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THE RISE AND SPREAD OF WORKFARE, ACTIVATION, DEVOLUTION, AND
PRIVATIZATION, AND THE CHANGING STATUS OF CITIZENSHIP

by

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The Rise and Spread of Workfare, Activation, Devolution, and Privatization, and the Changing Status of Citizenship¹

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Abstract

The paper discusses the changes in welfare policies in the U.S. since 1996 – “Ending Welfare As We Know It.” There has been a rapid decline in welfare caseloads. The vast majority of those who left the rolls have been sanctioned, denied entry, take low-paid work, and remain in poverty. Caseworkers, whether public or private, are overworked, under-trained, and under pressure to produce favorable statistical results. They concentrate on those who are the most employable or take the least amount of caseworker time. Left out are those who have significant barriers to employment. The conclusion is that *administrative incapacity* is an additional argument for a basic income guarantee. The concluding part of the paper looks briefly at trends in other countries, principally Western Europe. Programs vary, but preliminary research reveals similar tendencies with “activation.” Welfare has become more conditional, there has been devolution to local governments, and privatization (called “marketization” in Europe).

There have been major changes in welfare policies -- “workfare” in the U.S. and Active Labor Market Policies (ALMP), or “activation,” in the rest of the developed world; the devolution or delegation to local governments; and privatization, called “marketization” in Europe. In the United States, the factors leading to welfare reform started in the 1980s. A moral crisis was perceived by both conservatives and liberals in the program for poor single mothers, Aid to Families with Dependent Children (AFDC). President Reagan coined the term, “welfare queen” -- the unwed African American woman having children to stay on welfare, generational welfare, substance abuse, crime – in short, breeding an underclass. In the 1990s, state demonstration projects began to

¹ Paper presented Japan, March 2008: Kumamoto Gakuen University, Kumamoto; Doshisha University, Kyoto; Waseda University, Tokyo

impose strict work requirements and sanctions. The most prominent program was in Wisconsin -- "Wisconsin Works" or "W-2." The W-2 model became influential throughout the developed world.

The state demonstration projects culminated in the 1996 welfare reform. President Clinton promised to "end welfare as we know it." Under The Personal Responsibility and Work Opportunity Responsibility Act (PRWORA), AFDC was replaced by Temporary Assistance for Needy Families (TANF). The states received block grants to administer TANF. Welfare was no longer an entitlement. There were strict work requirements and sanctions and time limits. Welfare rolls declined precipitously (although the decline started before 1996), and everyone has declared "victory." Since 1996, welfare, as well as discussions of poverty and inequality, have dropped off of the political radar screen. The widespread assumption is that if the family is not on welfare, everything is ok.²

In this paper, I argue that based on careful, field-level research that pierces the veil of official reports and statistics, welfare-to-work programs, in daily practice, run serious risks of stigmatizing the poor, making them subject to and dependent upon the discretionary power of over-worked, under-trained welfare caseworkers who are under supervisory pressure to produce positive statistical results. Caseworkers, with the support of managers, rely heavily on sanctions and diversion to reduce case numbers. Large numbers of families have left welfare or have been discouraged from applying for welfare. Many found employment during the economic upsurge in the U.S. in the late

² Handler & Hasenfeld (2007) *Blame Welfare, Ignore Poverty and Inequality* (Cambridge U. Press)

1990s, but many subsequently became unemployed, and the vast majority have remained in poverty.³

These results also apply to private contractors. Contrary to the privatization ideology (efficiency, accountability), contractors use the asymmetry of information to advance their own interests at the expense of government. Governments, in turn, fail to adequately monitor performance, or display a willingness to change contractors. Reliance is placed on process measures rather than the quality of the services.⁴

The argument in this paper is based on the *administrative incapacity* to implement the new work requirements for welfare recipients. TANF changed the assistance program by switching its emphasis from an income support program for poor families to an employment program primarily for poor single mothers. In order to successfully run a work program, workers have to create individualized work contracts with welfare recipients, monitor their progress toward reaching their employment and other goals, and penalize recipients for non-compliance with their work contracts. Each of these seemingly simple tasks is fraught with difficulty and problems – especially given the fact that offices must also still administer their primary task -- determining and monitoring financial eligibility among recipients.

There are workfare programs that have "worked." They are, for the most part, small, well-financed, well-staffed demonstration projects run by committed people. But these programs are difficult to replicate. Large public programs are run by *ordinary, average* civil servants or employees of large NGOs or for-profit companies. Programs will concentrate on those with the most skills who are the most employable who take the

³ Handler & Hasenfeld (2007)

⁴ DeParle, Jason (2004) *American Dream*. New York: Viking; Donahue; Sclar, Elliott. (2000). *You don't always get what you pay for: the economics of privatization*. Ithaca. Cornell Press.

least amount of caseworker time and energy to meet statistical goals and who will look like the programs are succeeding. Taking a realistic view of administrative capacities, I argue that work programs run serious risks for the most vulnerable of the poor, those who have multiple, significant barriers to employment. I argue this is an *additional* reason for a basic income guarantee.

Ending Welfare as We Knew It: Moving “Dependent” Welfare Recipients to Self-Sufficiency

The 1996 welfare reform changed the income maintenance program for poor families in four ways. First, TANF dramatically expanded the states’ abilities to design their own welfare program for poor families. As long as the states met new work participation and other requirements, they would receive federal funding in the form of a block grant calculated on the number of welfare recipients in certain years (the highest number between 1992-95). Starting in 1997, at least 25% of the adults in single parent families had to be in the workforce; by 2002, the proportion increased to 50%. The 2006 reauthorization kept the 50% participation rate for all families, but recalibrated the caseload reduction credit to refer to changes since 2005, not 1995. Because caseloads had dropped so dramatically since 1995, most states had very low effective participation rates – some less than 10%, some even zero. By recalibrating the credit, this effectively increased the participation rate back to 50%.⁵ Second, the legislation explicitly stated that income support is no longer an entitlement for poor families. The new emphasis is on “responsibilities” instead of “rights.” Welfare is no longer guaranteed to any family that meets certain federal eligibility criteria. Instead, recipients are expected to work and

⁵ There were also some technical changes dealing with state funds and definitions of “work” (e.g., sharply limiting “community service”) that make it more difficult for states to meet the participation rates.

meet other behavioral requirements (“family values”) in order to receive income support. Third, TANF expanded the ability of states to reduce the cash aid of recipients that do not comply with the new requirements. States could now choose to completely eliminate the entire cash grant of noncompliant families. As discussed below, most states have selected this option. Lastly, for the first time in welfare history, TANF established strict time limits on aid. Cash assistance is now limited to a five-year cumulative lifetime limit (with exceptions for no more than 20 percent of the caseload). One of the most important features of the block grant system is that if states reduce their welfare rolls, they keep the “surplus,” and during this period, the welfare rolls were declining significantly.

All of these changes were based on the assumption that state welfare offices could successfully implement work programs for welfare recipients. Before the passage of TANF, welfare offices were primarily concerned with establishing and monitoring recipients’ eligibility for aid, as well as eliminating “waste, fraud and abuse.” Now, offices are expected to act as employment agencies for recipients, including those who have multiple barriers to work -- e.g., limited educational attainment, physical and mental health problems, children with special needs, other family members who are ill or need special attention, transportation problems, and limited access to childcare.⁶ In essence, under TANF, the “culture” of welfare offices was to be changed from being solely concerned with eligibility and compliance to providing individual, intensive employment services to recipients.

⁶ Danziger, S., Corcoran, M., Danziger, S., Heflin, C., Kalil, A., Levine, J. et al. (2000, February). *Barriers to employment of welfare recipients*. Retrieved September 15, 2005 from the University of Michigan Gerald R. Ford School of Public Policy Web site: <http://www.fordschool.umich.edu/poverty/pdf/wesappam.pdf>.
Zedlewski S. & Loprest, P. (2001). Will TANF work for the most disadvantaged families? In R. Blank & R. Haskins (Eds.), *The new world of welfare* (pp. 311-334). Washington, DC: The Brookings Institution Press.

Some welfare offices have attempted to change.⁷ Proponents of TANF have taken these examples, as well as the dramatic declines in the welfare rolls,⁸ and increased employment among poor single mothers,⁹ as proof that the welfare system has successfully changed to promote work.¹⁰ However, there is reason to doubt that offices can perform these tasks.

Creating Individualized Work Plans

The first step in moving welfare recipients into the workforce (after establishing eligibility for the program) is to establish an individualized work plan or contract that outlines the clients' new responsibilities to the welfare office, including specific work activities and other behavioral requirements ("family values"). This involves assessing a client's barriers to employment, as well as his/her employment preferences and goals. Based on this assessment, the caseworker and client should draft a work contract that includes reasonable employment goals and provides the client with the support needed to find and maintain employment.

For some clients, this may only involve providing financial assistance for a limited period of time while they conduct a job search. However, for clients with multiple employment barriers, the process may involve combining work, training or education, and social services, while still meeting the performance goals set by the agency. A client suffering from depression, without a high school degree and responsible for a young child

⁷ Mead, Lawrence, *Government Matters: Welfare Reform in Wisconsin* (Princeton 2004)

⁸ Pear, R. (2002, January 24). House Democrats propose making the '96 welfare law an antipoverty weapon. *New York Times*, pp. A24.

⁹ Healy, M. (2000, August 23). Welfare rolls fall to half of '96 numbers. *Los Angeles Times*: pp. A12.

¹⁰ For a recent paper discussing the results of the welfare reform, see Moffitt, Robert (2008), *Welfare Reform: The U.S. Experience*. University of Wisconsin. Institute for Research on Poverty, Discussion Paper no.1334-08

or other family members may need access to a variety of services including finding childcare that will accept low-income children. The caseworker must not only coordinate a variety of services for the client, but must also tailor their employment contract to build in time for each of these activities. If a client is mandated to fulfill 32 hours of work-related activities per month, how much of this time should be spent in education, or devoted to job search? Should therapy be included as a work-related activity, or as an additional requirement? For this client to successfully transition into the paid workforce, the caseworker must work in concert with several other agencies in the community.

Several studies of administrative practices in welfare offices have found that work plans are rarely tailored to meet client needs and goals. Instead, in order to fulfill both their eligibility determination and case management functions, many workers create work plans based on quick assessments of clients. For example, in their examination of the implementation of Wisconsin's TANF program, called Wisconsin Works or W-2, Gooden, Doolittle, and Glispie found that case managers mainly used their informal impressions of clients to make important decisions about services for clients.¹¹

In Wisconsin, clients are placed into one of four tiers: 1) unsubsidized employment in which clients only received case management; 2) subsidized employment in which clients work at state-subsidized jobs; 3) community service jobs (CSJ) in which clients receive a welfare check for working at a community service job; and, 4) W-2 transitions in which clients can combine scheduled activities (mental health, substance abuse, education) with work. The tier system was created to allow case managers to give clients only the assistance they need. It was assumed that only the most disadvantaged

¹¹ Gooden, Susan, Fred Doolittle & Ben Glispie (2001) Matching Applications with Services: Initial Assessments in the Milwaukee County W-2 Program

clients would be assigned to the community service job and W-2 transitions tiers. As clients gain work experience, they should move up the tiers until they are off of assistance.

Although the tier system was created to give caseworkers increased flexibility, Robles, Doolittle and Gooden's evaluation found that caseworkers usually only assigned clients to the CSJ or W-2 transition tiers. Specifically, from 1997 to 1999, 60 to 80 percent of the W-2 entrants were assigned to the CSJ tier.¹² In the initial meeting, caseworkers are expected to complete up to 480 screens in a computerized client system to establish eligibility and determine a client's initial tier placement. Given the limited amount of time, most caseworkers relied on their informal impressions of the applicant and used the CSJ tier as a catch-all because of its less-demanding documentation requirements. Tier placement in W-2 was based more on standard agency procedures than on a client's individual needs and goals. Eligibility determination took precedence.

In her study of the implementation of a work program in Chicago that was the precursor to TANF, Evelyn Brodtkin found that eligibility determination and meeting caseload quota requirements, not individualized case management services, were driving the relationship between clients and workers.¹³ Under the work program in Chicago, caseworkers were required to meet caseload participation quotas that would maximize federal payments to the state. They also had to cope with limited resources to meet client needs. Workers had little incentive to understand and address the employment needs and barriers of clients. And so, "rather than discovering and responding to client needs,

¹² Robles, Andrea, Fred Doolittle, & Susan Gooden. (2003) Community Service Jobs in Wisconsin Works: The Milwaukee County Experience

¹³ Brodtkin, E. (1997). Inside the welfare contract: Discretion and accountability in state welfare administration. *Social Service Review*, 71(1), 1-33.

caseworkers tended to define client needs to fit the available slots [and] avoid eliciting service claims.” Furthermore, they avoided eliciting or ignored information about drug use or mental illness since these cases would require more administrative effort. In this way, as Brodtkin states, “*clients with problems became viewed as the problems*” (italics added). Caseworkers learned to ration resources based on their perceptions of clients. The rare education slots were only given to clients who seemed “serious about getting an education.”

In their study of eleven sites implementing TANF, Irene Lurie and Norma Riccucci found that creating job contracts were rarely based on client needs and goals.¹⁴ Instead, they found that although workers stated that they supported the goals of employment and self-sufficiency, case workers continued to be driven by accurately determining eligibility and getting the work done on time. Although the job titles given to workers changed, the only additional training they received was on new rules on time limits. The only difference the workers reported was the addition of “all these new forms and screens.” The interactions between workers and clients were focused on determining eligibility. Lurie and Riccuccio state, “The eligibility interviews we observed usually mentioned the need to work and always referred applicants to the work agency. However, very little time was spent discussing work or coaching the clients about employment. Discussion of work generally was crowded out by the enormous amounts of paperwork that the worker must collect to complete the application for assistance.”¹⁵

¹⁴ Lurie, I. & Riccucci, N. (2003). Changing the ‘culture’ of welfare offices: From vision to the front lines. *Administration & Society*, 34, 653-677.

¹⁵ Lurie, I. & Riccucci, N. (2003).

These studies, as well as others, show that workers in welfare offices are struggling to balance the need for the individualized attention and the need to establish program eligibility. Workers receive little training. They create their own methods of quickly assessing clients, including placing them in community service jobs and sending them on job searches even when clients do not meet the skill and educational requirements. The caseworkers learn how to ignore or not ask about issues that will complicate the case planning, such as domestic violence, substance abuse, and mental health history. Making these adjustments allows workers to meet performance goals without ever addressing the needs of clients.

Monitoring Clients' Compliance with Work Requirements

The second factor needed to successfully run a work program is the ability to monitor clients' compliance with work requirements. This involves a variety of activities, from making sure clients show up to assigned work activities to following clients that have moved to another location or have obtained employment. If clients do not comply, caseworkers are supposed to notify the client. Monitoring clients should help caseworkers assess a client's barriers to employment. For example, if the client repeatedly misses assigned activities, there may be transportation problems, mental or physical problems, a breakdown in childcare, etc.

Despite the importance of monitoring client compliance, welfare offices are struggling with this new duty. During their evaluation of community service jobs in Milwaukee, Wisconsin, when the researchers tried to interview recipients at their assigned CSJ, they only found one participant out of the 80 selected for the study at their

assigned worksites.¹⁶ Employers stated that the primary problem they face employing recipients is poor attendance. The authors posit that there are multiple reasons for the poor monitoring of clients, including “the complexity of the program, the multiple layers of administration at the work-sites, the turnover among W-2 agency staff, and the constant development of new worksites.”¹⁷ There were multiple communication problems between the CSJ employer and the caseworkers. Employers submitted timesheets and tracking forms late. They had difficulty reaching a recipient’s caseworker if there were problems on the job. And caseworkers did not always keep employers notified about changes in recipients assigned to their site. In fact, the most common reason that participants did not attend their CSJ was their tier placement had changed. Thus, the employer did not know when to tell the caseworker that the recipient did not attend work that day.

Robles et al.’s study only examines one possible work assignment to which recipients are assigned. Monitoring compliance is even more complex when recipients are assigned to multiple activities – such as education classes, substance abuse treatment, or other medical/psychological services. A caseworker would need to establish attendance at each of these activities. This requires collaborating and forming close relationships with staff at each of these agencies.¹⁸

¹⁶ Robles, Doolittle, & Gooden (2003)

¹⁷ Robles, Doolitel, & Gooden (2003), ES-5

¹⁸ The following e-mail was sent by the Legal Aid Society of New York (Jan.12, 2007): “Here in NYC, the local welfare agency has computerized its process for issuing sanctions when someone misses an appointment. Basically the computer system is set up with a default so that if a worker does not affirmatively enter the correct computer code to indicate the client appeared for the appointment, the system generates a notice to start the sanctioning process.

We are wondering whether any of you have confronted similar systems? We are challenging the process in the contest of an ADA [American Disability Act] case, because it has a particularly pernicious effect on clients w/disabilities, who are more likely to miss appointments in the first place, and more difficulty in

Penalizing Clients for Non-Compliance

A requirement in implementing work programs for welfare recipients is the ability to penalize clients if they do not fulfill the obligations of their work plans. The most used penalty under TANF is sanctioning – sometimes reducing the cash aid or dropping the family from the rolls. Although sanctions have always been a feature of welfare, their importance has increased with the passage of TANF. The range of behaviors for which clients can be sanctioned has increased. For example, clients can be sanctioned for not turning in required paperwork, not attending a required activity, or not submitting proof that their children have been vaccinated. States can choose to only eliminate the adult's portion of the check (called a partial sanction) or to eliminate the entire check (called a full-family sanction). Thirty-seven states have chosen to implement full-family sanctions if clients are non-compliant; in fifteen of these states, families lose their entire check immediately.¹⁹ States may also impose a lifetime ban on welfare receipt for repeated acts of non-compliance. Multiple studies have shown that sanctioning has become quite pervasive under TANF. MDRC studies in Cleveland, Philadelphia, Miami, and Los Angeles show that, based on recipient surveys, sanction rates vary from 20% percent in Los Angeles to 50% in Miami.²⁰ Studies following welfare recipients over time show even higher estimates, ranging from 45% to 60% percent of recipients being sanctioned.²¹

There are both moral and utilitarian justifications given for sanctioning recipients.²² According to Lawrence Mead, the government should not only provide cash

correcting errors when, for instance, they make the appointment but the worker failed to make the proper computer entry.”

¹⁹ Pavetti & Bloom, 2001

²⁰ Brock et al, 2004; Polit, Nelson, Richburg-Hayes, & Seith, 2005.

²¹ Pavetti, Derr, & Hesketh, 2003.

²² Hasenfeld, Ghose, & Larson, 2004; Pavetti et al., 2003

aid to poor recipients, but should also give them direction in how to “live constructively.”²³ Thus, the government has a right to expect recipients to comply with certain behavioral requirements and to enforce these new behavioral requirements through financial penalties. The utilitarian justification for sanctions assumes that recipients make a rational choice between complying with welfare requirements and losing part of their cash aid. Thus, recipients who are truly needy will comply with requirements in order to keep their aid. If recipients do not comply, even after receiving a sanction, that is an indication that they are not truly needy.²⁴

Both of these justifications make at least two assumptions about the welfare system: 1) recipients and caseworkers understand the sanction process; and, 2) recipients are able to change their behavior to fulfill program requirements if they choose to do so. Recent research has shown that neither of these assumptions is being met.

Although recipients are told about sanction policies repeatedly, studies have shown that recipients fail to understand them. In a study in Iowa, one-quarter of recipients who were sanctioned did not understand the program rules.²⁵ Another report found that although recipients understood that they might lose their benefits if they do not comply with program requirements, they rarely knew what benefits they would lose and for how long.²⁶ In a study of sanctioning in four counties in California, only 63% of recipients were aware that failure to attend an assigned activity would lead to a reduction in their cash aid.²⁷ Even caseworkers do not fully understand the sanction policies that

²³ Mead, Lawrence, The rise of paternalism. In Mead ((ed.) The new paternalism: supervisory approaches to poverty (Brookings Institution 1997)

²⁴ Kalil, Seefeldt, & Wang, 2002.

²⁵ Kalil, Seefeldt, & Wang, 2002.

²⁶ Pavetti & Bloom, 2001.

²⁷ Hasenfeld et al., 2004.

they implement. In interviews with caseworkers in California, only 14 out of the 25 case managers interviewed were able to accurately describe the sanction and compliance processes.²⁸ If recipients do not understand the program requirements, they will not be able to change their behavior; instead they will view the sanctioning process as arbitrary and unjust.²⁹

Multiple studies have revealed that the recipients who are most likely to be sanctioned are also the recipients with the most barriers to employment.³⁰ The lack of access to childcare, reliable transportation, and the need to care for disabled family members increases the risk of being sanctioned.³¹ One study that assessed the views of caseworkers about sanctions found that caseworkers believe that most of those who are sanctioned have barriers that prevent them from complying with work requirements, but that they do not have the resources to help recipients overcome these barriers.³² Overall, using sanctions is a way to typify the clients' problems as their own failure to comply with requirements and justifies a fairly standard response – reducing their cash aid.

Privatization: Contracting welfare services with private agencies

Welfare reform was part of the dominant neoliberal ideology to reduce the role of government in favor of the private sector. As President Reagan said, "government is the problem, not the solution." Given the serious negative view of welfare and welfare

²⁸ Bagdasaryan, S., Matthias, R., Ong, P., & Houston, D. (2005, May). CalWORKs sanction policies in four counties: Practices, attitudes, and knowledge. *California Policy Research Center Brief, Welfare Policy Research Project*, 17(1), Retrieved September 15, 2005, from <http://lewis.spsr.ucla.edu/publications/projectreports.cfm>.

²⁹ Rainford, W. (2004). Paternalistic regulation of women: Exploring punitive sanctions in Temporary Assistance to Needy Families. *Affilia*, 19(3), 289-304;

Tickamyer, A., Henderson, D., White, J., and Tadlock, B. (2000). Voices of welfare reform: Bureaucratic rationality versus the perceptions of welfare participants. *Affilia*, 15(2), 173-192.

³⁰ Pavetti et al., 2003; Piliavin, Dworsky, & Courtney, 2003.

³¹ Cherlin, Bogen, Quane, & Burton, 2002; Fein & Lee, 1999; Hasenfeld et al., 2004; Kalil, Seefeldt, & Wang, 2002.

³² Bagdasaryan et al. (2005)

administration, there was a strong move to contract with private for profit and not-for-profit agencies. This would increase efficiency, save money, and better serve the clients. Contracting for services is extremely common in the U.S. The theory is that the same or similar services or goods can be provided by the private sector at less cost than government. Contracting, it is claimed, increases client autonomy.³³ Large bureaucracies are unresponsive to clients, consumers, and workers. The private sector, in contrast, has to compete for consumers. Therefore, contracting, by breaking the public monopoly and increasing private sector competition, should enhance consumer autonomy.

John Donahue examined contracting in a variety of organizations.³⁴ He evaluated the effects of contracting in terms of efficiency and accountability. Reviewing the evidence from a variety of sources – military support services; office cleaning firms; fire-fighting organizations; the transportation industry; water and power utilities – he concluded that profit-seeking firms are potentially more efficient under certain circumstances. The determining factor is the presence of competition in the market. Without a credible prospect of replacement, it is difficult to control private firms. However, it is hard to maintain competition. Contracting firms develop inside information, expertise, and special relationships with government officials (the revolving door).

In the human services sector, both the availability and continuity of contractors are problematic. In many instances, government will have to, in effect, create suppliers. In other instances, there will be an irresistible need to favor those suppliers who can best meet the demand for an acceptable level of continuous service, thus avoiding repeated

³³ Gormley, William (ed.) (1991) *Privatization and its alternatives*. (U. Wisconsin Press)

³⁴ Donahue, John (1989) *The privatization decision: Public ends, private means*. (New York: Basic Books)

bidding as well as the bureaucratic red tape that accompanies the dispersal of public funds. This means favoring a large entrepreneurial firm, whether it is for-profit or nonprofit. Thus, it is claimed that both for-profits and nonprofits will come to resemble government itself—large, bureaucratic, concerned with organizational maintenance, with process and paperwork, stability of funding, and not necessarily with service. The result will be goal-displacement, a focus on funding strategies that will be decoupled from service. For clients, it will just be the replacement of one large bureaucratic structure with another.³⁵

In a study of private agencies administering work programs in Chicago, Evelyn Brodtkin found that these agencies suffer from many of the same faults as public agencies, such as creaming and goal displacement.³⁶ Brodtkin found that caseworkers would use informal strategies to encourage enrollment among recipients who were most likely to meet agency goals, while discouraging enrollment among applicants with multiple employment barriers. She also found that Chicago's performance-based contracts "set the stage for a numbers game in which intermediaries are rewarded for obtaining placement targets at the lowest marginal cost."³⁷

As stated, one of the most famous welfare-to-work programs is "Wisconsin Works" or W-2. The publicly stated results were impressive -- the rolls plummeted, recipients went to work, etc. Lawrence Mead, in his recent book, *Government Matters: Welfare Reform in Wisconsin*, says, "It is an inspiring story of politicians who faced up to difficult challenges Together, leaders and officials rebuilt the welfare state around

³⁵ Donahue (1989)

³⁶ Brodtkin, Evelyn (2004) *Welfare reform has not helped the poor* in William, Mary (ed.) *Poverty and the Homeless* (Greenhaven Press. San Diego)

³⁷ Brodtkin (2004)

work. . . . Today, welfare officials from New Zealand and Europe travel to [sites in Wisconsin] to learn how they too might get a handle on their welfare problem"³⁸

In a recent book, looking at welfare reform in Milwaukee, the New York Times reporter, Jason DeParle found a very different story -- a story of corruption and mismanagement on the part of the private contractors and willful ignorance or concealment on the part of the state and local officials.³⁹ The private agencies were evaluated (and paid) on the number of clients with employability contracts and whether recipients were assigned to "a full slate" of activities. To meet these goals, caseworkers employed a variety of methods from creating and mailing employability contracts to clients without consulting them to simply putting the information in the computer. A subsequent state evaluation demonstrated dismal results. Although all clients were supposed to be involved in some sort of work activity, paid or community service, 67% of clients at Maximus, Inc., one of the principal for-profit contractors, did not have a work assignment. At one point an internal report showed that although Maximus advertised 100% of the caseload in paid work, in fact only 8% percent were employed.⁴⁰

Competition is rare. Government oversight has not been strong, due to the mutual need for a successful program. Vigorous oversight would mean political controversy and lobbying activities, and finding another contractor. Private contractors need to make profits and expand business. In many contracts, the agency receives a fixed sum to serve the needs of a geographic area. This arrangement is supposed to encourage private agencies to make successful job placements, which would keep recipients off welfare.

³⁸ Mead (2004), pp.ix,xi

³⁹DeParle, Jason (2004) *American Dream; Three women, ten kids, and a nation's drive to end welfare*. New York: Viking

⁴⁰ DeParle (2004)

The more an agency reduced its caseload, the more profits it would make.⁴¹ When welfare reform was passed, a significant number of recipients dropped off the rolls before states fully-implemented their welfare-to-work programs. The result was that private agencies had large amounts of money to spend on fewer clients than the state had originally anticipated. For example, in Wisconsin, the state had budgeted to provide services to fifty thousand cases, but when W-2 began, only twenty-three thousand people were left on the rolls.⁴² Instead of investing these profits to improve services, some private agencies used the money to win contracts in other states or to advertise. In Milwaukee, DeParle found that Maximus, Inc. spent \$1.1 million of welfare money on billboards, television advertisements, backpacks, coffee mugs, and golf balls to improve the company's image despite the fact its program was showing dismal results. Another private agency, OIC, spent \$67,000 to sponsor a sports show watched by politicians. A Goodwill subsidiary, Employment Solutions, Inc., spent more than \$270,000 of welfare-to-work program funds to win a welfare contract in Arizona. Although Maximus, Inc. is a for-profit agency, Goodwill is a nonprofit agency.⁴³ In short, private agencies not only suffer from many of the same problems as public agencies, but are driven by pressures to increase profits and expand business at the expense of serving clients.

However, instead of taking away their contracts, the state ignored the results of agency failure. As Donahue predicted, state officials had developed close relationships with the private agencies. The success of the private agencies was viewed as a reflection of the success of the politicians at reforming welfare. Even though state officials knew the program was performing dismally, it pushed for its welfare-to-work program to win

⁴¹ DeParle, 2004.

⁴² DeParle, 2004.

⁴³ DeParle 2004

the prestigious Innovations in American Government Award. The purported success of the W-2 program was highlighted on several prominent news shows. Throughout the country, and in Western Europe, W-2 was considered to be the “showpiece” of welfare reform’s success. The Governor of Wisconsin wanted to use the program as a means to gain support for a possible presidential campaign.⁴⁴

The Low-Wage Labor Market

The goal of workfare is to place welfare applicants and recipients in the paid labor market. Riverside County was considered the great success. It emphasized quick job entry combined with job development and post-employment support by the agency. Despite the publicity, the Riverside results were quite modest. The difference in earnings between the controls and the experimentals was less than 10%. Perhaps most important, at the end of the three-year experiment, about two-thirds of the experimentals were no longer working and almost half never worked at all during the entire experiment. But the program saved welfare costs, and became the model for the proposed changes throughout the country.⁴⁵ The Riverside results are not unique. In a survey of 20 welfare-to-work programs, the Manpower Demonstration Research Corporation found that earnings increased only about \$500 per year more than the controls. Welfare payments were reduced by nearly \$400 and food stamps by \$100, thus resulting in welfare savings for the government. While earnings for most disadvantaged groups (long-term recipients, lacking a high-school diploma, three or more children, no recent work experience) increased, they still remained far below the more advantage workers. Thus, despite the political claims for success, the gains for welfare-to-work recipients are very modest and

⁴⁴ DeParle (2004)

⁴⁵ Riccio, Friedlander & Freedman (1994); Handler & Hasenfeld (2007), p.197

often fail to account for the costs of working – transportation, reciprocity in child care, missed days, and so forth. In a recent study of welfare leavers, a quarter lost their jobs within three months, and less than half after one year.

Wages in the low-wage labor market have stagnated, and jobs are increasingly contingent or short-term and without benefits. Very few of the poor work full time, at least at one job. Low wages and unemployment are most severe for young worker, minorities, single parent families, and those who lack a high-school diploma.⁴⁶ Most welfare leavers earn between \$5.67 to \$8.42 per hour, with an annual average income between \$8,000 and \$16,000, thus leaving most in poverty.

Although private contractors favor placing clients in temporary jobs on the theory that temp work experience is more likely to lead to permanent jobs with good employments, recent research disproves this.⁴⁷ Temp jobs are more plentiful than direct-hire jobs, but they are generally for people with weak work skills and do not lead to permanent hires. In examining the Michigan “Work First” program, the contractors’ performance was evaluated on the proportion of participants who got jobs and the percentage who held the jobs for 90 days.⁴⁸ Despite the fact that participants had “very low skills,” contractors were under “considerable pressure to increase their job placement rates.”⁴⁹ Although initially participants earned above the welfare and poverty threshold, these effects quickly dissipated. In fact, “participants placed in temporary help jobs

⁴⁶ Handler & Hasenfeld (2007)

⁴⁷ Does temporary agency employment offer a way out of poverty? *Focus*, vol.24, no.3 (Fall-Winter 2006), pp.1-6, summarizing Autor, David & Susan Houseman, “Temporary Agency Employment as a Way out of Poverty?” in Blank, R, S. Danziger & R. Schoeni (eds), *Working and Poor: How Economic Policy Changes Are Affecting Low-Income Workers* (Russell Sage Foundation, 2006) The research is based on the “Work First” program in Michigan.

⁴⁸ Blank et al. (2006), p.2

⁴⁹ Blank et al. (2006), p.3

during the first Work First spell were significantly more likely to be back on welfare within two years than were participants placed in direct-hire jobs.”⁵⁰

In a panel study of single mothers who received welfare in an urban county in Michigan, approximately 9% became “‘chronically disconnected’ from both employment and cash welfare “ for at least a quarter of the period studied (1997-2003). These women suffered a variety of disabilities – physical, learning, substance abuse, no car or driver license. Most were employed but lost a job rather welfare benefits.⁵¹

Welfare leavers, as well as other low-wage working mothers, employ a variety of strategies to cope with unsatisfactory child care. Lisa Dodson, reporting on a study of the daily lives of low-wage parents, described the views of the mothers.⁵² Basically, the mothers said that the “culture of the low-wage labor market as anti-child.” And despite being stigmatized as not have a proper work ethic, the mothers “all relied on an underlying belief in the right of mothers to reject work rules that kept them from protecting their children.” The practices varied – calling while on work, taking children with them, trying (often unsuccessfully) to manage their work schedule to be home when the children were there, working multiple shifts, working nights to be able to take their children to school even though the children would be alone at night. They would use excuses – “the bus was late.” Sometimes employers cooperated, but often refused – e.g., mother could not work overtime. Often mothers were suspended or fired. One of the

⁵⁰ Blank et al. (2006), p.6

⁵¹ Turner, Lesley, Sheldon Danziger & Kristin Seefeldt, Failing the Transition from Welfare to Work: Women Chronically Disconnected from Employment and Cash Welfare. *Social Science Quarterly*, vol.87, nu.2, June 2006, pp.227-249

⁵² Dodson, After welfare reform: You choose your child over the job. *Focus* Vol.24, No.3 (Fall-Winter 2006), pp.25-28. Qualitative data based on three studies between 1998-2003, with mixed quantitative and qualitative methods, included open-ended interviews. The sample size was over 300. The author acknowledges collaboration with Ellen Bravo and the 9to5 National Organization for Working Women and the former Radcliffe Public Policy Center.

quotes that sums up the study: “You have to choose and what mother’s choosing this job over her child?” “I think that they made it just about impossible to be a good mom.”⁵³

Barriers that Welfare Leavers Face

Although “welfare” has dropped off of the political radar screen, basic attitudes towards the poor have remained stable. Americans still distinguish between the “deserving” and “undeserving” poor, those on welfare (or who are likely to be on welfare) are still viewed in morally negative terms even though there are stiff work requirements. “Undeservingness” is reinforced by long-standing, persistent negative racial and ethnic attitudes.⁵⁴

Poverty rates have been persistently high for African Americans and Hispanics as compared to whites.⁵⁵ The poverty rate for African Americans has fluctuated but still remains more than double that of whites (9%).⁵⁶ The poverty rate for Hispanics ranges between 20% and 30% from 1972 to 2001. The overall poverty rate for Asians and Pacific Islanders has declined, comparable to whites; however, the Asian and Pacific Islanders poverty rates have an “hour glass” configuration – at the top, are the relatively well-off, well-established Chinese and Japanese; in the lower part are the Asians and Pacific Islanders from South Asia (e.g., Cambodia, Vietnam, Laos, etc.)

Different dynamics explain the different levels of poverty. For African American males, there are very high levels of exclusion from the labor market. For Hispanics and the bottom part of the Asians and Pacific Islanders, it is very low wages. Wages are especially low for less-educated young men (aged 18-24) Unemployment rates are not

⁵³ Dodson (2006), p.28

⁵⁴ Soss, Joe & Sanford Schram, Welfare reform as a failed political strategy: Evidence and explanations for the stability of public opinion. *Focus* Vol.4, No.3, Fall-Winter (2006), pp.17-23

⁵⁵ Handler & Hasenfeld (2007), p.33

⁵⁶ U.S. Census Bureau. Historical Poverty Tables. Handler & Hasenfeld (2007), p.34

only higher for African Americans and Hispanics, but, as compared to whites, unemployment spells are longer – whites 1.6 months; African Americans – 2.7 months; Hispanics – 2 months). For awhile, there was progress with African Americans, but that stopped in the 1970s when the labor market began to change; since then, inequality has increased. In 1996, more than a fifth of African American men had no earned income and dropped out of the labor market.⁵⁷ In addition to the decline in earnings, there has been a steady increase in incarceration and criminal records. Large percentages of employers (more than 60%) said that they would not hire a person with a criminal record and would be more willing to hire any other stigmatized group.⁵⁸

With Hispanic men, the risk of poverty is primarily due to very low wages rather than unemployment.⁵⁹ Mexican men with a high school degree find jobs comparable to white counterparts, but Mexican immigrants cannot find good jobs. Time in the United States does improve earnings, but not very much, especially for the less educated.⁶⁰

Being an immigrant seriously increases the risk of poverty. In 1990, more recent immigrants (arrived within the previous five years) earned almost a third less than comparable whites. By 1990, a quarter of immigrant households were in poverty. While as a group, immigrants have diverse skills, a disproportionate number have very low levels of education.⁶¹ Foreign-born immigrants account for an overwhelming number of the least-skilled urban workers.⁶²

⁵⁷ Levy (1998), p.99

⁵⁸ Holzer, H, P.Offner & E. Sorensen (2004) “Declining Employment among Young Black Less-Educated Men: The Role of Incarceration and Child Support. Institute for Research on Poverty. Discussion Paper no.1281-04. University of Wisconsin, Madison, Wi., May, p.1

⁵⁹ Wladinger, R (2001) “Up from Poverty?” Race, “Immigration, and the Fate of Low-Skilled Workers,” in R. Waldinger (ed.) Strangers at the Gates: New Immigrants in Urban America. (ch.3)

⁶⁰ Handler & Hasenfeld (2007), p.37

⁶¹ Handler & Hasenfeld (2007), pp.37-38

⁶² Waldinger (2001), p.81

The poverty rate among Asian and Pacific Islanders is higher than non-Hispanic whites – 10.2% vs.7.8%⁶³ Many live in concentrated immigrant neighborhoods, are linguistically isolated, have low educational attainment, low skills, low employment, and lack affordable housing. While Asian entrepreneurship is high, most are marginal businesses. These concentrated neighborhoods have significantly higher poverty rates than the national average.⁶⁴

However, despite the poverty and hardship among low-skill immigrants and the need for public benefits, there are restrictions in major federal and state programs, except for emergency health care.⁶⁵ Since 1996, most legal immigrants who have been in this country for less than five years are ineligible for cash assistance, food stamps, housing benefits, public health insurance, and other federal benefits. Immigrant children born in the U.S. are citizens and are entitled to these benefit programs, but enrollment is low – language barriers, lack of information, and fear of dealing with government agencies.⁶⁶

Although working immigrant families were more likely to be low-income (under 200% of the poverty line) or below the poverty line than non-immigrant families, they are less likely to receive public benefits – housing, income support, food assistance, or tax

⁶³ P.M.Ong & D.Miller (2002) Economic Needs of Asian Americans and Pacific Islanders in Distressed Areas. Establishing Baseline Information. Los Angeles: Lewis Center for Regional Policy Studies (University of California Los Angeles)

⁶⁴ Ong & Miller (2002), pp.13, 18

⁶⁵ There are exceptions to the restrictions, e.g., immigrants who become citizens, lawful permanent residents (green card holders), refugees, asylees. See Los Angeles Coalition to End Hunger & Homelessness, The People's Guide to Welfare, Health & Other Services 31st Edition 2005. Los Angeles Country

⁶⁶ Capps, R., Fix, M, Ost, J, Reardon-Anderson, J., & Passel, J. (2004) The health and well-being of young children of immigrants. Urban Institute, Washington, D.C.

credits.⁶⁷ They were less likely to know about the EITC or receive it (and more likely to rely on tax preparers) and undocumented immigrant workers (29%) are not eligible. Low-income families are also less likely to receive TANF or food stamps than low income native families. Public housing authorities are required to report undocumented residents.⁶⁸ Low-income immigrant adults are less likely to be covered by employer health insurance, but their children are more likely to be covered by public health insurance (State Children’s Health Insurance Program - SCHIP). More than half of low-income adults also lacked Medicaid (undocumented are ineligible as well as legal immigrants for five years). Many states still deny eligibility for Medicaid and SCHIP.⁶⁹ There have been some changes. Food stamp eligibility has been restored to all legal immigrant children (2003 Farm Bill). There are efforts to establish Medicaid and SCHIP eligibility for all legal immigrant children, as well as debates about amnesty and a guest worker program. Some programs do not have immigration requirements – e.g., prenatal care, immunizations for children, WIC, School Breakfast & Lunch, etc.⁷⁰ Still, even with eligibility restored, there remain barriers to access (e.g., language, fear of jeopardizing citizen applications, etc.).⁷¹

Thus, “welfare reform” in the United States is only directed at a portion of the poor – single mothers and their children; ignored are large numbers of childless adults, childless families, and increasing numbers of immigrants. As “We Have Ended Welfare As We Know It,” with rare exceptions (e.g., Katrina), all are forgotten. Within this context, women are more likely to be poor than men, especially single mothers –

⁶⁷ Capps et al. (2004), p.2

⁶⁸ Capps et al. (2004), pp.3-4

⁶⁹ Capps et al. (2004), pp.4-5

⁷⁰ Los Angeles Coalition to End Hunger & Homelessness (2005), p.58

⁷¹ Capps et al. (2004), p.6

caregiving (children, but also increasing elder care), the lack of affordable housing, decent health care, and gender discrimination – issues of paramount importance but cannot be discussed in a short paper. The poverty rate for single mothers is considerably higher and varies by ethnicity.⁷²

Conclusions: Questioning Targeted Welfare-to-Work Programs

This paper has argued that administering work programs for disadvantaged groups is problematic. It is an administratively complex and time-consuming process. Most offices are incapable of administering both benefits and work programs. Workers concentrate on establishing and monitoring eligibility for benefits. Workers are held accountable for their speed and accuracy. They are ill-prepared and lack the time to prepare people for jobs. The tasks required to help recipients find jobs requires professional, individualized, service decisions that are not easily monitored. The incentives, in both public and private offices, strongly favor reducing rolls whether by sanctions, denial of acceptance, or placing clients in low-level jobs, which often turn out to be short term, and leaving the families in poverty. Clients who are selected usually receive minimal, low-level job preparation. Serious human capital development is rare. There are exceptions; some programs are successful, but they are few. In most, whether public or private, the compliance culture of offices simply crowds out the professional structure needed to administer work programs.

So, what should be done? Is it possible to help poor single mothers (as well as other poor people) to re-enter society and the labor market? Instituting a basic income guarantee is one way to meet this goal. A basic income guarantee would not only

⁷² The poverty rate for white single mothers ranged from a high of 35% in the 1970s and 1980s to a low of 25% in recent year; for African Americans, the rates were 63% and 41%, and for Hispanics 64% and 43%. Handler & Hasenfeld (2007), p.41

provide a means of subsistence to poor individuals but it will also give clients *an exit option*.⁷³ A basic income guarantee is an income paid to all on an individual basis, without means tests or work requirements.⁷⁴ Thus, with a basic income guarantee, workers would no longer need to establish and monitor eligibility for benefits; instead, they could concentrate on helping people re-integrate into the labor market.

A basic income guarantee would redistribute power in the client-worker relationship. As discussed, workers now control the terms of individualized work plans. If clients disagree with the activities they are given, they may lose all benefits. However, the worker is not under any obligation to create a contract that meets the needs of clients. As stated by Brodtkin, “welfare clients have little capacity to hold the state accountable for providing any specific quality or content of services. Consequently, for welfare recipients, the so-called ‘welfare contract’ between client and state is virtually unenforceable.”⁷⁵ If workers no longer had to administer benefits, they could focus on truly creating contracts that met client needs. More importantly, clients would no longer be obligated to take whatever assignments they were given. In this way, a basic income guarantee would redistribute the power in the client-worker relationship. Recipients are no longer subject to the whims of an overtaxed welfare system trying to decide whether recipients have fulfilled the conditions for benefits. Social services, education, training, and employment will still be offered by the state; but now, the workers will have to listen to the clients, assess their individual needs, and make offers that are attractive enough to encourage clients who have the “real freedom” to decide whether to participate. In other

⁷³ Standing, Guy (2002) *Beyond the new paternalism: Basic Security As Equality* (Verso)

⁷⁴ Van Parijs, Phillippe (1992) *Arguing for basic income. Ethical Foundations for a radical reform* (Verso)

⁷⁵ Brodtkin (1997)

words, workers could concentrate on the functions needed to successfully run a work program and clients could hold them accountable for fulfilling these functions.⁷⁶

Some (speculative) Questions about Activation Policies in Western Europe, Australia, New Zealand, and Japan

Significant changes in the Western European economies began after the oil shocks of the 1970s. Most economies slowed and unemployment rose dramatically. Many reasons were given for the failure to decrease unemployment. In addition to the catch-all “globalization”, two prominent reasons were rigid, “inflexible,” expensive labor standards, making it too costly for employers to hire workers, especially in the service sector. Labor laws had to be made more “flexible” and wages moderated so that employers would be willing to hire workers. The other, and related reason, was the “passive” welfare state. The unemployed lacked incentives to move back into the paid labor force; welfare state benefits (early retirement and pensions, unemployment, and social assistance) were too generous. One of the first responses in some countries was to lower the retirement age; this added to the already burdened pension system, and increase in disability, but this did not increase employment. Subsequently, there was some effort to raise the retirement age and tighten disability.

In several countries, it came to be believed that active measures were needed to increase incentives to work. Countries varied in their approaches, reflecting different

⁷⁶ See Handler & Hasenfeld (2007) ch.8 for a discussion of a basic income proposal that would apply to single mothers and children in the U.S. context. This would be a universal children’s allowance that would at least move families to the poverty line (higher would be too expensive and threaten too many other needed public programs). See Duncan, G. & K. Magnuson (2003) “Promoting the Healthy Development of Children” in I.V. Sawhill (ed.) *One Percent for the Kids: New Policies, Brighter Futures for America’s Children* (Brookings Institution Press). Most single mothers would work to increase family income. There would be separate social service and employment agencies to offer services to those parents who face barriers and need help, but the basic income would be unconditional.

histories, institutions, politics, and welfare state organization and governance.⁷⁷ In general, it came to be accepted that work would both lead to economic growth and reduce poverty.⁷⁸

A common ideological theme seemed to take hold – “activation.” As Nanna Kildal puts it, “Unemployment or worklessness is firmly on the agenda in Western welfare policies.”⁷⁹ This is true even in countries with no welfare state crisis or unemployment – such as Norway. While acknowledging national differences, the general trend, she says, is towards active measures, sanctions, and duties, and selectivity rather than universality. In her view, “‘active labour market policies,’ ‘workfare,’ and ‘welfare-to-work’ programmes are spreading through Europe.”⁸⁰ Active Labor Market Policies (ALMP) to be directed at those who have no connection with the paid labor force – unemployed youth, lone parents, long-term unemployed, and immigrants. The idea is that the best way to help these people re-enter society (they were called the “socially excluded”) and reduce poverty is through paid work. This is a change in European policy. Previously, the main concern was to support those who lost their employment because of the deteriorating economies and the lack of demand for work.⁸¹ Those who were out of the labor market received social assistance – the bottom tier benefit, which was means tested, but usually not conditional on work.⁸² “The notion that employment growth and

⁷⁷ Bredgaard, Thomas & Flemmin Larsen (2005) *Employment Policy From Different Angles*. DJØF Publishing (Copenhagen); Tokoro, Michihiko (2003) *Social Policy and Lone Parenthood in Japan: A Workfare Tradition?* Japanese Journal of Social Security Policy, vol.2, no.2 (December), pp.45-58

⁷⁸ Marx, Ive (2007) *The Dutch ‘Miracle’ Revisited: The Impact of Employment Growth on Poverty*. Journal of Social Policy, vol.36, pp.383-397

⁷⁹ Kildal, Nanna (2001), *Workfare Tendencies in Scandinavian Welfare Policies*, International Labour Office; Tokoro (2003)

⁸⁰ Kildal (2001), p.1

⁸¹ Marx (2007) 384

⁸² Ludwig-Mayerhofer, Wolfgang (2005) *Activating Germany. Ch.5*. in Bredgaard, Thomas & Larsen, F. (eds.) *Employment Policy From Different Angles* DJØF Publishing (Copenhagen)

poverty reduction are natural complements is now central to social policy in many European countries.”⁸³

It should be noted that “activation” and “active labour market policies” are different from “workfare.” Activation and ALMP embrace a wide range of measures ranging from voluntary training, human capital development, employment and wage subsidies, and job creation to compulsory work programs. There are combinations of carrots and sticks. Workfare is primarily sticks. Activation has a long history in several European countries, especially the Nordic.⁸⁴

A leading example of the change (but, by no means unique) is the Netherlands, which Ivo Marx describes (commonly referred to as the “Dutch Miracle”) as showing “the way forward in employment and social policy” – the “Third Way,” “Active Welfare State” -- the very significant rise in employment, but with “extensive social protection and low levels of poverty and inequality.”⁸⁵ As Marx says, “work” became the predominant social policy in Europe when it came to recognize that too many able-bodied people were “trapped” in the passive welfare state. The change started in the late 1980s, in the Netherlands in the early 1990s. The new social policy mantra was “work, work, work.”⁸⁶

The Dutch economy was very stagnant in the 1980s – zero growth, very high benefit dependency, fiscal deficits. The first move was sustained wage moderation (an agreement between trade unions and employers). Then, the key policy recommendation was maximizing labor market participation. The policy consisted of continued wage

⁸³ Marx (2007), p.383

⁸⁴ Kildal (2001), p.2

⁸⁵ Marx (2007), p.383

⁸⁶ Marx (2007), p.384

moderation – which is considered the most important factor in the significant rise in employment – and more closely aligning minimum wage and benefits towards stimulating work. Wages and benefits were “‘allowed’” to erode to move people from benefits to work.⁸⁷ Employers and unions were pressured to lower wages. Special programs were established to integrate the unemployed, low-skilled workers and the public employment services were reformed. The Dutch employment change has been called a “miracle” – a decline from almost 14% in the mid-1980s to almost 2% in 2000.⁸⁸

Subsequently, Tony Blair (“who was looking more towards the United States than Europe”) coined the term, “The Third Way” which was taken up by Social Democrats across Europe.⁸⁹ Marx says, “The idea that increased labour participation and poverty reduction are natural allies is now central to social policy in many European countries.” These ideas are now found in the National Action Plans on Social Inclusion submitted to the European Commission (via the Open Method of Coordination) as well as the Luxembourg Process on employment (discussed below). Employment growth is important in its own right as well as strengthening social cohesion.⁹⁰

Changes occurred in most European countries. There were many changes in governance – employment services were re-organized; most significantly, there was devolution to local governments and an increase in privatization (called

⁸⁷ Marx (2007), p.386

⁸⁸ Marx (2007), pp.386-88. Marx notes that there are critics of the Dutch “miracle” – while the rise in both male and female employment is impressive, the Netherlands had a lot of “catching up to do.” The female rate of employment is high, but not especially so if compared to Germany and Belgium. Many of the new jobs are part-time. Still, in the Netherlands, paid work, care, and leisure are more evenly spread. P.387 Marx points out that while employment rose, the poverty and inequality rates did not decline significantly. He attributes this to the fact that most people who entered or re-entered the labor market were previously employed and entered at the middle levels. Those at the bottom of the income distributions, low-skilled workers and single worker families did not improve their employment and bore the brunt of the lower wages and benefits as well as households with no workers. Marx (2007),

⁸⁹ Marx (2007), p.384

⁹⁰ Marx (2007), p.385

“marketization”).⁹¹ The ideological justification was that delegation and privatization would make employment services more flexible and responsive to local labor markets. In several instances, there were changes in financial incentives. Local agencies, public and private, would absorb the costs of social assistance recipients but also retain the benefits of those who left the rolls. Types of contracts vary – (1) internal contracts between the central government and the Public Employment Service (PES) or regional, state, or provincial governments; (2) between governments and private (for profit, not-for-profit) providers; (3) between public or private providers and individual clients.⁹² There is considerable national variation. Just recently the German Federal Constitutional Court invalidated the delegation between the Federal Employment Agency and the municipalities on the grounds that it violated the municipalities’ constitutional right of autonomous self-government. The legislature is given time until 2010 to find a remedy.⁹³

From a bird’s eye perspective, most European countries adopted activation programs for the “socially excluded” – the long-term unemployed, unemployed youth, some groups of immigrants, lone mothers, and other social service recipients who cannot make a stable connection to the labor market. The principal tools that emerged were combinations of making assistance more *conditional* – called “activation” or Active Labor Market Policies (ALMP).⁹⁴ Previously, social assistance recipients received benefits by virtue of the *status* as citizens; now, they would receive benefits only if they

⁹¹ Ludwig-Mayerhofer (2005); Sol, Els & Mies Westerveld (eds) (2005) Contractualism in employment services: a new form of welfare state governance (Kluwer Law International, Frederick, Md).

⁹² Mosley, Hugh & Els Sol (2005), Ch.1. “Contractualism in Employment Services: A Socio-Economic Perspective,” in Els & Westerveld (2005)

⁹³ E-mail from Matthias Knuth, Institute for Work, Skills, and Training, Munscheidstr. (Dec.20, 2007)

⁹⁴ “Activation” is often used in a very broad sense – incentivizing or compelling recipients in a variety of programs, in addition to social assistance, and through a variety of mechanisms, e.g., making work “employment friendly,” education and training, support services, tax and benefit systems, etc. Barbier (2005), p.5

fulfilled *contracts*. That is, social citizenship – for this group – was made *conditional*.⁹⁵

As stated, the spread of ALMP was not solely dependent on sluggish economies; Norway and Denmark, with no welfare state crisis, adopted these programs.

Australia adopted a welfare-to-work model similar to the United States. The concern was the disincentives to work and the establishment of mutual obligations. There are strict rules, modest benefits, and the stigmatization of welfare recipients.⁹⁶ There were major changes in 2006. Disabilities were tightened. Single parents were required to work when their youngest child turned 6-8 years (previously 16 years) and the program was changed from the Parenting Payment Single to Newstart Allowance. Single parents have to register with an employment service provider and look for paid work at least 15 hours per week. There are increased requirements on long-term unemployed job seekers and “mature age job seekers (aged 50-64).

Starting in 2001, New Zealand began overhauling its social security system to simplify the system, make work pay, build mutual responsibilities, and “tackling poverty and social exclusion.”⁹⁷ The rationale of the government’s *Pathways to Opportunity*” (Ministry of Social Development, 2001) was that “work in paid employment offers the best opportunity for people to achieve social and economic well being” and “the priority for people of working age should be to find and retain work.”⁹⁸ The mantra is “the right

⁹⁵ Handler (2004)

⁹⁶ Marston, G. (2006). Lessons to learn from Australia’s welfare to work measures. University of Queensland; Shaver, Sheila & Merrin Thompson. (2001). *Morals and Policy: Public Duty and Private Responsibilities in the Employment to Retirement Transition*. See “Lessons to learn from Australia’s welfare to work measures,” presented at the University of Auckland Symposium: Where to Welfare?: Recent and Proposed Welfare Reforms in New Zealand (March 21, 2007) <http://www.auckland.ac.nz/uoa/about/research/units/publicpolicygroup/seminars.cfm>

⁹⁷ Humpage, Louise (2007) ‘Working For New Zealand’: A Background Paper on Recent and Proposed Welfare Reforms in New Zealand. University of Auckland Symposium, n.93.

⁹⁸ Humpage (2007), quoting from NZ Govt 2006: 17)

job at the right time, right from the start,”⁹⁹ Recipients of Widows Benefit are required to participate in development and employment plans supported by case management. The *Jobs Jolts* package (2003) is aimed at, among others, people with disabilities, long-term sickness, mature job seekers, youth, and redundant workers. The New Zealand programs combine carrots and sticks with penalties to strengthen disincentive for those on social benefits. The basic strategy is “work first.” Paid work is prioritized over other kinds of activities – e.g., community service, child care, family care.¹⁰⁰ The reforms, “Working For Families,” it is claimed, will exclude the neediest from benefits as long as they are not active participants in the labor market. According to Louise Humpage, “[T]he reforms are unlikely to alleviate growing levels of hardship in New Zealand . . . and fail to address the underlying causes of hardship, poverty, and income inequality, which are associated with the low wages and working conditions available to many New Zealanders.”¹⁰¹ Payments were increased in the family tax-credit, but did little to help the poorest families. An In Work Payment (IWP) was established which required 30 hours or more for couples and 20 hours or more for a sole parent, but doesn’t help families on “core benefits”, and particularly hurts Maori and Pasifika families who have the most severe working conditions. Humpage argues that the IWP compares unfavorably to either Australia or the U.K. where all poor children are supported, regardless of the source of their parents income. And, she notes, New Zealand’s level of subsidized childcare is “woeful” compared to other OECD countries.¹⁰² There are additional changes designed to

⁹⁹ Humpage (2007), p.7

¹⁰⁰ Humpage (2007), p.2

¹⁰¹ Humpage (2007), p.2, referencing O’Brien, M. (2005) *Workfare: Not fair for kids? A review of compulsory work policies and their effects on children*. From <http://www.cpag.org.nz/resources/publications/> and St.John, S. & Craig, D. (2004), *Cut price kids: Does the 2004 ‘Working for Families’ budget work for children?* Auckland: Child Poverty Action Group.

¹⁰² Humpage (2007), p.4

reduce administrative discretion in classifying the work status of recipients, tightening eligibility, “pre-benefit activity requirement for the unemployed,” periodic re-application requirements, resulting, among other causes, in a low take-up rate, special “agreed approved activities” for youth for 30 to 40 hours per week or to be available for full-time work.¹⁰³

Japan, too, has recently (2002) introduced restrictions on support for lone mothers despite the fact that lone mothers in Japan have the highest work participation rate among industrialized countries. There are now time limits and work-related programs.¹⁰⁴ Single mothers are primarily divorced and middle-aged rather than young and never-married. The predominant support is the Dependent Child’s Allowance (also called the Child Rearing Allowance) which is means-tested. In response to the rising numbers of long mothers receiving the allowance, the Lone and Widowed Families Law Reform was introduced in 2002 which narrowed eligibility criteria. There are five year time limits which must be used consecutively (as compared to the U.S.).¹⁰⁵ However, the Japanese do not use the term “welfare queen.” Rather, single mothers are viewed as “deprived of the capability of caring for their children.” A few high profile cases of starvation with single mother families were stigmatized for failing to claim public support.¹⁰⁶ Nevertheless, while the bulk of lone mothers are working, they remain in poverty and reliant on public assistance. Thus, work does not necessarily lead to a decrease in

¹⁰³ Humpage (2007), pp.6-13

¹⁰⁴ Ezawa, Aya & Chisa Fujiwara (2005) Lone Mothers and Welfare-to-Work Policies in Japan and the United States: Towards an Alternative Perspective. *Journal of Sociology and Social Welfare*. December, Vol.XXXII, Number 4, pp.41-63

¹⁰⁵ Tokoro, M. (2003) Social Policy and Lone Parenthood in Japan: A Workfare tradition. *The Japanese Journal of Social Security Policy*. 2(2)

¹⁰⁶ Ezawa & Fujiwara (2005)

poverty.¹⁰⁷ Ezawa and Fujiwara proposed additional support – e.g., the U.S. style EITC and food stamps, as well as stronger child support enforcement.

One can view the development of U.S. workfare and activation in other countries as a common neoliberal ideology – the way to reduce unemployment and poverty is through entry into the paid labor market. There is also delegation and privatization. However, at the next level, the policies are quite different. In the U.S., as stated, there is the “work first” strategy – move welfare recipients into the paid labor force as quickly as possible, with minimal human capital development low-wage, entry-level jobs, and the widespread use of sanctions. In Europe, there is much greater emphasis on human capital development, on moving people into better level jobs, “more akin to Sweden than the United States.”¹⁰⁸ There are considerable national differences, and “best practices” to avoid an alternative to the “American Way.” Employment and social welfare state policies are not readily transferable; instead, they grow out of national histories, institutions, politics, and social processes. Denmark is cited as a “best practice” example – “Transitional Labour Markets” – “flexicurity” combining low job security, high levels of social protection, including the right to upgrade skills. However, as Flemming Larson points out, the Denmark reforms grew out of its own history, institutions, practical experiences, politics, and social life – a long tradition of trial and error -- which are not readily transferable to other countries.¹⁰⁹

How are the various welfare state reforms being implemented? Research is beginning to be published, but it is still far from complete. What follows is a brief

¹⁰⁷ Ezawa & Fujiwara (2005)

¹⁰⁸ Annesley, Claire (2007) Lisbon and social Europe: towards a European ‘adult worker model’ welfare system. *Journal of European Social Policy*, Vol.17, pp.195-205.

¹⁰⁹ Larsen, Flemming (2005). Ch.6. “Active Labour Policy in Denmark as an example of Transitional Labour Market and Flexicurity arrangement – What can be Learnt?” Bregaard & Larson (eds), pp.115-33.

summary of some of the reports. In most countries, the reorganization of the PES is an ongoing process¹¹⁰ There are indications of different perspectives, if not conflicts, between central ministries and local governments. In Denmark, for example, the social partners at the local level “softened” the activation policies leading to more activist, control of implementation by the municipalities and contracting out, including the establishment of performance goals, with the social partners losing control.¹¹¹ In the Netherlands, PES no longer exists following a shift in the core functions from income support to reintegration. Discretion has been changed from standardized regulation to managerial professionalism. 50% of the caseload is to be the “most vulnerable,” which raises the question of whether the social workers will be able to handle this group.¹¹²

In the United States, one of the assumptions of workfare is that welfare offices will be able to implement individualized work programs for these groups. However, some studies suggest that the new work programs are also suffering from many of the same administrative failures as programs in the United States. Although the reasons for work programs are somewhat different in the United States and Western Europe, both require individually-based services. To run a successful work program in Western Europe, an applicant for assistance must be accurately assessed, offered relevant training, education, and/or work opportunities, and sanctions must be imposed, based on an individual and accurate assessment, if the applicant does not comply with program requirements. Thus, the expectations on caseworkers are high. They need training and time to deal with clients who are affected by broader issues over which they have little

¹¹⁰ Grubb, OECD report, RESQ conference, Amsterdam, Dec.13-14, 2007

¹¹¹ Larsen, Flemming report at RESQ conference, Amsterdam, Dec.13-14, 2007

¹¹² Van Birkel, Rik, RESQ conference, Amsterdam, Dec.13-14, 2007

control – the local labor market, housing, transportation, health, taxes and benefits, and disability.

A major problem in the United States (one of many), is caseload size. Christopher Jewell, in a recent study of workers in Bremen, and Malmö (and four counties in California) reported on significant organizational differences, emphasizing administrative regulations, expertise, professional training, consultation in assessing need.¹¹³ Although the German and Swedish systems differed from each other, they both were in sharp contrast with the U.S. Nevertheless, limited resources hampered both. “Chronically heavy work demands” limited individualized claimant responses. In Bremen, information systems were inadequate for the workers to navigate the changing regulations, to make sure that all other forms of assistance were no longer available. An “immense workload . . . has led inexorably to superficial, legalistic or incorrect treatment of many cases and neglect of many program functions.”¹¹⁴ In Sweden, the issue was not “regulatory excess,” but the heavy caseloads and pressure to make decisions quickly limited the ability to utilize their professional training, especially for the more difficult cases (e.g., substance abuse, relational problems); it was easier to say “simply unemployed.”¹¹⁵ Jewell concludes” “[T]he blunting effect of workload in the European social assistance agencies reveals how readily professionals can be reduced to technicians, unable to make use of delegated discretion, relying on informal shortcuts that can become as hard and fast as any technical procedures in more bureaucratically organized settings.”¹¹⁶

¹¹³ Jewell, Christopher (2007) *Assessing Need in the United States, Germany, and Sweden: The Organization of Welfare Casework and the Potential for Responsiveness in the “Three Worlds.”* *Law & Policy*, vol.29, 380-406; Jewell, Christopher (2007) *Agents of the Welfare State: How Caseworkers Respond to Need in the United States, Germany, and Sweden.* (New York: Palgrave Macmillan)

¹¹⁴ Jewell (2007), p.397

¹¹⁵ Jewell (2007), p.397

¹¹⁶ Jewell (2007), p.398

Research conducted in the United Kingdom and Sweden find that contracts are not based on client needs. Instead, agencies offer brief introductory interviews in which the workers restrict the options they offer and the beneficiaries agree to the contract in order to obtain the benefits.¹¹⁷ In her assessment of offices in the United Kingdom, Sharon Wright observed that interviews usually lasted only two to three minutes.¹¹⁸ “[T]he main purpose [of the interview] was to complete forms and windows in the computer screen The part of the work that was most likely to be neglected was the part that was not form-based.” It appears that, as in the United States, the tasks of eligibility determination and monitoring are monopolizing most of the workers’ time with clients.

There have been significant changes in the UK. Dan Finn, in describing contractualism and the New Labour New Deal policies, says that stricter benefits programs and the Employment service inherited from the Conservative Government, had produced higher levels of active job search and job entries, “but there was evidence, too, that a great number of people experienced sanctions, that some of the long-term unemployed were ‘churned’ through programmes and that others were placed in short-term jobs.”¹¹⁹ When the New Deal programs began to be introduced (1997), several voluntary and community-based organizations started to participate, but many still found it difficult to deliver expected outcomes which led the Government to look to the for-

¹¹⁷Roche, M. (2000). *Comparative social inclusion policies and citizenship in Europe: Towards a new European social model, final report*. Retrieved September 15, 2005, from the Political Economy Research Centre Web site: <http://www.shef.ac.uk/~perc/sedec/>

¹¹⁸ Wright, Sharon. (2001). Activating the unemployed: The street-level implementation of UK policy. In J. Clasen (Ed.), *What future for social security? Debates and reforms in national and cross-national perspective* (pp. 235-249). Bristol: The Policy Press.

¹¹⁹ Finn, Dan (2005) Ch.5 “The Role of Contracts and the Private Sector in Delivering Britain’s ‘Employment First’ Welfare State,” in Sol, Els & Mies Westerveld (eds.) *Contractualism in Employment Services: A New Form of Welfare State Governance* (Kluwer Law International) p.105. Also RESQ conference, Amsterdam, Dec.13-14 (2007)

profit sector.¹²⁰ The public Employment Service was given new responsibilities to improve the New Deal employment programs; there was to be a “new generation” of front-line personnel advisers and contracting with a broad range of public, voluntary and private sector organizations. Finn says that by 2002, Jobcentre Plus had contracts with over a thousand organizations, by 2003, worth about 1 billion British pounds per annum. The aim of Jobcentre Plus is to base the contracts on outcomes rather than inputs. Involving this level of private agencies in front-line advisory work is novel for Britain. This started with New Labour’s flagship program, the New Deal for Young People.¹²¹ The relationship with Jobcentre Plus and private agencies varies; in some cases, competes, and in others partnership – e.g., with “Manpower, the UK subsidiary of one of the largest recruitment businesses in the world,” know as “Working Links.” Subsequently, the number of contractors was reduced to prime contractors who then sub-contract. The contracts are for 5 years.¹²²

Starting in 2000, New Labour created Employment Zones in 15 of the most depressed employment areas. In eight of the zones, unemployed people over 25 who have been claiming a Jobseekers Allowance for over 18 months are required to participate; in the other seven zones, mandatory participation is after 12 months. Since 2001, those who are still unemployed after 13 weeks are re-mandated. Subsequent reforms included “Pathways to Work” for various medical intervention; Employment Support Accounts; “Flexible New Deal” merging various groups of unemployed; increasing the length of time of work from 13 weeks to 2 years to maintain support.¹²³

¹²⁰ Finn (2005), pp.106-07

¹²¹ Finn (2005), pp.107-08

¹²² RESQ conference; Finn (2005), p.109

¹²³ Finn (2007), p.109; RESQ conference.

The approach is front-line “personal advisors” who have flexibility in creating active measures called “personal job accounts.” The contractors are given payments for each participant and if the participant is placed in work, the contractors keep the balance, but if the participant fails to obtain a job, the contractor absorbs the “shortfall.”¹²⁴ There are three stages in the process: (1) the “gateway” which can last up to 13 weeks. Here, the focus is on immediate employment barriers, formulating objectives, and an action plan. The participant receives the full Jobseekers Allowance. (2) This is the intensive phase. The personal account is available and the contractor pays up to 26 weeks of benefits. There can be a range of assistance, e.g., training, employment subsidies. (3) Support is provided to a working participant to help sustain employment.¹²⁵

Studies of Employment Zone contractors showed that they earned higher salaries than public advisors, in part because of substantial bonus payments for meeting job-entry targets. Employment Zone advisers said that the optimum caseload should be 40; in fact, the range was between 55 and 80. In the New Deal, the optimum should be 30; in fact, the range was between 45 and 60.¹²⁶

In a large survey of both Employment Zones and New Deal participants, Zone participants had a more favorable view of workers. 12% of Zone participants were sanctioned; 18% of New Deal participants.¹²⁷ By June 2003, more than 80,000 unemployed people had participated in a Zone; more than a third entered sustained employment, but in both the Zone and New Deal, many of the jobs did not last longer than 13 weeks. Many jobs were temporary, with small employers, and at low wages.

¹²⁴ Finn (2007), p.110

¹²⁵ Finn (2007), pp.110-11

¹²⁶ Finn (2007), p.107-08

¹²⁷ Finn (2007), p.111

Personal employment barriers were significant. “Even some 20 months after being eligible to participate, almost half the participants had spent no time in paid work.” In part, this was due to the harsh employment conditions in the Zones. One result was the “informal segmentation of clients into ‘job ready,’ ‘near job ready,’ ‘not job ready, or unemployable.’”¹²⁸ The latter were more likely to be “parked.” They received interviews about every two weeks with “minimum additional help.” The Zones were not ready to provide extensive training courses or intensive support. The New Deal advisers also reported similar practices – concentrating their efforts on those who were job ready. The Government has acknowledged that future contracts have to be more carefully designed to avoiding creaming and parking strategies.¹²⁹

France, in 1988, established a new program for social assistance recipients – a re-insertion policy (RMI) – a means test, a new social tax, and, at least for France, some degree of devolution to local authorities.¹³⁰ RMI recipients are to agree to “re-insertion contracts” (activation). Thus far, the various employment programs have had mixed results. RMI is conditioned on reciprocal obligations. Clients rotate through subsidized placements; RMI recipients are put in “bad” jobs (poor pay, poor prospects).¹³¹ The Fafo Institute survey reports considerable variation; many respondents (one-third) were unaware of the contracts, they are rarely, if ever, sanctioned for breaches; their main concern is “good” jobs, not “bad” jobs. Jean-Claude Barbier reports that a high

¹²⁸ Finn (2007), pp.113-14

¹²⁹ Finn (2007), pp.114-15

¹³⁰ France has other activation programs, e.g., unemployment, disability. PARE. Barbier (2005), p.10; Barbier, Jean-Claude, RESQ conference, Dec.13-14, 2007; see Smith, Timothy (2004) France in Crisis. Welfare, Inequality, and Globalization since 1980 (Cambridge)

¹³¹ Daguerre, Anne & Palier, Bruno (2002) Welfare Systems and the Management of the Economic Risk of Unemployment, in Maurizio Ferrera and Martin Rhodes (eds.) Welfare System and the Management of Economic Risk of Unemployment: Experiences and Prospects for Reform in the European Union, Rome; Fafo Institute for Applied Social Science (2001) Workfare in Six European Nations: Findings and Evaluations and Recommendations for Future Development. Oslo.

proportion of “hard-to-place” recipients experience a succession of low quality jobs and “for them, quality *insertion* has remained a failure.” The same is true for older workers. Insertion contracts and social worker selectivity concentrates on the most employable.¹³² Many RMI recipients leave the program via a job, but without signing an insertion contract, and the jobs are very insecure.¹³³ In any event, RMI is “woefully underdeveloped.”¹³⁴ Barbier says “Yet, for all their ‘solardaistic’ promises, French activation reforms in the 80s and 90s have obviously not delivered their promise of integrating all in the labour market, the growing polarization of statuses had not been countered by the activation trend. Behind the comprehensive ‘solidarity’ logic, the inequality of access to social and to wage-earner citizenship has come to represent a more and more blatant failure in 2005-2006.”¹³⁵

The Scandinavian welfare states are noted for their commitment to full employment and high benefits as social rights for all citizens. However, Nanna Kildal points out that not all risks are covered. Those who are not covered by work or the national income-security scheme are left to the residual Social Assistance Acts, which are highly selective, administered by the municipalities, with “extensive social control.”¹³⁶ Active labor market policies and the “work approach” have been longstanding policies, especially in Norway and Sweden, moving retrained employees into the labor market. Changes came about in the 1990s when the labor markets declined – flexibilization, lower level jobs – and “sticks” became more prominent – more restrictive eligibility and

¹³² Babier (2005), pp.17-18

¹³³ Fafo (2001)

¹³⁴ Levy (1999). The Jospin government, 1997, introduced a program of 5-year work contracts for people under 25 in the public sector. However, this was cancelled by the Raffarin government, in 2003. Barbier (2005), p.12, n.21.

¹³⁵ Babier, Jean-Claude (2007). Where does the actual gist of ‘activation’ lie? *An approach to actual modifications of social citizenship* (Cinefogo conference, Prag, February), p.27; RESQ conference.

¹³⁶ Kildal (2001), p.5

lower levels of support.¹³⁷ While work has always been emphasized in the Scandinavian welfare states, the duty to work for the lowest social assistance program was new.¹³⁸

According to Kildal, Denmark began to strengthen its activation rules with the labour market reform of 1993. Labor market administration was decentralized and the unemployed were to engage in individual action plans. Unemployment benefits were reduced to seven years, and the last three required mandatory activation. There were further reductions in the “passive period.” Special requirements for low-skilled youth (under 25) – a “right and duty” to education or work training with significantly reduced benefits – were enacted. For those at the bottom – social assistance claimants – Denmark became a “pioneer in Scandinavian compulsory activation . . . a trend towards workfare.” Obligations were strengthened as well as a “second-rate ‘offer you can’t refuse.’” These changes, moreover, were introduced after the Danish economy recovered.¹³⁹ Many participants, according to Kildal, do enter the labor market. Still, there is a “social division” among the unemployed with creaming for the most employable and compulsory programs for the workless. “[O]nly a minority of participants in ‘job training’ actually achieve regular employment.”¹⁴⁰

Sweden, too, has a long history of favoring full employment and the right to work.¹⁴¹ Changes came about with the severe economic recession in the early 1990s. In addition to the reduction in unemployment benefits and introduction of waiting days, municipalities were given new responsibilities for social assistance recipients not covered by national security and, in 1995, complete responsibility for young people and all long-

¹³⁷ Kildal (2001), p.6

¹³⁸ Kildal (2001), p.6

¹³⁹ Kildal (2001), p.8

¹⁴⁰ Kildal (2001), p.9

¹⁴¹ Kildal (2001), p.9

term unemployed between 20-25. This was accompanied by a shift from rights to duties – an obligation to participate in municipal work or training programs, with the threat of reduced or elimination of benefits. “As in Denmark and Norway, the [Social Service Act] introduced a workfare element into society’s last security net, the social assistance programme.”¹⁴² There were further changes, strengthening the obligations on the unemployed, including the right of local authorities to require the unemployed to accept jobs lower than the labor market in return for benefits, and similar to the U.S. workfare, these jobs do not qualify for unemployment, sick relief, or increased old-age pensions.¹⁴³ As the economy picked up, many on these programs found work. Still, young long-term unemployed remained, “probably youth with serious physical or psychological handicaps.”¹⁴⁴

In Norway, more stringent unemployment benefits have led to an increase in social assistance recipients. Strict work requirements are administered by the municipalities under broad guidelines.¹⁴⁵ The obligation to work is at jobs lower than the labor market in return for benefits. There is considerable variation in terms of the work requirements as well as sanctions; there are conflicting studies – some municipal programs seem more lenient, others harsher, some use program savings.¹⁴⁶ While there are significant differences when compared to the U.S. or the UK, the most vulnerable seem to receive fewer benefits and less security; “workfare seems to lead to a new social division of work-training as in Sweden.”¹⁴⁷

¹⁴² Kildal (2001), p.10

¹⁴³ Kildal (2001), p.10

¹⁴⁴ Kildal (2001), p.11

¹⁴⁵ Kildal (2001), p.11

¹⁴⁶ Kildal (2001), p.12

¹⁴⁷ Kildal (2001), p.12

In summing up the trends in Scandinavia, Kildal points out that the “workfare tendencies” are only a small part of the welfare state. Still, it is a departure from the principles of universality. While conditionality is not new, the requirement to work in lower level jobs for benefits is and can result in a “two-tiered labour market characterised by divergent ideas of rights and duties.”¹⁴⁸

All of the activation programs in Western Europe have sanctions. However, their use varies depending on worker discretion, staff attitudes towards clients, whether workers believe that sanctions will improve client behavior or simply make matters worse, how much paperwork would be increased and so forth. Initial research reveals that in contrast to the U.S., workers are unlikely to sanction clients. In the United Kingdom, workers reported that sanctions were a hassle to implement since they required substantial paperwork.¹⁴⁹ Workers believed that clients were “working the system” by working in the informal economy and doubted whether sanctions would change the behavior of this group.¹⁵⁰ In Norway, workers reported using sanctions after multiple attempts to get the client to cooperate.¹⁵¹ In Germany, until 1993, it seemed that workers used their discretion not to sanction clients. However, since 1993, federal law requires workers to sanction recipients after a threat by a social worker. Still, it is clear that a majority of local authorities still do not sanction clients.¹⁵² Similarly in France, there is limited pressure on recipients to engage in job search and, according to Barbier, “the absence of a consistent *punitive* orientation.”¹⁵³ Contrary to results in the United States,

¹⁴⁸ Kildal (2001), p.14

¹⁴⁹ Finn, 2003

¹⁵⁰ Finn, 2003.

¹⁵¹ Lødemel, 2001.

¹⁵² Voges, Jacobs, & Trickey, 2001.

¹⁵³ Barbier (2005), p.15

workers in Western Europe do not rely on sanctions as a means to encourage participation among clients. However, sanctioning is starting to increase in some countries, including the United Kingdom. “[T]he most socially excluded are more likely to experience sanctions”¹⁵⁴

Activation at the European Level; The Open Method of Coordination (OMC)

There has been a great deal of activity at the European Union level concerning improving employment and activation for social assistance recipients. starting with the European Employment Strategy (EES) which developed four themes: (1) an employment strategy and activation; (2) contracting out public employment services; (3) “flexicurity”; (4) and life-long learning.¹⁵⁵ There developed the Open Method of Coordination (OMC) and Social Inclusion – called “soft law.”¹⁵⁶ The idea is that through an exchange of information and the expansion of consultation there would be the development of guidelines to improve employment, occupational health and safety, pension reform, combat gender discrimination, reform labor markets, reduce poverty, and combat social exclusion. Nations would learn from each other and would adopt “best practices.” Countries would file reports – National Action Plans (NAPs) – there would be “benchmarking” and the engagement of a wide variety of actors – not only elite policymakers, but also unions, employer organizations, NGOs, and other social

¹⁵⁴ Training and Employment Network, 1999, p. 2.

¹⁵⁵ Bredgaard & Larsen (2005), Employment Policy From Different Angles. Introduction. Ch.1.

¹⁵⁶ See, e.g., Scott & Trubek 2002); Sabel & Zeitlin, “Learning from Difference: The New Architecture of Experimentalist Governance in the European Union.” (unpublished draft, June 20, 2006); Scharpf, Fritz (1999) *Governing in Europe: Effective and Democratic?* (Oxford U. Press); Offe, Claus (2003) *The European Model of “Social” Capitalism: Can It Survive European Integration?* *Journal of Political Philosophy*, vol.11(4): 437-469; Trubek & Mosher (2001) *New Governance, EU Employment Policy, and the European Social Model. The Race Discrimination Directive addresses discrimination in the workplace, employment relations, sexual orientation, age, disability, ethnicity, and religious belief.* Sable & Zeitlin (2006), p.40 *The Race Discrimination Directive addresses discrimination in the workplace, employment relations, sexual orientation, age, disability, ethnicity, and religious belief.* Sable & Zeitlin (2006), p.40

movement organizations. There would be reflective deliberation. Positive changes, it was hoped, would be the result of both the learning of “best practices” and “shaming” and the input of a wide variety of actors.¹⁵⁷

There is now a significant literature on the effects of OMC on social inclusion. Many claim that there was been a significant increase in inclusion of NGOs and other groups, along with the traditional social partners; there is genuine participation by social NGOs and some advocacy networks – e.g., the European Anti-poverty Network (EAPN)¹⁵⁸ and the European Federation of National Organizations with the Homeless (FEANTSA). This is primarily at the national level in several countries. Others claim that national ministries are restrictive in who participates, that local NGOs are generally ignored, and that the OMC and NAPs are not that relevant to ordinary citizens. It is viewed as another example of the remote EU. Some claim that national NAPs provide a convenient excuse for governments to mask inaction.¹⁵⁹ There is increasing empirical research, but it is hard to establish causality – the factors that produce changes in employment and in welfare state law and administration are multiple, complex, and varied.¹⁶⁰

¹⁵⁷ Sabel & Zeitlin (2006); Zeitlin & Pochet (eds.), *The Open of Coordination in Action – The European Employment and Social Inclusion Strategies*. Peter Lang, Brussel, 2005

¹⁵⁸ Sabel & Zeitlin (2006), p.62. The EAPN has a semi-official place in the Social Inclusion process, p.64.

¹⁵⁹ Offe Claus (2003) *The European Model of “Social Capitalism: Can It Survive European Integration?”* *The Journal of Political Philosophy*: Vol.11, Number 4, pp.437-469

¹⁶⁰ Much of the empirical research involves interview with officials. Some claim a European influence and framing national policies; others say that it is national politics. Bredaard & Larsen (2005); Barbier (2005); Jørgensen, Henning, in Bredaard & Larsen (2005), ch.2; Scharpf (2003); Trubek, David & Louise Trubek (2005). *Hard and Soft Law in the Construction of Social Europe: The Role of the Open Method of Coordination*. *European Law Journal*, vol.11, pp.343-364; Trubek, David and Louise Trubek (n.d.) *New Governance & Legal Regulation: Complementary, Rivalry, and Transformation*. (unpublished); Büchs, Milena (2008) *The Open Method of Coordination as a ‘two-level game*. *Policy & Politics*, vol.36 (forthcoming); Büchs, Milena (2007) *Directly-deliberative polyarchy – a suitable democracy model for European social policy?* Paper for workshop: ‘International Actors and National Welfare Policies’, Stein Rokkan Centre of Social Studies, University of Bergen, 8-9 June.

In practice, it is very difficult to assess the effect of “naming, shaming and blaming.” Claus Offe is skeptical about the EES and OMC.¹⁶¹ There has been resistance to using the EU indicators in the NAPs, what Jørgensen calls a “perverse feedback.” “Sermons are not very effective – and that is still the case with the EES.” There is an “absence of clear learning from each other.”¹⁶² For example, Denmark’s apparently successful activation policies were only “very partially used elsewhere.” He notes that national practices have different actors, different traditions when they search for “best practices.” Countries that have been successful (e.g., Denmark, Sweden) are not likely to look to the practices of other countries. “There are limits to collective learning. National governments and actors often simply do not want to learn.” Jørgensen says that the EES and NAPs are not really open to all the stakeholders. “The result has been an ‘expertocracy’ and to some extent a depolitisation of the unemployment question.” On the other hand, governments do argue “European” when they want to change employment policy. Governments make “selective” choices to fit national traditions, but still focus on the supply side. On the other hand, Barbier says: “[The] EES can certainly not be dismissed as useless or without consequences . . . various French actors have used it as levers to increase and wield their powers; these actors tend to adopt the common discourse”¹⁶³

Other topics to be discussed: Immigration

¹⁶¹ Offe (2003)

¹⁶² On the other hand, Sabel & Zietlin (2006), p.43, argue that peer review can give “rise to binding obligations that go far beyond the monitory exhortations of ‘soft law’ without depending on the hierarchical capacities of the traditional centralized state.” See also p.45 where they argue that accountability results when agents have to explain and justify their actions.

¹⁶³ Barbier (2005), p.16:

Immigration has become a major social and political issue in Europe. The expansion of the European Union – the “free movement of labor” -- has facilitated the migration of lower skilled Eastern European citizens to the more developed countries (e.g., “The Polish plumber”). Contrary to political promises, this was especially true with the unification of Germany. The other main source of immigration is from North Africa, the Middle East, and the Balkans. Countries that were formerly exporting immigrants (“countries of origin”) are now countries of destination, or “host countries.”¹⁶⁴ In addition to “economic” immigrants, there are asylum seekers, family reunification, illegal immigrants. Immigrants, including children born in Europe, suffer serious discrimination – housing, employment, education. The situation is especially dire for illegal immigrants.¹⁶⁵

Several countries have experienced political, cultural, and social conflicts between Muslims and native (Christian) populations.¹⁶⁶ Political reactions have varied. In France, xenophobia was seized by the right wing (Le Pen) but has spread to other political parties. There have been protests and confrontations in several countries, but probably none as severe as the car-burnings and riots in the suburbs of Paris and other French cities.¹⁶⁷ According to Timothy Smith, many French believe that “the social order

¹⁶⁴ Calavita, Kitty (2005) *Immigrants at the Margins: Law, Race, and Exclusion in Southern Europe* (Cambridge U. Press)

¹⁶⁵ Sainsbury, Diane, “Immigrants’ social rights in comparative perspective: welfare regimes, forms of immigration and immigration policy regimes.” *Journal of European Social Policy*, vol.16, 229-44 (2006); Edgar, Bill, Joe Doherty & Henk Meert (2004) *Immigration and Homelessness in Europe*. The Policy Press. (A report of FEANTSA – European Federation of National Organisation Working with the Homeless); Ait-Hamadouche (2002); Smith, Timothy (2004). *France in Crisis: Welfare, Inequality, and Globalization since 1980* (Cambridge)

¹⁶⁶ Judt, Tony (2005), *Postwar: A History of Europe Since 1945* (New York: Penguin Press) p.774-5; Klausen, Jytte (2005) *The Islamic Challenge: Politics and Religion in Western Europe* (Oxford)

¹⁶⁷ See Timothy Smith (2004) *France in Crisis: Welfare, Inequality, and Globalization since 1980* (Cambridge) for a detailed discussion of the dire condition young people of North African descent who are trapped in poverty, unemployment, and derelict public housing.

is falling apart” and that violence in the “working-class suburbs is at an all-time high.”¹⁶⁸

The rejection of the proposed European Constitution in France and the Netherlands has been interpreted, at least in part, as a reaction to the possible admission of Turkey into the European Union.¹⁶⁹ The European Union has recognized the importance of cross-national immigration, and has tried to develop common policies.

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¹⁶⁸ Smith (2004), p.177-78

¹⁶⁹ For a discussion of the fears of admitting Turkey to the European Union, see Judt (2005), pp.766-68

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