	14,225,591	5,046,263	5.5	1.9
1995	13,652,232	4,876,240	5.2	1.9
1996	12,648,859	4,553,339	4.8	1.7
1997	10,936,298	3,946,304	4.1	1.5
1998	8,770,376	3,179,167	3.2	1.2
1999	7,187,753	2,642,826	2.6	1.0
June 2000	5,780,543	2,208,095	2.1	0.8

Sources: U.S. Department of Health and Human Services, Administration for Children and Families; U.S. Census Bureau; calculations by the authors.



2 PRWORA—the end of welfare as Americans knew it

As a presidential candidate in 1992, Bill Clinton vowed “to end welfare as we know it.” In August 1996, Congress passed national welfare reform legislation, referred to as the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). This initiative marked a change of direction and philosophy for modern welfare provision in the United States.

From 1964 to 1967, social policy institutionalized permanent income transfers that embraced large segments of the American population. This policy initiated an upward trend in welfare spending, which would more than triple as a percentage of gross domestic product (GDP) by the mid-1990s. Between 1965 and 1994, welfare spending cost taxpayers a total of \$5.4 trillion in 1993 dollars (Rector and Lauber 1995). Of perhaps greater concern than the rising costs associated with this “War on Poverty,” however, was the fact that such policy gave rise to a culture of dependency, joblessness, and other related social ills.

This was the state of affairs welfare reformers were faced with in 1996. By undermining the work ethic and expanding the size and scope of the welfare state, the system had worked to entrap recipients while at the same time generating new clientele. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) promised to change this state of affairs.

Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA)

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) is the American government’s most ground-breaking attempt to date to dismantle and replace its flawed welfare system. PRWORA, as the new welfare law is known, eliminated Aid to Families with

Dependent Children (AFDC) and replaced it with the Temporary Assistance for Needy Families (TANF) block grant, under which families are no longer entitled to cash assistance. PRWORA also consolidated funding for the Job Opportunities and Basic Skills (JOBS) training program, Emergency Assistance (EA), and child-care assistance into the TANF block grant.

Other significant changes included limiting the eligibility for the Supplemental Security Income and Food Stamp programs. The federal government set funding for the new block grants at \$16.4 billion annually through 2002, which is roughly equivalent to the real 1994 level of federal funding for the programs eliminated by PRWORA. Other grants above and beyond those normally available under TANF are obtainable under certain circumstances, such as above-average population increases.

Details of the PRWORA

“Maintenance of Effort” (MOE) Clause

It is the “maintenance of effort” (MOE) clause that prevents states from significantly reducing total welfare expenditures by imposing large penalties on the amount of their federal block grants. Under MOE, states are required to maintain their own spending on welfare at 80% or more of their 1994 fiscal year level. However, states that meet the specified work requirements under PRWORA may reduce their MOE funding level to 75% of “historic state expenditures.”

Historic state expenditures are calculated as the portion paid by the states for AFDC, EA, JOBS, and AFDC-related child-care expenditures for the fiscal year (FY) 1994. As is the case with the federal TANF block grants, for almost all states MOE expenditures are based on spending in a period with significantly higher case loads. However, according to the General Accounting Office (GAO), because the state MOE level is 20% below earlier expenditures, state required spending is less than actual

state spending on similar programs in 1996. Only Indiana, which experienced a large windfall, was required to increase expenditures under PRWORA (GAO 1998).

Under the entitlement status of AFDC, federal funding and state expenditures automatically increased with the growth of case loads. However, with the introduction of a block grant under PRWORA, state welfare funding by the federal government is fixed. Consequently, state welfare spending is much more volatile under PRWORA than under AFDC. Hence, although in a given fiscal year states are required to spend their MOE funds, they do not have to spend the entire portion of their block grant. States are permitted to place some of the block grant aside for future expenditures. This provides states with some ability to reallocate their federal funding to account for possible future economic downturns and potential case load growth.

Decentralization

The new welfare arrangements transfer a significant degree of authority and discretion for welfare provision to the states. In the past, AFDC defined the eligibility criteria and required states to deliver aid if a family income was below state-determined levels. However, states are now free to determine eligibility criteria for those families seeking assistance. Specifically, states may establish their own asset limits and benefit levels. TANF also permits states to contract with charitable, religious, or private organizations for the delivery of welfare assistance. Section 104 of PRWORA contains the *Charitable Choice* clause, which eliminated barriers that in the past prohibited states from entering into partnerships with either secular or faith-based organizations to provide services to AFDC recipients.

Federal conditions

Under TANF, numerous federal requirements exist. PRWORA stipulates that states refrain from spending TANF funds to assist unwed mothers under 18 unless they live under adult supervision and are participating in educational or training activities. To discourage teen pregnancy further, PRWORA stipulates that states outline how they plan to reduce out-of-wedlock pregnancy. States are also given the option of imposing “family caps” that deny additional benefits to welfare recipients having additional children while on welfare. PRWORA also provides \$250 million over five years for educational programs promoting sexual abstinence among youth. Some states have used the available TANF funds to create programs designed to en-

courage contraceptive use among welfare recipients and low-income women while others have focused on programs to prevent teen pregnancy or grants to community initiatives assisting both teens and adults.

PRWORA also stipulates that states impose a five-year lifetime limit on TANF-funded benefits. The time limit also manifests itself in a work trigger, which requires states to engage parents and other guardians in “work” after a maximum 24 months of aid. Twenty states have chosen to require immediate participation while 23 states impose work requirements when the recipient is deemed to be ready by welfare administrators or within 24 months. States also have the option to exclude parents of children under the age of one from any work requirements.

Despite the flexibility with which states may institute work requirements, the new law mandated that states have 25% of all families participating in specified work activities (defined generally as activities that lead directly to employment, rather than education and training) by the fiscal year 1997. The threshold increases by five percentage points a year, reaching 50% by the fiscal year 2002. States failing to achieve this requirement face a TANF funding reduction. Failure on the part of a recipient to participate in work requirements can result in either a termination of, or reduction in, benefits. Table 2 shows the time frame for work requirements state by state.

States vary in terms of their specific sanction policies. In 36 states, a partial sanction is imposed that reduces a family’s cash benefits upon the first instance of non-compliance with work requirements. For recipients who repeatedly fail to comply, 37 states have a policy of “full-check sanction” that terminates a family’s entire cash benefit. Once the decision to sanction a recipient has been made, all states have policies requiring notification by mail before cash benefits are reduced or terminated, and notification of the right to appeal the sanction. Table 2 shows the sanction policy state by state.

Diversion programs

According to a study from George Washington University, in 1998, 34 states utilized some form of a “diversion” strategy to prevent families from ever getting on welfare (Vobejda and Havemann 1998). One popular method states employ to divert applicants from cash assistance is to offer one-time lump-sum payments for contingencies such as emergency car repairs to keep potential recipients employed.

States may also opt to require “mandatory applicant job search” programs that require applicants to spend

several weeks searching for employment before receiving welfare benefits. States may also choose to enforce “alternative resource exploration” by recipients in the hope that they will receive assistance from relatives instead of the government. As of 1998, 20 states were operating lump-sum payment programs, 16 states were requiring job searches before welfare application approval, and 7 states were employing the “alternative resources” approach (Maloy et al. 1998). Table 2 shows the diversion policy state by state.

Welfare-to-Work grant program

Under the Balanced Budget Act of 1997, the federal government authorized a \$3-billion Welfare-to-Work (WtW) grant program to be administered by the United States Department of Labor and local Private Industry Councils. The separate allocation of funds under this grants program is designed to assist states and localities in meeting their welfare-reform objectives established under PRWORA. These funds, above and beyond what is available under TANF, are designed to assist the transition of TANF recipients who are hard to employ, those who have reached the benefit time limit, and non-custodial fathers of TANF children into unsubsidized, long-term employment.

WtW funds may only be used for work-related services as opposed to cash benefits. The services offered under this program may consist of such work-related activities as training, education, and other support services. Congress authorized \$3 billion for the WtW grants—\$1.5 billion for fiscal years 1998 and 1999.

Welfare-to-Work tax credit

On August 5, 1997, the Welfare-to-Work (WtW) tax credit was implemented by the Taxpayer Relief Act of the same year. This tax credit can reduce an employer’s federal tax liability by as much as \$8,500 for each welfare recipient newly hired. Furthermore, the Work Opportunity Tax Credit (WOTC) is an additional tax credit that reduces an employer’s tax liability by as much as \$2,400 per new hire. These tax credits are aimed at a distinct group of recipients including TANF recipients, food-stamp recipients 18 to 24 years old, veterans, vocational rehabilitation referrals, ex-felons, and SSI recipients. According to the Idaho Department of Labor, these tax credits are tools “in a diverse toolbox of flexible strategies designed to help people move from welfare to work and economic self-sufficiency” (Idaho 2000).

Final federal TANF regulations

On April 12, 1999, the United States Department of Health and Human Services (HHS) published the final federal TANF regulations. The regulations give states increased flexibility in spending TANF and MOE funds on a wide range of programs and services beyond cash welfare programs, dependent upon their ability to accomplish objectives similar to those of TANF. Under the new TANF regulations, the definition of assistance is further clarified to include a broad range of benefits and services that TANF funds can provide without triggering the five-year time limit. States also have increased flexibility to use state MOE funds to create separate state programs. These separate programs allow states to meet their MOE requirements without having to meet the requirements that are attached to the expenditure of TANF funds, such as work participation requirements. Finally, states are also free to transfer a portion of their TANF funds for a given fiscal year to the Childcare Development Fund or Social Services Block Grant.

Room for improvement

Welfare reform is not likely to return to the political agenda until 2002, when TANF will be terminated under a “sunset” clause if it is not extended. A sunset clause included in PRWORA ensures that legislators reexamine the law, and make changes or terminate the legislation altogether.

The reforms to date should not distract from the need to pursue further reforms at the federal level. First, welfare reform largely affected only AFDC, leaving more than 75 other national welfare programs virtually untouched. Second, the five-year limit is deceptive in that up to 20% of the welfare case load can be exempted in cases of hardship. For instance, states are not required to impose any time limit on cash assistance. Rather, assistance provided after the federal time limit (60-month limit) and above the cap are financed exclusively by the state. Third, PRWORA does not freeze total welfare spending; it simply slows the growth of welfare-related expenditures on programs, like food stamps, that the reform affects directly. PRWORA will slow the rate of growth on these programs to an annual growth rate of roughly 4.5% (Rector 1996).

Nevertheless, PRWORA’s elimination of the federal entitlement to welfare and its distorting incentives that punished states that reduced their welfare case loads while rewarding states that increased welfare dependency represents a significant step forward in welfare reform in the United States.

Table 2 Overview of state welfare reforms

	Time frame for work	First Sanction	Maximum Sanction	Earnings Disregard*	Up-front Diversion
Alabama	Immediate	Reduction	6-month termination	Flat	No
Alaska	24 months	Reduction	Reduction	Progressive	2 months of benefits
Arizona	Individual	Reduction	1-month termination	Flat	3 months of benefits
Arkansas	Immediate	Reduction	Termination	Progressive	3 months of benefits
California	24 months	Reduction	Reduction	Progressive	County Option
Colorado	24 months	Reduction	3–6 month termination	AFDC	County Option
Connecticut	Immediate	Reduction	3-month termination	Progressive	No
Delaware	Immediate; 24 months for single parents	Reduction	Termination	AFDC	No
Florida	Immediate	Termination	3-month termination	Progressive	2 months of benefits
Georgia	Immediate	Reduction	Termination	AFDC	Yes
Hawaii	Until able to work or 24 months	Reduction	Reduction	Progressive	No
Idaho	Immediate	1 month termination	Lifetime ineligibility	Progressive	3 months of benefits
Illinois	Until able to work or 24 months	Reduction	3-month termination	Progressive	\$1,000
Indiana	Immediate	Reduction	Reduction	AFDC	No
Iowa	Immediate	Reduction	6-month termination	Progressive	No
Kansas	Immediate	Reduction	2-month termination	Progressive	No
Kentucky	6 months	Reduction	Reduction	Progressive/AFDC	Yes
Louisiana	Until able to work or 24 months	Reduction	Termination	Progressive	No
Maine	Until able to work or 24 months	Reduction	Reduction	Progressive	3 months of benefits
Maryland	Immediate	Termination until compliance	Termination until 30 days of compliance	Progressive	Up to 12 months of benefits
Massachusetts	2 months	Reduction	Termination	Progressive	No
Michigan	2 months	Reduction	Termination	Progressive	No
Minnesota	6 months	Reduction	Reduction	Progressive	4 months of benefits
Mississippi	24 months	Termination	Termination	Flat	No
Missouri	Until able to work or 24 months	Reduction	Reduction	AFDC	No
Montana	Immediate	Reduction	Reduction	Progressive	3 months of benefits
Nebraska	Immediate	1-month termination	Termination	Progressive	No

	Time frame for work	First Sanction	Maximum Sanction	Earnings Disregard*	Up-front Diversion
Nevada	Until able to work or 24 months	Reduction	Reduction	Progressive	No
New Hampshire	6 months job search followed by 6 months work	Reduction	Reduction	Progressive	No
New Jersey	Until able to work or 24 months	Reduction	Termination	Progressive	No
New Mexico	2 months	Reduction	6 month termination	Progressive	No
New York	Until able to work or 24 months	Reduction	Reduction	Progressive	No
North Carolina	Immediate	Reduction	Termination	AFDC	3 months of benefits
North Dakota	Until able to work or 24 months	Reduction	Termination	AFDC	No
Ohio	24 months	1-month termination	6-month termination	Progressive for Fixed Period	County Option
Oklahoma	Immediate	Termination	Termination	Progressive	No
Oregon	Immediate	Reduction	Termination	Progressive	Yes
Pennsylvania	Immediate	Reduction	Termination	Progressive	No
Rhode Island	1.5 months	Reduction	Reduction	Progressive	3 months of benefits
South Carolina	Until able to work or 24 months	Termination until 30 days of compliance	Termination until 30 days of compliance	Progressive	No
South Dakota	2 months	Warning	1-month termination	Progressive	2 months of benefits
Tennessee	Immediate	Termination until compliance	3-month termination	Progressive	No
Texas	Immediate	Reduction	Reduction	AFDC	\$1,000
Utah	Immediate	Reduction	Termination	Progressive	3 months of benefits
Vermont	15 months; 30 months for single parents	Reduction	Termination	Progressive	No
Virginia	Immediate	1-month termination	6-month termination	Flat	4 months of benefits
Washington	Immediate	Reduction	Termination	Progressive	\$1,500
West Virginia	24 months	Reduction	6-month termination	Progressive	3 months of benefits
Wisconsin	Immediate	Reduction	Termination	Progressive	\$1,000
Wyoming	Immediate	1-month termination	1-month termination	Flat	No

Note *: "Earnings disregard" is the amount that can be earned by welfare recipients without penalty.

Sources: U.S. Department of Health & Human Services, Administration for Children & Families (2000). Total TANF Recipients by State. Digital document available on the Internet at www.acf.dhhs.gov/news/stats/caseload.htm.



3 American states—experimentation and innovation

Many of the reforms incorporated under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) were the result of demonstration waivers obtained by states under the predecessor to the PRWORA, namely the Aid to Families with Dependent Children (AFDC) program. The AFDC program enabled states to experiment with welfare reforms.

Prior to PRWORA, 45 states and the District of Columbia had received welfare demonstration waivers (Matthews and Becker 1997). These waivers included time limits, stricter work requirements, and teen-parent provisions aimed at strengthening school attendance and ensuring that teens lived under adult supervision as conditions of welfare receipt. Many of the successful state-based reforms were subsequently included in PRWORA, which forced all states to initiate and submit plans for welfare reform.

There have been dramatic decreases in welfare case loads since the adoption of the federal reform legislation (table 3) and, understandably, this has attracted a great deal of attention. Under AFDC and now the Temporary Assistance for Needy Families (TANF) program, the number of recipients has declined from 14,225,591 in 1994, representing 5.5% of the population, to 5,780,543 in June 2000, representing just 2.1% of the population (USHHS 2000).

Significant variations in case-load reductions exist among states. From January 1993, when states began experimenting with welfare reform, to May 2000, figures from the United States Department of Health and Human Services (HHS) show that while the nationwide reduction in welfare case loads was 53%, the reduction was only 22% in Hawaii, 26% in the District of Columbia, and 31% in California (USHHS 2000). Other states like Wisconsin had reduction rates well above the national average. It is also important to note that several states have experienced stagnation or actual increases in welfare case loads (Oliphant 2000).

Determinants of welfare case load reductions

Surrounding the issue of the reduction of welfare case loads is speculation concerning the determinants of this reduction. Some have suggested that a major reason for much of the reduction is the strong American economy. Indeed, the president's Council of Economic Advisers (CEA) estimated that between 26% and 36% of the reduction in case loads between 1993 and 1996 was due to the strong economy (Oliphant 2000). However, a mere 8% to 10% of the reduction in case loads between 1996 and 1998 were due to the economy. The CEA's analysis concluded that early reductions in case loads in the 1990s were largely due to positive economic developments while the more recent declines were rooted in institutional reform of welfare (Oliphant 2000).

Rector and Youssef provide corroborating evidence to the CEA's findings of the importance of institutional welfare reform to reductions in the welfare case load in the latter part of the 1990s. Using historical data, Rector and Youssef demonstrate that during eight previous periods of economic growth, substantial and sustained AFDC case-load reduction was largely nonexistent (Rector and Youssef 2000). In other words, there were previous periods of economic expansion that did not include large reductions in welfare case loads. They go on to explain that during past periods of economic expansion in the 1960s and the 1970s, case loads remained either relatively stagnant or in some cases actually increased (Rector and Youssef 2000). The additional historical evidence garnered from Rector and Youssef again support the hypothesis that institutional reform of welfare has in fact influenced reductions in welfare case loads.

The logical question then is why there has been such a wide variation among American states in the reduction of welfare case loads? The answer is likely to be found, at least partially, in key aspects of welfare reform

that are given more emphasis in some state versus others. In molding their individual state welfare reforms from the guidelines provided by PRWORA, some states have chosen to enforce more rigorously than other states items like sanctions and work requirements. The characteristics of successful welfare reform discussed below have been implemented by those states with a serious commitment to achieving the goals embodied in PRWORA.

It is important to note that the following section is based on the type of reforms implemented rather than the state of implementation. Thus, states with wide-sweeping reform, such as Wisconsin are repeatedly discussed in each of the reform areas.

(1) Internal reform initiatives

(a) Ending the entitlement to welfare

Wisconsin

In an attempt to overhaul its welfare system, Wisconsin began with a very simple premise: each person is capable of doing something. As a result, Wisconsin has been one of the most successful states in reforming welfare in the country, reducing its case load by 54.1% between January 1987 and January 1997 while the rest of the country experienced a 9.6% case-load increase (Matthews and Becker 1997). Many of the reforms initiated by Wisconsin were so ground breaking that they were included in PRWORA as models for other states.

In January 1995, Work Not Welfare (WNW) was introduced as a pilot program in two counties. This program, recently converted into a program called Wisconsin Works or W-2, was the first in the nation to require work and place a time limit (24 months) on individuals receiving assistance.

Wyoming

Like Wisconsin, Wyoming has been aggressive in working to reduce its welfare case load. As a result, from August 1996 to June 2000, Wyoming actually experienced the largest reduction in case load of all American states. Wyoming reduced its welfare case loads by 90%, 15 percentage points more than Wisconsin (table 3). As of June 2000, Wyoming had just 0.21% of its population in receipt of TANF benefits (table 3).

On January 1, 1997, Wyoming introduced the Personal Opportunities with Employment Responsibilities (POWER) program to replace AFDC. Its goals are similar

to Wisconsin's program in that it promotes and supports personal and family responsibility and works towards making recipients self-sufficient. POWER terminates assistance after 60 months and counts any and all prorated months. A prorated month is any month where benefits have been denied because of noncompliance with Pay-After-Performance or a month in which a recipient is sanctioned.

(b) Diverting potential recipients

Wisconsin

A major part of Wisconsin's W-2 (Wisconsin Works) program is focused on diversion. Wisconsin has implemented an up-front "self-sufficiency planning interview" that is designed to deter individuals from applying for welfare. The purpose of this process is to prevent those applicants who are capable of getting by without assistance from applying for welfare by helping them to reconsider their situation in light of all other available resources.

To be eligible for lump-sum payments, for instance, Wisconsin requires that TANF applicants have an employment-related need for the cash payment that when solved will enable the applicant to either maintain or obtain employment. Unlike some other states, case-workers in Wisconsin are given full discretion to determine which applicants are appropriate for these payments. Like Wisconsin, all other states operating the lump-sum payment program impose some form of penalty for diverted families receiving the payment if they apply for TANF benefits in the future. Wisconsin is one of the few states that is aggressive about ensuring the full repayment of any "Job Access Loan" they provide.

Wisconsin's effort to divert potential recipients towards alternative resources is one of the most aggressive in the United States. Besides the initial interview, after an applicant has applied for TANF they must meet with a "resource specialist," who assists the applicant in identifying alternative resources and, if necessary, will make referrals to other public or private agencies that provide services.

Florida

The State of Florida has also aggressively pursued diversion strategies. In December of 1999, Florida implemented its Early Exit Diversion program that allows TANF recipients to accept a one-time, lump-sum payment of \$1,000. Upon acceptance of the cash payment, TANF benefits are terminated and the state's 48-month lifetime limit stops. Recipients who, for some reason, need to

return to welfare, must repay a pro-rated portion of the lump sum within eight months.

Earlier in 1999, Florida expanded its Healthy Families Florida program. Families at 200% of the federal poverty level who are deemed to be at risk of abuse or neglect may apply and receive one-time non-recurring payments and services that do not count towards the lifetime limit for receipt of welfare in Florida.

Although Florida's lump-sum payment program is one of the most relaxed programs in terms of determining the needs of families and monitoring the use of these payments, it has one of the most stringent repayment plans if an applicant reapplies for assistance after receiving the lump-sum payment. Florida requires that the entire loan be repaid before receiving any future assistance from the state.

When it comes to alternative resources, the state of Florida's emphasis is on reserving the time-limited TANF benefits for difficult situations. Caseworkers are expected to be knowledgeable about the resources available in the community.

(c) Sanctions and immediate work requirements

Wisconsin

Wisconsin's Governor Tommy Thompson set out to implement the welfare reforms promised during his 1987 election campaign. An early reform program was "Learnfare." The purpose of the program was to send a message to welfare bureaucrats and recipients that things had changed. "Learnfare" imposed sanctions of reduced welfare payments for parents or guardians who failed to ensure their school-age children were regularly in class. Another early program was Children First, which made child-support payments mandatory and threatened imprisonment for noncompliance.

Wisconsin's program, Work Not Welfare, now Wisconsin Works (W-2), requires immediate work from welfare beneficiaries. Upon the acceptance of an application for assistance, all applicants are required to sign a contract pledging to commence work or training for eventual employment within 30 days. After 12 months, in order to continue receiving benefits, recipients had to be working or assigned a community-service workfare position.

In April 1996, Wisconsin brought forth two additional reforms. Work First (renamed Self-Sufficiency First) and Pay for Performance (PFP) went into effect across the state. These two programs were forerunners to Wisconsin's W-2 program, with the goal of increasing the employability of recipients and instilling the work ethic

within them. Recipients had to spend 20 hours a week at a work assignment, 10 hours a week looking for employment, and five hours a week at job-search seminars. For every hour that was missed, \$5.17 was deducted from the recipient's welfare benefits and, if the recipient failed to show up for any mandated activities, sanctions were taken against their food-stamp grant. Claimants failing to show up for more than 25% of their required hours were denied any cash benefits.

Wyoming

Under Personal Opportunities With Employment Responsibilities (POWER), Wyoming's work program (referred to as Pay-After-Performance), the receipt of welfare benefits contingent upon the recipient's working towards a self-sufficiency goal throughout the performance period. Upon filing an application for assistance, a recipient must begin a job search immediately. After three weeks of unsuccessful job searching, the recipient will be assessed by a case manager with a local Employment Resources Division to determine if, for example, basic education or work experience through community service is needed. Moreover, failure to cooperate for even one day within a performance period will entail an entire performance payment being withheld from the recipient.

(d) Strong employment focus

Wisconsin

In January 1997, Wisconsin implemented its Wisconsin Works (W-2) program, which placed all welfare recipients, both old and new, into this program by March 1998. As a result of TANF approval, W-2 replaced the former AFDC program by offering job placement assistance to parents with dependent children as well as similar assistance for non-custodial parents. "For those who can work, only work should pay," is one of the main principles of the program (Street 1997). Recipients will no longer receive any cash benefits; instead they will receive a cheque from a private or community-service employer. Those choosing not to work will simply not get paid. Other underlying principles claim that support for child-rearing is expected from both parents, individuals are to be held accountable for their actions, and that all have the potential through their own abilities, to contribute to their families and community.

Participants in the W-2 program report to job centers where employment planners direct them to full-time jobs. Participants in unsubsidized employment are eligible for food stamps, earned-income tax credits, and, in many instances, medical and child-care support and ac-

cess to loans. An example of such a loan is the Job Access Loan program that lends money to purchase a car to recipients who need transportation. The loan is set at a maximum of \$1,600, is interest free, and is repayable either in cash or performance of community service. Supportive services such as shared-ride taxi services, not including medical and childcare, are time limited.

Those unable to find private-sector work are expected to participate in subsidized trial jobs. The employer subsidy of \$300 (for full-time work at pay equal to, or higher than, the minimum wage) is meant to cover costs for an employer having to invest extra time in training a worker with fewer skills. The employer is expected to make “good faith efforts” to keep the subsidized workers as permanent staff on a non-subsidized basis.

For those participants who lack the necessary skills or demeanor to become part of the work world, community service jobs are available. These participants work 30 hours a week for a flat grant of \$673 for a family of any size and the grant is reduced by the minimum hourly wage for failure to meet work requirements.

Finally, for those unable to work for reasons of illness or if they are needed in the home to care for others, Wisconsin provides transitional placements. These placements provide up to 28 hours a week in work and other activities (such as counseling), including 12 hours a week of educational training while paying a flat monthly benefit of \$628. Those individuals in the latter two groups are not eligible for the earned-income tax credit, overtime, or employer benefits.

Other states—success and failure

Much of the above discussion focussed on Wisconsin and Wyoming because they have been highly successful in reducing welfare case loads and they provide good examples of the application of successful reform policies.

Many other American states have also seen significant case-load reductions as a result of their efforts to reform welfare. From 1995 to 1999, Idaho experienced impressive case-load reductions. Its case load declined from a peak of 24,050 in January 1995 to 2,222 in September 1999 (USHHS 2000). The program mainly responsible for this dramatic decline was Temporary Assistance for Families in Idaho (TAFI), which commenced on July 1, 1997. One of the biggest differences between TAFI and the federal program is that Idaho places a two-year limit on aid as opposed to a five-year limit under TANF.

Another state successful in cutting case loads is Mississippi, which saw its welfare rolls decline 81% be-

tween January 1993 and September 1999 (USHHS 2000). Other highly successful states include Florida, Colorado, South Carolina, West Virginia, and Oklahoma, which all had case-load reductions equal to, or better than, 73% between January 1993 and September 1999 (USHHS 2000).

Over the same time period, however, states like Hawaii, Rhode Island, and the District of Columbia have been unable to achieve comparable results in reducing welfare case loads. In fact, these states score well below average, nationwide case-load reductions. From January 1993 to September 1999, Hawaii and Rhode Island reduced their welfare case load by only 22%, whereas the District of Columbia was only slightly more successful with a reduction of 26% (USHHS 2000). These states have either not fully enacted, or not demanded strict adherence to, the successful reforms described above which include: ending the entitlement to welfare, diverting potential recipients, implementing tough sanctions, requiring immediate work, and focusing on employment. That these states with some of the most liberal reform policies have not significantly reduced welfare case loads lends further support to the importance of these reforms in reducing case loads.

(2) Privatization reforms

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 opened the door to privatization as state governments looked for innovative ways to both reduce costs and improve services to their citizens. Prior to this reform, only state employees could make benefit determinations under Aid to Families with Dependent Children (AFDC) and recently the federal government confirmed that only public employees could determine eligibility for Medicaid and food stamps. Nevertheless, PRWORA removes restrictions that in the past prevented states from contracting out welfare intake and eligibility determination duties. States now possess the flexibility to administer Temporary Assistance for Needy Families (TANF) and other related assistance programs through vouchers and awarding contracts to private for-profit and non-profit organizations.

Initially, the areas of welfare privatization focused around child-support collections and job placements. Organizations associated with these privatization efforts were non-profit organizations like the United Way, and three small for-profit companies—America Works, Curtis & Associates, and Maximus Inc. These smaller firms have

been joined by larger firms such as Lockheed Martin, Electronic Data Systems (EDS), and Anderson Consulting in bidding for contracts to distribute welfare benefits. Many states are looking to these firms to apply their expertise in managing and their freedom from the rigidity of civil service contracts to innovate and improve results at a lower cost.

Wisconsin

Wisconsin has been a leader in efforts to reform welfare through privatization. Wisconsin was the first state to privatize entire areas of its welfare delivery system. Under its statewide Wisconsin Works (W-2) program, Wisconsin contracted with private firms to complete eligibility determination, case management, and delivery of other welfare-related services. As a result, roughly 70% of the W-2 case load is under the supervision of private firms, both for-profit and non-profit (Dodenhoff 1998).

In implementing its privatization reforms, Wisconsin opened up the contract process to competitive bidding. In doing so, Wisconsin ensured that publicly run centers that could meet certain specified performance standards in 1996 and wished to continue providing welfare services had the opportunity to provide W-2 services under contract without having to compete against other private, for-profit and non-profit agencies. This came to be known as the “right of first selection.” Consequently, 63 counties won the right to administer W-2 while only nine private agencies received contracts. Although private firms were only awarded nine contracts, one of these contracts was for the City of Milwaukee. As a result, private firms served the majority of welfare cases in the state since Milwaukee contains a disproportionate number of the state’s welfare cases.

Another innovative aspect of W-2’s administrative structure is performance contracting. Contractors are paid on the principle of “capitation,” which means that each W-2 agency administering welfare is paid a flat fee for administering the program in its geographic region. All costs of running the program, including cash payments to the program participants, are drawn from that flat fee. Hence, contractors can only make a profit if they spend less than they are awarded through the contracting process. According to Jason Turner, who ran Wisconsin’s welfare reform program from 1993 to 1997, “Once the organization’s compensation is tied to its performance, messages about desired outcomes and the actions necessary to achieve them are reinforced constantly, by every

level of management, all the way down to the line worker” (Dodenhoff 1998). However, contractors also face penalties in the form of fines up to \$5,000 for “failure to serve” welfare clients.

As a result of W-2 and its privatization and competition provisions, Wisconsin taxpayers saved at least \$10.25 million during the first two years of the program (Dodenhoff 1998). Dodenhoff also points out that privatization protects taxpayers in other ways because, unlike public companies, for-profit firms pay taxes on any profit and are prevented from turning to the public purse in the event of cost overruns (Dodenhoff 1998).

Texas

The State of Texas was also at the forefront of the debate concerning the overhaul of welfare through privatization. In 1995, the state brought forward a now-defunct proposal to privatize and integrate eligibility determination, service referrals, enrollments, and client data for TANF welfare assistance, Medicaid, Food Stamps, and other programs through the Texas Integrated Enrollment Services (TIES) system. It was hoped that costs of managing numerous social programs for hundreds of thousands of recipients could be cut through competition.

Also, reformers in Texas believed that “one-stop” access for benefits and assistance would improve service quality for recipients while reducing administrative costs. “One-stop” access makes it simpler for both the administrators and welfare recipients because recipients receive various benefits under one roof. TIES effectively amounted to a 5-year contract to run Texas’s \$550-million-per-year welfare system. The bidders for the proposal at the time included Lockheed Martin Corporation, International Business Machines (IBM), EDS Corporation, and Andersen Consulting.

However, a review by the federal departments of Health and Human Services, Agriculture, and Labor determined in May 1997 that Texas’s Request for Offers (RFO) under its TIES program violated PRWORA. The Clinton administration determined that Texas was eligible to proceed with certain privatization reforms contained within TIES but the task of determining eligibility for Medicaid and Food Stamps had to remain with state employees. The rationale revolved around regulations in PRWORA that specifically prevented non-public employees from taking actions involving value judgements or discretion.

For now, Texas has chosen to abandon the TIES RFO and begin again. The new approach is much more in-

cremental, consisting of several distinct stages that include integration, re-engineering, automation, and perhaps in the future, privatization. The state has initiated this process by contracting with EDS to complete the first two stages of welfare reform outlined above. The last stage, which involves the privatization of the current public workforce, is currently not under consideration but Texas has not ruled out the possibility should Congress overturn the Clinton administration's ruling.

New York City

New York State is unique in that it devolves considerable financial and administrative responsibility for welfare programs to the counties and to the City of New York. The jurisdictions are given substantial administrative flexibility in running welfare programs and also have an important voice in state legislation. For example, a proposal to convert Home Relief payments to a block grant to counties was defeated because of county opposition in 1996 (Holan et al. 1997).

America Works, a for-profit company founded in 1984, contracts with the State of New York to place New York City welfare recipients in jobs. The goal of America Works is to assist the long-term unemployed to make the transition out of welfare dependency and into stable employment. America Works operates on the basis of a pay-for-performance standard that removes any responsibilities on the part of the state for assisting welfare recipients to find private-sector employment. In terms of private-sector employers, America Works provides professional placement and support services to those companies that offer unemployed people entry-level positions.

In order to achieve its goal, America Works has developed a program entitled "supported work," which seeks to remove barriers that prevent otherwise employable individuals from finding and keeping jobs. This approach, aimed at the individuals who are hardest to employ, consists of four principal stages: orientation, training, trial work period, and recruitment. To begin, participants are prepared for the discipline necessary for working life such as the necessity of arriving on time with a positive attitude during the week-long orientation. The training portion consists of roughly five weeks covering a range of work-related skills, such as clerical procedures and proper behaviour during interviews, and lessons on appropriate dress. Next, the trial work period places the participant in the work environment, initially employed through America Works and supported by an America

Works representative who visits the employment site regularly to assist the participant and employer. Lastly, at the end of the four-month trial period, the employer recruits the participant directly on a full-time basis and the America Works representative remains involved, periodically intervening if any problems arise.

America Works receives no payment until the participant is placed in a job. At this point, it receives an initial payment of 18% of the total value of the \$5,490 received for a fully assisted recipient (Yates 1997). America Works then receives 70% if the employer hires the recipient as a permanent employee after four months, and then receives the remaining 12% if the individual remains employed for the next three months (Yates 1997). If the participant drops out at any point during the seven-month duration of the program, America Works refunds to the state the intermediate payment.

Data compiled by New York State revealed that of those recipients that America Works had placed in jobs three years before, 88% were still off the welfare rolls (New York State Department of Labor 1997). This result was confirmed by the Social Market Foundation, which noted in its study of America Works that it had been "successful in helping the long-term unemployed to find jobs and at saving public money" (Harding 1998). Another study reported by the National Center for Policy Analysis, shows that America Works is capable of training workers for substantially less than the estimated \$23,923 price tag for a comparable New York City public program (NCPA 2000b).

Conclusion

The early research into the entry of private firms into welfare systems across the United States has been promising. The Council of State Governments and the Reason Foundation independently surveyed state social-services agencies and concluded that after privatization of social services cost reductions were achieved (Gooden 1998). Besides the obvious benefits to state budgets, the reforms initiated by the states described above have helped to make privatization more palatable, have reshaped welfare administrations, and have increased employment across the United States.

Hence, both as a result of waivers obtained prior to the federal welfare law and opportunities now available as a result of PRWORA, states across the United States have increasingly looked to privatization as a tool to reduce costs while improving the welfare system and the lives of countless Americans.

(3) Faith-based reforms

In his influential book, *The Tragedy of American Compassion*, Marvin Olasky outlined the history of faith-based welfare provision in the United States, among other poignant findings in his book. Olasky (1992) points out that many of the seven marks of compassion employed by faith-based organizations (FBOs) a century ago are gaining influence once again. These marks of compassion include affiliation or seeking assistance first from family, neighbours and religious organizations; bonding or a willingness on the part of a charitable donor to become personally involved with a welfare recipient; and taking into consideration both the spiritual and physical needs of welfare recipients. These three elements have been incorporated into Section 104 of PRWORA, otherwise known as the Charitable Choice clause.

The Charitable Choice clause removed the barriers that prevented states from entering into partnerships with religious organizations in an effort to provide welfare-related services in the most effective way possible to TANF recipients. Charitable Choice allows states, for the first time, to include faith-based organizations in the competition for welfare provision. That is, for the first time, organizations of faith are able to participate in the delivery of welfare and welfare-related services.

Fears have been expressed by a number of individuals and organizations as a result of forging relationships between FBOs and government. In an attempt to address these concerns, the Charitable Choice provision prevents the federal government from infringing upon the religious nature of any organization administering assistance. Moreover, under the law these religious organizations retain their independence from all levels of government. That is, faith-based organizations are not expected to alter their programs or dull the religious foundation upon which the programs are based to appease secular concerns.

Concerns of beneficiaries are addressed by precluding FBOs from refusing to serve people who do not embrace their religious beliefs. Individuals cannot, therefore, be discriminated against for refusing to participate in a religious ceremony or for not having belief in the underlying religion. This ensures accessibility by welfare recipients to any and all programs provided by faith-based organizations. States must also provide an accessible alternative for a recipient who is uncomfortable being served by a religious organization. In other words, participants cannot be refused service based on differing reli-

gious beliefs while at the same time the providers, namely the faith-based organizations, are not required to alter the nature or tone of their service delivery.

Finally, the Charitable Choice provision includes protections for states. Under this provision, FBOs are prevented from using government funds for sectarian worship and protections also exist to ensure that states are free from having to spend any state funds on faith-based welfare reforms.

Section 104 outlines two specific ways in which the provision of assistance to beneficiaries by faith-based organizations may be accomplished. Under the purchase-of-service contract model, the state remits payment to faith-based organizations for delivery of services. Such contracts involve government provision of assistance to welfare recipients through contracted providers.

Another model involves government-issued certificates, vouchers, or other forms of disbursement, which a welfare recipient redeems for service at whichever eligible provider he or she may prefer. In both instances, the Charitable Choice provision allows both secular and faith-based service providers to offer a range of services including employment-related, food, medical and health, and housing services.

Currently, arrangements between government and faith-based organizations are being carried out in 20 states at all levels of administration that serve welfare recipients. These programs vary in size and scope and most have come into existence as a result of PRWORA. Dr. Amy L. Sherman estimates that approximately 2,000 to 2,500 welfare recipients at any given time are being served by faith-based organizations (1999). At the same time, she also points out that a vast majority of the services provided by the faith community in serving the needs of the poor are still done outside any formal cooperation with government. According to a 1997 study by the Aspen Institute, FBOs spend approximately \$15 to \$20 billion dollars each year on social service outreach not including religious hospitals or schools (Sherman 1999a). This study also revealed that religious congregations spent about 20% of private funds on direct social assistance for tens of millions poor families annually (Sherman 1999b).

Issues surrounding the constitutionality of the Charitable Choice provision have arisen. The debate surrounds the allegation that the provision violates the Establishment Clause of the American Constitution that separates church and state. Section 104 states that "No funds provided directly to institutions or organizations to pro-

vide services and administer programs . . . shall be expended for sectarian worship, instruction, or proselytization” (Etindi 1999). Many questions have subsequently arisen as to whether, for example, religiously oriented activities can occur as long as they are not being funded by federal dollars or if participation is strictly voluntary, or whether the mention of God or any other biblical figure during a counseling session constitutes sectarian instruction?

A vocal opponent of the Charitable Choice provision, the American Civil Liberties Union (ACLU), cite the Supreme court case of *Bowen v. Kedrick*. In this case, the judiciary stated “[o]nly in the context of aid to pervasively sectarian institutions have we invalidated an aid program on the grounds that there was a substantial risk that aid to these religious institutions would knowingly or unknowingly, result in indoctrination” (quoted in American Civil Liberties Union 1996). Nevertheless, proponents of the provision claim that the Establishment Clause of the First Amendment is not violated if government funds are expended for general public purposes that are not inherently religious and recipients maintain the freedom to choose a secular provider over a faith-based provider.

However, there is another important debate surrounding faith-based welfare reform. A number of studies and interest groups have highlighted the inherent dangers for religious organizations that become intimately involved with government through the delivery of social assistance. Joe Loconte, author of *Seducing the Samaritan: How Government Contracts Are Reshaping Social Services*, notes that often government funding results in “organizational mission creep” that confuses the focus of an organization and its mission as it chases public dollars (Loconte 1997).

Associated with this idea is that government funding often encourages an organization to shift its focus away from delivering quality results to simply delivering services. Loconte, among others, argue that government contracts tend to ignore actual results of programs and seek to quantify the services delivered. Consequently, organizations receiving funding will ultimately shift their emphasis towards providing easily quantifiable results to ensure future government funding, regardless of the actual results achieved.

Another criticism that is often advanced is that government funding produces a large amount of paperwork that reduces the capacity of a ministry to perform its obligations to its clientele. In addition, government often dictates that groups receiving funding only hire staff

members with specific credentials or degrees, which can often undermine the informal, relationship-centered approach of FBOs, particularly with respect to volunteers. Lastly, staff and volunteers of FBOs are often very concerned about the threat of secularization because the toning down of the religious elements of a ministry may reduce the significance of the very element that makes FBOs so successful in assisting welfare recipients with various social problems.

Nevertheless, despite many of the concerns surrounding issues of constitutionality and the potential risks involved in receiving government funding, many states are forging ahead with faith-based welfare reform. This is a result of the fact that states must comply with the Charitable Choice requirement not to discriminate against faith-based providers if they choose to use federal welfare funds to contract with, or to provide vouchers redeemable by, any non-governmental social-service provider. In the end, many states have come to the conclusion that the goal of ending welfare dependency will require more than just the government acting alone.

Examples of partnerships with faith-based agencies

Mississippi

The State of Mississippi was among the first states to establish a public program that utilized religious congregations to assist with welfare recipients’ transition from assistance to work. In 1994, Governor Kirk Fordice unveiled his statewide program, “Faith and Families of Mississippi.” The motivation behind the program was a belief that “religious organizations will be more effective providers of social services than government agencies because of both the grass-roots character of congregations and the unambiguous moral values they embrace” (Bartkowski and Regis 1999: 7). As a result, the mission of Faith and Families centered around the states’ 5,000 church congregations adopting needy families on welfare assistance.

When a congregation volunteers to assist a family under this program it selects a family from a list of eligible families from the local community. It then assists the family with childcare, transportation, job and life skills, as well as offering counseling-related services. The “Faith and Families” program had 338 churches developing direct relationships with 504 families in March of 1999 (Welfare Peer Technical Assistance Network 1999). This initiative has been influential in shaping other state faith-based welfare reforms.

Texas

The State of Texas, under the leadership of then-Governor George W. Bush, was a leading proponent of the Charitable Choice provision of PRWORA. Governor Bush appointed a 16-member task force to look at ways of expanding the relationship between FBOs and government, rewrote state procurement rules, and redesigned the procurement process and spending programs to foster a more open relationship with FBOs. According to Governor Bush, "Government should welcome the help of faith-based institutions. Church and state should work together with respect for our differences and reverence for our shared goals . . . The state should not be so process-oriented that it stifles good programs that produce results" (Castelli 1997: 11).

John Sharp, the Texas comptroller of public accounts, established the Family Pathfinders program after implementing state welfare-reform legislation. The program is modeled after Mississippi's Faith and Families program and is operated statewide. A diverse group of community volunteers, including business people, civic activists, and religious ministers, in teams of 3 to 8, join with welfare families to assist them with the transition from assistance to employment.

Some of the services offered through Pathfinders include transportation, on-the-job training, housing assistance, childcare, life-skills training, and continuous encouragement. Volunteer teams do not give direct cash contributions to families but rather may decide to assist with the purchase of items such as school supplies. Team members complete monthly mentoring reports that are reviewed by Pathfinders staff, who are on call to assist with concerns that may arise. Moreover, regular meetings in the local community are held in order for different teams to get together to share resources and exchange success stories. Team leaders often keep in regular contact with welfare recipients to offer encouragement and advice. The June 1999 figures for the Family Pathfinders program reveal that of 527 program participants, 399 or 75.7% of total participants were off TANF, and 287 or 54.4% of total participants were employed and off TANF (Williams and Garcia 1999).

Faith-based contracting**Michigan**

Following the Texas lead, Michigan implemented a six-county pilot program called Project Zero on April 1, 1996. Project Zero was quite unique among faith-based programs operating in the nation. The state's Family Inde-

pendence Agency contracted with the Campfire Boys and Girls in one county to develop childcare for awkward hours of employment. Further, when the state closed a number of mental-health institutions, Project Zero administrators seized the opportunity to use its 9- and 15-passenger vehicles for transporting welfare recipients to their jobs.

However, what truly makes Project Zero stand out from similar faith-based programs is that it contracted with Good Samaritan Ministries, a founding organization of a national network called Love, Inc. (stands for "Love In the Name of Christ"). Upon receiving a referral from a county welfare office, Good Samaritan Ministries assesses the needs of the family and connects them with a local church. Government officials in Ottawa County, Michigan (the first county in the nation to reduce its welfare case load to zero) have credited much of the success of the program to the \$99,000 contract they established with Good Samaritan to recruit, train, and monitor churches that adopt families receiving welfare. Good Samaritan was able to mobilize over 50 churches in only a couple of months (Hein 1999).

Ohio

Cuyahoga County, Ohio has also experimented with "adopt-a-family" programs similar to those offered by Mississippi and Texas. Cuyahoga county decided to award contracts to the Catholic Charities Association (CCA) and the Jewish Family Services Association (JFSA) for delivery of its "job placement" programs. The contracts are performance-based; however, the contract under the JFSA provides cost reimbursement because the organization provides a large range of services while the CCA focuses on job placement.

Maryland

In Maryland, state laws have enabled non-profit agencies to receive payments on behalf of welfare recipients who are receiving three months or less of transitional assistance before being taken off the welfare rolls. The non-profit agencies, many of which are religious congregations, use the recipients' transitional assistance to provide counseling, childcare, and other non-financial aid.

Anne Arundel County in Maryland initiated a pilot project called the Community-Directed Assistance Program (C-DAP), which offers welfare recipients the option of having their cash benefits transferred to a community agency that spends the money on behalf of the recipient. To date, a majority of the agencies involved are congre-

gations who work with the recipient to teach them responsible financial practices, provide counseling, and other assistance.

Conclusion

Unfortunately, very little empirical research into the results of faith-based welfare reform has been completed. Scientific surveys and longitudinal studies do not exist although case studies, which are admittedly anecdotal, and some recent quantitative data are available. For a good overview, state by state, of the current status of compliance to Charitable Choice, visit the website of the Center for Public Justice, www.Cpjustice.org. According to a study by Dr. Amy L. Sherman, research in nine states reveals that faith-based welfare reform is accomplishing its goals. Dr. Sherman states that:

Charitable Choice has made church-state collaboration plausible to public officials and religious leaders. Religious groups accepting government funding are not having to sell their souls and cli-

ents' civil rights are being respected. Charitable Choice is also stimulating new collaborations. Over half of the FBOs currently working formally with government in new initiatives to serve the poor had no previous history of such relationships. The traditional social services network is being broadened with the inclusion of "new players," and, importantly, these new players are doing new things. That is, in their collaboration with government, churches and FBOs are offering low-income citizens services they had not previously offered. In most instances, these religious groups have shifted from merely providing commodities to the poor . . . to working with struggling individuals intensively, face-to-face, through mentoring and job training programs (Sherman 2000).

Hence, although faith-based welfare reform initiatives are in their preliminary stages, the limited amount of information available suggests that they can be quite successful in assisting with the transition from welfare to work.

Table 3 Number and percentage of recipients of Temporary Assistance for Needy Families (TANF) since enactment of new welfare law

	TANF recipients as of August 1996	TANF recipients as of June 2000	Percentage change from August 1996 to June 2000	TANF recipients as a percentage of the population, June 2000
Alabama	100,662	55,168	(45)	1.2
Alaska	35,544	24,389	(31)	3.7
Arizona	169,442	82,851	(51)	1.7
Arkansas	56,343	28,113	(50)	1.1
California	2,581,948	1,272,468	(51)	3.9
Colorado	95,788	27,699	(71)	0.7
Connecticut	159,246	63,589	(60)	1.9
Delaware	23,654	17,262	(27)	2.2
Dist. of Col.	69,292	44,487	(36)	8.5
Florida	533,801	135,903	(75)	0.9
Georgia	330,302	135,381	(59)	1.7
Guam	8,314	9,550	15	n/a
Hawaii	66,482	42,824	(36)	3.4
Idaho	21,780	1,382	(94)	0.1
Illinois	642,644	259,242	(60)	2.2
Indiana	142,604	96,854	(32)	1.6
Iowa	86,146	52,293	(39)	1.8
Kansas	63,783	36,557	(43)	1.4
Kentucky	172,193	85,696	(50)	2.1
Louisiana	228,115	79,745	(65)	1.8
Maine	53,873	14,813	(73)	1.2
Maryland	194,127	70,910	(63)	1.3
Massachusetts	226,030	93,890	(58)	1.5
Michigan	502,354	195,101	(61)	2.0
Minnesota	169,744	116,589	(31)	2.4
Mississippi	123,828	33,781	(73)	1.2
Missouri	222,820	122,930	(45)	2.2
Montana	29,130	14,001	(52)	1.5
Nebraska	38,592	26,841	(30)	1.6
Nevada	34,261	16,478	(52)	0.9
New Hampshire	22,937	13,862	(40)	1.1
New Jersey	275,637	125,258	(55)	1.5
New Mexico	99,661	67,950	(32)	3.7

	TANF recipients as of August 1996	TANF recipients as of June 2000	Percentage change from August 1996 to June 2000	TANF recipients as a percentage of the population, June 2000
New York	1,143,962	693,012	(39)	3.8
North Carolina	267,326	97,171	(64)	1.2
North Dakota	13,146	7,734	(41)	1.2
Ohio	549,312	238,351	(57)	2.1
Oklahoma	96,201	13,606	(86)	0.4
Oregon	78,419	42,374	(46)	1.2
Pennsylvania	531,059	232,976	(56)	1.9
Puerto Rico	151,023	90,630	(40)	n/a
Rhode Island	56,560	44,826	(21)	4.5
South Carolina	114,273	35,721	(69)	0.9
South Dakota	15,896	6,702	(58)	0.9
Tennessee	254,818	143,823	(44)	2.5
Texas	649,018	343,464	(47)	1.7
Utah	39,073	24,101	(38)	1.1
Vermont	24,331	15,528	(36)	2.5
Virgin Islands	4,898	2,920	(40)	n/a
Virginia	152,845	67,388	(56)	1.0
Washington	268,927	146,375	(46)	2.5
West Virginia	89,039	31,500	(65)	1.7
Wisconsin	148,888	37,381	(75)	0.7
Wyoming	11,398	1,103	(90)	0.2
U.S. Total	12,241,489	5,780,543	(53)	2.1

Note: Several states made changes in the definitions of their caseloads: California removed two-parent families, Texas added families enrolled during a month, Wisconsin added child only cases. Source: U.S. Dept. of Health & Human Services Administration for Children and Families

Source: U.S. Dept. of Health & Human Services, Administration for Children and Families; U.S. Census Bureau; calculations by the authors.



4 The results of PRWORA and state welfare reforms

The American welfare system is being transformed into a work-focused temporary assistance program for families in need. As a result of these reforms, potential welfare applicants have an increased incentive to avoid welfare and welfare recipients are being strongly encouraged to work, using the system as a temporary support service not as a long-term crutch. States are abandoning welfare offices that focus upon determining eligibility and remitting benefits in favour of those designed to assist recipients with job counseling and connect them with meaningful and productive employment. States are also moving to offer resources to enhance support services such as transportation, child-care, and training for those recipients participating in work programs and poor families who have left the welfare rolls but are struggling. Funds for these enhanced support services come from substantial reductions in case loads and the maintenance of effort (MOE) clause that maintains funding for Temporary Assistance for Needy Families (TANF) at 1994 levels. Lastly, most states have established general fund budget stabilization accounts or “rainy day” funds that can be used to bolster welfare-program spending during an economic recession.

Effects on funding

As a result of the reforms, more federal financial resources are available under TANF than were available under Aid to Families with Dependent Children (AFDC). Estimates by the United States General Accounting Office (GAO) reveal that, if all states had received a full TANF grant in 1997 and had kept state funding at a MOE level of 80%, they would have received approximately \$4.7 billion more than they would have under AFDC arrangements (GAO 1998). The fiscal year 1997 was a transition year; consequently states were required to implement TANF by July 1, 1997 but many states began earlier and thus received full grants whereas other states received only partial nine-month grants.

The additional resources are a result of several factors including substantial case-load declines and the nature of fixed block grants set at \$16.38 billion annually through to 2002. Both the TANF block grant and MOE levels were set based on time periods when case loads were historically high. As a result, the interaction between the MOE clause and substantial case-load reductions means that in 21 states, although total state spending went down, spending per recipient increased. Put differently, there were fewer people and families on welfare but they were getting more benefits and assistance.

Lastly, projections published by the Congressional Budget Office (CBO) reveal that total spending on the programs affected by PRWORA was projected to increase from 1995 to 2002. Food stamps were projected to increase from \$26 billion to \$31 billion, Medicaid was projected to increase by \$76 billion and the EITC was projected to increase from \$15 billion to \$23 billion (Payne 1997). In reality, actual TANF spending has fallen from \$27 billion in 1995 to \$16 billion in 1998 (table 4).

Recently, a study published by the National Conference of State Legislatures reported that 46 states have established “rainy day” funds with \$18.7 billion in savings as of 1999 (Walker 2000). These funds have led to efforts by Congress to establish control over the surplus monies. Proposals, such as rescinding \$3 billion in TANF block-grant funds that were allocated to the states but never spent as of September 30, 1999 and then returning this amount to the states in 2001 have come up against opposition from State Governors. Partially as a result of this power struggle between the federal and state governments and to assist some of the toughest cases in making the transition from welfare to work, states have started spending portions of their rainy-day funds.

However, states face impediments to the expenditure of these funds as a result of the final TANF regulations. Under these provisions, states can only spend reserve funds on activities considered assistance, which is defined to “include benefits and services that help

families meet ongoing basic needs such as shelter or food, with some exceptions” (Lazere 2000). The exceptions include such things as child-care, transportation for employed families, and short-term benefits for an immediate crisis.

The type of programs currently being offered to make use of rainy-day funds include job-training partnerships, skills training and apprenticeship programs, child-care, counseling to combat domestic violence and substance abuse, transportation, housing assistance, and a variety of other benefits and services. For example, California trains selected recipients as fire fighters, Iowa offers housing-related emergency assistance relief of up to \$500 for those situations that threaten a family’s housing arrangements, and Wisconsin has increased welfare benefits while providing car loans. Inherent within the expenditures of these funds is the concept of directing more funds towards the population of long-term welfare recipients who are hardest to serve.

Increased employment and earnings

To date, the results of welfare reform have been quite promising. The welfare case load in the United States has declined 53% from 12,241,489 in August 1996 to a low of 5,780,543 in June of 2000 (table 3). Five percent to 10% more former recipients are currently finding unsubsidized employment than under the past AFDC JOBS program (Danziger et al. 1999). According to a study completed by the General Accounting Office (GAO) in April 1999, between 61% and 87% of adults leaving welfare have obtained employment (GAO 1999). The Office of the Assistant Secretary for Planning and Evaluation (ASPE) also recently published a comprehensive study focusing on 10 state-related work-first programs. The study revealed that about 45% to 65% of former TANF recipients were working after leaving the program and that, in every state, average earnings of former recipients rose steadily over the year following exit from TANF (Isaacs and Lyon 2000).

A study conducted by the National Conference of State Legislatures (NCSL) found that most recipients who leave welfare are finding jobs. According to the data in this study, between 50% and 70% are currently employed or have employment earnings (NCSL 1999). Moreover, it was revealed that there is evidence in some states to suggest that those leaving welfare are retaining their jobs and increasing their earnings over time. In addition, the states examined in this study had former recipients earn-

ing, on average, \$1.86 more per hour than the national minimum wage (Loprest 1999).

There is also evidence, however, that suggests cause for concern. A recent study by the Cato Institute found that: “Welfare reform appears to have been most successful in creaming the short-term, easily employable cases from the rolls and has made comparatively little progress in moving long-term recipients out of the system” (Oliphant 2000: 11). Further, the welfare recipients that do find employment are mainly employed in the service, sales, clerical, and trade sectors where wages are low, which prevents them from earning enough to be fully self-sufficient (Loprest 1999). Consequently, about two-thirds of former welfare recipients utilize child-care assistance, Medicaid, and other forms of supplemental support (Loprest 1999a). In the end: “The array of supplemental benefits available to leavers of welfare, in particular, seems to suggest that the new law has succeeded merely in creating a sort of ‘working’ welfare state” (Oliphant 2000: 17). Oliphant argues that this has come about because the “new law allows former recipients to continue to receive means-tested non-cash benefits for an unlimited period of time after they exit welfare” (Oliphant 2000: 29).

There is also much discussion about the merits of employment-first models versus models based upon education and training. The evidence suggests that programs aimed strictly at education and training, like the WIN-era programs of the 1960s, are not effective at reducing welfare case loads, reducing welfare costs, or substantially raising incomes of participants. According to a 1997 study conducted by the Manpower Demonstration Research Corporation (MRDC), “education or training-oriented programs have not consistently produced positive results” (Bloom 1997). These results were confirmed by a study from the General Accounting Office that compared seven post-reform state work-first programs with previous AFDC-era JOBS programs that focused heavily on education and training. According to the study, states have increased their rates of job placement with employment-first programs as compared with the results of their earlier JOBS programs (GAO 1998a). Moreover, a comprehensive study by The Fraser Institute of government-sponsored training programs in the United States concluded that these programs have been largely unsuccessful in reducing unemployment, increasing earnings, and reducing welfare dependency among poor single parents, disadvantaged adults, and out-of-school youth (Mihlar and Smith 1997).

Research also indicates that programs that focus on rapid employment and also make available education and training for certain participants can have an equal or, in some cases, greater effect on participants' employment and earnings than programs that emphasize only longer-term education and training. For example, a 1998 national study of the welfare-to-work program in Portland, Oregon, found that a mixed-services strategy with a strong employment focus can produce positive results. The Portland program increased employment among recipients by 11%, increased earnings by 35%, and reduced welfare expenditures by 17% and helped both recipients with few barriers to employment and those with numerous occupational barriers (Scrivener et al. 1998). In addition, a 1999 GAO study found that:

welfare-to-work programs that combine elements of both approaches—emphasizing rapid employment but tailoring services to some extent to meet the differing needs of welfare recipients—may best meet the goals of increasing employment and earnings for welfare recipients while at the same time reducing welfare payments (GAOa 1999).

In terms of research into the earned-income tax credit (EITC), studies claim that it encourages work by “making work pay” and reduces poverty, especially among children (see Council of Economic Advisers 1998; Greenstein and Shapiro 1998; and Meyer and Rosenbaum 1999). In 1999, the EITC provided “some \$30.5 billion worth of assistance to almost 19 million low-income working families, lifting some 4.8 million of them—including 2.6 million children—out of poverty” (Welfare Information Network 2000). Consequently, Naomi Lopez of the Institute for Policy Innovation concluded that, “The EITC should be scaled back—reduced to a program offsetting payroll taxes and federal income taxes, with its welfare component eliminated . . . Individual payments should not continue to exceed the total amount of income and payroll taxes paid” (Lopez 2000). Hence, if scaled back, the EITC could still encourage employment by offering protection against high marginal tax rates while not acting like an income-transfer program.

Studies consistently demonstrate the success of employment-focused programs as compared to those that emphasize education and training. Research suggests that mixed programs that include a strong employment focus with limited education and training as well as earned-income tax credits can also increase employment

and income. Programs focusing almost exclusively on employment, as compared to mixed programs, have been the choices of those states with the best records in terms of case-load reductions and reforming welfare.

Effects on former recipients

Another important area of research into welfare reform concerns the status of recipients that have been subjected to time limits and sanctions, or have left welfare altogether. Although it is far too early for definitive conclusions, the available research shows little evidence that families were more likely to experience severe material hardship after the time limit or welfare receipt termination than they had experienced before. This is not to say that families did not experience any hardship but the more serious problems of homelessness, separation of children from their parents, or hunger were not more prevalent after the time limit or welfare receipt termination. Undoubtedly, some of this positive outcome can be attributed to the existence of supplemental supports such as housing assistance and food stamps that are available after recipients leave welfare.

Concerns that sanctions, much like time limits, would create a welfare doomsday when large numbers of people would be pushed abruptly from welfare rolls has not materialized. Studies examining time limits and sanctions are constrained by the limited information available currently but, according to a recent GAO study, the proportion of TANF cases that actually lose all or part of their cash assistance as a result of sanctions is not large. On average, during a one-month period in 1998, about 135,800 families received reduced benefits or no benefits at all as a result of sanctions, which represents roughly 5% of the total average monthly TANF case load for the 49 states with available data. Most sanctions imposed were partial, affecting 112,700 families during an average month, compared to full sanctions, which affected 23,100 families during an average month. Partial sanctions affected between 0% and 29% of the average monthly state case load and full sanctions affected between 0% and 7% of the average monthly state case load (GAO 2000).

Decline in poverty

The proportion of people living below the poverty line in the United States and the proportion of people collecting

AFDC/TANF benefits have been falling since 1993. Data from the United States Census Bureau show that there were 4.3 million fewer individuals living below the poverty line in 1999 than there were in 1996 (Dalaker and Proctor 2000). While there is no general consensus about the impact of welfare reform on the poverty rate compared to the impact of the growing economy and other effects, there is some evidence that welfare reform has helped reduce the poverty rate. The rate of child poverty also fell 3% nationally in 1997, the first full year after PRWORA was introduced (Havemann 1999). States like Wisconsin have experienced larger declines as a result of their earlier and more aggressive reforms beginning in 1987. A study entitled *Kids Count* by the Annie E. Casey Foundation concludes that between 1986 and 1993, the period of time during which Wisconsin implemented many of its reforms, the official poverty rate decreased by 13% (Thompson and Bennett 1997). In addition, between 1992 and 1997, on average, the larger the reduction in the AFDC/TANF case load within a state, the greater the decline in child poverty (Rector 1999). However, Oliphant points out that the decline in poverty should not be a surprise because the earnings of former recipients are subsidized by an increasingly generous system of non-cash benefits and federal EITCs (Oliphant 2000: 22).

Effects on the family and on births out of wedlock

An important goal of the 1996 federal welfare law was to promote two-parent families and reduce illegitimate births. Two of the stated purposes of TANF are “to reduce and prevent out-of-wedlock pregnancies” and to “encourage the formation and maintenance of two-parent families.” (USHHS 2000). This is probably due to the fact that out-of-wedlock pregnancy is the reason that about one-third of welfare recipients end up on welfare and is the cause of most long-term dependency (Tanner 1994). In an effort to work towards the goal of reducing illegitimacy, Congress established a performance bonus of \$20 to \$25 million for the four to five states most successful at reducing out-of-wedlock births without increasing abortion, in addition to the \$50 million annually that PRWORA allocates towards abstinence education. In September 1999, the United States Health and Human Services Department (HHS) awarded \$100 million in bonuses to Alabama, California, the District of Columbia, Massachusetts, and Michigan.

According to recent figures, the out-of-wedlock birth rate in 1999 was 43.9 births per 1,000 unmarried women between the ages of 15 and 44 years (table 6). This is slightly lower than in 1997 (44.0) but 6% lower than the peak of 46.9 in 1994 (table 6). The rate of births out of wedlock has declined from a high of 90.5 per 1,000 unmarried women in 1990 to 73.3 in 1998 for black women. The birthrate for teen girls aged 15 to 19 dropped last year to 49.6 per 1,000, down 3% from 1998 and 20% from 1991 (*Toronto Star* 2000).

However, officials from HHS claimed that they could not determine what factors contributed to the successes of some states and that the declines did not necessarily correspond with welfare reform. Further, the national figures presented above mask differences among states. For example, Vermont reduced teen pregnancy to 11 births per 1,000 teens while Mississippi lagged behind at 58 births per 1,000 teens (Werthemier and Moore 1999). In addition, according to a recent study, few states “are evaluating the effect of their TPP [teen pregnancy prevention] programs on teen pregnancy” (GAO 1998: 5). Hence, although declines in out-of-wedlock pregnancy have occurred, the above facts make it hard to establish a strong relationship between welfare reform and declining out-of-wedlock birth rates. Also, as Oliphant points out, a key indicator is the ratio of out-of-wedlock births to total births: while the birthrate per 1,000 unmarried women (aged 15–44) has declined, the percentage of births occurring outside of marriage has continued to increase (table 6).

Other issues

What makes for successful welfare reform

Several studies have attempted to isolate the welfare reforms that produce the best results. The most important reforms are discussed below.

Full-check sanctions and immediate work requirements

A 1999 study by Rector and Youssef entitled *The Determinants of Welfare Caseload Decline*, found that the two most necessary attributes of successful welfare reform for caseload decline are strong sanctions and immediate work requirements. The study examined states with initial full-check sanctions, delayed full-check sanctions, moderate sanctions, and weak sanctions. The full-check sanction included those states with the option of sanctioning the full

TANF benefit after the first instance of non-compliance with required work, whereas delayed full-check sanctions applied to those states with sanctions that get progressively more severe, usually over a period of several months. Moderate sanctions apply to those states that may sanction more than a third of the TANF cheque or the full cheque in certain circumstances. A weak sanction involves sanctioning only the adult portion of the TANF benefit, except in unusual circumstances. This enables recipients to retain most of their TANF benefits even if they fail to perform workfare or other required activities.

The study concluded that states with an initial full-check sanction would, on average, achieve case-load reductions that were 25% higher than states with weak sanctions. Further, states with a delayed full-check sanction would, on average, achieve case-load reductions that were 14% higher than states with weak sanctions.

The study also found that states with a formal immediate work requirement would, on average, achieve case-load reductions that were 11% higher than states without such a requirement. Rector and Youssef identified five “principal mechanisms” that explain why work requirements reduced dependence: they uncover unreported earnings, reduce incentives for idleness on the part of recipients (i.e. pay-after-performance benefits system), prepare the recipient for employment, eliminate fraud, and send a message to current and potential recipients that society expects them to work for assistance. This study indicated that strong sanctions and immediate work requirements are crucial tools that jurisdictions must employ if they are serious about reducing welfare case loads.

The “right mix”

Many of the reforms, taken in isolation, make advances; their effects are much more dramatic, however, when they are implemented alongside one another. Strong sanctions and immediate work requirements are the most important reforms in achieving the goal of reintegrating former recipients into the labour force.

However, what makes Wisconsin so noteworthy is its mix of broader reforms. Besides implementing strong sanctions and work requirements, Wisconsin stressed self-sufficiency and individual responsibility for its welfare clientele. It used time limits to end the sense of entitlement, implemented diversion strategies to divert potential recipients away from welfare, emphasized “work first” and community-service “workfare,” and established effective incentives within the bureaucracy by introducing

competition. Rector (1997) concluded that the introduction of competition in the Wisconsin bureaucracy for funding and ultimately the right to administer welfare was a significantly important reform that ensured administrators were not hindering the transition from the old welfare system to the new system under PRWORA. The goal of welfare reform is to move recipients into sustainable private-sector employment. However, Wisconsin policymakers believed that if recipients were allowed to linger on the rolls claiming an inability to find employment, welfare reform would fail.

Leadership

According to Steven Hayward, Bradley Fellow at The Heritage Foundation and a Senior Fellow with the Pacific Research Institute for Public Policy, the most successful state reform programs have included a person in charge of the welfare-reform program who has a consistent commitment to transforming the nature of welfare in that state. Examples include Larry Temple, Mississippi’s former director of Human Services and, perhaps, the best example as well as Wisconsin’s Governor Tommy Thompson and Jason Turner, who both played crucial roles in bringing welfare reform to that state.

Efforts to side-step PRWORA

Although some states have moved to implement innovative approaches such as diversion programs, others have attempted to side-step some of the limits that were initially established. For example, of the 776,476 welfare cases that reached the time-limit deadline for welfare receipt on October 1, 1998, including those cases that had already reached the limit prior to this date, about half of the recipients were exempted for various reasons, such as raising young children (Havemann & Vobejda 1998). Furthermore, two comprehensive studies that examined time limits implemented under waivers prior to the 1996 reforms found that “states have seldom used benefit termination provisions,” and that “experiences suggest that states may respond quite differently when recipients reach time limits” (GAO 1997: 4 and Bloom 1999: 8). For example, the latter study found that in Escambia County, Florida, almost everyone reaching the time limit had his or her grant entirely cancelled whereas in Connecticut about half of those reaching the time limit had extensions of at least six months granted by welfare administrators.

Why case-load reductions are important

On the surface, most observers look for cost savings as a rationale for carrying out reforms. However, a closer examination reveals that cutting spending was not a major emphasis of the reforms implemented under PRWORA. According to the GAO, 45 states received a TANF block-grant payment for fiscal year 1997 that exceeded the federal funds they would have received under AFDC by \$1.4 billion (GAO 1998). With the federal cash-assistance block grant fixed at roughly \$16.4 billion from fiscal year 1996 through fiscal year 2002 and the MOE clause, there is little room for savings. Many states are currently directing savings towards the portion of the welfare rolls that is hardest to serve and states such as Arizona and Delaware allow former welfare recipients to receive welfare benefits or access transitional child care and Medicaid for a period of time after finding employment.

However, other important reasons exist to justify these reforms. A variety of studies have demonstrated

that reducing welfare dependence in and of itself has substantial positive benefits for individuals and society. A study by Hill and O'Neill (1993), and studies by Forste and Tienda (1992) and Kimeny (1991) show dramatic differences between a group of women who received AFDC as children and a group that did not. The women compared were identical in race, family income, family makeup, intelligence quotient (IQ) test results, and childhood residence characteristics. Women who received AFDC as children were almost twice as likely to become high-school dropouts and to spend approximately 200% more time on welfare as adults, and were close to 50% more likely to have a child out of wedlock. In another study, Hill and O'Neill found that the longer a child spends on welfare, the lower his or her IQ test results compared with non-welfare children identical in terms of a variety of socio-economic characteristics (Hill and O'Neill 1994). Similarly, another study shows that receipt of welfare assistance has negative ramifications on the long-term employment and earning capabilities of young boys (Corcoran et al. 1992).

Table 4 Total Federal and State Expenditures for Aid to Families with Dependent Children (AFDC) and Temporary Assistance for Needy Families (TANF), 1970-1998 (in millions of constant 1998 dollars)

Fiscal Year	Total Expenditures		
	Benefits	Administrative	Total
1970	\$16,409	\$3,541	\$19,950
1971	21,077	2,020	\$23,097
1972	24,356	NA	\$24,356
1973	24,995	2,177	\$27,172
1974	24,232	2,433	\$26,665
1975	25,205	3,242	\$28,447
1976	27,140	2,998	\$30,138
1977	27,122	3,073	\$30,195
1978	26,016	3,057	\$29,073
1979	24,279	3,041	\$27,320
1980	24,210	2,995	\$27,205
1981	23,651	3,034	\$26,685
1982	22,118	3,021	\$25,139
1983	22,389	3,011	\$25,400
1984	22,681	2,680	\$25,361
1985	22,212	2,710	\$24,922
1986	22,637	2,912	\$25,549
1987	23,584	3,082	\$26,666
1988	23,129	3,266	\$26,395
1989	22,837	3,202	\$26,039
1990	23,393	3,358	\$26,751
1991	24,451	3,211	\$27,662
1992	25,940	3,308	\$29,248
1993	25,221	3,345	\$28,566
1994	25,134	3,639	\$28,773
1995	23,632	3,777	\$27,409
1996	21,303	3,409	\$24,712
1997	17,935	2,438	\$20,373
1998	13,884	2,154	\$16,038

Source: U.S. Department of Health and Human Services, Administration for Children and Families, Office of Program Systems.

Table 5 Unspent funds from Temporary Assistance for Needy Families (TANF) by state (in millions of US dollars)

	Fiscal year 1997	Fiscal year 1998	Fiscal year 1999	As of September 30, 2000 (end of fiscal year 2000)
Alabama	\$0	\$20.10	\$36.20	\$71.90
Alaska	\$0	\$0	\$7.00	\$9.80
Arizona	\$11.40	\$27.90	\$91.30	\$100.60
Arkansas	\$0	\$0	\$39.50	\$21.10
California	\$0	\$0	\$1,620.60	\$1,636.50
Colorado	\$0	\$0	\$77.10	\$94.20
Connecticut	\$0	\$0	\$40.70	\$0.00
Delaware	\$0	\$0	\$2.90	\$1.20
District of Columbia	\$0	\$31.80	\$70.10	\$98.10
Florida	\$0	\$180.90	\$392.60	\$435.80
Georgia	\$0	\$0	\$135.80	\$197.20
Hawaii	\$0.30	\$0.90	\$5.40	\$20.10
Idaho	\$0	\$22.90	\$37.00	\$26.40
Illinois	\$0	\$0	\$0.00	\$0.00
Indiana	\$0	\$0	\$199.50	\$132.00
Iowa	\$0	\$0	\$26.70	\$17.20
Kansas	\$0	\$0	\$0.00	\$0.00
Kentucky	\$1.00	\$38.10	\$0.00	\$4.70
Louisiana	\$0	\$49.90	\$112.20	\$169.00
Maine	\$0	\$0	\$0.00	\$12.10
Maryland	\$56.20	\$44.60	\$99.30	\$103.70
Massachusetts	\$0	\$0	\$68.20	\$102.70
Michigan	\$0	\$0	\$146.10	\$124.80
Minnesota	\$0	\$46.40	\$134.00	\$178.90
Mississippi	\$0	\$39.90	\$93.70	\$121.00
Missouri	\$0	\$0	\$26.80	\$0.00
Montana	\$0	\$0	\$26.60	\$29.00
Nebraska	\$0	\$0	\$9.20	\$9.60
Nevada	\$0	\$0	\$16.80	\$27.70
New Hampshire	\$0	\$0	\$10.60	\$8.20
New Jersey	\$66.10	\$49.30	\$253.10	\$379.70
New Mexico	\$34.00	\$30.90	\$56.90	\$57.70
New York	\$0.10	\$290.40	\$1,122.90	\$1,307.70

	Fiscal year 1997	Fiscal year 1998	Fiscal year 1999	As of September 30, 2000 (end of fiscal year 2000)
North Carolina	\$0	\$0	\$101.70	\$86.10
North Dakota	\$2.30	\$0	\$8.30	\$11.60
Ohio	\$0	\$0	\$733.90	\$721.60
Oklahoma	\$0	\$64.00	\$61.40	\$94.40
Oregon	\$0	\$0	\$23.80	\$21.40
Pennsylvania	\$0	\$152.30	\$299.90	\$437.30
Rhode Island	\$0	\$0	\$0.00	\$4.90
South Carolina	\$6.50	\$23.80	\$32.20	\$33.80
South Dakota	\$0	\$0	\$14.00	\$16.80
Tennessee	\$28.70	\$46.50	\$123.20	\$127.60
Texas	\$0	\$0	\$175.60	\$182.80
Utah	\$0	\$0	\$17.80	\$33.40
Vermont	\$0	\$0	\$3.00	\$3.20
Virginia	\$0	\$0	\$15.90	\$36.80
Washington	\$0	\$14.10	\$198.30	\$229.30
West Virginia	\$0	\$71.60	\$153.50	\$160.80
Wisconsin	\$0	\$16.60	\$321.20	\$325.30
Wyoming	\$0	\$0	\$35.20	\$57.00
TOTAL	\$207	\$1,263	\$7,277.70	\$8,082.70

Note*: States may have unspent TANF funds for several reasons. Some states have created “rainy day” funds; some states have delayed spending because of initial uncertainty about allowable costs; and the lead time for the enactment and implementation of new programs in some states contributed to the accumulation of unspent TANF funds.

Source: Lazere, Ed and Lana Kim (July 1999), *Welfare Balances in the States: Unspent TANF Funds in the Middle of Federal Fiscal Year 1999* (Center on Budget and Policy Priorities, Washington, DC); Lazere, Ed (February 2001), *Unspent TANF Funds at the End of Federal Fiscal Year 2000* (Center on Budget and Policy Priorities, Washington, DC).

Table 6 Number, rate, and percentage of births to unmarried women: United States (1970–1999)

	Births to unmarried women	Percent of all births to unmarried women	Birth rate per 1,000 unmarried women aged 15–44	Birth rate per 1,000 married women aged 15–45	Birth rate ratio, unmarried as a percentage of married women aged 15–44
1970	399,000	10.7	26.4	96.2	27.4
1971	401,400	11.3	25.5	113.2	22.5
1972	403,200	12.4	24.8	100.8	24.6
1973	407,300	13.0	24.3	94.7	25.7
1974	418,100	13.2	23.9	94.2	25.4
1975	447,900	14.3	24.5	93.6	26.2
1976	468,100	14.8	24.3	91.6	26.5
1977	515,700	15.5	25.6	94.9	27.0
1978	543,900	16.3	25.7	93.6	27.5
1979	597,800	17.1	27.2	96.4	28.2
1980	665,747	18.4	29.4	93.1	31.6
1981	686,605	18.9	29.5	96.0	30.7
1982	715,227	19.4	30.0	96.2	31.2
1983	737,893	20.3	30.3	93.6	32.4
1984	770,355	21.0	31.0	93.1	33.3
1985	828,174	22.0	32.8	93.3	35.2
1986	878,477	23.4	34.2	90.7	37.7
1987	933,013	24.5	36.0	90.0	40.0
1988	1,005,299	25.7	38.5	90.8	42.4
1989	1,094,169	27.1	41.6	91.9	45.3
1990	1,165,384	28.0	43.8	93.2	47.0
1991	1,213,769	29.5	45.2	89.9	50.3
1992	1,224,876	30.1	45.2	89.0	50.8
1993	1,240,172	31.0	45.3	86.8	52.2
1994	1,289,592	32.6	46.9	83.8	56.0
1995	1,253,976	32.2	45.1	83.7	53.9
1996	1,260,976	32.4	44.8	83.7	53.5
1997	1,257,444	32.4	44.0	84.3	52.2
1998	1,293,567	32.8	44.3	85.7	51.7
1999	1,304,594	33.0	43.9	87.3	50.3

Source: National Vital Statistics Reports from the U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Health Statistics, National Vital Statistics System, Volume 48, Number 16 (Revised), October 18, 2000.



5 Welfare in Canada

The growth of government in Canada and its involvement in welfare-related assistance during the twentieth century mirrors the expansion in the United States. Caring for the poor in Canada, as in the United States, had been the responsibility of religious organizations and the community historically. The federal government did not assume an active role in mitigating societal poverty until 1927 with the passage of the Old Age Pension Act. This act set in motion the adoption of future shared-cost programs through which the federal government aimed to achieve national objectives in areas of provincial jurisdiction.

The seeds of the Canadian social welfare state were laid during the early part of the twentieth century and culminated in the expansion of the social welfare state in the 1960s and 1970s. In 1945/1946, Canadian governments at all levels spent \$6 billion, in inflation-adjusted 1996 dollars, or 4.7% of GDP on all social programs. The total reached \$92 billion or 14.3% of GDP by 1980, then \$154 billion or 21.1% of GDP in 1992/1993, and dipped slightly to \$153 billion or 19.5% of GDP by 1994/1995 (Battle 1998). Provincial and municipal spending on welfare was \$2.8 billion in 1980/1981 (0.9% of GDP), rising to \$8.6 billion in 1990/1991 (1.3% of GDP), and peaking at \$14.3 billion in 1993/1994 before dropping to \$10.8 billion in 1998/1999 (1.2% of GDP). The middle and late 1990s marked a shift in focus and priority for federal and provincial governments as they wrestled to control expenditures.

History

As a result of the Great Depression, federal and provincial governments placed emphasis on developing social security through the implementation of unemployment insurance and the introduction of limited health insurance. In 1943, the debate concerning social policy in Canada broadened as a result of the Whitton and Cassidy Reports. Both of these documents stressed the need to erect a public assistance system. Nevertheless, proposals detailed by the federal government in its 1945 Green Book

ignored the recommendations of both reports and continued to espouse targeted assistance to groups such as pensioners.

During the same year, Canada's system of child benefits was expanded to include a universal base of family allowances to serve all families with children irrespective of income. The child-benefit system was created around the time of the First World War and originally offered a tax exemption targeted at those families with taxable income. This system provided financial assistance to help low- and middle-income parents provide for children under the age of 18.

Following the 1945 reforms, the next major overhaul of the child-benefit system, which introduced a refundable child tax credit for lower- and middle-income families came in 1978. This credit was accompanied by increases in family allowances and full indexation of benefits and thresholds.

In 1958, the Canadian Welfare Council in its policy statement, *Social Security for Canada*, called for improvements in public assistance by pointing out what they saw as deficiencies in social-security legislation like the Unemployment Insurance Act of 1940. Other committees and provincial governments expressed similar concerns. Hence, by the early 1960s a consensus had developed among provinces for a stronger fiscal commitment in the area of social welfare on the part of the federal government.

At a Federal-Provincial First Ministers' Conference in July 1963, several premiers expressed the desire to pursue joint federal and provincial action and cooperation to assist all needy persons inadequately protected by other available social security programs in Canada. When the same group met again later that same year, a joint Working Group was established to review systematically the operations of all "categorical" welfare programs such as Old Age Assistance and report on ways of improving their operation.

The proposals of this group were presented for deliberation at Ministerial Conferences between 1964 and 1966. In July 1966, royal assent was granted to the Canada

Assistance Plan (CAP), a bill designed to allow the federal government to enter into agreements with provinces and territories to share in the costs that they and their municipalities incurred as a result of providing social assistance and services to those in need or likely to become needy in the future. CAP also consolidated the four categorical federal programs (Old Age Assistance, Blind Persons Allowance, Disabled Persons Allowance, and Unemployment Assistance) and included a prohibition against the creation of residency requirements by provincial governments. Three other requirements ensured that welfare would be available to all on a needs basis, that an appeals process would exist, and that provinces would provide specified program information to the national government. All provinces quickly ratified CAP.

The growth in the number of people on welfare rolls across the nation (table 7), coupled with growing acceptance of the need for fiscal restraint, and the often poor relationship between the two levels of government as a result of fractious federal-provincial negotiations led to calls for reform of social assistance funding. As a result, the federal government's 1990 Budget ended the era of "cheque-book federalism." It introduced a "cap on CAP," which imposed a 5% limit on annual increases in federal cost-sharing under CAP for social assistance and social services for the three relatively wealthy "have" provinces of Ontario, Alberta, and British Columbia from 1990/1991 through 1994/1995. This ceiling on CAP made it clear to all provinces that the era in which the federal government would reimburse half of all provincial expenditures on social assistance was over.

Federal welfare reforms

The late 1980s and the 1990s witnessed federal reforms to social assistance that affected all levels of government. In 1988, the children's tax exemption was converted to a non-refundable tax credit as part of a package of federal income-tax reforms. In 1990, the federal government instituted the "cap on CAP." In 1993, the three major child-benefit programs (family allowance, the refundable child tax credit, and the non-refundable child tax credit) were eliminated and replaced with a single income-tested Child Tax Benefit (CTB).

In July 1998, the National Child Benefit Program was introduced. This program eliminated the old Child Tax Benefit and Working Income Supplement and replaced it with the Canada Child Tax Benefit (CCTB) and

the National Child Benefit Supplement (NCBS). The CCTB is a means-tested tax-free monthly payment provided to families to help them with the cost of raising children under 18 years of age. As a result, provinces and territories were able to reduce their welfare benefits on behalf of children by the amount of the increase in federal child benefits although not all chose to do so. According to Finance Canada, approximately 80% of all children in Canada are covered by the CCTB (Finance Canada 1999). The CCTB is expected to cost \$7.8 billion in 2001 (Finance Canada 2000b).

Currently, an experiment in welfare reform that creates financial incentives for welfare recipients to find full-time jobs is underway. The Self-Sufficiency Project (SSP) was launched in 1992 by the Innovations Branch of Human Resources Development Canada (HRDC). It encourages single-parent welfare recipients who have been on welfare for at least one year to find full-time employment by offering them up to three years of supplemental earnings. While collecting the earnings supplement, participants cannot collect welfare benefits; however, the supplement effectively doubles what the average participant earns from a minimum-wage job or welfare.

HRDC claims the early research results are encouraging in that "people who were eligible for SSP worked more, had higher earnings, and received less welfare than a control group of similar people who were not given access to the supplements" (Lin et al. 1998: ix). However, the fact that those receiving the supplement report higher earnings and less welfare is not surprising considering the supplement effectively doubles what a recipient would earn from a minimum-wage job or welfare. It should be noted that in the short run, SSP increased total transfer payments.

In May 1999, the early findings from the SSP Applicant Study were released. The applicant study is similar to the main SSP study outlined above but the participants in this experiment are those who had recently applied successfully for Income Assistance. Results from the applicant study were similar to the main study except in this case it led "to no increase in net public transfer payments" (Card, Michalopoulos, and Robins 1999: ES-21). Nevertheless, Jeffery Smith, economist at the University of Western Ontario, is "doubtful the program will pass a 'cost-benefits analysis' once it is known how many job-takers went back to welfare when the supplements expire [next year]" (Heinzel 2000).

The 1995 federal budget announced the creation of the Canada Social Transfer that replaced the CAP and

the Established Program Finance (EPF) programs. The EPF consisted of transfers for health care and education. In 1996, the Canada Social Transfer was renamed the Canada Health and Social Transfer (CHST). The CHST is the largest federal transfer to provinces and territories. It provides them with cash payments and tax transfers in support of post-secondary education, health care, and social assistance and social services. It is a single block transfer that reduces expenditures on social assistance by the federal government and the number of conditions it attaches to provinces receiving these funds. The only remaining condition for receipt of federal funds for social assistance and services is a ban on provincial legislation creating a residency requirement for eligibility. Moreover, in order

to provide a degree of fiscal certainty for provincial treasuries, the federal government included a cash floor of \$11 billion, which was raised to \$12.5 billion in 1997. Estimates for 2000/2001, put the CHST cash transfer at \$15.5 billion (Finance Canada 2000).

The CHST marks a significant development for social-services delivery and social policy in Canada. It has greatly reduced the influence exerted by the federal government on provincial social-assistance programs and, at the same time, reduced the amount of monies available to fund provincial welfare programs. As a result, provinces have initiated limited initiatives for restructuring social services in an attempt to address the fiscal realities confronting them.

Table 7 Number of welfare beneficiaries (including dependents) by province and for Canada (000s)

	NF	PE	NS	NB	QC	ON	MB	SK	AB	BC	YT	NT	NU	CAN
2000	59.4	8.4	73.7	56.3	618.9	802.0	63.3	63.8	64.8	262.4	1.4	3.4	7.3	2,085
1999	59.9	9.8	80.9	61.8	661.3	910.1	68.7	66.5	71.9	275.2	1.7	11.3	0.0	2,279
1998	64.6	10.9	85.5	67.1	725.7	1,091.3	72.7	72.5	77.0	297.4	2.1	10.7	0.0	2,578
1997	71.9	11.1	93.7	70.6	793.3	1,149.6	79.1	79.7	89.8	321.3	2.0	12.8	0.0	2,775
1996	72.0	11.7	103.1	67.1	813.2	1,214.6	85.8	80.6	105.6	369.9	1.7	11.8	0.0	2,937
1995	71.3	12.4	104.0	67.4	802.2	1,344.6	85.2	82.2	113.2	374.3	2.1	12.0	0.0	3,071
1994	67.4	13.1	104.0	73.5	787.2	1,379.3	89.3	81.0	138.5	353.5	2.4	11.0	0.0	3,100
1993	68.1	12.6	98.7	78.1	741.4	1,287.0	88.0	68.2	196.0	323.3	2.5	11.1	0.0	2,975
1992	59.8	11.8	92.6	78.2	674.9	1,184.7	80.9	60.4	188.3	279.3	1.7	10.4	0.0	2,723
1991	51.8	10.3	86.2	71.9	594.9	929.9	71.7	53.4	156.6	244.0	1.2	10.3	0.0	2,282
1990	47.9	8.6	78.4	67.2	555.9	675.7	66.9	54.1	148.8	216.0	1.0	9.6	0.0	1,930
1989	44.8	8.3	75.6	67.7	559.3	588.2	63.0	57.2	151.7	230.0	0.9	9.4	0.0	1,856
1988	47.9	8.9	73.8	70.6	594.0	533.5	62.7	60.3	149.8	241.1	1.1	9.3	0.0	1,853
1987	50.5	9.3	73.0	73.7	649.6	518.4	60.6	62.1	150.5	247.7	1.2	8.3	0.0	1,905
1986	47.0	9.2	72.1	68.8	693.9	485.8	62.6	62.7	126.6	255.7	1.4	7.1	0.0	1,893
1985	49.1	9.6	73.6	69.1	708.7	485.8	62.8	64.0	124.1	267.6	1.5	7.4	0.0	1,923
1984	53.3	9.8	67.5	68.6	705.9	484.6	59.2	63.7	117.1	257.1	1.1	7.0	0.0	1,895
1983	51.9	11.3	69.0	70.1	675.8	471.2	55.9	59.7	130.6	228.8	1.3	7.3	0.0	1,833

	NF	PE	NS	NB	QC	ON	MB	SK	AB	BC	YT	NT	NU	CAN
1982	54.7	11.3	64.6	62.7	561.9	406.8	47.8	48.4	91.7	144.9	1.5	6.5	0.0	1,503
1981	50.4	10.1	62.4	67.4	532.9	389.8	46.9	43.8	78.1	128.0	1.2	7.4	0.0	1,418
1980	48.5	9.4	51.2	66.3	511.9	354.8	45.6	41.4	76.1	122.8	1.1	5.2	0.0	1,334
1979	39.3	8.5	50.1	65.0	478.3	382.2	47.6	42.1	80.8	146.9	6.3	0.0	0.0	1,347
1978	53.8	8.3	49.8	63.4	464.5	356.3	52.5	41.4	85.1	141.0	5.6	0.0	0.0	1,322
1977	52.4	8.7	55.9	67.1	457.1	338.9	55.3	38.8	86.5	162.0	5.3	0.0	0.0	1,328
1976	61.0	8.8	54.2	52.5	428.7	367.9	57.6	43.5	78.2	162.1	8.4	0.0	0.0	1,323
1975	63.1	8.4	52.4	55.6	416.6	336.4	56.6	45.3	78.0	162.3	5.7	0.0	0.0	1,280
1974	63.3	7.3	47.6	51.9	395.8	317.3	60.7	44.4	80.6	137.2	2.6	0.0	0.0	1,209
1973	70.9	7.2	52.9	58.6	406.5	307.9	70.4	56.7	85.5	104.0	0.9	0.0	0.0	1,221
Peak year	1996	1994	1995	1992	1996	1994	1994	1995	1993	1995	1993	1997	n/a	1994
# in peak	72.0	13.1	104.0	78.2	813.2	1,379.3	89.3	82.2	196.0	374.3	2.5	12.8	7.3	3,100
% change from peak*	(17.5)	(35.9)	(29.1)	(28.0)	(23.9)	(41.9)	(29.1)	(22.4)	(66.9)	(29.9)	(44.0)	(16.4)	n/a	(32.7)
# in 1990	47.9	8.6	78.4	67.2	555.9	675.7	66.9	54.1	148.8	216.0	1.0	9.6	n/a	1,930
% change from 1990*	24.0	(2.3)	(6.0)	(16.2)	11.3	18.7	(5.4)	17.9	(56.5)	21.5	40.0	11.5	n/a	8.0

* NT and NU combined in 2000

Source: Cost-Shared Programs Division, Human Resources Investment Branch, Human Resources Development Canada

Table 8 Number of welfare beneficiaries (including dependents) as a percentage of population by province and for Canada

	NF	PE	NS	NB	QC	ON	MB	SK	AB	BC	YT	NT*	Canada
2000	11.0	6.0	7.8	7.4	8.4	6.9	5.5	6.2	2.2	6.5	4.6	15.4	6.8
1999	11.1	7.1	8.6	8.2	9.0	7.9	6.0	6.5	2.4	6.8	5.5	16.6	7.5
1998	11.9	8.0	9.1	8.9	9.9	9.6	6.4	7.1	2.6	7.4	6.6	15.7	8.5
1997	13.0	8.1	10.0	9.4	10.9	10.2	7.0	7.8	3.2	8.1	6.3	18.8	9.3
1996	12.8	8.6	11.1	8.9	11.2	10.9	7.6	7.9	3.8	9.5	5.3	17.4	9.9
1995	12.6	9.2	11.2	9.0	11.1	12.3	7.5	8.1	4.1	9.9	6.8	17.9	10.5
1994	11.7	9.8	11.2	9.8	10.9	12.7	7.9	8.0	5.1	9.6	8.0	16.9	10.7
1993	11.7	9.5	10.7	10.4	10.3	12.0	7.9	6.8	7.3	9.1	8.1	17.3	10.4
1992	10.3	9.0	10.1	10.5	9.5	11.2	7.3	6.0	7.1	8.0	5.7	16.8	9.6
1991	8.9	7.9	9.4	9.6	8.4	8.9	6.5	5.3	6.0	7.2	4.1	16.9	8.1
1990	8.3	6.6	8.6	9.1	7.9	6.6	6.0	5.4	5.8	6.6	3.6	16.3	7.0
1989	7.8	6.4	8.4	9.2	8.1	5.8	5.7	5.6	6.1	7.2	3.3	16.5	6.8
1988	8.3	6.9	8.2	9.7	8.7	5.4	5.7	5.9	6.1	7.7	4.1	16.6	6.9
1987	8.8	7.2	8.2	10.1	9.6	5.4	5.5	6.0	6.2	8.1	4.6	15.1	7.2
1986	8.2	7.2	8.1	9.5	10.3	5.1	5.7	6.1	5.2	8.5	5.8	12.9	7.3
1985	8.5	7.5	8.3	9.5	10.6	5.2	5.8	6.2	5.2	9.0	6.3	13.7	7.4
1984	9.2	7.7	7.7	9.5	10.6	5.3	5.5	6.3	4.9	8.7	4.6	13.2	7.4
1983	8.9	9.0	7.9	9.8	10.2	5.2	5.3	6.0	5.5	7.9	5.4	14.3	7.2

	NF	PE	NS	NB	QC	ON	MB	SK	AB	BC	YT	NT*	Canada
1982	9.5	9.1	7.5	8.9	8.5	4.6	4.6	4.9	3.9	5.0	6.3	13.0	6.0
1981	8.8	8.1	7.3	9.5	8.1	4.4	4.5	4.5	3.4	4.5	5.0	15.4	5.7
1980	8.4	7.6	6.0	9.4	7.8	4.0	4.4	4.3	3.5	4.5	4.5	11.0	5.4
1979	6.9	6.9	5.9	9.2	7.4	4.4	4.6	4.4	3.8	5.5	n/a	n/a	5.5
1978	9.5	6.8	5.9	9.0	7.2	4.1	5.0	4.3	4.2	5.4	n/a	n/a	5.5
1977	9.2	7.2	6.7	9.6	7.1	4.0	5.3	4.1	4.4	6.3	n/a	n/a	5.6
1976	10.8	7.4	6.5	7.6	6.7	4.4	5.6	4.7	4.2	6.4	n/a	n/a	5.6
1975	11.3	7.1	6.3	8.2	6.6	4.0	5.5	4.9	4.3	6.5	n/a	n/a	5.5
1974	11.5	6.3	5.8	7.8	6.3	3.9	5.9	4.9	4.6	5.6	n/a	n/a	5.3
1973	12.9	6.3	6.5	8.9	6.5	3.8	7.0	6.2	4.9	4.4	n/a	n/a	5.4
Peak year	1997	1994	1994	1992	1996	1994	1994	1995	1993	1995	1993	1997	1994
# in peak	13.0	9.8	11.2	10.5	11.2	12.7	7.9	8.1	7.3	9.9	8.1	18.8	10.7
% change from peak*	(15.3)	(38.2)	(30.4)	(28.9)	(24.8)	(45.8)	(30.6)	(23.3)	(70.5)	(34.5)	(42.6)	17.8	(36.3)
% in 1990	8.3	6.6	8.6	9.1	7.9	6.6	6.0	5.4	5.8	6.6	3.6	16.3	7.0
% change from 1990*	32.7	(7.9)	(9.2)	(18.1)	5.9	5.3	(8.8)	15.7	(62.9)	(1.3)	29.7	(5.5)	(2.4)

* NT and NU combined in 2000

Source: Cost-Shared Programs Division, Human Resources Investment Branch, Human Resources Development Canada



6 Provincial welfare reforms

The catalyst that sparked change in Canada was the reform of social-assistance transfers by the federal government to the provinces embodied in the “cap on CAP” and the creation of the CHST. Further, the steady increase in welfare case loads, peaking at 3.1 million (10.7% of the population) in 1994, created additional pressure for change (tables 7 and 8). More importantly, however, the above factors served to increase the prominence of social-assistance spending in provincial budgets, expand provincial opportunities to experiment with welfare reform, and provide financial benefits to provinces implementing successful welfare reforms.

In Canada, the constitution stipulates that the provinces and territories establish social-assistance policy and benefit rates. All provinces and territories have demonstrated efforts to reform welfare in response to the challenges that the past decade has presented. However, although the nature and extent of welfare reform varies from jurisdiction to jurisdiction, several general trends exist.

First, one of the stated goals of the CCTB was to allow provinces to reduce welfare benefit rates and use these savings for programs to benefit low-income working families and other people in need. Welfare incomes did not drop but, because of the increased federal transfers, provinces have been able to implement a variety of programs aimed at reducing the disincentive to leave welfare for low paying work. These programs are described on the “Social Union” website at <http://socialunion.gc.ca/NCB-2000/toceng-reinvest2000.html>. The “Social Union” is the result of collaboration among the territorial, provincial, and federal governments.

Second, regionalization is clearly present in that there is a move to create regions for the delivery of social services and related funding. Under regionalization, provinces and territories maintain control over program structure and guidelines but direct management is conducted on a regional or municipal level. For example, Alberta was divided into 17 regions roughly corresponding with the pre-existing governmental health regions. In each region, a local board manages the delivery of welfare.

Third, in an effort to restructure the delivery of social services, several jurisdictions have experimented with outsourcing, privatization, down-sizing, “one-stop” access, using community resources such as non-profit organizations, and a variety of other approaches. These experiments have been more limited than those in the United States.

Fourth, welfare reforms across Canada have increased efforts to direct welfare recipients towards employment through welfare-to-work programs or have at least tried to ease recipients’ transition into the workforce.

Other trends include efforts to encourage increased involvement by the non-profit sector, efforts to expand the evaluation of social assistance programs and services in order to improve accountability, as well as initiatives to give Aboriginal peoples increased control over the delivery of social services within their communities.

The number of people collecting welfare as a percentage of the total Canadian population in 2000 is 8.0% higher than it was in 1990; only five provinces have fewer welfare beneficiaries than they did in 1990. The number of beneficiaries by province and for Canada from 1973 through 2000 is included in table 7 and the number of beneficiaries as a percentage of the population by province is shown in table 8.

British Columbia

Several changes designed to restructure the social safety net of British Columbia came out of recommendations from the 1995 Premier’s Forum on New Opportunities for Working and Living. In 1996, a package of reforms known as BC Benefits was introduced. The BC Benefits program is based on a life-cycle approach that takes into consideration the needs of different cohorts at different life intervals while aiming to protect the most needy clientele. The program was designed specifically to reduce the number of recipients on the welfare rolls, especially employable clientele such as youth. The reforms placed an emphasis on work by providing programs emphasizing job search

skills and employment preparation, benefit rate deductions, and stricter eligibility requirements. However, BC Benefits requires welfare recipients to wait seven months before becoming eligible for programs such as career planning. Under the Youth Works program, those clients between the ages of 19 and 24 without children and deemed employable had their welfare benefits cut and were required to conduct job searches. The province also stepped up efforts to recover overpayments owed by former welfare recipients.

Under these reforms, a welfare-to-work program was also introduced. Employable recipients between the ages of 25 and 60 years of age had their benefits cut and were required to work towards returning to the labour force in order to receive benefits. At the same time, the province also announced substantial changes in earnings exemptions for employed welfare recipients. Under both the youth employment and welfare-to-work programs, the former flat-earnings exemption was dropped in favour of permitting these program participants the opportunity to exempt 25% of their income after three months in the program. In 1999, the pre-reform earnings exemptions of \$100 a month for single people and \$200 a month for couples or families were restored. In the 2000 provincial budget, the budget for BC Benefits was increased in order to provide for a planned 2% rate increase in income assistance effective July 2000.

Alberta

Alberta was the first jurisdiction to implement welfare reform in Canada aggressively. Many of its initiatives served as guidelines for other provinces in their efforts to reform social assistance. Beginning in 1993, Alberta's first and most crucial step in welfare reform was an overhaul in the administrative culture of the Alberta Family and Social Services Ministry. This change marked a shift in emphasis from eligibility determination and cheque distribution to ensuring that all potential recipients exhausted all possible avenues of support and attempted to gain employment before any assistance was granted. Included in the administrative reforms were initiatives to reduce fraud by hiring investigators and review officers to verify eligibility by conducting home visits.

Another important step involved reducing benefit levels for recipients as an inducement to work. Efforts were made to focus the most severe cuts on single, employable adults while increasing benefits for disabled re-

cipients. The stated purpose behind the benefit reductions was "to ensure that those on social assistance received a level of support not exceeding that earned by working Albertans" (Boessenkool 1997: 6).

A study by the Canada West Foundation documented the success of these reforms, revealing that, of the 172,000 people who left the province's welfare rolls between 1993 and 1998, almost half had found full-time employment (Elton et al. 1997). The claim that there was a large migration of Alberta recipients to British Columbia—often offered as an explanation for the reduction of case loads in Alberta—was largely unfounded (Boessenkool 1997).

Alberta's reforms also included an elimination of some supplemental benefits. The province stopped paying damage deposits for renters except in cases involving family violence, stopped replacing lost or stolen welfare cheques, and cut allowances for a variety of items including moving expenses. The reformed legislation required single parents to seek work or enter training when their youngest child reached the age of six months rather than two years as under the former policy. The changes ensured that employable recipients refusing or quitting work as well as recipients living in common-law relationships or with relatives would forfeit some or all of their benefits.

Alberta is also a proponent of faith-based non-profit organizations assuming more responsibility for providing social services (Sass 1994). According to Hall and Banting,

The nonprofit sector appears to be emerging as a chosen instrument of collective action in a new century. Government retrenchment in the 1990s has led to reductions in many community and social services and a renewed interest in the potential role of nonprofit organizations in filling the resulting gaps in our social safety net. (1999: 1–2)

As of June 1999, there were 77,926 registered charities, an estimated additional 100,000 other legally incorporated non-profit organizations and approximately 870,000 grass roots or unincorporated agencies in Canada (Hall and Banting 1999). From 34% to 61% of charities in provinces across Canada were included in the "religion" category (Clemens and Francis 1998a). Interestingly, a recent analysis of charitable organizations in Canada concluded that Alberta maintained the lowest ratio of welfare and religious charities to welfare cases in

the country, indicating a strong ability for charities to assume some responsibility for providing social services in Alberta (Clemens 2000).

In Alberta, faith-based non-profit agencies perform various services such as addictions counseling and day care, and, in some instances, operate homeless shelters and seniors' lodging. Many of these faith-based agencies receive government funding, although dramatically less than secular non-profit organizations. A study by the Canada West Foundation found that a large majority of these agencies reported positive effects from government funding. It was also revealed, however, that many of these same agencies reported decreased flexibility and efficiency as a result of receiving government funding. Issues surrounding government interference with agencies operating under a statement of faith and with those agencies that require employees to subscribe to these statements were also reported (Canada West Foundation 1999a). Nevertheless, a few provinces such as Alberta are timidly moving towards encouraging the active involvement of faith-based non-profit providers in the social-service arena. Currently, nothing like the American Charitable Choice provision exists in Canada.

More recently, the province has been busy managing the transition to a "community-based regional authority delivery system for services to children and families, and to adults with developmental disabilities" (Canada West Foundation 1999b: 4).

Saskatchewan

Welfare reforms in Saskatchewan have focused on improving work incentives in order to make employment more attractive for welfare recipients. In January 1996, the government released a paper entitled *Redesigning Social Assistance: Preparing for the New Century*. From this discussion paper came four distinct programs: the Saskatchewan Employment Supplement (SES), the Saskatchewan Child Benefit (SCB), Family Health Benefits (FHB), and Youth Futures. The SES, introduced in July 1998, is intended to create financial incentives for recipients to favour work over social assistance. The SCB provides a monthly allowance to assist lower-income families with the costs associated with raising children. Similar to the SCB, the family health-benefit program provides supplementary health benefits to lower-income working families. The controversial Youth Futures program eliminated assistance to individuals under 22 years of age unless their families were unable to provide for them financially. It also legislated that anyone in this

age group who was receiving welfare would have to participate in school, training, or work experience programs.

Saskatchewan, like other jurisdictions, such as Newfoundland and the Northwest Territories, has moved to create integrated welfare delivery by combining welfare benefit and employment services. As well, the province is moving towards the eventual regionalization of its welfare delivery system for services to children, families, and adults with developmental disabilities.

Manitoba

Reforms to Manitoba's welfare system came in early 1996 with the introduction of the Employment and Income Assistance Program to replace the Social Allowances Program. The focus of this program is "helping Manitobans gain independence through employment" (National Council of Welfare 1997: 75). To accomplish this goal, the only recipient groups spared benefit cuts were disabled persons, single parents with children under six, seniors, and women in crisis shelters.

The province also introduced an initiative under the name *Making Welfare Work*, to assist job-ready recipients make the transition from welfare to work. Through this initiative, various targeted pilot programs were launched. The Manitoba Youth Works pilot project targeted recipients under the age of 18 by forcing them either to attend school, find employment, or attend parenting classes if they have children. Failure to comply with these stipulations results in a reduction in benefits.

In April of the same year, the Manitoba budget announced further reductions in welfare spending, totaling \$23 million, or roughly 6% of the province's total welfare budget. After this period of welfare reform, the provincial government focused on reducing administrative duplication and increasing efficiency. Towards this goal, the province recently announced the creation of the Manitoba Children and Youth Secretariat. The Secretariat will offer services previously provided by four separate government departments.

Ontario

Ontario has been relatively aggressive in pursuing welfare reform within the Canadian context. The 1995 election marked the beginning of a dramatic transformation of welfare in Ontario. In October 1995, Ontario reduced by

21.6% benefit rates for all recipients except seniors or those with disabilities. However, even after this substantial reduction, benefit levels remained 10% above the average of other provinces (OECD 1999).

The province also introduced administrative reforms that tightened eligibility and reduced fraud. As a result of these changes, applicants with employment potential are redirected to employment services, similar to the process in Alberta. Legislation was also passed so that employable individuals quitting or losing a job without reasonable justification would be prevented from applying for welfare for three months, as compared to one month in the past.

In addition, benefits are reduced as a penalty to employable recipients who fail to meet the goals of their case plans—plans drafted by the agency and recipient for moving them to full-time employment. Following Alberta's lead, Ontario also restricted the eligibility of single parents once their children are of school age, forcing them to look for work.

Similarly, Ontario now prevents individuals living in common-law relationships from collecting any benefits under the category of a single person or single parent. To combat fraud, a province-wide telephone hotline was established, a provincial welfare-fraud database was created, information-sharing agreements with other government programs were instituted, and mandatory home visits at the discretion of the social service agency as a condition of eligibility were implemented.

On May 1, 1998, the Ontario Works Act was introduced making Ontario the only province operating a "workfare" program. The stated goal of the program is to identify the "shortest route to paid employment." Ontario Works steers welfare recipients down three distinct paths: employment support (job-search assistance), community participation (work experience through mandatory public-sector placements), and employment placement (wage-subsidy programs in the private sector and self-employment support) (OECD 1999: 108). This program is mandatory for all "employable" adults collecting welfare and is optional for disabled or senior recipients. Recipients who refuse a referral, fail to attend workfare-related programs, or fail to meet job-related performance requirements are sanctioned. The sanctions consist of a three-month denial of assistance for the first offence and a six-month denial for the next. In addition, if the sanctioned individual is a single person, they can be denied welfare altogether, whereas those individuals with dependents are penalized by means of benefit reductions.

Some evidence suggests that Ontario Works reform is not as sweeping as was first thought. Evidence indicates that community participation is mainly voluntary in that participants often organize relevant activities by themselves. Moreover, the program has also recently experienced implementation problems as a result of insufficient funding (OECD 1999). Nevertheless, in a June press release, the Ontario government reported that it had created over 30,000 workfare placements and had met their annual placement target for the first time (Ministry of Community and Social Services 2000).

The issue of privatizing social services in Ontario has also been much debated. Andersen Consulting was contracted for the "Business Transformation Project," an attempt to redesign the technological supports and business practices of the welfare system. According to the contract—much like similar American contracts—Andersen Consulting earns its profit out of the savings it achieves. At the same time, the province increased the emphasis it places on the non-profit sector and volunteer groups (Day and Devlin 1997). A recent comprehensive study by Handy and Cnaan shed light on the role that faith-based non-profit organizations play in the social service industry. They found that 100% of the congregations surveyed provided at least one program, with many providing local social and community services like programs for the homeless and the poor. Overwhelmingly large proportions of the beneficiaries of these programs (roughly 81%) are not members of the congregation (Handy and Cnaan 1999).

On January 1, 1998, the Ontario government transferred funding responsibilities, new cost-sharing agreements, and responsibilities for provincial programs to municipalities through the Social Assistance Reform Act and the Services Improvement Act. Currently, the province is responsible for 80% of the costs associated with income support and the province and municipalities split administrative costs evenly. In addition to these arrangements, non-governmental organizations and non-profit agencies are involved in the delivery of many social services.

Quebec

In 1996, Quebec began to reform its welfare system. The province reduced benefit rates and increased the penalty for not looking for work or quitting a job without legitimate reason. Quebec also made changes to its liquid-asset exemptions in an attempt to ensure that potential welfare recipients had exhausted all possible resources. The re-

forms also eliminated adults pursuing vocational high-school education from the social assistance program and referred them to the provincial student assistance plan.

On December 10, 1996, Quebec's National Assembly tabled a consultation paper on welfare reform, *The Road to Labour Market Entry, Training and Employment*, which laid the groundwork for future reforms. Later that same year, the province introduced legislation to reduce fraud and impose penalties on "deadbeat dads," among other changes. In 1997, Quebec replaced its social assistance allowances with a single allowance for children. Consequently, benefits are no longer distributed on a universal basis but instead are calculated based on household income.

New Brunswick

Since 1992, New Brunswick has pursued extensive reform of welfare-service delivery. In 1993/1994, the Ministry of Family and Community Social Services was redesigned to fit into the province's seven health regions, effectively allowing for the transition to a more streamlined and efficient new Department of Health and Community Services.

On May 1, 1995, the Family Income Security Act replaced the previous welfare law, known as the Social Welfare Act. Like that of other provincial programs, the emphasis of the reform was on assisting recipients with the transition from welfare to work and with training and education. However, by late 1996, the New Brunswick government shifted its approach to social assistance. It increased the benefit rates as well as the earnings exemption rate for unemployable single adults and childless couples. Other changes announced included a provincial Child Benefit and Working Income Supplement. New Brunswick is the only province that had an increase in the number of welfare beneficiaries between 1996 and 1997. The number of welfare beneficiaries in New Brunswick has been falling since 1998, although often at rates lower than the provincial average (table 7).

Nova Scotia

Nova Scotia launched welfare reforms beginning on October 4, 1996. The reforms included continuous eligibility reviews, anti-fraud measures, increased subsidies per parent for child-care, and initiatives to recover welfare overpayments.

The most dramatic welfare reforms were included in the 1997 Social Assistance Restructuring Initiative (SARI), which aimed to improve and update Nova Scotia's welfare system by creating a single-tier delivery system as opposed to the provincial and municipal two-tiered system. The first part of this reform initiative was accomplished on April 1, 1998, when the Department of Community Services assumed responsibility for the delivery of welfare programs from all municipalities. As a result, various municipal welfare policies and benefit rates were eliminated and a uniform policy and benefit rate schedule was established. The uniform benefit rate was achieved by increasing the lower municipal rates to equal those in larger regional municipalities. The new regulations that resulted from the second phase of the restructuring are set to take effect in August 2001. The Department of Community Services' plan to support self-reliance among recipients includes increased maximums in the allowances for transportation, child-care and training, improved wage incentives, and the extension of pharmacare coverage for up to a year for those entering the workforce. (Nova Scotia Department of Community Services 2001).

Prince Edward Island

From 1994 to 1995, Prince Edward Island (PEI) focused on restructuring the Department of Health and Social Services by downsizing and re-prioritizing the ministry. After a dramatic increase in welfare recipients from 1990 to 1994, PEI also reduced welfare benefits. After the election of a new government on November 18, 1996, new welfare reforms were promised. From 1997 to 1998, the government began implementation of a new employment-based program designed to increase self-sufficiency among welfare recipients and assist them with entering and remaining in the workforce. Effective January 1, 2000, Prince Edward Island enriched its welfare benefits.

Newfoundland

The province of Newfoundland published a welfare reform document in June of 1996 entitled *Strategic Social Plan Consultation Paper*. At the same time, the government created an independent Social Policy Advisory Committee to consult Newfoundlanders on welfare reforms. The suggested reforms to welfare dealt extensively with income

security and unemployment insurance and recommended replacing them with an income and work supplement. However, the Income Supplementation Program would involve an overhaul of federal assistance to unemployed workers in order to make the reforms work. The federal government decided against the provincial proposals. Hence, this effort at reform was effectively stalled.

Nevertheless, Newfoundland continued with its efforts to reform welfare. In 1998, the government introduced a social plan, *People, Partners and Prosperity*, which granted unprecedented amounts of control over policy development to community organizations. The following year the provincial government implemented *NewfoundJOBS*, a pilot program to help about 500 welfare recipients enter or re-enter the workforce.

The Territories

The Territories—Yukon, the Northwest Territories, and recently Nunavut—are unique jurisdictions in Canada. The people who inhabit these lands are largely dependent upon transfer payments from the federal government. These jurisdictions have small populations, a large number of which have little formal education. Consequently, dependency upon welfare is high in the Territories. About one-half of the adult population of Nunavut has not completed more than one year of secondary school and a third of the population are welfare recipients, three times the national average (Morrison 1999).

Yukon Territory

Currently, initiatives to reform welfare are underway. An in-depth anti-poverty strategy was introduced to work towards a more focused, efficient, and coordinated effort to address issues concerning poverty. In 1999, a Low Income Family Tax Credit (LIFT) was implemented. LIFT provides up to \$300 a year for those with incomes of less than \$25,000. In the same year, changes were made to the social-services delivery system for adults with special needs. These reforms included adopting a client-focused approach and providing “one-stop” access to eliminate duplication and increase efficiency. Moreover, the Yukon has brought social assistance services closer to communities by enabling the 14 different Aboriginal bands in this territory to control and operate their own welfare programs.

Northwest Territories

Reforms to social assistance in the Northwest Territories began in 1994 with a move to regionalize welfare programs by adopting a community delivery system (Canada West Foundation 1999c: 6). In 1998, a document entitled *Shaping Our Future: A Strategic Plan for Health and Wellness*, outlined the many challenges inherent in creating Nunavut out of the Northwest Territories. Health care and social services were a particular concern since the federal government transferred responsibility for these areas to the government of the Northwest Territories in 1998. The document dealt with integrating services to cut duplication, improving monitoring and accountability, reducing risky youth activities through intervention programs, and establishing effective partnerships with community agencies.

Conclusion

Canada, like the United States, has been engaged in welfare reform in the 1990s and, in recent years, we have seen some positive results in case-load reductions: a 32.7% drop in the number of recipients in Canada since the peak in 1993/1994 of 3.1 million and an impressive 66.9% decrease in the number of Albertans in receipt of welfare since the peak in 1992/1993 of 196,000. The bad news is that there has been an 8.0% increase in the ratio of welfare recipients to the total population relative to 1990. The creation of the Canada Health and Social Transfer (CHST) allowed the provinces to experiment with the delivery of social services and focus on easing the transition from welfare to work. While there have been some positive changes to welfare in Canada, there is still much room for improvement. Only a few provinces, notably Alberta and Ontario, have attempted significant reform of their welfare programs and none of the provinces have tried the sweeping reforms undertaken in many American states.

One result of the different approaches to welfare is evident in figure 1 (page 5). The number of people collecting welfare as a percentage of the entire population peaked in the United States in 1993 at 5.5%. Canada reached its peak of 10.7% in 1994. In 2000, only 2.1% of Americans were collecting welfare while 6.8% of Canadians were. The reforms enacted in Canada have not even reduced our ratio to the American peak of 5.5% of the population.



7 Recommendations for Canada

Since the early 1990s, a diversity of successful approaches to welfare delivery has been developed in the United States and there is also now a wealth of research on the impact of these reforms on former recipients. In these, provincial governments in Canada, which have generally been slow to reform social assistance, will find valuable models and information. There are seven elements that are especially important for the successful reform of social assistance.

End the entitlement to welfare

A significant reason why reforms in the United States have produced positive results is that the presumption of welfare as an entitlement has been eliminated. In Canada, a promising first step was taken in this direction when the federal government implemented the Canada Health and Social Transfer (CHST), which “eliminated what had been an open-ended federal cost-sharing arrangement under CAP to pay half of eligible provincial and territorial social assistance and social service expenditures” (Bashevkin 2000: 13). What federal and provincial governments need to do now is implement reforms similar to the five-year lifetime limits of the American reforms. Research shows that more than half of all welfare cases in Canada spend 25 months or more on assistance during a “spell” on welfare (National Council of Welfare 1998). A lifetime limit of assistance of 5 years or less would create an effective incentive to encourage recipients to find self-sustaining employment. To soften the effects of this reform on the most vulnerable, provinces could institute exemptions roughly equal to the percentage of the population that is unavoidably in need of assistance.

Divert potential recipients

Few provinces outside Alberta have moved to implement programs that divert individuals away from welfare bene-

fits. Boessenkool concluded that: “The significant reduction [in the number of welfare beneficiaries] came from a sharp decrease in individuals who were applying for welfare for the first time” (1997: 11–12). Further, American research by Vobejda and Havemann found that

The new tactic [diversion programs] is critical to understanding the remarkable decline in the number of Americans receiving welfare over the past two years. While many poor families have moved off public assistance and into jobs, many others simply have never gone on the rolls. (1998: A01)

This finding was confirmed by a GAO study that revealed that large reductions in case loads might have resulted from diversion programs operated by numerous states (GAO 1999b). Hence, if other Canadian provinces are going to mirror the experience of American states in preventing individuals from entering the welfare rolls, diversion programs are an important element in welfare reform.

Implement full-check sanctions

Many provinces lag behind their American counterparts in implementing tough sanctions for non-compliance. Studies from the United States have demonstrated that states with full-check sanctions rather than delayed full-check sanctions achieve greater case-load reductions. However, despite the growing body of evidence, few jurisdictions outside of Alberta and Ontario have implemented serious sanctions that threaten the full welfare benefit after the first instance of non-compliance. Full-check sanctioning becomes all the more important when research from Canada demonstrates that: “People on welfare who are looking for work tend to have shorter rather than longer spells on welfare” (National Council of Welfare 1998: 26).

Implement immediate work requirements

Immediate work requirements as a condition of receiving assistance are imperative for ending the sense of entitlement to welfare and increasing the work ethic among recipients. Work requirements are important because they

eliminate the recipient's option to receive a free income from welfare; this in turn reduces the economic utility or attractiveness of welfare for the recipient in comparison to other alternatives, such as obtaining a private-sector job or relying on family and friends for support. (Rector 2000:13)

Outside Alberta, the reality is that work requirements often do not come into effect until several months after a recipient has been collecting welfare. For example, mandatory enrolment in Ontario Works takes place only after a waiting period of four months, during which welfare operates much as it did in the past (Boessenkool 1997).

In the United States, requiring work for welfare usually means requiring most new applicants to find private-sector employment or perform community service immediately or shortly after enrolling in welfare, often in collaboration with other employment-oriented programs. Community workfare programs are oriented towards creating and reinforcing a positive work ethic. Evidence from the State of Wisconsin under its Wisconsin Works (W-2) program has conclusively demonstrated that requiring most new applicants to find private-sector employment or perform community service shortly after enrolling in welfare reduces the number of new entrants by almost half (Rector 1997).

Focus on employment, not training and education

Welfare-to-work programs aimed strictly at education and training are not effective at reducing welfare case-loads, reducing welfare costs, or substantially raising incomes of participants. Numerous studies including a study by the US Department of Labor of its Job Training Partnership Act program indicate a lack of substantive results relative to the large expenditures these programs require (US Department of Labor 1993). Despite this evidence, provincial governments across Canada continue to invest considerably in a range of government-sponsored training pro-

grams for welfare recipients. Few provinces have even attempted to introduce workfare in their welfare-to-work programs. Provinces should refocus their efforts and substantial funds on programs and initiatives geared directly to assisting recipients in obtaining employment.

Allow private for-profit welfare providers

During the 1990s, the Canadian non-profit sector has emerged as an important instrument in reforming welfare while the for-profit sector has been left out. This is most likely the result of a Canadian culture that frowns upon profit industries providing health or social services. Consequently, provinces have ignored opportunities to reform social assistance programs and the welfare bureaucracy. Canadian provinces have yet to introduce private-sector welfare-to-work programs (i.e. America Works) to assist long-time welfare recipients in finding employment. To date, private-sector involvement in Canadian welfare reform has almost exclusively taken the form of wage subsidies to employers. If provinces are going to move people off welfare, then they must open the door to private for-profit firms like America Works that have proven successful at assisting welfare recipients find employment.

Moreover, many states have accrued savings by following Wisconsin's lead in contracting out welfare intake, determination of eligibility, and case management. Canadian provinces should be commended for their efforts to regionalize and restructure the delivery of social services by adopting efficient "one-stop" access to services. However, a proper incentives-based system is absent from provincial welfare administrations. Opening the contract process up to competitive bidding, while providing for the "right of first selection" for public-sector welfare providers and "capitation" would serve to reinforce the importance of achieving desired outcomes.

Encourage the involvement of faith-based non-profit organizations

Despite the growth in the delivery of social services by non-profit organizations throughout jurisdictions in Canada, faith-based welfare initiatives similar to those under the United States's Charitable Choice provision have been nonexistent, although religious organizations are already organized into a massive network that can mobilize their

followers to fulfill the often explicitly stated goal of serving others and helping the needy. Research has demonstrated that “religiously active volunteers make up 43 per cent of volunteers in Canada and account for half of all hours volunteered” (Brown 2000: 2).

Moreover, much of what has sparked controversy in the United States surrounding faith-based welfare reform is absent from the Canadian legal landscape. Canada has no equivalent to the Establishment Clause in the First Amendment of the American Constitution, which states that “Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof.”

Preliminary research from the United States has confirmed that faith-based welfare reforms have been relatively successful. The research demonstrates that faith-based welfare reforms have made collaboration between church and state more acceptable to public officials and religious congregations. More importantly, the research reveals that as a result of faith-based reforms, congregations have moved away from providing commodities to the poor and instead have started to focus on working with individual recipients through mentoring and face-to-face contact, which has yielded positive results.

Based on outcomes in the United States, provincial governments would be well advised to initiate dialogue with the various faith communities with the eventual goal of adopting reforms similar to those of the United States.

Conclusion

The recommendations for Canadian welfare reform outlined in this study come from American reforms that have demonstrated a high level of success on numerous fronts. The United States appears to be successfully transforming its welfare system into a work-focused and temporary assistance program. Since 1994, the American welfare case load has declined over 50%, more people are working, child poverty is decreasing, and the number of out-of-wedlock births has stabilized.

The creation of the CHST has given the go-ahead to Canadian provinces to move forward with innovative reforms and experimentation with the delivery of social assistance and social services. In doing so, provincial governments would be wise to consider the experiences of our neighbours to the south.



Glossary

ADC Aid to Dependent Children was established by Title IV-A of the Social Security Act of 1935. ADC provided financial aid to needy dependent children and to needy parents or relatives with whom these children were living. The program was replaced by Aid to Families with Dependent Children in 1963.

AFDC Aid to Families with Dependent Children replaced ADC in 1963 and was expanded to include two-parent families in which the father was unemployed. Until its replacement on July 1, 1997 by the Temporary Assistance to Needy Families (TANF) program, AFDC was the main welfare program in the United States.

America Works America Works is a for-profit company founded in 1984 with offices in New York City, Albany, Indianapolis, and Baltimore. The goal of America Works is to assist the long-term unemployed out of welfare dependency and into stable employment. America Works operates on the basis of a pay-for-performance standard that removes any responsibility on the part of the state for assisting welfare recipients to find employment in the private sector. According to America Works, it is the only 100% performance-based organization placing welfare recipients in jobs.

CAP The Canada Assistance Plan was introduced in 1966. It was designed to allow the federal government to enter into agreements with provinces and territories to share in the eligible costs that they and their municipalities incurred as a result of providing social assistance and services to those in need or likely to become needy in the future. CAP prohibited residency requirements by provincial governments for receipt of welfare, ensured that welfare would be available to all as needed, that an appeals process would exist, and that provinces would provide specified program information to the national government.

CCTB The Canada Child Tax Benefit replaced the Child Tax Benefit and Working Income Supplement in 1998. The CCTB is a means-tested, tax-free, monthly payment provid-

ed to families to help them with the cost of raising children under 18 years of age. As a result, provinces and territories can reduce their welfare benefits on behalf of children by the amount of the increase in federal child benefits.

Charitable Choice Section 104 of the Personal Responsibility and Work Opportunities Reconciliation Act (PRWORA) contains the Charitable Choice clause, which eliminates barriers that in the past prohibited states from entering into partnerships with either secular or faith-based organizations to provide services to welfare recipients.

CHST The Canada Health and Social Transfer replaced the Canada Assistance Plan and Established Programs Financing program in 1996. The CHST is the largest federal transfer to provinces and territories. It provides them with cash payments and tax transfers in support of post-secondary education, health care, and social assistance and social services. It is a single block transfer that reduces expenditures on social assistance by the federal government and the number of conditions it attaches to provinces receiving these funds.

Delayed full-check sanction States that have chosen under PRWORA to implement delayed full-check sanctions generally apply sanctions that grow progressively more severe. Only after several months of non-compliance or repeated infractions will the full TANF cheque be sanctioned.

Earned Income Tax Credit The Earned Income Tax Credit (EITC) is a refundable Federal tax credit for low-income working individuals and families who have earned income under \$31,152. The EITC reduces the amount of Federal tax owed and can result in a refund cheque. The United States Congress originally approved the EITC in 1975 in part to offset the burden of social security taxes and to provide an incentive to work.

Establishment Clause The Establishment Clause is the clause in the First Amendment of the American Constitution, which states that “Congress shall make no law

respecting an establishment of religion, or prohibiting the free exercise thereof.” It forms the legal basis for separation of church from state.

Faith-based organization (FBO) Faith-based Organizations provide welfare services under the Charitable Choice provision in PRWORA, which restricts the American federal government from infringing upon the religious nature of any organization administering welfare-related assistance. Moreover, under the law these religious organizations retain their independence from all levels of government, allowing them to continue to discriminate on the basis of religion, for example.

Full-check sanction States that have chosen under PRWORA to implement full-check sanctions have the option of sanctioning the full TANF cheque after the first instance of non-compliance with required work or other provisions.

HHS The Department of Health and Human Services is the United States government’s principal agency for protecting the health of all Americans and providing essential human services, especially for those who are least able to help themselves.

Moderate sanction States that have chosen under PRWORA to implement moderate sanctions may sanction more than a third of the TANF cheque or, in certain circumstances, the full cheque.

MOE The “maintenance of effort” clause of the PRWORA under which states must maintain funding of social assistance at 80% of “historic State expenditures.” However, states that meet the specified work requirements under PRWORA may reduce their MOE funding level to 75% of “historic State expenditures.” Historic state expenditures are calculated as the portion paid by the states for AFDC, EA, JOBS, and AFDC-related childcare expenditures for the fiscal year (FY) 1994.

PRWORA The Personal Responsibility and Work Opportunity Reconciliation Act is the major piece of Ameri-

can welfare-reform legislation. It was passed by the United States Congress in 1996.

Right of first selection In implementing its privatization reforms, Wisconsin opened up the contract process to competitive bidding. In doing so, Wisconsin ensured that publicly run centers that could meet certain specified performance standards in 1996 and wished to continue providing welfare services, had the opportunity to provide W-2 services under contract without having to compete against other private, for-profit and non-profit agencies. This came to be known as the “right of first selection.”

TANF PRWORA eliminated AFDC and replaced it with the Temporary Assistance for Needy Families (TANF) block grant that ends the entitlement to welfare.

TIES TIES is a now defunct 1995 proposal by Texas administrators to privatize and integrate eligibility determinations, service referrals, enrollments, and client data for TANF welfare assistance, Medicaid, Food Stamps, and other programs through the Texas Integrated Enrollment Services (TIES) system.

W-2 In January 1997 Wisconsin implemented its Wisconsin Works (W-2) program, which placed all welfare recipients, both old and new, into this program by March 1998. As a result of TANF approval, W-2 replaced the former AFDC program by offering job placement assistance to parents with dependent children as well as similar assistance for non-custodial parents. “For those who can work, only work should pay,” is one of the main principles of the program.

Weak sanction A weak sanction involves sanctioning only the adult portion of the TANF cheque, except in unusual circumstances.

Workfare Workfare refers to publicly run employment programs. Most workfare programs steer welfare recipients down three distinct paths: job search assistance; work experience through mandatory public-sector placements; and wage subsidy programs in the private sector.



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