REINVENTING HUMAN SERVICES IN AMERICA

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Passage of the Personal Responsibility and Work Opportunity Act (PRWOA) of 1996[661] presents an opportunity to reinvent human services in America. For more than a decade, the welfare bureaucracy and public assistance programs of state welfare have been in crisis. The clients who depend on welfare detest it, finding and keeping qualified professionals to work in the public social services has become an administrative headache, and taxpayers perceive welfare as a fiscal black hole that perpetuates immorality. The recent decision to "devolve" welfare in a block grant to states underscores the urgency to rethink public assistance to poor families. There is good reason to be concerned about the social consequences of devolution and the replacement of Aid to Families with Dependent Children (AFDC) with Temporary Assistance for Needy Families (TANF). However, this transformation of welfare also presents an important opportunity to replace inferior benefits and services provided through an antiquated welfare bureaucracy with a new infrastructure for human services. This monograph illustrates how human services can be reinvented, using Virginia as a prototype.

Recent evidence underscores the inadequacy of the traditional public welfare approach to poverty. While 14.5 percent of American families were in poverty in 1994, the traditional welfare programs that support many have eroded.[662] For 1996, the maximum monthly AFDC grant for a family of three was $389, only 36 percent of the poverty level. When Food Stamps were added, the grant increased to $699, only 65 percent of the poverty level.[663] Even such low benefit levels fail to reflect the deterioration of AFDC benefits over time due to the fact that AFDC is not indexed for inflation. Between 1970 and 1996, AFDC benefits lost 51

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[661] Personal Responsibility & Work Opportunity Act of 1996, Pub. L. No. 104-193, 110 Stat. 2105 (1996).

[662] COMMITTEE ON WAYS & MEANS, 1996 GREEN BOOK: BACKGROUND MATERIAL & DATA ON PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS & MEANS, at 1226 (1996) (hereinafter 1996 GREEN BOOK).

[663] *Id.*, at 438.

percent of their value.[664] Today's AFDC parent, in other words, is trying to maintain a family on less than one-half the amount available to a comparable parent a generation ago.

Eroding benefits reflect a program that has come under increasing scrutiny. During the 1960's and 1970's, the Left criticized public assistance as an inadequate program designed to keep the minority poor in a subordinate role in American culture.[665] During the 1980's, the Right scored public welfare as an unconditional entitlement that induced the poor to become dependent on governmental aid.[666] By the early 1990's, defenders of governmental welfare programs were having difficulty demonstrating unequivocal public support for them.[667] Using waivers granted by the federal government, states experimented with making receipt of AFDC conditional on a variety of behaviors: parents' participation in welfare-to-work programs, children's school attendance, and family planning, among others.[668] Many of the conditions introduced in various state waivers were incorporated in Virginia's welfare reform, initially the Virginia Independent Program (VIP), and later the Virginia Initiative for Employment Not Welfare (VIEW).[669]

Voter ambivalence about welfare soon became grist for presidential politics. As a presidential candidate, Bill Clinton credited much of his election to his promise to "end welfare as we know it."[670] Yet, instead of presenting a proposal to a Democratic 103rd Congress, he procrastinated. The 1994 election, which gave Republicans control of Congress, pushed welfare reform further up on the domestic agenda as well as to the right. By late 1995, Clinton stated a preference for the Senate version of welfare reform which was less Draconian than that passed by the House. In so doing, he signaled his willingness to transfer AFDC to the states in the form of a block grant.[671] On August 22, 1996, the President signed PRWOA, a Republican-crafted welfare reform proposal that terminated a 60-year income entitlement to poor families.[672]

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[664] *Id.*, at 448.
[665] *See ex.*, FRANCES FOX PIVEN & RICHARD A. CLOWARD, REGULATING THE POOR: THE FUNCTION OF PUBLIC WELFARE (1971).
[666] *See ex.*, GEORGE GILDER, WEALTH AND POVERTY (1981); CHARLES MURRAY, LOSING GROUND (1984); and LAWRENCE M. MEAD, BEYOND ENTITLEMENT (1986).
[667] *See ex.*, DAVID STOESZ, SMALL CHANGE: DOMESTIC POLICY UNDER THE CLINTON PRESIDENCY 20-21 (1996).
[668] For an inventory of state experiments, see *Innovations, New Directions, & New Convergences in Poverty Alleviation, Before the Select Committee on Hunger*, 102nd Congress, (1992), (statement of Douglas Besharov).
[669] Edward M. Wayland, *Welfare Reform in Virginia: A Work in Progress*, 3 VA. J. SOC. POL'Y & L. 249, 260-61. (1996).
[670] *Id.*, at 250.
[671] Mickey Kaus, *Devolution Blues*, NEW REPUBLIC, Jan. 30, 1995, at 6.
[672] Personal Responsibility and Work Opportunity Act, *supra* note 2.

Block grants and devolution of public assistance to the states via PRWOA represents the most fundamental change in public welfare in more than a half-century. Many advocates of social justice fear that devolution will spark competition among states to reduce benefits, instigating a "race to the bottom."[673] Of particular concern is the fate of the significant minority of families--perhaps 20 percent of those currently receiving AFDC--who are unlikely to make the transition from welfare to work.[674] The combination of inflexible work requirements and arbitrary time limits could mean that thousands of poor children would be terminated from public assistance in Virginia.[675] It is for this reason that the reinvention of human services is an urgent matter. The failure to address the modest earnings of welfare families with working parents presents a troubling scenario because even if a significant majority of AFDC parents find work, their earnings alone will not make them financially independent of welfare. Limiting the period of receipt for benefits will delete a large number of families from welfare roles, effectively consigning thousands of children to a marginal existence in the underclass. Moreover, a disproportionate number of children who will be kicked out of the welfare safety-net will be African American.[676]

A more humane response to static earnings of poor working families would be to accelerate their upward mobility so that they would not have to resort to welfare in the future. Accordingly, this monograph proposes a *human capital investment* strategy for Virginians living in poverty. This strategy is articulated through four themes: rewarding actions designed to achieve economic self-sufficiency, experimenting through privatization, empowering consumers and communities, and respecting the cultural diversity of the Commonwealth.[677] These themes contrast with those which have guided public welfare for the past half-century: benefits as unconditional entitlements, provision of service through the public sector, a subordinate role of clients in relation to professionals and programs, and uniform procedures and benefits regardless of the heterogeneity of program beneficiaries.

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[673] Paul Peterson & Mark Rom, State Welfare Policy: A Race to the Bottom, Presented at the National Association for Welfare Research & Statistics Annual Conference (Sep.1995) (On file with author).

[674] David Stoesz, *Welfare Behaviorism: Retrograde Welfare Reform*, SOC'Y, March/April 1997.

[675] 1996 GREEN BOOK, *supra* note 3. This figure is perforce tentative; it is based on the number of families on AFDC in Virginia for 1993, assuming 1.7 children per household, and a 20 percent family casualty rate.

[676] 1996 GREEN BOOK, *supra* note 3, at 1223. While Blacks represent 12.7 percent of the population, they represent 26.8 percent of the poor in the U.S. for 1994.

[677] These themes reflect those developed in DAVID OSBORNE & TED GAEBLER, REINVENTING GOVERNMENT: HOW THE ENTREPRENEURIAL SPIRIT IS TRANSFORMING THE PUBLIC SECTOR (1992).

I. THE VIRGINIA INVESTMENT ACT

Human services can be reinvented through a Virginia Investment Act (VIA), drafted in accord with the human capital investment themes noted above. Because of the multiple facets of an overhaul of public welfare, VIA is articulated in four titles that delineate specific program components.

Title I: *Virginia Individual Development Accounts (VIDA's)*--Based on Individual Development Accounts, VIDA's would be tax-exempt accounts that could be used for four purposes: finishing college or vocational school, purchasing a home, establishing a business, or supplementing a pension.[678] Individual's contributions to a VIDA would be matched by funds from the Virginia Development Fund (see Title IV) according to the income of the account holder. For example, contributions to VIDA's held by Virginians who are below the poverty line might be three dollars contributed by the Fund for every dollar deposited by an individual, while those for the working poor might be two dollars from the Fund for every two dollars from an individual. More affluent VIDA holders would have to contribute three dollars for every one dollar contributed by the Fund. When operational, a VIDA program would require a much more carefully calibrated contribution format.

A VIDA approach to human services has several advantages. Foremost, it helps the poor accumulate assets, the most effective strategy for leveraging people out of poverty. Second, it would be a universal program, available to all Virginians, thus extending its political base. Third, benefits accrue only when individuals make deposits in their accounts; people who fail to make deposits even under very favorable matching formulas will not gain, while those who maximize their VIDA's will benefit more. Finally, since VIDA's would require deposits in advance of paying benefits, the program would accumulate capital that could be used for community development projects.

A VIDA program would complement the earnestness of the minority poor, the majority of whom persist in working despite low wages. Many ethnic communities have found the key to prosperity has not been public welfare programs--helpful though these may be during emergencies--but in family solidarity, hard work, and thrift. A VIDA initiative would formalize and reinforce the way in which the market and society have rewarded such mainstream behavior. To date, the development account

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[678] MICHAEL SHERRADEN, ASSETS AND THE POOR: A NEW AMERICAN WELFARE POLICY (1991).

concept is being piloted in several states and localities.[679] Significantly, PRWOA contains a specific provision for VIDA's, although no funding is included.

Title II: *Community Development Financial Institutions (CDFI's)*--Community development financial institutions would be established to provide asset management consultation for the poor. Of the CDFI's that have been developed to assist poor communities, three forms have emerged: Community Development Banks (CDB's), Community Development Credit Unions (CDCU's), and Community Development Corporations (CDC's). Under VIA, communities would able to select the CDFI that would be most meet their particular needs. As CDFI's, each would be expected to offer services designed to minimize the budget emergencies that typically leave many poor families reliant on public assistance, provide financial education services so that account-holders could optimize their VIDA's, and use institutional assets to leverage community development activities. For example, a CDFI could stabilize income fluctuations that typify poverty by assigning account managers who would encourage poor workers to obtain Earned Income Tax Credit (EITC) refunds as supplements to their paychecks rather than as a lump sum.

Regarding asset building, account managers could encourage members to deposit their EITC refunds in VIDA accounts. With respect to community development, CDFI's could use Electronic Benefit Transfer (EBT), encouraging members to direct deposit public benefits, the reserves of which could then be used to leverage projects to enhance neighborhood physical and social infrastructure. Thus, CDFI's would educate members in short-term financial management by offering savings and checking services, as well as long-term financial planning through VIDA's.

CDFI's would assume responsibility for the Income Maintenance function presently provided through Departments of Social Services.[680] A reasonable method for financing CDFI's would be through direct deposit of public assistance benefits. Tens of millions of dollars are dispensed by federal and state agencies monthly, benefits that could be used to capitalize development projects. Additional sources of revenue could be obtained by soliciting commercial banks to deposit funds in CDFI's in

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[679] KAREN EDWARDS & MICHAEL SHERRADEN, INDIVIDUAL DEVELOPMENT ACCOUNTS: ASSET-BASED POLICY INNOVATION REPORT (Center for Social Development, George Warren Brown School of Social Work at Washington University, St. Louis, 1994).

[680] Income maintenance includes the provision of cash-related benefits, such as Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and Food Stamps.

order to meet their Community Reinvestment Act obligations,[681] as well as encouraging nonprofit agencies to establish accounts in CDFI's as a way to invest directly in community development. As a condition of being granted direct deposit privileges, the Commonwealth would require that CDFI's offer a basic package of financial services, including basic account management, income tax preparation in order to optimize EITC refunds, counseling toward home ownership, monitoring child support as well as eligibility for training and education benefits, and long-range financial planning.

While many, perhaps most, of the enrollees of CDFI's would initially be AFDC recipients, financial services would be available to all. Consumers could select among competing CDFI's for benefits and services. With the assistance of account managers, CDFI members would develop individualized plans designed to broker income benefits and optimize training and educational benefits for the purpose of achieving economic self-sufficiency. Account managers would also function as consumer advocates, making referrals to other resources as appropriate.

Private sector financial institutions have already shown interest in providing services to the welfare poor. New Mexico, for example, has converted from the traditional form of AFDC checks and Food Stamp coupons to EBT, both of which are contracted out to a commercial bank in the larger metropolitan counties.[682] Chicago's South Shore Bank illustrates how a CDB can provide financial services that complement community development in poor neighborhoods.[683] The Central Brooklyn Federal Credit Union, a CDCU, has enrolled 5,200 members, accrued $5.2 million in assets, and made loans exceeding $3 million since its inception in 1989.[684]

Properly structured, CDFI's could be engines for community development. A good illustration of how CDFI's could facilitate economic activity in poor communities is the concept of micro-enterprise, with small loans to entrepreneurs to establish small businesses.[685] Not only has

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[681] The Community Reinvestment Act encourages commercial banks to extend financial services and loans to low-income communities that may have experienced "red-lining".

[682] Personal communication with Peter Shams-Avari, New Mexico Human Services Department, March 7, 1995.

[683] DAVID OSBORNE, LABORATORIES OF DEMOCRACY 304-16 (1988).

[684] *Central Brooklyn Partnership* (Brooklyn, N.Y.) (On file with author).

[685] Some might contend that poor neighborhoods are unable to save because virtually all income must be spent on consumption. Experience with micro enterprise from rural development projects--arguably those least likely to be able to save--indicates that the poor can save significant amounts providing the proper "structure of services and institutions." *See* Marguerite Robinson, *Savings Mobilization and Micro enterprise Finance: The Indonesian Experience, in* THE NEW WORLD OF MICRO ENTERPRISE FINANCE: BUILDING HEALTHY FINANCIAL INSTITUTIONS FOR

micro-enterprise been shown to be useful in helping AFDC recipients achieve economic independence,[686] but the economic capacity of the community has benefited as well. This has been demonstrated by the micro-enterprise initiative sponsored by the Mott Foundation.[687] By 1989, the Foundation had capitalized 19 programs which represented assets of $16 million. Institutions making loans for micro-enterprise were able to leverage $16 for every $1 invested by Mott. Average wages paid to employees of new businesses were approximately 50 percent above the minimum wage.[688] By 1992, the Aspen Institute catalogued 108 micro-enterprises in the U.S.[689] Among the most innovative of micro-enterprises is Cooperative Home Care Associates (CHCA), a worker-owned, home health agency in New York City that has employed many former-AFDC recipients.[690] A more ambitious venture is Reach, Inc., a $20 million network of nonprofit enterprises in Mississippi and Alabama operated by African Americans, many of whom had been dependent on public assistance.[691] Iowa's Institute for Social and Economic Development (ISED) has helped 138 poor people to establish their own businesses, of whom 122 had been on AFDC. By 1992, ISED had leveraged 40 of these entrepreneurs off of AFDC altogether.[692] In San Francisco, the Women's Initiative for Self Employment (WISE) has helped 3,500 women learn about entrepreneurship and started more than 500 businesses through micro enterprise.[693]

Title III: Children's Services Authority (CSA)--The categorical programs to children and families managed by local Departments of Social Services, Health Departments, and Departments of Juvenile

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THE POOR 28-29 (Maria Otero & Elisabeth Rhyne, eds., 1994); *See also,* ALEX COUNTS, GIVE US CREDIT (1996).

[686] ROBERTA M. SPALTER-ROTH ET AL., MICRO-ENTERPRISE AND WOMEN: THE VIABILITY OF SELF-EMPLOYMENT AS A STRATEGY FOR ALLEVIATING POVERTY (1994).

[687] For an overview of micro enterprise, see LEWIS D. SOLOMON, MICRO ENTERPRISE: HUMAN RECONSTRUCTION IN AMERICA'S INNER CITIES (1991).

[688] SMALL STEPS TOWARD BIG DREAMS: ENTERPRISE-DEVELOPMENT PROGRAMS FOR THE DISADVANTAGED 4 (Charles Stewart Mott Foundation, 1989).

[689] ASPEN INSTITUTE, 1992 DIRECTORY OF MICRO ENTERPRISE PROGRAMS.

[690] Jonathan Rowe, *Up from the Bedside: A Co-op for Home Care Workers,* THE AMERICAN PROSPECT 88-92 (Summer 1990).

[691] William Claiborne, *Mississippi Earning,* WASH. POST WEEKLY, Nov. 2-8, 1992, at 37.

[692] John Else and Salome Raheim, *AFDC Clients as Entrepreneurs*, 50 PUBLIC WELFARE 37 (Fall 1992).

[693] *Would You Like to be Your Own Boss?* (Womens Initiative for Self Employment, San Francisco, Cal.).

Services should be consolidated under a CSA.[694] As a quasi-governmental entity, the CSA would be overseen by a board of directors that hires an executive director who employs a management staff. Direct services to families and children would be contracted out to private providers. Functional areas of oversight would include pre-natal and maternity care, Head Start and other pre-school programs, parenting classes and child day care, child and family therapy, as well as culture and recreation. In order to facilitate collaboration among providers while assuring quality and accountable services, the CSA would have the authority to award contracts and evaluate the performance of private providers.[695]

The CSA would use its revenues to induce private providers to conform to a model of school-based social services which would include as a minimum child day care, child protection, maternal and child health care, family preservation, and culture and recreation services. CSA revenues could not be used to supplant existing revenues from traditional sources, such as fees or the United Way. As a condition to receipt of CSA revenues, contracting agencies would agree to implement a client satisfaction instrument, provide data on cost per unit of service, and open their management information systems to the CSA on request. CSA funding to contract agencies would be performance based.

School-based social services would be designated as "Family Resource Centers."[696] As a school-based facility, each Family Resource Center would provide basic services to a designated neighborhood. The development of a generic intake form would allow access to multiple programs, at the same time providing the database needed for the CSA to deploy resources to meet demand. Budget allocations by the CSA to service providers would be contingent on achieving predefined targets.

The most complete model of a CSA is the Chatham-Savannah Youth Futures Authority in Georgia. A legislatively designated nonprofit agency, the Youth Futures Authority has overseen a collaborative process for child and family services providers since 1987.[697] Since that time, dozens of service agencies have joined the collaboration, community-based Family

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[694] For an illustration of a such an authority, see the final chapter in LELA COSTIN, HOWARD KARGER, AND DAVID STOESZ, THE POLITICS OF CHILD ABUSE IN AMERICA (1995).

[695] Savannah, Georgia has experimented with the consolidation of children's services into a Youth Futures Authority, a model that has been sanctioned for deployment in other counties in Georgia by statute. *See On Behalf of Children: A Framework for Improving Results,* Georgia Policy Council for Children and Families (1994) (On file with author).

[696] For an illustration, see *Saint Pius X Family Resource Center*, Chatham-Savannah Youth Futures Authority (Savannah, Georgia). In mental health services, see David Stoesz, *Innovation in Service Delivery: The Family Life Center*, 26 SOCIAL WORK 401 (Sept. 1981).

[697] *On Behalf of Children, supra* note 36.

Resource Centers have evolved, and a five-year plan has been instituted. Positive program outcomes were achieved with regard to several important indicators, including incidence of low birth-weight infants, the percentage of confirmed cases of child abuse (although the number of reports increased), the number of children over age for school grade for all race and gender groups, school suspensions, teen pregnancy and births, number of interventions on the part of children's services and the juvenile court.[698]

Title IV: *Virginia Development Fund (VDF)*--Funding for the Virginia Investment Act would be through the creation of a Virginia Development Fund, the financing of which would evolve. During the first phase, the initiative would be tested through a demonstration project and funding requirements would be relatively small. Funding during the demonstration phase would be derived primarily from philanthropic sources, supplementing these with public funds when possible.

Full financing of VIA would require general revenues. Two approaches might be taken with regard to general revenues: a minimalist strategy and one more structural. With respect to the former, a logical candidate for the VDF is gaming revenues. Ear-marking a portion of the state lottery for the VDF is justifiable because the poor disproportionately play the lottery, despite the odds against winning. A measure of lack of perceived opportunity for the poor in Virginia are the odds against winning the big payoff for the state lottery: the odds against winning are more remote than there are people living in the Commonwealth. In addition, lottery tickets could be imprinted with "A Better Bet" notice, stating the availability of VIDA's.

More substantial funding could be obtained by addressing the structural inequality of public expenditures in Virginia. On almost every indicator, the taxes and expenditures of the Commonwealth are far below those of other states. Virginia ranks 49th with regard to federal and state general revenues, which account for only 15.9 percent of Virginians' personal income (compared to the U.S. average of 19.0 percent).[699] Limiting general revenues to those generated by the Commonwealth, Virginia ranks 45th, with general revenues registering at 13.7 percent of income (compared to the U.S. average of 15.5 percent).[700] Of all tax revenues, Virginia ranks 44th, with such revenues accounting for 9.5 percent of income (compared to the U.S. average of 10.8 percent).[701]

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[698] *See* ANNUAL REPORT 1993-94 and *Creating a Community Mechanism for Collaboration--the Savannah Experience*, Chatham-Savannah Youth Futures Authority (Savannah, Ga.) (On file with author).

[699] ADVISORY COMM'N ON INTERGOVERNMENTAL RELATIONS, SIGNIFICANT FEATURES OF FISCAL FEDERALISM at 186 (1994).

[700] *Id.*

[701] *Id.*, at 187.

Similarly, the Commonwealth's taxes on corporate income and general sales taxes are lower than those of at least forty states.[702]

On the expenditure side of the ledger, Virginia allocates relatively less than other states in human capital investments. For example, in general expenditures, the Commonwealth ranks 48th, with 15.8 percent of personal income so allocated (compared the U.S. average of 19.0 percent).[703] In direct elementary and secondary education funding, Virginia ranks 41st, allocating 4.1 percent of personal income (compared to 4.5 percent as the U.S. average).[704] In funding for public welfare, Virginia ranks 49th, spending 1.7 percent of personal income (compared to the U.S. average of 3.0 percent).[705]

Recognizing that overtaxing and excessive spending can disadvantage the Commonwealth vis-a-vis its competitive advantage with other states, the rankings above suggest that Virginia is far from such a threshold. To the contrary, comparative data indicate that Virginia has been under investing in human capital, particularly in regard to education and welfare. Moreover, the inadequacy of Commonwealth funding for the poor is even more acute given the devolution of welfare to the states through welfare reform.

In the event of recession, Virginia will be hard-pressed to continue its welfare effort since federal appropriations have been capped at 1994 expenditure levels.[706] Furthermore, persistent under-funding of basic human services presents a fiscal hazard to local government. Lacking protection against insecurity, it is likely that the poor will resort to aberrant behavior, the control of which entails program costs shouldered disproportionately by local government. On the bases of investing in human capital as well as avoiding future costs, modest increases of taxes are justified.

In fully funding the Virginia Investment Initiative, revenues generated from modest tax increases would be diverted to a special revenue pool, the VDF. The VDF could be funded through incremental adjustments in existing taxes or through more substantive changes in revenue policy. One candidate would be a progressive consumption tax, exempting savings and investments.[707] Another would be the institution of a Commonwealth value-added tax (VAT) that exempts food, medical care, and housing. Currently, two states have VAT's, as have all 12 nations of the European

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[702] *Id.*, at 188.
[703] *Id.*, at 191.
[704] *Id.*
[705] *Id.*, at 192.
[706] 1996 GREEN BOOK, *supra* note 3.
[707] JAMES P. PINKERTON, WHAT COMES NEXT 262-263 (1995).

Economic Community.[708] Either a progressive consumption tax or a VAT that exempts essential commodities would divert substantial sums to the VDF.

II. A NEW PROTOTYPE

Passage of PRWOA is an opportunity for states to put in place a new template for human services. Unfortunately, many human service professionals who oversee welfare continue to react defensively to conservative insistence to restructure the welfare state. For human service professionals, the devolution of welfare to states as a block grant represents the most significant reversal in social policy since the passage of the Social Security Act in 1935. Following the Family Support Act of 1988, which was a clear reflection of the Reagan White House, welfare devolution is an unprecedented policy triumph for conservatives. Yet, state experiments with welfare-to-work programs and current research in the economic prospects of AFDC recipients indicate that minimalist responses to the circumstances of poor families will not be adequate to boost them out of poverty. Assessments of more than a dozen welfare-to-work programs conducted by the Manpower Demonstration Research Corporation (MDRC) indicate that increased earnings of program participants are small and that the prospect of recovering the costs of mounting a welfare-to-work program through reduced welfare expenditures is problematic.[709] David Ellwood, one of the Clinton administration's leaders in welfare reform, summarized the experience of welfare-to-work experiments, concluding that the typical participant reported increased income of from $200 to $750 per *year*,[710] hardly enough to make them economically independent of AFDC.

Research by the Institute for Women's Policy Research (IWPR) shows that, by a sizable majority, mothers on AFDC have participated in, or are seeking entrance to, the labor force. IWPR researchers divide the AFDC population into six groups:

1. 22.8 percent are *cyclers*, alternating between work and welfare as economic circumstances demand,
2. 20.1 percent are *combiners*, coupling welfare benefits with work that fails to pay enough to get them off of public assistance,

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[708] Charles E. Price & Thomas M. Porcano, *The Value-Added Tax*, 174 J. ACCT. 44, 45 (1992).

[709] JUDITH M. GUERON & EDWARD PAULY, FROM WELFARE TO WORK 15-20 (1991).

[710] DAVID T. ELLWOOD, POOR SUPPORT 153 (1988) (citing JUDITH GUERON, WORK INITIATIVES FOR WELFARE RECIPIENTS: LESSONS FROM A MULTI-STATE ENVIRONMENT (1986).

3. 23.4 percent are *job-seekers*, dependent on AFDC but actively looking for work
4. 7.4 percent are *looking for limited hours to work*, but continue to depend on welfare,
5. 19.7 percent are *out of the labor force*, and reliant on AFDC, and
6. 6.6 percent are *exempt* from work because of a disability, and reliant on AFDC.[711]

IWPR research suggests that the AFDC population is heterogeneous with regard to candidacy for employment, and that only about one in four have no experience with, or would not be expected to, work.[712]

The challenge is to convert welfare-to-work programs that offer welfare recipients marginal improvements in earnings into opportunities that accelerate their upward mobility and vault them out of poverty. In order to do so, it is essential to encourage asset formation among the poor, to restructure programs for children and families, to capture capital in poor neighborhoods for their revitalization, and to develop alternative methods for financing the remediation of poverty. Such a challenge is not unprecedented. Prior to the New Deal and the Great Society, advocates of social justice faced daunting circumstances, yet prevailed--a determined few marshaled scanty resources to forge programs such as Social Security, Medicare, and Head Start. The adversity of recent decades is not unlike that encountered by human service pioneers who responded with grit and determination. In truth, all that stands between us and the next generation of programs for the poor may be little more than a poverty of imagination.

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[711] ROBERTA M. SPALTER-ROTH ET AL., WELFARE THAT WORKS: THE WORKING LIVES OF AFDC RECIPIENTS (1995).

[712] Another researcher suggests that about 30 percent of AFDC recipients are poor candidates for employment. *See* Thomas Corbett, *Child Poverty and Welfare Reform*, FOCUS, p. 9, University of Wisconsin Institute for Research on Poverty, Madison (1993).