Life After Welfare: Annual Update

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EXECUTIVE SUMMARY

This 2009 annual update to Maryland's legislatively-mandated, landmark *Life after Welfare* research study is being issued at a time of great economic uncertainty, turmoil and upheaval for our state, our nation and, indeed, for the world. Despite a few recent economic upticks, more Americans are out of a job and looking for work today than at any time since the Great Depression (Dahl, 2009). More than 7.2 million workers have lost their jobs since the start of the current recession and these losses equal the total number of jobs created during the last expansion. This is the first time this has happened since the 1930s (Ende, 2009). Among the recession's many consequences have been extraordinary and relentless pressures on state budgets, increases in Unemployment Insurance claims and Food Stamp/Supplemental Nutrition Assistance Program caseload increases of unprecedented magnitude.

The pain has been widespread. Household income has declined across all income groups but the Census Bureau confirms what day-to-day experience has already made clear: middle-income and poor families have been hardest hit. Income gaps have widened, poverty has jumped sharply to 13.2%, an 11 year high, unemployment rates are the highest they have been in decades, and the use of Food Stamps jumped 13% in 2008, ballooning to a record 9.8 million U.S. households. This remains a sobering and precarious time for all of us, including public welfare agencies and their low-income adult clients who are trying to successfully navigate their way from welfare to work. Fortunately, Maryland's long, strong history of using empirical data to manage its public welfare programs positions it strongly to weather the current economic storms by being able to timely identify emerging issues and to take appropriate actions.

The *Life after Welfare* project is a critical part of Maryland's ongoing cash assistance program outcome monitoring system and, in today's annual update, we present information about the characteristics and post-welfare circumstances of 13,976 Maryland families who have exited Temporary Cash Assistance (TCA; Maryland's TANF program). Using multiple administrative data sources, we profile families at the time they leave welfare and track their employment outcomes, returns to welfare and utilization of work supports after their welfare cases close. In addition to basic descriptive information, we include more in-depth looks, including up to 12 years of follow up data, to explore how families traverse the worlds of work and welfare and how their welfare and work statuses change over time. Because we add new cases to the sample each year, examine outcomes over multiple years, and compare the outcomes of recent and earlier leavers, study findings are highly relevant to the challenges and decisions facing us all today. Among other things, we are able to not only provide information about how today's leavers are faring, but we can also speak to how those who left welfare earlier are doing in terms of maintaining the gains that they have made.

The following bullets summarize major findings from this year's update:

- Most welfare exits still occur among traditional, single parent cases for which the TANF work requirements were originally intended and among cases which are work-mandatory. Consistent with the distribution of the active TCA caseload, the most recent exiting cases are concentrated in Baltimore City (40.6%), Prince George's County (10.4%) and Baltimore County (11.7%).

- Most aspects of the overall profile of exiting cases have not changed, but two characteristics related to children have. First, more recent leavers are more likely to have at least one child under the age of three years and the average age of the youngest child in cases which have recently closed is significantly younger, compared to cases which left earlier.

- Today's welfare leavers, like those in the past, are not strangers to the world of work; the majority of all leavers had worked before going on welfare and in the two years preceding the exit that brought them into our study.

- There are significant differences between the most recent and earlier leavers in the reasons for case closure. Most notably, work sanction rates this year account for about three of every 10 closures; this is almost six percentage points higher than last year and about double the rate for cases which closed between 1996 and early 2007.

On most measures, the profile of exiting payees and cases has remained quite consistent over time. This year, as in past years, the typical exiting case is headed by a never-married (76%), African-American (72%) woman (94%) who, on average, is 32 years old and has one or two children in her assistance unit. Three-fifths of all recent exiters were work-mandatory (54.4%) or earnings (7.3%) cases. Notably, the proportion of earnings cases (7.3%) was markedly lower than in the preceding year. Also worth keeping in mind is that recent leavers are significantly more likely to have at least one child under the age of three years in the assistance unit; this is true for the cohort of cases newly added this year and for the 'new' cohort added last year. In both groups, nearly half of all cases (47.4% and 48.8% respectively) had at least one child this young; among cases which left between 1996 and early 2007, on the other hand, about two cases in five contained a child this young. There is consistency across time also in the fact that the majority of women in our study cases – roughly seven in ten – had prior history of employment in a job covered by the Unemployment Insurance program.

- Work effort remains high and persistent over time among all adults whose welfare cases closed and average earnings, while relatively low at the outset, do increase over time.

Year-in and year-out our study has found that, in any given post-exit quarter, about half of all welfare leavers are working in a UI-covered job in Maryland or a border state. That continues to be true this year. Moreover, work effort persists and, in fact, increases slightly over time. Among all clients for whom full year data are available and who worked in the first post-exit year, the average number of quarters worked was 3.0; this rises incrementally in each subsequent year, reaching 3.5 out of 4.0 quarters at the end of our follow up period. Average quarterly and annual earnings show the same pattern; average quarterly earnings are $3,200 in the first three months after welfare case closure, but are more than double that ($6,574) by the 48 post-exit quarter. Average annual earnings begin at $11,602 in the first year, rise in every subsequent year, and top out at $22,533 at the last follow up point.

- Although the true magnitude of the drop may be smaller than we report, the most recent leavers appear to be less likely to work in the quarter in which their welfare cases closed and in the quarters immediately thereafter. On the other hand, their average earnings are higher.

Work effort among the adults in our sample cases remains admirable in these difficult times. However, we do find that the most recent leavers, those exiting between April 2008 and March 2009, are significantly less likely to be employed at the time they leave welfare and in the months immediately thereafter than were clients who left earlier. For example, in the exit quarter some 45% of recent leavers were working, compared to roughly 52% among those who left the year before and those who left even earlier than that. Employment rates among the most recent leavers at the first three, six and nine months exit points are roughly 5%, 7% and 10% lower than the rates for other exiting cases. Because of certain issues related to the timing of our employment data collection, we would note that there may be some understatement of recent leavers' employment; notwithstanding this possibility, however, we strongly suspect that the general downward trend is a real one.

- Overall, returns to welfare remain relatively low; it continues to be true that recidivism risk is highest in the first post-exit year and that certain cases are more likely to return than others. Families who left welfare during the early part of the recession have slightly elevated recidivism rates compared to those who left earlier.

The majority (60%) of exits from cash assistance under welfare reform have been permanent ones. For various reasons, however, some families do come back on welfare; when returns do occur, they typically happen relatively shortly after the case closure. This has been a consistent finding over the course of the *Life after Welfare* study and strongly suggests that if families can remain off welfare for the first one to two years, they are unlikely to ever return. One slight cloud on the recidivism horizon is our finding this year that families who left welfare during the early months of the recession have not been quite as successful in remaining off assistance as their counterparts who left earlier. Although there were no significant differences in recidivism rates at the three and six months measuring points, by the end of the first post-exit year, about one in three (34.1%) cases which closed between April 2007 and March 2008 had returned to welfare for at least one month. Among cases which left earlier, the figure was 28.1%.

- Participation in SNAP (formerly Food Stamps) and Medical Assistance (MA) is high among all adults, children and cases in our sample but for both programs is significantly higher in the first three months after the welfare exit for families who left welfare in the most recent year.

- Child support remains a potentially important but generally unrealized source of post-welfare financial support. Only about one in four families receive any child support during the first post-exit year but, among those who receive any, the average amount is not inconsequential ($1,922).

Given the vicissitudes of the larger economy, especially today, and the perhaps somewhat fragile foothold that our former cash assistance recipient families have in the economic world away from welfare, the availability of and their enrollment in key work support programs is essential. Participation rates for both the major nutrition and health programs are in excess of 60% and 84% of all cases and the more recent leavers have significantly higher participation rates than do earlier leavers in the months right after the welfare exit. Families who left welfare with the past year and the immediately preceding year, to illustrate, have three month post-exit nutrition program use rates of 81.% and 78.1%, respectively. Among the cases which left welfare in earlier years, the comparable rate was 63.3%.

The pattern for medical program participation was similar; enrollment rates are roughly 95% for cases leaving within the past two years, compared to 84% among cases which closed prior to then. The statistics are not as encouraging with regard to child support. It does comprise a significant component of total family income among the minority of cases which receive it. However, many families leave welfare without a support order in place, the majority of cases have arrears owed to the custodian and, in general, the situation gets worse, not better over time. Certainly, there are many reasons beyond the control of the child support agency which influence order establishment and/or support enforcement success. Nonetheless, creative efforts to improve the child support situation for families who have left or are about the leave welfare could yield important payoffs, for families and for the state; research has shown that receipt of child support reduces the risk that a family will return to welfare.

In sum, given the economic turmoil of the recent past and today, it is heartening that, as in past years, much of the news in this year's *Life* update is generally positive. Most families leave welfare and do not return. Adults find work and experience earnings increases over time and the use of work supports such as SNAP and MA remains high. Also positive is the fact that, despite the current economy, the most recent welfare leavers are spending shorter periods of time on welfare than did their counterparts from the earliest days of welfare reform. Approximately half of recent leavers spent a year or less on the rolls and only a very small percentage had been on assistance for more than four years at the time of case closure.

On a less positive, but not unexpected, note we do find that families who left welfare in the most recent period (April 2008 through March 2009) have lower initial employment rates than their counterparts who exited earlier. In addition, our calendar year analyses reveal that annual earnings for all leavers fell slightly between 2007 and 2008 after several years of steady increase. More recent leavers also have an elevated risk of experiencing a return to welfare and higher rates of work sanctioning. We will continue to track these matters because a decline in earnings and/or a worsening of the employment situation could potentially begin a downward spiral that causes more families to have to return to cash assistance.

Last but not least, today's report continues to show that child support remains a potentially very important, if unrealized, source of post-welfare income for many families. Among the minority of cases which do receive support, its contribution to overall family income is substantial. Far too many families, however, appear to leave welfare with no paternity and/or support order in place and for others sizable arrears have accumulated. We are acutely aware that non-custodial parents, especially those with low incomes, are themselves under stress in today's economy and that some may simply be unable to meet their child support obligations. Programmatically, however, the important action step is to insure that all cases are reviewed, that paternity and reasonable support orders are established and that support enforcement actions are taken when it is appropriate to do so.

Maryland has achieved much during the first 13 years of welfare reform and those accomplishments have been empirically documented through the ongoing *Life after Welfare* study. Today's annual update confirms that the hard work of legislators, agencies, and families has continued and still yields positive results. The report also reaffirms that the success of our welfare-to-work efforts is, as it has always been, influenced by events and circumstances in the larger economy. These are challenging times and the challenges are likely to continue for the foreseeable future. As the old canard says, however, 'when times get tough, the tough get going'. Having been participant observers and research chroniclers of Maryland's welfare reform efforts for many years now, we are confident that Maryland is tough enough to meet today's challenges and further that, with our best collective efforts, our state will address those challenges at least as well as, if not better than, other states. Indeed, for the sake of our state and its hard-working families, we must.

Introduction

Fourteen years ago, precipitated by the passage of the Personal Responsibility and Work Opportunity Act of 1996 and rapidly shrinking welfare caseloads, Maryland began examining the characteristics and outcomes of welfare leavers via the ground-breaking, legislatively-mandated *Life after Welfare* study. Since that time, through annual updates and a number of other related research projects, the *Life* study has chronicled the changing welfare policy, program and caseload landscape. Notably, the study has documented that caseloads have declined, the composition and distribution of recipient households have changed, large numbers of primarily single-parent with children families have left welfare for work and not returned and, importantly, that welfare reform in Maryland has not led to increases in foster care placements. More recently, the Deficit Reduction Act of 2005 (DRA) has increased the pressure on states to meet more stringent federal work participation requirements.

Last but certainly not least or irrelevant, the United States has recently been in the throes of a recession which a well-respected T. Rowe Price fund manager, among others, has termed "historic in scope" (Athey, p. 2, 2009). The data support Athey's point of view: despite the recent economic uptick, more Americans are out of a job and looking for work today than at any time since the Great Depression (Dahl, 2009). Moreover, since the start of the recession, 7.2 million workers have lost their jobs. These losses equal the total number of jobs created during the last expansion, the first time this phenomenon has occurred since the Great Depression (Ende, 2009). Among the recession's many consequences have been extraordinary and relentless pressures on state budgets, increases in the ranks of the unemployed and, not coincidentally, Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps) caseload increases of unprecedented magnitude.

The litany of job loss and unemployment figures is well-known: in June 2009, the national unemployment rate was 9.5% and is widely expected to continue to rise. The Maryland unemployment rate in June of this year was notably lower (7.5%), but still much higher than usual. Monthly job losses, nationwide, continue to be in the six figures. Based on these statistics alone, it seems a near certainty that adults leaving welfare today are entering a labor market that is far tougher than at any time since the start of welfare reform in the mid-1990s and, perhaps, at any time since World War II.

National and state SNAP caseloads reflect economic realities as well. Nearly one in every nine Americans was enrolled in SNAP/FS in May 2009 (USDA, 2009). Here in Maryland the SNAP/FS caseload increased by nearly a third (32.5% - from 173,598 to 230,155) between July 2008 and July 2009 alone. In July of this year, nearly one-half million Marylanders (491,262) were receiving SNAP/FS; to our knowledge this is the highest number ever recorded in our state. Moreover, an analysis done last fall of new Maryland SNAP/FS entrants concluded that "the recent economic downturn [was] causing people who had been "getting by" to no longer be able to do so without help from the SNAP/FS program" (Ovwigho, Kolupanowich & Born, 2008). Temporary Assistance to Needy Families (TANF) caseloads have increased as well, after years of caseload decline nationally and in our state. While still well off historic highs (225,000+ persons) by some 72%, the Temporary Cash Assistance (TCA; Maryland's TANF program) rolls included 62,842 persons in July 2009, the 28th consecutive month of incremental caseload growth (FIA Program Caseloads-July, August 28, 2009).

These are, unquestionably, very turbulent and uncertain times for all of us, including cash assistance program managers, front-line caseworkers, clients and state policy-makers. Fortunately, Maryland has a long history of using empirical data as a guidepost to manage and track the outcomes of its TCA/TANF program. It was the first state in the nation to report on the characteristics and post-welfare outcomes of welfare leavers and, today, Maryland's legislatively-mandated *Life after Welfare* project remains the largest and longest-running welfare monitoring study, providing annual updates on the course of welfare reform in our state.

Today's report is the latest in our series of annual updates. As is customary, we present empirical data, including information on long-term outcomes, about Maryland's welfare leavers. Our purpose remains straightforward: to provide policymakers and program managers with empirical information that can be used to efficiently and effectively serve low-income families with children, even in these difficult times. The following questions are addressed:

1. What are the characteristics of Maryland's welfare leavers?

2. What are the administrative reasons why families' welfare cases close?

3. What are clients' short- and long-term employment patterns post-exit?

4. Do early and later leavers differ in terms of post-exit employment?

5. How many families return to welfare?

6. How many families use SNAP (Food Stamps) and Medical Assistance (including MCHP) after leaving welfare?

7. How many families receive child support after leaving TANF and how much do they receive?

Because we add new cases to the sample, each year, our findings are highly relevant to the challenges and decisions facing policymakers and program managers today. In addition to a snapshot of the basic outcomes of TANF leavers, we also explore up to 12 years of follow-up data for the families that left welfare in the earliest years. It is hoped that our study findings will provide guidance for making the best policy and program choices for TANF families, particularly in today's challenging economy.

METHODS

In this chapter, we present a description of the sample for our annual update. Our administrative data sources are also discussed.

Sample

For our *Life after Welfare* study, we draw a five percent random sample from all cases that close each month. The sample for this report consists of cases that exited TANF during the period October 1996, the first month of welfare reform in Maryland, through March 2009.

Because our goal is to provide the most complete picture of how families leaving welfare are faring, the study population includes the full range of case situations – families who leave welfare for work, families who are terminated for non-compliance with program rules, and those who leave welfare but subsequently return. In general, cases are eligible for selection into our study as long as the welfare case did not close and reopen on the same day.

Similar studies typically exclude "churners," cases which are closed for only a short period of time, such as less than one or two months. Our analyses have revealed that a significant minority of cases churn each month and that the characteristics of cases likely to close and reopen quickly differ from those likely to make a longer exit (Born, Ovwigho, & Cordero, 2002).

While we continue to follow all cases in our sample, certain "churning" cases are excluded from the analyses presented in this report. Specifically, we exclude cases that returned to welfare within one month of exit. Thus, of the total sample of cases that exited between October 1996 and March 2009 (n=19,673), we exclude the 5,706 (29.0%) that returned to cash assistance within one month of exit. Thus, a total of 13,967 cases (19,673-5,706) are included in the analyses. Drawing five percent samples from each month's universe of non-churning TCA closing cases yields a valid statewide sample at the 99% confidence level with a ±1% margin of error.

Data Sources

Study findings are based on analyses of administrative data retrieved from computerized management information systems maintained by the State of Maryland. Demographic and program participation data were extracted from the Client Automated Resources and Eligibility System (CARES) and its predecessor, the Automated Information Management System/Automated Master File (AIMS/AMF). Employment and earnings data were obtained from the Maryland Automated Benefits System (MABS) and are supplemented with limited UI-covered employment data from the states that border Maryland. Data regarding former welfare recipients' child support receipt are from Maryland's Child Support Enforcement System (CSES).

CARES

CARES became the statewide automated data system for certain DHR programs in March 1998. Similar to its predecessor AIMS/AMF, CARES provides individual and case level program participation data for cash assistance (AFDC or TCA), Supplemental Nutrition Assistance (formerly Food Stamps), Medical Assistance and Social Services. Demographic data are provided, as well as information about the type of program, application and disposition (denial or closure) date for each service episode, and codes indicating the relationship of each individual to the head of the assistance unit.

CSES

The Child Support Enforcement System (CSES) contains child support data for the state. Maryland counties converted to this system beginning in August 1993 with Baltimore City completing the statewide conversion in March 1998. The system includes identifying information and demographic data on children, noncustodial parents and custodial parents receiving services from the IV-D agency. Data on child support cases and court orders including paternity status and payment receipt are also available. CSES supports the intake, establishment, location, and enforcement functions of the Child Support Enforcement Administration.

MABS

Our data on quarterly employment and earnings come from the Maryland Automated Benefits System (MABS). MABS includes data from all employers covered by the state's Unemployment Insurance (UI) law (approximately 93% of Maryland jobs). Independent contractors, sales people on commission only, some farm workers, federal government employees (civilian and military), some student interns, most religious organization employees, and self-employed persons who do not employ any paid individuals are not covered. "Off the books" or "under the table" employment is not included, nor are jobs located in other states.

In Maryland, which shares borders with Delaware, Pennsylvania, Virginia, West Virginia and the District of Columbia, out-of-state employment is quite common. Most Maryland counties border at least one other state. Moreover, in some Maryland counties, more than one of every three employed residents worked outside the state. Overall, the rate of out-of-state employment by Maryland residents (17.4%) is roughly five times greater than the national average (3.6%)[1]. Out-of-state employment is particularly common

[1] Data obtained from U.S. Census Bureau website http://www.factfinder.census.gov using the Census 2000 Summary File 3 Sample Data Table QT-P25: Class of Worker by Sex, Place of Work and Veteran Status, 2000.

among residents of two very populous jurisdictions (Montgomery, 31.3% and Prince George's Counties, 43.8%), which have the 5th and 2nd largest welfare caseloads in the state. Also notable is the fact that there are more than 124,900 federal jobs located within Maryland (Maryland State Data Center, 2008) and the majority of state residents live within commuting distance of Washington, D.C., where federal jobs are even more numerous.

To supplement the MABS data, we incorporate data on UI-covered employment in the states that border Maryland. These data, obtained through a data sharing agreement among the participating states, did not become available until 2003 and thus, are not available for our exiting cohorts for all time periods. While the inclusion of these data provides a more comprehensive picture of leavers' post-exit employment, readers are reminded that our lack of data on federal civilian and military employment continues to depress our employment findings to an unknown extent.

Finally, because UI earnings data are reported on an aggregated, quarterly basis, we do not know, for any given quarter, how much of that time period the individual was employed (i.e., how many months, weeks or hours). Thus, it is not possible to compute or infer hourly wages or weekly or monthly salary from these data. It is also important to remember that the earnings figures reported do not necessarily equal total household income; we have no information on earnings of other household members, if any, or data about any other income (e.g. Supplemental Security Income) available to the family.

Findings: Baseline Characteristics

In this, our first findings chapter, we present a snapshot of families as they exit welfare. First, the characteristics of our sample are described and we consider how the profile of welfare leavers has changed over time. We also explore former payees' welfare and employment histories, as well as the administrative system codes used to indicate why their welfare cases closed.

What are the Characteristics of Exiting Payees and Cases?

Table 1, which follows this discussion, presents data on the characteristics of the former TCA payees in our sample and their welfare cases. The table contains four columns: the first includes data for the entire sample of 13,967 families. This is followed by a column for the most recent 891 cases in our sample (those exiting between April 2008 and March 2009, Cohort 3). The last two columns represent the next most recent 800 cases, families whose cases closed between April 2007 and March 2008 (Cohort 2) and, finally the 12,276 cases that exited between October 1996 and March 2007 (Cohort 1). Continuing a practice begun last year, our discussion highlights differences between the 2007-2008 and 2008-2009 exiting cohorts in order to be able to observe any changes that might be associated with Deficit Reduction Act (DRA) changes and mandates and/or the state of the larger national and state economies.

Characteristics of the entire sample

For our entire sample of leavers, the thumbnail sketch of the typical payee is that of a never-married (74.6%), African-American (74.4%) woman (95.4%) in her early 30s (mean age = 32.8 years) with one or two children (mean = 1.73), the youngest of whom is about 5 ½ years old (mean = 5.60). Two out of five cases (41.4%) include a child under the age of three years.

Child-only cases, in which there is no adult included in the assistance grant, constitute a small minority of exiting cases. Whereas child-only cases account for nearly two-fifths (36.9%) of Maryland's March 2009 active TCA caseload, they are underrepresented among leavers. Fewer than one in five (16.3%) of all exiting cases are child-only cases.

As in past years, Baltimore City residents comprise the largest percentage (45.8%) of exiting cases. An additional one-quarter reside in either Prince Georges County (12.5%) or Baltimore County (11.5%). In short, the vast majority of our sample (69.8%) hails from one of these three jurisdictions. This geographic distribution of welfare leavers is fairly similar to that of the active TANF caseload indicating that, in general, caseload exits are proportionate to caseload size.

Do recent leavers differ from earlier leavers?

Maryland's initial approach to welfare reform emphasized having the most work-ready customers exit the rolls first. The savings from these initial exits would then be rolled over to provide additional assistance for those who needed more time or intensive help to find employment. Thus, it was anticipated in the early years of welfare reform that the characteristics of welfare leavers would change over time. Today, changes brought about by the DRA and the faltering economy also lead to questions of whether certain groups are more or less likely to exit the welfare rolls.

The unique design of our study sample allows us to compare different exiting cohorts over time, as shown in the last three columns of Table 1. Generally, the profile of leavers has remained remarkably consistent over time, with a few statistically significant differences. However, the profile differences that do exist (marital status, jurisdiction, percent of child only cases, age of youngest child, and percent of cases with a child under the age of three) are not believed to be of any grave programmatic consequence.

The most notable "blips" in our profile data are evident with regard to Cohort 2 cases, those whose welfare cases closed between April 2007 and March 2008. Cases in this cohort differed significantly in several ways from Cohort 1 cases, the 12,000+ families who left welfare during the 11 prior years (October 1996 – March 2007). Specifically, the 2007-2008 exit cohort were more likely to be headed by an African American (78.2% vs. 74.4%), more likely to be a child only case (19.6% vs.16.0%), and more likely to include a child under the age of three years (48.8% vs. 40.5%).

With the most recent cohort of exiters (April 2008 to March 2009), we see some of these numbers retreat to the more typically observed profile pattern. For example, among the most recent exiters in our sample, 72.2% of caseheads are African-American (vs. 78.2% in the prior year) and 18.0% are child-only cases, compared to 19.6% in the preceding year. Related to this latter point, we would note that in all years and cohorts, the data show that child-only cases remain underrepresented among welfare leavers compared to their representation among active cases. However, their share of exiting cases has increased incrementally over time such that, today, child-only cases account for just less than one in five exiting cases.

Another programmatically important as well as statistically significant difference between the two cohorts of most recent leavers (i.e., April 2007-March 2008 and April 2008-March 2009) and those who left between October 1996 and March 2007, is that the former are significantly more likely to have at least one young child in the assistance unit. Specifically, almost one of every two of the 2007-2008 (48.8%) and 2008-2009 (47.4%) leavers have at least one child under the age of three years. In contrast, among those who left welfare earlier, just about two in five (40.5%) included a child that young.

In sum, although we find a few statistically significant differences in payee and case demographics across time, none of these differences appear to be cause for alarm in and of themselves nor do they appear to reflect any real shift in the types of adults or cases who are leaving welfare. More likely, the differences – particularly those associated with the cohort of cases that closed between April 2007 and March 2008 – reflect various case closing and/or other initiatives in operation during that time, particularly in Baltimore City.

Table 1. Demographic Characteristics of Exiting Payees and Cases

	Entire Sample 10/96 - 3/09 (n =13,967)	Cohort 3 Most Recent Cases 4/08 - 3/09 (n =891)	Cohort 2 Recent Cases 4/07 – 3/08 (n = 800)	Cohort 1 Early Cases 10/96 - 3/07 (n =12,276)
Payee's Gender (% female)	95.4% (13082)	93.8% (836)	96.0% (768)	95.4% (11478)
Payee's Age				
Mean (Standard deviation)	32.79 (11.02)	32.77 (11.47)	33.11 (12.05)	32.77 (10.91)
Payee's Racial/Ethnic Background				
African American	74.4% (9871)	72.2% (626)	78.2% (611)	74.4% (8634)
Caucasian	22.9% (3041)	24.9% (216)	19.1% (149)	23.0% (2676)
Other	2.6% (346)	2.9% (25)	2.7% (21)	2.6% (300)
Region[2]***				
Baltimore City	45.8% (6392)	40.6% (362)	45.8% (366)	46.2% (5664)
Prince George's County	12.5% (1743)	10.4% (93)	10.9% (87)	12.8% (1563)
Baltimore County	11.5% (1599)	11.7% (104)	10.6% (85)	11.5% (1410)
Metro Region	6.4% (891)	8.0% (71)	7.8% (62)	6.2% (758)
Anne Arundel County	5.3% (736)	6.8% (61)	7.3% (58)	5.0% (617)
Montgomery County	4.4% (614)	4.3% (38)	4.3% (34)	4.4% (542)
Upper Eastern Shore Region	4.2% (587)	5.5% (49)	3.5% (28)	4.2% (510)
Western Maryland Region	3.5% (482)	4.2% (37)	3.6% (29)	3.4% (416)
Lower Eastern Shore Region	3.3% (462)	3.4% (30)	3.8% (30)	3.3% (402)
Southern Maryland Region	3.2% (441)	5.2% (46)	2.6% (21)	3.1% (374)
Assistance Unit Size				
Mean (Standard deviation)	2.60 (1.19)	2.63 (1.24)	2.51 (1.20)	2.61 (1.19)
% child only cases*	16.3% (2275)	18.0% (160)	19.6% (157)	16.0% (1958)
Marital Status***				
Married	7.7% (955)	7.8% (69)	6.2% (48)	7.8% (838)
Never Married	74.6% (9220)	76.3% (679)	79.3% (617)	74.0% (7924)
Divorced/Separated/Widowed	17.6% (2172)	13.5% (120)	14.5% (113)	13.2% (1416)
Number of Children				
Mean (Standard deviation)	1.73 (1.07)	1.76 (1.09)	1.68 (1.07)	1.73 (1.07)
Age of Youngest Child				
Mean** (Standard deviation)	5.60 (4.82)	5.10 (4.87)	5.37 (5.16)	5.66 (4.80)
% with a child under 3***	41.4% (5499)	47.4% (405)	48.8% (366)	40.5% (4728)

Note: Due to missing data for some variables, counts may not sum to the total number of cases. Valid percentages are reported. *p<.05 **p<.01 ***p<.001

[2] The regions are as follows: Metro (Carroll, Harford, Howard, and Frederick); Western (Allegany, Garrett, and Washington); Southern (Calvert, Charles, and St. Mary's); Upper Shore (Cecil, Kent, Queen Anne's, Caroline, Talbot, and Dorchester); and Lower Shore (Worcester, Wicomico, and Somerset).

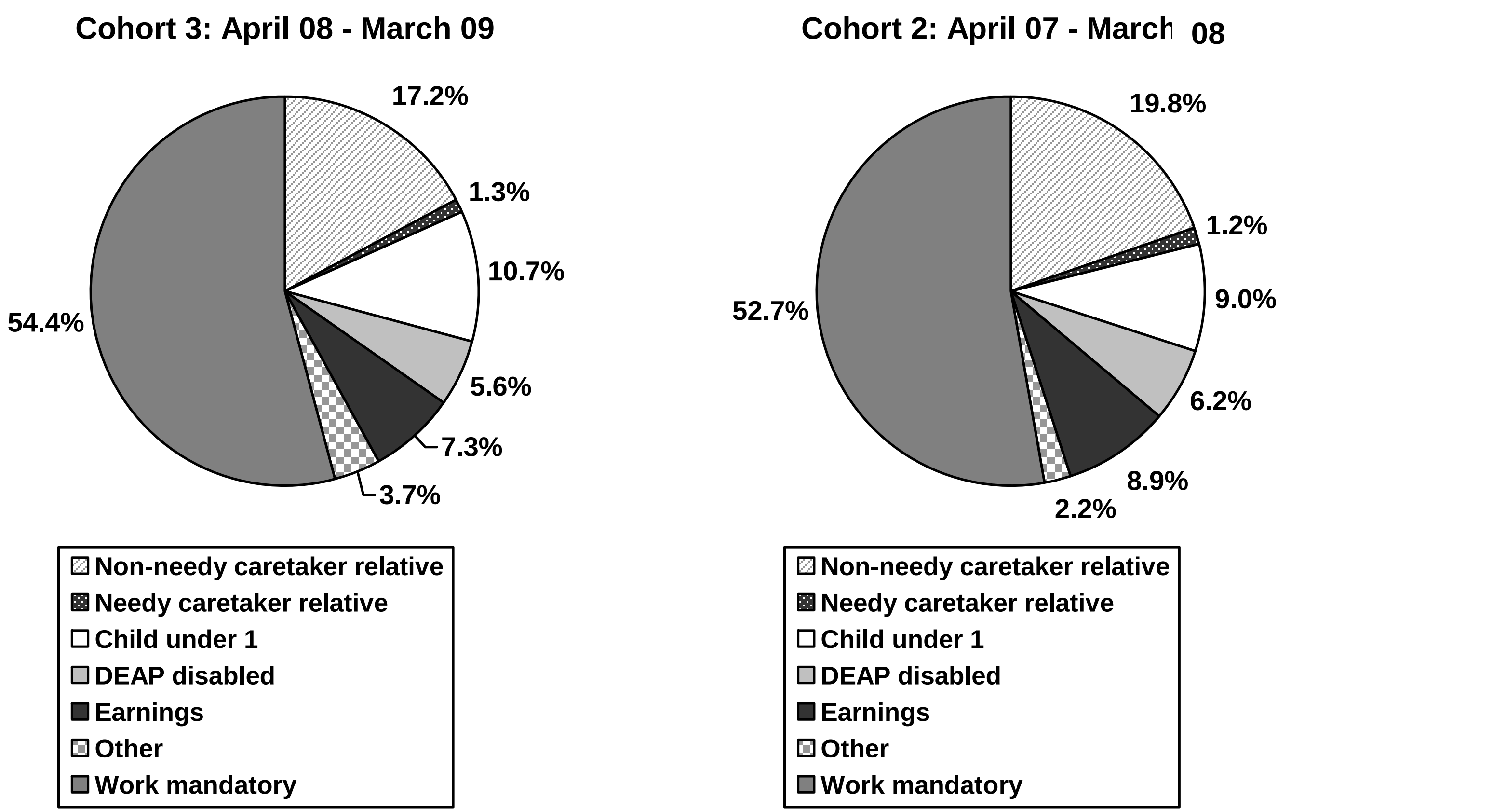
Core Caseload Subgroups

With the implementation of PRWORA in 1996, Maryland adopted an empirically-based, client-focused approach to its TANF program. This approach had and still has two major foci. The first is to engage the most work-ready customers first and, as quickly as possible, have them move from the welfare rolls to the employment rolls. The second is to have sufficient time and resources to meaningfully ameliorate barriers to self-sufficiency among more troubled clients. A key mechanism used in pursuit of the second objective was to identify so-called “harder to serve” client groups and the individual cases within each group and, ultimately, to provide aid and services to these families through Separate State Programs (SSPs). Federal rules have changed with regard to SSP cases so that the large majority of them must now be included in the state’s work participation rate calculations if the state funds expended are counted toward the state’s maintenance of effort (MOE) threshold.

Despite federal rule changes, the concept of a “core” caseload and distinct sub-groups with the recipient population remains valuable and in use in Maryland. In essence, the “core” caseload consists of all work-mandatory cases that do not fall into one of these special groups: Earnings; Caretaker Relative; DEAP Disabled; Domestic Violence Victims; TANF Disabled; Child under 1; and Caring for an Ill Family Member. Because caseload composition in terms of work participation groupings remains a central concept for the TCA program, we include it in our annual update. In Figure 1, following, we present the core caseload distribution for the two groups of most recent exiters, those leaving cash assistance between April 2008 and March 2009, and those who exited between April 2007 and March 2008.[3] As shown and as might be expected, the majority of exiting cases in both cohorts are members of the traditional work mandatory population and there is little difference between the two cohorts. About half of all clients in both groups – 54.4% among those whose cases closed most recently (2008-2009) were work mandatory as were 52.7% of those who left the year before.

[3] The core caseload definitions were revised effective October 2007. The new groupings and definitions are not exactly comparable to those used in previous periods.

Figure 1. Core Caseload Subgroups among Recent and Most Recent Exiters



Note: The “Other” group consists of: Temporary Disabled, Caring for a Disabled Family Member, and Domestic Violence cases.

What are Payees' Experiences with the Welfare System and Employment?

In the previous section, we saw that most welfare leavers were considered "work mandatory" before their exit indicating that, from the agency's perspective, they were ready to transition from welfare to work. Two known predictors of finding and maintaining employment are a person's work history and the length of time they have spent on welfare. In this section we examine both of these baseline characteristics.

In the top half of Table 2 we present data on the length of the welfare spell that occurred immediately before the exit that brought the case into our sample. For a longer term perspective, we also present the cumulative (though not necessarily consecutive) months of aid in the 60 months (or five years) before the welfare exit.

The majority of all leavers between 1996 and 2009 (68.9%) had been on cash assistance for 12 or fewer consecutive months at the time of the exit that brought them into our sample. On average, for the sample as a whole, families had spent just under 16 months in a row (mean = 15.45 months) on cash assistance and the median spell length was 7.76 months.

Because there is a five year lifetime limit on the amount of time an adult may receive federally-funded TANF benefits, it remains important to track cumulative welfare use among our families as well. The bottom half of Table 2 presents this information. For the entire sample we see that, on average, families have spent a cumulative total of 26.75 months, or just over two out of the past five years on aid. About half of families had accumulated 23 months of total assistance and half of families had accumulated fewer. The most common situation, observed in one of every three cases (33.2%) was having a five-year total of 12 or fewer months. At the other extreme, one in five families (20.1%) had received assistance in at least 49 of the preceding 60 months.

The remaining three columns in Table 2 show that earlier and more recent leavers differ in both their most recent welfare spell and longer term welfare history and that these differences are statistically significant. The two most recent cohorts, those exiting during the 2007-2008 and the 2008-2009 periods are much more likely to have been exiting from a welfare spell that had lasted for 12 or fewer months. Among these two groups, respectively, 83.1% and 84.2% were exiting from a spell of no more than 12 months. In contrast, just about two-thirds (66.8%) of the earliest leavers (1996-2007) exited from spells that short. These differences are also apparent in the mean spell lengths for the three cohorts; the average (mean) exiting spell for recent leavers (8.7 months for the 2008-2009 cohort and 9.7 months for the 2007-2008 cohort) is only about half as long as the average for earlier leavers (16.3 months for the 1996-2007 cohort).

Similar and also statistically significant differences between earlier and later leavers are apparent when we consider their cumulative welfare history over the previous five years. One out of five (21.7%) of the earliest leavers had accumulated at least 49 months of assistance in the previous five years, compared to only one-tenth (10.1%) of those who left during the 2007-2008 period and only 6.7% of those who left in the 2008-2009 period.

Table 2. Welfare History

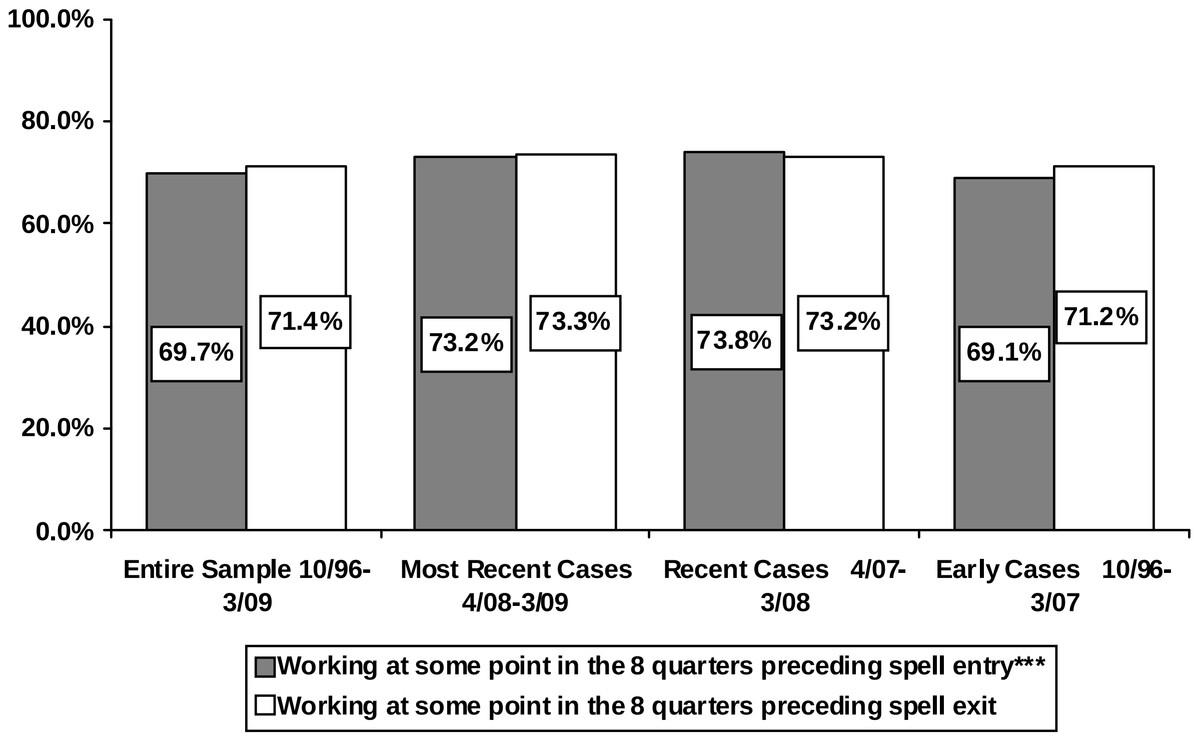
	Entire Sample 10/96 - 3/09 (n=13,967)	Cohort 3 Most Recent Cases 4/08-3/09 (n =891)	Cohort 2 Recent Cases 4/07 - 3/08 (n=800)	Cohort 1 Early Cases 10/96 - 3/07 (n=12,276)
Length of Exiting Spell***				
12 months or less	68.9% (9620)	84.2% (750)	83.1% (665)	66.8% (8205)
13 - 24 months	16.2% (2258)	10.4% (93)	9.9% (79)	17.0% (2086)
25 - 36 months	5.6% (788)	2.4% (21)	3.1% (25)	6.0% (742)
37 - 48 months	2.9% (406)	1.1% (10)	1.4% (11)	3.1% (385)
49 - 60 months	1.7% (240)	0.9% (8)	0.5% (4)	1.9% (228)
More than 60 months	4.7% (655)	1.0% (9)	2.0% (16)	5.1% (630)
Mean***	15.45 months	8.71 months	9.66 months	16.31 months
Median	7.76 months	4.92 months	4.73 months	8.31 months
Standard Deviation	24.67 months	14.60 months	18.69 months	25.45 months
TCA Receipt in 5 Yrs Prior to Exit***				
12 months or less	33.2% (4630)	51.4% (458)	47.3% (378)	30.9% (3794)
13 - 24 months	19.7% (2745)	23.8% (212)	23.3% (186)	19.1% (2347)
25 - 36 months	14.9% (2081)	11.8% (105)	11.5% (92)	15.4 %(1884)
37 - 48 months	12.2% (1697)	6.3% (56)	7.9% (63)	12.9% (1578)
49 - 60 months	20.1% (2809)	6.7% (60)	10.1% (81)	21.7% (2668)
Mean***	26.75 months	17.63 months	19.68 months	27.87 months
Median	23.00 months	12.00 months	14.00 months	24.00 months
Standard Deviation	19.14 months	15.30 months	16.93 months	19.26 months

Note: Due to missing data for some variables, counts may not sum up to the total number of cases. Valid percentages are reported. Valid percentages are reported. *p<.05, **p<.01, ***p<.001

Work experience is also a key predictor of success in obtaining future jobs. In Figure 2, following, we present leavers' recent employment rates in Maryland UI-covered jobs during the eight quarters (or two years) prior to welfare spell entry, and the same time period prior to spell exit. Overall, we found that seven out of ten (69.7%) had worked at some point in a UI-covered job during the eight quarters preceding spell entry. A very similar, but slightly higher percentage (71.4%) worked at some point in the eight quarters preceding spell exit.

A closer look at these rates reveals statistically significant differences among cohorts in the rates of employment in the eight quarters preceding spell entry, but not in the eight quarters preceding spell exit. In the before-spell period, just about three-fourths (73.2%) of the most recent exiters (April 2008 to March 2009) and those whose cases closed between April 2007 and March 2008 (73.8%) had worked at some point. Among the earliest leavers (October 1996 to March 2007) the rate was slightly, though significantly, lower (69.1%). No significant difference was found in employment rates during the eight quarters immediately before the welfare exit. The before-exit employment rates for both recent cohorts (73.3% and 73.2%) mirror the before-spell rates and are very similar to the rate for early cases (71.2%).

Figure 2. Employment History



Note: Due to missing data for some variables, counts may not sum up to the total number of cases. Valid percentages are reported. The employment figures exclude 42 sample members with no unique identifier. In addition, employment preceding spell entry excludes anyone whose welfare spell began before April 1, 1987 (n=161 in Cohort 1 and n=1 in Cohort 2). Valid percentages are reported. *p<.05, **p<.01, ***p<.001

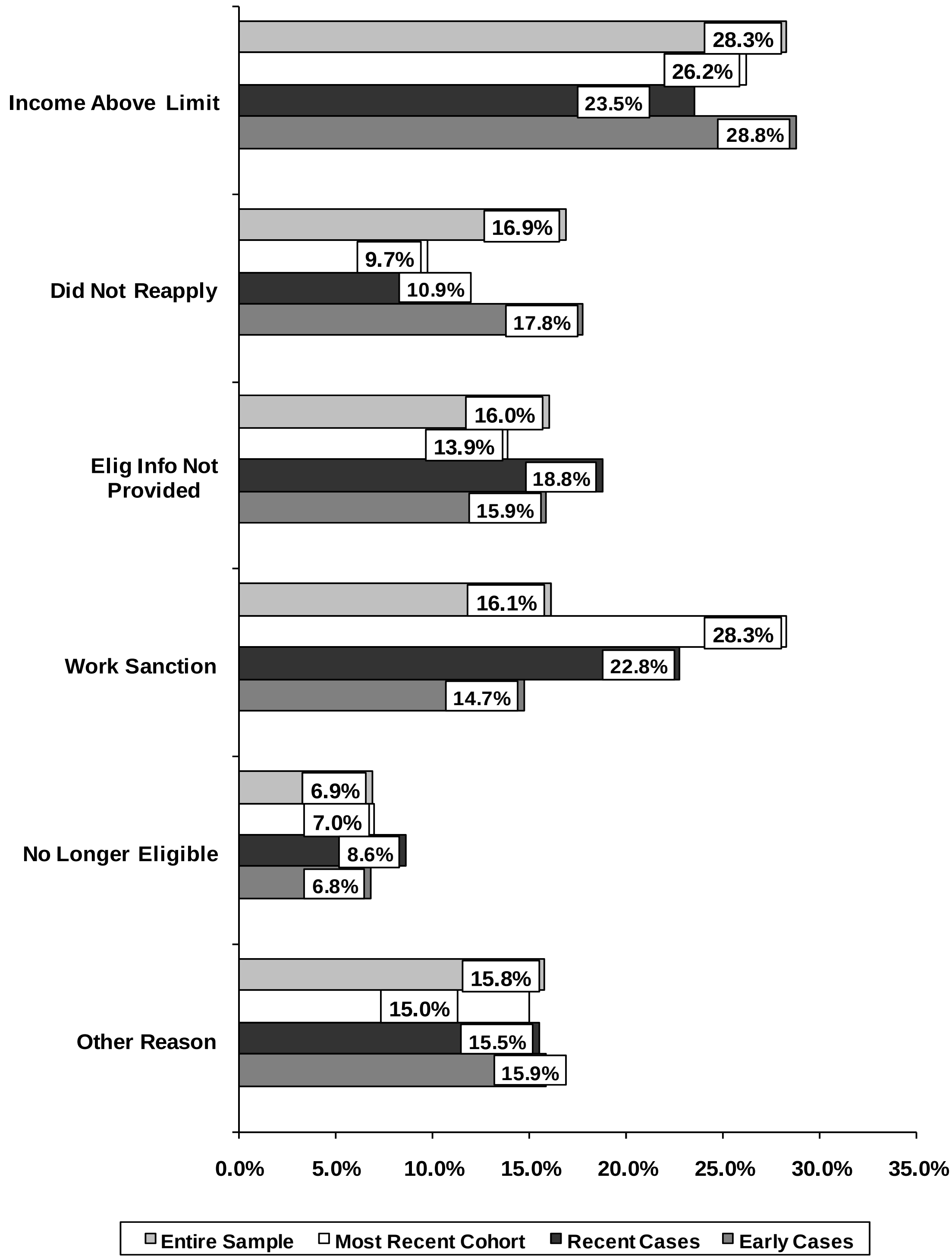
Why Do Families' Welfare Cases Close?

There can be any number of reasons for a welfare case to close. In general, the only information we have about these reasons is from a code recorded in the information system and chosen by the caseworker from a list of pre-determined case closure codes. Unfortunately, in some cases these codes may not fully capture the full nature or reasons for the welfare exit/case closure; in particular, the true number of work-related exits is understated. For example, some "did not reapply" closures are actually due to the client finding employment, but not notifying the agency of this fact. Some time ago, in fact, we compared UI wage data with TCA case closing reasons and found that the true rate of employment among exiting adults was at least 25% higher than was reflected in the administrative case closing codes. Despite the inherent limitations of case closing code data, we have found that these codes do correlate with post-exit outcomes and are the best measure for evaluating full family sanction rates (Ovwigho, Tracy, & Born, 2004). For this reason, we include an analysis of case closure codes in this annual update.

Figure 3, following, displays the top five administrative case closure reasons for our entire sample as a whole and separately for each of our three cohorts. As in years past, "income above limit" is the most common code, with almost three out of ten (28.3%) cases closing for this reason. The next three most common codes each account for a little less than one-fifth of all leavers: did not reapply (16.9%); full family sanction for non-compliance with work requirements (16.1%); and eligibility verification information not provided (16.0%). Rounding out the top five is the code, “no longer eligible” which represents fewer than one in ten closures among the entire sample (6.9%). These five codes, together, account for more than four out of five (84.2%) exits between October 1996 and March 2009.

There are statistically significant differences between our three cohorts. Most notably, those whose cases have most recently closed (April 2008 to March 2009) have much higher rates of work sanctioning. Almost three out of every ten (28.3%) cases closed for this reason, nearly six percentage points higher than the sanction rate (22.8%) among cases closing the prior year (April 2007 to March 2008). Most notably, the work sanction closure rate among the most recent cases (28.3%) was about double the rate (14.7%) among cases which closed between October 1996 and March 2007. To a certain extent, increases in work sanctioning over time are not unexpected because, in reality, work sanctions can only increase with the passage of time. However, it is also likely that some portion – perhaps not an insignificant one – of the recent escalation in sanctions is because of the new, tougher and more inclusive federal rules about work activities. Obviously, as more clients are defined as being work mandatory, there are more families at risk of experiencing the required penalty, a full family sanction, if non-compliance occurs.

Figure 3. Case Closing Reasons***



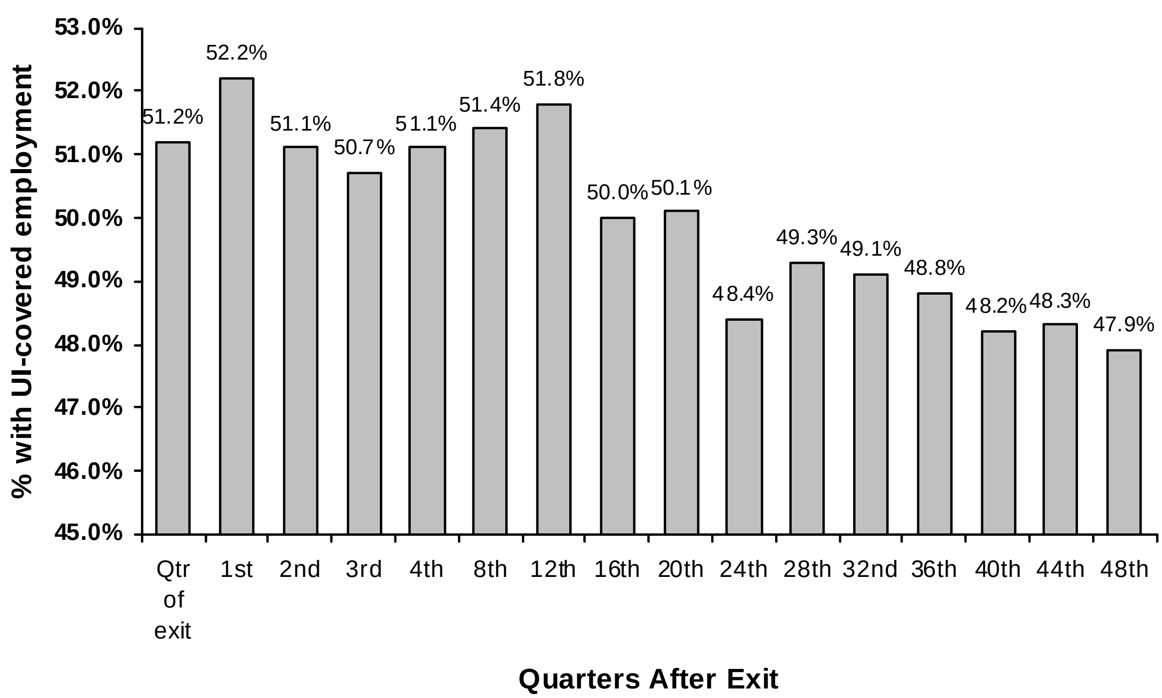
*p<.05, **p<.01, ***p<.001

In this, our first post-exit findings chapter, we examine data on what has historically been the most common post-exit outcome, employment in the formal labor market. We begin with consideration of quarterly employment rates and earnings. We then turn to yearly employment trends.

How Many Work in UI-Covered Jobs Over Time?

In addition to some of the barriers that welfare recipients typically encounter in their transition from welfare to work, there has also been the challenge in the past year of dealing with extremely poor economic conditions. In Figure 4, we see the percentage of former TCA caseheads that are employed in a UI-covered job in each quarter up to 48 quarters after exit. Despite these troublesome economic times, these quarterly rates are only down slightly from last year, and follow a similar pattern. In most quarters, about half of all former welfare recipients worked.

Figure 4. Quarterly Employment Rates

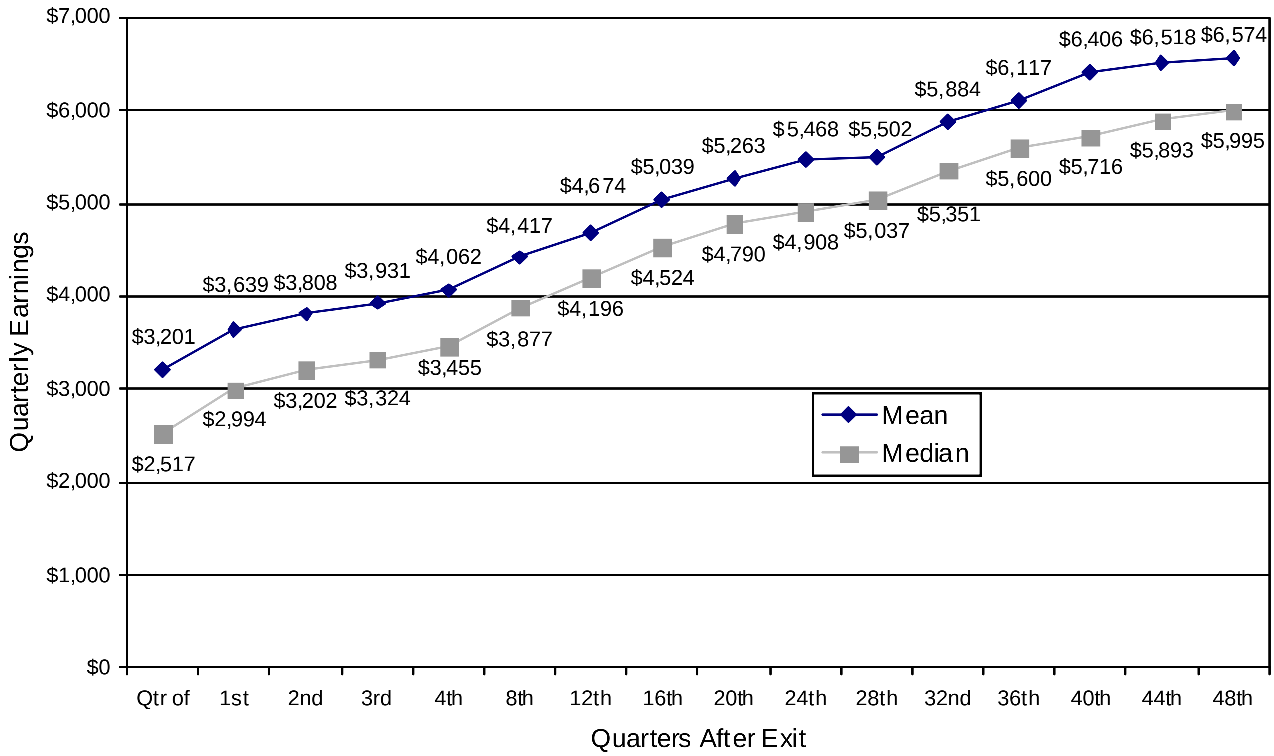


Note: The employment figures exclude 42 sample members for whom we have no unique identifier.

What are Adults' Earnings from UI-Covered Employment?

In addition to knowing how many adults work after leaving welfare, it is also important to consider how much they earn from their employment. Figure 5, following, provides the mean and median UI-covered earnings in the quarters after a welfare exit. When viewing the data, one should keep in mind that we only have earnings for the full quarter. For this reason, we do not know how much of the quarter the person worked (i.e., how many weeks or months) or whether they worked full- or part-time. Therefore, it is impossible to determine an hourly rate or even monthly earnings from these figures. An initial glance at the graph reveals a positive trend. Among those who worked, the mean or average quarterly earnings steadily, if incrementally, increase from each quarter to the next. For example, mean quarterly earnings were $3,201 in the quarter of exit, but more than double that amount ($6,574) by the 48th post-exit quarter. Notably, too, while the quarter-to-quarter earnings increase between the 44th and 48th quarters is quite small ($56), it is an improvement over last year's results where the earnings change for that same period of time was negative (-$112). However, enthusiasm for these positive data should be tempered by the fact that our earnings data go only through the first part of calendar year 2009 and thus do not reflect the full fallout of the recession. Unless the economic recovery is far more robust and much speedier than is almost universally anticipated, the full effect will almost certainly show up in next year's annual update.

Figure 5. Quarterly Earnings

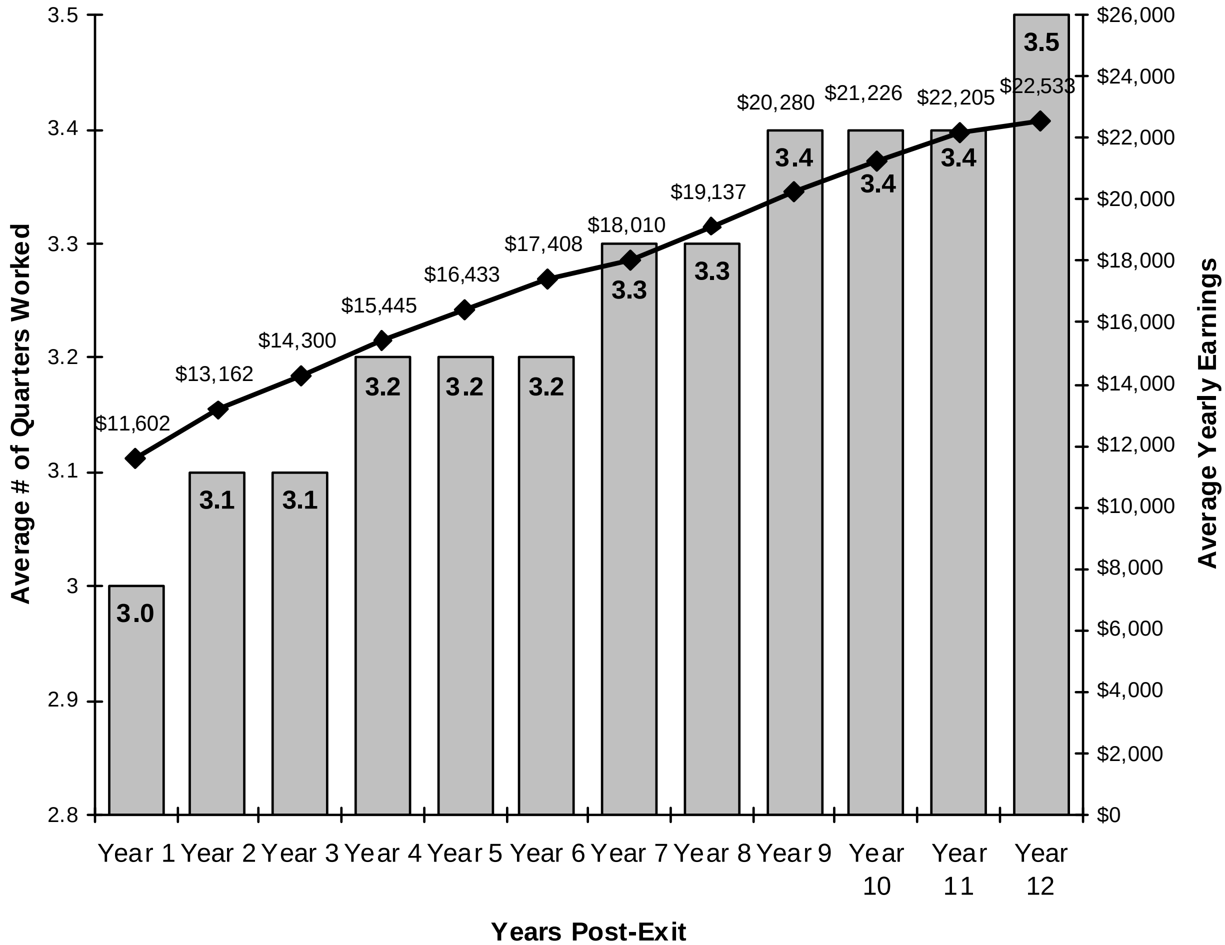


Note: Earnings are only for those working. Also, as noted previously, these are aggregate quarterly earnings. We do not know how many weeks or hours an individual worked, so hourly wage cannot be computed or inferred from these data.

Other employment measures, such as the number of quarters worked in a year and the total amount of annual earnings, are perhaps more familiar outcome measures. When we plot these two outcome measures together, as shown in Figure 6, we see many of the same trends evident in the quarterly figures. Namely, average annual earnings continue to rise every year after exit, from a low of $11,602 in the first post-exit year to a high of $22,533 in year 12. The annual measures also show that this year's positive gain in average annual earnings, although small (+$328), reverses the slight decline in average annual earnings that we observed in last year's report (-$775).

Figure 6 also shows that the persistence of work effort among former recipient adults remains strong and that it increases over time. Among those who worked in the first post-exit year, the average number of quarters worked was three (out of four possible). There is an upward trend in the average number of quarters worked and, by the end of the follow up period (12 years post-exit), the average number of quarters worked was 3.5 out of 4.0.

Figure 6. Mean Earnings and Number of Quarters Worked by Year After Exit



Note: Figure 5 excludes leavers for whom we do not have a full year of employment data available (April 2008 to March 2009) and 42 sample members for whom we have no unique identifier. In addition, average number of quarters worked and average yearly earnings are only for those working.

In sum, our analyses so far have shown that about half of all welfare leavers work in a UI-covered job in any given quarter, a finding which has been generally consistent since the beginning of our longitudinal study. Over time, all employment and earnings trends are positive: average quarterly earnings and average annual earnings increase and the average number of quarters worked each year goes up as well. The only “blip” in certain of these trends was observed last year when, for the first time in this 13 year tracking study, we reported a slight decrease in earnings in the last follow up period.

Our suspicion with regard to the slight earnings decrease was that the drop was most likely attributable to the faltering economy. Subsequent analyses using calendar quarters, rather than the number of quarters post-exit, confirmed that suspicion. In fact, as reported in last year’s update, we found that regardless of how long they had been off welfare, the majority of leavers earned less in that most recent year and most notably in the 1st quarter of 2008 than they had just one year before.

It will be important to periodically repeat this analysis during the next few years to see if, to what extent, and over what time frame the current economic situation affects the employment and earnings of former recipient adults. This will be especially important because many former recipients find employment in industry sectors which have been very hard hit by the recession. For example, the retail trade sector is one in which many low-income women, including former welfare recipients, have traditionally worked. Huezo and Baker (2009) have recently noted that, in Maryland, all 12 industry sub-sectors shed jobs between the fourth quarters of 2007 and 2008, the fourth annual contraction for the industry and the highest rate since the first quarter of 1991. Moreover, the authors opine that "although some of the maladies that have gripped the nation since the recession may be showing signs of easing, there is still no rainbow at the end of the storm for retail trade" (pg 9A). In other words, contraction of jobs continues; they note that, in Maryland alone, employment levels for the retail trade industry contracted at a 17-year high rate during the final quarter of calendar year 2008 and, further, that the sector is likely to face even greater contractions through the end of 2010.

Do Recent and Earlier Leavers Differ in Terms of Employment?

In the baseline chapter, we observed several differences between earlier and later leavers. Most notably, those who exited the welfare rolls most recently are more likely to be work mandatory and more likely to have their cases closed because of a full family sanction for non-compliance with work requirements. In addition, the most recent leavers, those whose cases closed between April 2008 and March 2009 are unquestionably entering a much more difficult labor market than their counterparts whose welfare to work transition occurred in earlier years of reform.

In this section, we look more closely at the question of any quarterly employment and earnings differences that might exist between those whose welfare cases closed most recently and those who exited earlier. Indeed there are and the picture is clear-cut: the most recent leavers (April 2008 to March 2009) are significantly less likely to be employed than earlier leavers.

As seen in Table 3, following, at least half of all adults who left welfare between April 2007 and March 2008 and at least half of those who left between October 1996 and March 2007 were employed in each follow up quarter. However, adults whose welfare cases closed most recently (i.e., between April 2008 and March 2009) fared less well at all measuring points for which, at the time of this writing, employment and earnings data were available. In the quarter in which they exited welfare less than half (45.0%) of these adults were employed (compared to roughly 51.5% of adults in the other two cohorts). Moreover, whereas employment rates increased or at least remained stable in the 1st and 2nd post-exit quarters among the earlier exiting cohorts, the opposite was true among our most recently closed cases. That is, for cases for which these follow up data were available at the time this report was being prepared, 45.0% worked in the quarter they left welfare, 45.3% worked in the first post-exit quarter and, 41.3% or about two adults in five worked in the 2nd post exit quarter. For the three measuring points, respectively, the employment rates are roughly 5%, 7% and 10% lower among the most recent exiters than among those whose cases closed in prior years. It should be noted that, for reasons related to the timing of data collection and reporting, these data may understate employment among the most recent exiters. Even so, we strongly suspect that the employment dip is a real one, even if its magnitude may be slightly less than we report here.

These are not unexpected findings, certainly, because low-income women, like all workers and job-seekers, are not immune to the vicissitudes of the labor market and the market economy. Indeed, given the old bromide that low-income women are often "the last hired and the first fired," and the historic nature of what is now being aptly called "The Great Recession," employment figures among the most recent welfare leavers, while not optimal, should probably be viewed as laudatory.

With regard to our most recent leavers, the good news is that, although fewer of them may be working in UI-covered jobs at the time of and in the first several months after leaving welfare, those who did work earned more, on average, than their counterparts in earlier cohorts. The differences, however, are not statistically significant until the second follow up quarter (i.e. four to six months post-exit). In the quarter of the welfare exit, our most recent leavers earned roughly $390 more, on average, during that period than did adults who left welfare during the prior year (April 2007 to March 2008) and about $285 more than adults who left between late 1996 and early 2007. By the second quarter after TCA exit, average earnings of the most recent leavers had increased by roughly $1,200 (to $4,690.58), which is about $900 more than their peers in the earliest exiting cohort ($3,789.94).Though the earnings differences are statistically significant and all upward trends in earnings are viewed positively, readers are reminded that the minimum wage did increase from $5.85 to $6.55 in late July, 2008 and no doubt contributes, albeit to an unknown degree, to these positive trends. Readers are also reminded that the amount of follow up data available depends on the quarter in which the welfare case closed. Appendix B, at the end of this report, shows more precisely the amount of data available by exit cohort and, further, that for the cases that closed in the earliest days of welfare reform, up to 12 years of follow up data are available.

Table 3. UI-Covered Employment by Exit Cohort

	Entire Sample 10/96 - 3/09	Cohort 3 Most Recent Cases 4/08-3/09	Cohort 2 Recent Cases 4/07 - 3/08	Cohort 1 Early Cases 10/96 - 3/07
Quarter of TCA Exit				
Percent Working	51.2%	45.0%	51.6%	51.4%
Mean Earnings	$3,201.25	$3,478.15	$3,090.31	$3,193.69
Median Earnings	$2,516.70	$2,308.00	$2,127.09	$2,539.87
1st Quarter After TCA Exit				
Percent Working*	52.2%	45.3%	53.3%	52.4%
Mean Earnings	$3,638.84	$4,090.07	$3,687.35	$3,621.06
Median Earnings	$2,993.89	$2,909.00	$2,807.05	$3,003.33
2nd Quarter After TCA Exit				
Percent Working*	51.1%	41.3%	51.6%	51.3%
Mean Earnings*	$3,808.18	$4,690.58	$3,882.70	$3,789.94
Median Earnings	$3,202.11	$3,569.00	$2,945.79	$3,206.12
3rd Quarter After TCA Exit				
Percent Working	50.7%		48.1%	50.9%
Mean Earnings	$3,930.88		$4,166.33	$3,916.39
Median Earnings	$3,324.07		$3,203.00	$3,334.87
4th Quarter After TCA Exit				
Percent Working	51.1%		50.3%	51.2%
Mean Earnings	$4,061.90		$4,285.75	$4,051.34
Median Earnings	$3,455.36		$3,321.00	$3,470.84
5th Quarter After TCA Exit				
Percent Working	51.6%		48.6%	51.7%
Mean Earnings	$4,141.65		$4,404.64	$4,133.91
Median Earnings	$3,565.20		$3,241.50	$3,579.40
6th Quarter After TCA Exit				
Percent Working	51.3%		46.4%	51.3%
Mean Earnings	$4,284.03		$4,360.43	$4,282.95
Median Earnings	$3,698.96		$3,494.00	$3,701.97

Note: Employment figures exclude 42 sample members for whom we had no unique identifier. Earnings are only for those working. Also, as noted previously, these are aggregate quarterly earnings. We do not know how many weeks or hours an individual worked, so hourly wage cannot be computed from these data. *p<.05, **p<.01, ***p<.001

Historically, the two most common outcomes experienced by welfare leavers have been either employment or a return to cash assistance. In particular, TCA program design logic anticipates that those whose exits were prompted by a full family sanction will comply fairly quickly with program requirements and resume receiving cash assistance. In addition, for a minority of families, a change in circumstances such as illness, job loss or a change in family composition or other circumstances may prompt a return to the rolls. The extent and timing of returns to welfare and the risk factors for recidivism among Maryland welfare leavers are the focus in this chapter.

How Many Families Return to Welfare?

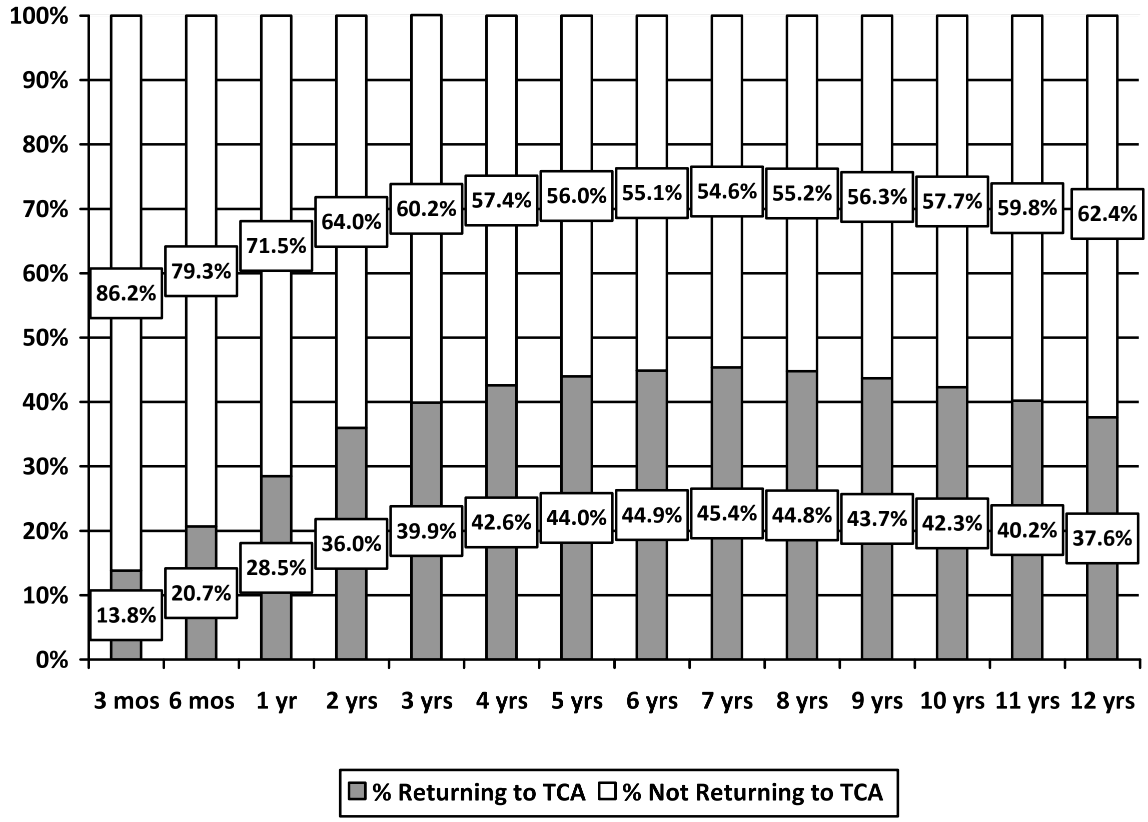
Figure 7, following this discussion, displays the percentage of leavers who remain off welfare and the percentage who have returned during the 12 year follow-up period. As illustrated, the overall picture remains largely positive: the majority of welfare leavers do not return to TCA.

A relatively small group of leavers (13.8%) return to welfare within the first 90 days after the case closure which brought them into our sample. By the end of the first year, a little more than one-quarter (28.5%) have returned and, by the end of the 24th post-exit month (two years), about one-third (36.0%) of all leavers had received at least one additional month of cash assistance. Over the next few years, the cumulative recidivism rate increases, but very slowly, so that by the fifth post-exit year, slightly more than two-fifths (44.0%) of families have had at least one additional month of benefit receipt.

Two conclusions are evident from Figure 7 and are consistent with the results presented in previous years' updates. First, a majority (roughly three-fifths) of those who left cash assistance in the very early years of reform, have remained completely independent of cash assistance in Maryland for many years now. In other words, most early exits from welfare were "permanent" ones.

The second key takeaway point from Figure 7 is one we have commented upon in a number of earlier *Life after Welfare* update reports. That is, when returns to welfare do occur, they tend to take place sooner rather than later. More specifically, Figure 7 continues to show that the first 12 months after exit are when families appear most vulnerable; put another way, if families can remain independent of welfare for 12 months, their risk of ever returning is greatly diminished.

Figure 7. Cumulative Recidivism Rates



Note: Differences in sample size across follow-up periods result in the appearance that cumulative returns to welfare decrease over time.

In Table 4, following, we compare recidivism rates among our three exiting cohorts. There are no statistically significant differences between the most recent and the earlier leavers at the three- and six-month follow-up periods. But, among those for whom we do have a full year of post-exit data, we do see a statistically significant difference by the end of the first 12 months. By this point, roughly one in three (34.1%) recent leavers (those who exited between April 2007 and March 2008) had returned to the TANF rolls. This compares to a bit more than one in four (28.1%) among earlier leavers (October 1997 through March 2007). Even so, the heartening finding is that two-thirds (65.9%) of those who exited during what we now know were officially the early months of the Great Recession were able to remain off welfare completely during the next 12 tumultuous months.

Table 4. Recidivism Rates by Exit Cohort.

Months Post-Exit	Entire Sample 10/96 – 03/09	Cohort 3 Most Recent Cases 4/08-3/09	Cohort 2 Recent Cohort 04/07– 03/08	Cohort 1 Early Cases 10/96 - 3/07
	% not returning to TCA by this time			
3 mos	86.2%	85.6%	85.1%	86.3%
6 mos	79.3%	77.3%	76.3%	79.6%
12 mos* **	71.5%		65.9%	71.9%
	% returning to TCA by this time			
3 mos	13.8%	14.4%	14.9%	13.7%
6 mos	20.7%	22.7%	23.8%	20.4%
12 mos* **	28.5%		34.1%	28.1%

Note: See Appendix D for detailed information on the availability of recidivism data. *p<.05, **p<.01, ***p<.001

Risk Factors for Recidivism

The previous section has shown that a minority of families return to welfare after the exit that brought them into our sample and those returns typically happen after a relatively short time. In order to understand which leavers are at greatest risk of returning to the rolls, Table 5, following, compares recidivists to non-recidivists on a number of variables. Because the risk of recidivating is highest in the first 12 months after TCA case closure, we limit the analysis to returns within the first post-exit year.

As in past years, we find several statistically significant differences between those who return to welfare and those who do not. In general, recidivists are about two years younger (mean = 31.01 v. 33.49 years), more likely to be African American (82.7% v. 71.3%), more likely to have never married (82.7% v. 71.0%), more likely to have exited from welfare in Baltimore City (57.0% v. 41.9%) and have a larger assistance unit size (mean = 2.75 v. 2.54) with more children on the grant (mean = 1.83 v. 1.69), than those families that did not return to the rolls in the first year. Also as was the case last year, child only cases are less likely to return to cash assistance. Only one in 10 (10.8%) recidivists was a child only case, compared to almost two in 10 (18.4%) non-recidivists. The age of the youngest child in recidivist families is also significantly lower than in non-recidivist families (mean = 5.25 v. 5.80 years) and returning families are more likely to have a child under the age of three (42.8% v. 40.3%).

Recidivist and non-recidivist families also differ significantly in terms of their welfare usage and reasons for case closure and the nature of these differences mirror those observed in last year's report. First, and not unexpectedly, income above limit – the most commonly used closure code when the agency is aware that the client has secured employment or higher earnings - is the most common administrative closing code for non-recidivists. This closure code accounts for about three out of ten closures (30.5%) among those who left welfare and did not return within the first 12 months.

In contrast, although income above limit was also the most common closing code among recidivist cases, it accounted for significantly fewer - less than one-quarter (23.5%) – of case closing codes. In contrast, recidivist families' cases were significantly more likely than non-recidivist families' cases to have been closed because of a work sanction (20.0% v. 12.7%). They also have significantly more welfare use, having spent just over half of the five years before their exit on welfare (31 out of 60 months), compared to an average of 26 months for non-recidivists.

Finally, and again as was the case last year, the table shows that there is no difference between the two groups in recent employment; roughly seven of 10 payees in both groups had worked in a UI-covered job at some point in the two years preceding their welfare exit. However, if not surprisingly, payees in cases that did not experience a return to welfare within the first year are significantly more likely to have worked in the quarter in which they left welfare than are payees who did return to welfare within one year of exiting (51.1% vs. 45.3%).

Table 5. Comparison of Recidivists and Non-Recidivists

Characteristics	Did Not Return in 1st year (n = 9,354)	Returned in 1st year (n = 3,722)	Total (n = 13,076)
Payee's Age – Mean* (standard deviation)**	33.49 (11.35)	31.01 (9.79)	32.79 (10.99)
Payee's Race* **			
African American	71.3%	82.7%	74.6%
Caucasian	25.8%	15.3%	22.8%
Other	2.0%	0.6%	2.6%
Region* **			
Baltimore City	41.9%	57.0%	46.2%
23 Counties	58.1%	43.0%	53.8%
Marital Status* **			
Married	6.4%	1.4%	7.7%
Never Married	71.0%	82.7%	74.4%
Divorced/Separated/Widowed	20.0%	12.7%	17.91%
Assistance Unit Size Mean* (standard deviation)**	2.54 (1.18)	2.75 (1.20)	2.60 (1.19)
Number of Children Mean* (standard deviation)**	1.69 (1.04)	1.83 (1.12)	1.73 (1.07)
% of child only cases***	18.4%	10.8%	16.2%
Age of Youngest Child – Mean* (standard deviation)**	5.80 (4.93)	5.25 (4.52)	5.64 (4.82)
Percent with a child under 3 years old*	40.3%	42.8%	41.0%
Closing Code* **			
Income Above Limit/Started Work	30.5%	23.5%	28.5%
Failed to Reapply/Complete Redetermination	16.6%	19.4%	17.4%
Eligibility/Verification Information Not Provided	14.5%	19.8%	15.9%
Work Sanction	12.7%	20.0%	16.1%
Not Eligible	8.3%	3.3%	6.9%
Total Closings Accounted for by Top 5 Codes	82.6%	87.9%	84.1%
Length of Exiting Spell			
Mean** (standard deviation)	16.44 (25.75)	14.57 (23.49)	15.91 (25.14)
Welfare Receipt in 5 Years Prior to Exit			
Mean*** (standard deviation)	25.94 (19.16)	30.96 (18.92)	27.37 (19.22)
Percent employed in a UI-covered job in the two years before exit	70.7%	72.0%	71.1%
Percent Working in the Exit Quarter* **	51.1%	45.3%	49.4%

Note: Data in the table do not include cases closing between April 2008 and March 2009 because at the time of this writing, they did not have a complete year of follow-up data available. See Appendix D for detailed information on the availability of welfare-related data. *p<.05, **p<.01, ***p<.001

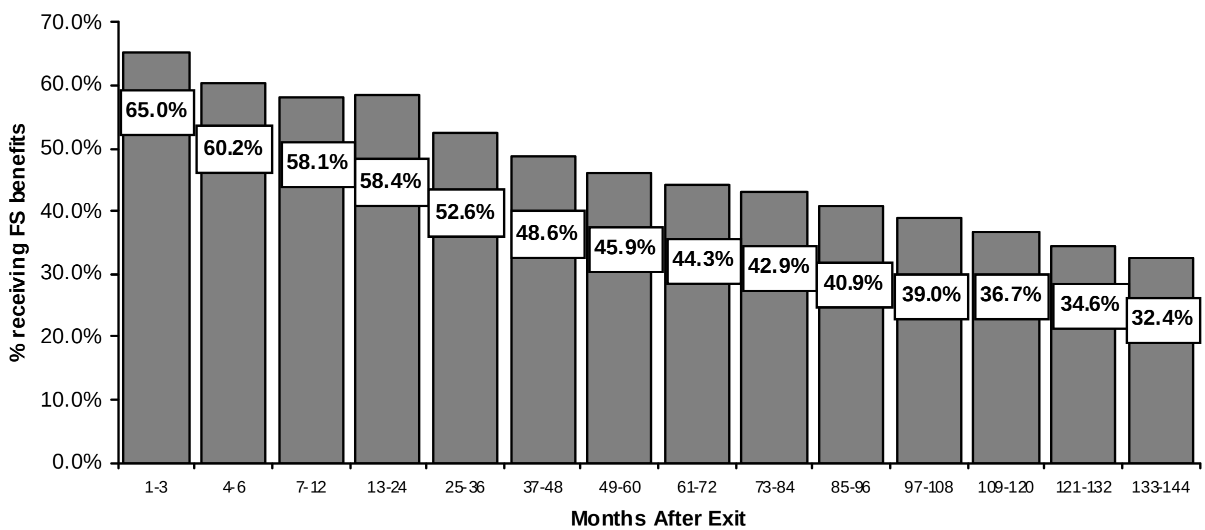
In sum, our findings regarding risk factors for recidivism are consistent with previous years' analyses and other state and national studies. In addition, the realities of today's economy are evident in the elevated recidivism risk found among more recent exiters. For policy makers and program managers, the implication of these findings is that more than ever agencies and families need to work together to ensure that all of the possible work and family supports are in place before the welfare exit so that the odds the family can remain independent are maximized. At the same time, it would not be surprising in today's economic – especially today's employment – environment if recidivism continues to be higher, at least in the short-run, than it has been in years past when jobs were more plentiful. In the best of times, agencies are often challenged to determine how best to help some families make permanent transitions off the welfare rolls. Clearly, these challenges are magnified in an environment of widespread job loss, rising unemployment, and greater competition for available jobs.

Historically, those who receive welfare have tended to find employment that offers relatively low wages and/or few or no benefits and/or limited opportunity for advancement and/or little stability. For this reason, work supports, such as the Supplemental Nutrition Assistance Program (aka SNAP, formerly Food Stamps), Medical Assistance/M-CHP, and child support, are critical in supplementing family income and easing the welfare to work transition. In this chapter we explore the use of various work supports among Maryland's welfare leavers, specifically focusing on participation in the Supplemental Nutrition Assistance Program (SNAP), Medical Assistance/M-CHP enrollment, and child support receipt.

How Many Families Use SNAP After Leaving Welfare?

In Figure 8, following, we show the percent of families who receive SNAP in the months following their welfare exit. Initial SNAP participation rates are fairly high with nearly two-thirds of families (65.0%) receiving benefits in the first three months after exit. The participation rate falls gradually over the next few years, such that a bit more than half (52.6%) of former welfare families are using SNAP in the third post-exit year. Although participation rates continue to decline over time, a significant minority of exiters (32.4%) were utilizing SNAP some 12 years after the welfare case closure that brought them into our study sample.

Figure 8. Post-Exit SNAP/FS Participation Rates



A comparison of SNAP utilization rates among our three cohorts is presented in Table 6. As shown, the most recent leavers (April 2008 – March 2009) have significantly higher utilization rates than do those who exited the previous year and those who exited between October 1996 and March 2007. During the first three post-exit months, to illustrate, four of five (81.0%) of the most recent leavers were enrolled in SNAP, as were almost four of five (78.1%) of those who left the previous year. Among families leaving between 1996 and early 2007, only about three in five (63.3%) used SNAP right after their welfare exit.

The pattern is much the same in post-exit months four through six; participation rates during this period for our most recent through earliest leaver cohorts are: 76.0%, 74.8% and 58.6%, respectively, and the differences are statistically significant.

Table 6. SNAP Participation Rates by Exit Cohort

	Entire Sample 10/96-3/09	**Cohort 3 Most Recent Cases 4/08-3/09**	**Cohort 2 Recent Cases 4/07-3/08**	**Cohort 1 Earlier Cases 10/96-3/07**
Months 1-3***	65.0% (8939)	81.0% (546)	78.1% (625)	63.3% (7768)
Months 4-6***	60.2% (8146)	76.0% (349)	74.8% (598)	58.6% (7199)
Months 7-12***	58.1% (7596)		70.9% (567)	57.3% (7029)

*p<.05, **p<.01, ***p<.001

How Many Families are Enrolled in Medical Assistance after Leaving Welfare?

Often, the jobs obtained by welfare leavers have not provided health benefits or, if available, insurance may not have been or been perceived as affordable. The problems of uninsured Americans across the income spectrum are now a topic of intense national debate. Since the decoupling of cash assistance and Medical Assistance, welfare leavers have been encouraged to continue participation in the Medical Assistance and MCHP programs. Maryland's commitment to provide for working poor and uninsured families is evidenced by the 2008 expansion of medical coverage under the Working Families and Small Business Coverage Act.[4]

Figure 9 shows that participation in the Medical Assistance and M-CHP programs was high for Maryland's former TCA families, even before the recent expansion. About four of five adults (80.7%), children (75.7%), and cases (85.0%) were participating in the first quarter after welfare exit. Participation rates remain high through the first post-exit year and slowly decrease over time. However, 12 years post-exit, more than two-fifths (45.5%) of families have at least one member participating in MA/M-CHP program.

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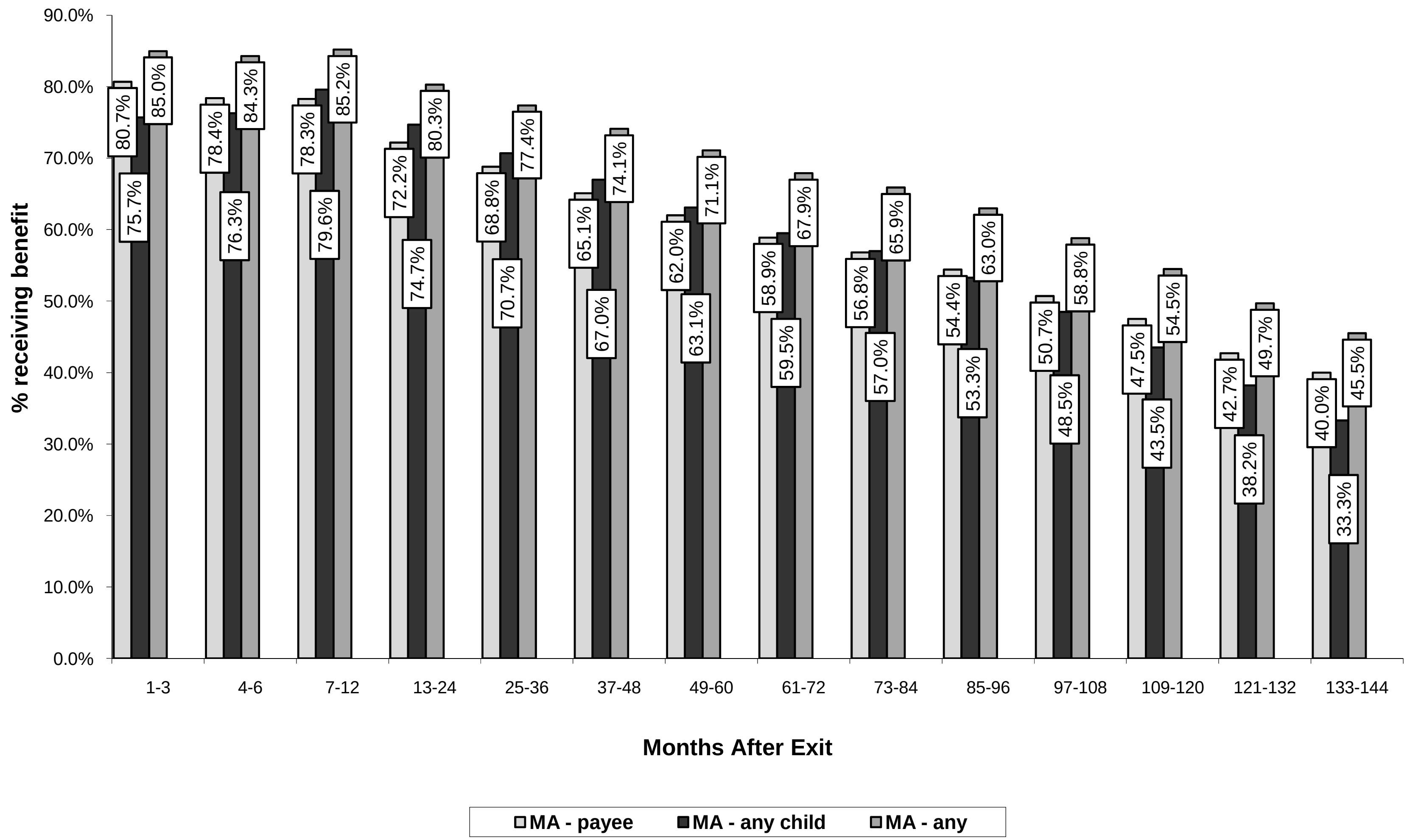
[4] Effective July 1, 2008, the Act creates the Medical Assistance to Families Program which provides Medicaid to parents with incomes up to $20,500 for a family of three.

Figure 9. Post-Exit MA Participation Rates



As we observed with SNAP participation, we see in Table 7, following, that recent leavers are significantly more likely to participate in MA/M-CHP than earlier leavers. More than nine of ten families (95.8%) who left welfare most recently (April 2008 and March 2009) and those who left and between April 2007 and March 2008 (95.6%) have at least one member enrolled in MA/M-CHP during the first three post-exit months. Among families leaving welfare between October 1996 and March 2007, participation rates are still quite high, but the comparable figure is significantly lower (83.9%). Findings are very similar for adults and for children; nine of 10 adults and nine of 10 children in the two most recent exiting cohorts were enrolled during the first three post-exit months; among earlier leavers, it was about eight of 10 for both children and adults.

Table 7. Medical Assistance/M-CHP Participation Rates by Exit Cohort

	Entire Sample 10/96-3/09	Cohort 3 Most Recent Cases 4/08-3/09	Cohort 2 Recent Cases 4/07-3/08	Cohort 1 Earlier Cases 10/96-3/07
Payee Received MA				
Months 1-3***	80.7% (11092)	92.4% (623)	92.1% (737)	79.3% (9732)
Months 4-6***	78.4% (10615)	89.3% (410)	88.4% (707)	77.4% (9498)
Months 7-12***	78.3% (10244)		88.6% (709)	77.7% (535)
Child(ren) Received MA				
Months 1-3***	80.2% (11030)	91.8% (619)	89.0% (712)	79.0% (9699)
Months 4-6***	79.3% (10738)	88.7% (407)	86.6% (693)	78.5% (9638)
Months 7-12**	79.6% (10407)		85.4% (683)	79.2% (9724)
Anyone in the AU Received MA				
Months 1-3***	85.2% (11715)	95.8% (646)	95.6% (765)	83.9% (10304)
Months 4-6***	84.5% (11432)	93.5%(429)	93.0% (744)	83.6% (10259)
Months 7-12***	85.2% (11144)		93.8% (750)	84.7% (10394)

*p<.05, **p<.01, ***p<.001

Child Support after Leaving Welfare

Child support can be another potential and very vital income source for welfare recipients and, indeed, for all custodial parents when the other, non-custodial, parent lives outside the home. Enforcement services are available automatically (i.e. mandatorily) and at no cost for families receiving TANF/TCA. Families that leave welfare, and that have eligible children, may continue to receive services and formal support paid through the public child support program, making it an important work and family income support.

Studies show that child support is an important contributor to families' overall incomes and generally takes on more importance in the family budget after women leave welfare (Miller, Farrell, Cancian & Meyer, 2005). Women receiving child support are more likely to exit welfare and, regardless of the amount of support, consistent receipt of child support over time is associated with staying off of public assistance (Huang, Kunz, & Garfinkel, 2002; Srivastava, Ovwigho, & Born, 2001). On the other hand, federal and state child support program statistics consistently demonstrate that paternity and order establishment as well as the collection of court-ordered current support and support arrears have not been as easily or effectively accomplished for low-income women, especially for those who are or recently were cash assistance recipients. Thus, as part of this study which looks at how families are faring economically after leaving welfare, it is important to monitor how many families are owed child support, how many actually receive it, and how many are owed support which has not been paid or collected (i.e. arrears).

How Many Welfare Leavers are Owed Child Support?

We begin with an examination of families' child support status at various points in time after the welfare case closure. The bars in Figure 10, following this discussion, represent the percentage of families in each of four child support case status categories in each follow up period. Specifically, each former TANF case head who is the custodian on an active Maryland child support case is assigned, in Figure 10, to one of three groups:

1) Current support is owed (whether or not arrears are owed);
2) Support arrears, but no current support, is due;
3) No current support or support arrears are due.

And, finally, the remaining case heads are assigned to a fourth group which consists of those adults who are not the custodian on any active child support case in Maryland.

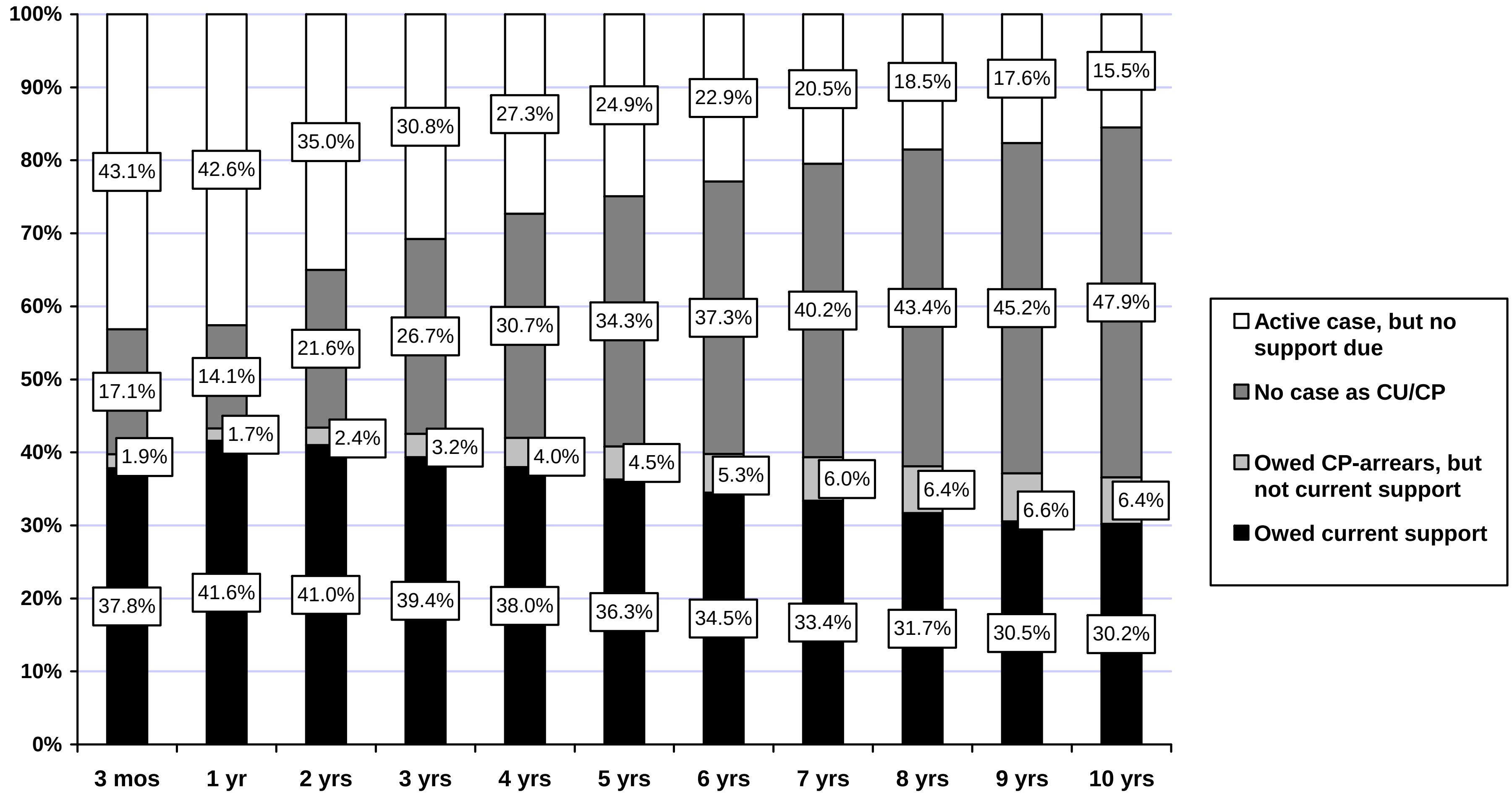
There are a number of notable and potentially actionable points illustrated in Figure 10. First, we see that two child support case statuses (owed current support and active case with no support due) account for the large majority of cases at the three month post-exit point (80.9%) and also for majorities of cases at the end of the 1st, 2nd, 3rd and 4th years after welfare case closure. The percentages of all cases accounted for by these two case statuses at the yearly measuring points are: 84.2%, 76.0%, 70.2% and 65.3%).

Most common at the three months post-welfare point (43.1%) is the situation where there is an active Maryland child support case, but no current support is owed. This case status most likely would result from one or the other of two situations. The first is that a support case has been opened, but no paternity and/or support order has been established and thus no support is owed. The second is that, for whatever, reason the support order has been suspended. The former scenario, we strongly suspect, is the more common explanation among this group of cases in our sample than the former. Next most common is the situation where there is a current support obligation in place (37.8%) and current support is owed. The remaining cases, at this measuring point, either have no active child support case (17.1%) or have a case on which past due support, but no current support is owed (1.9%).

Figure 10 also shows the dramatic changes in families' child support case statuses over time. Two trends are most noticeable. The first is a near tripling in the percentage of cases with no active child support case, from 17.1% at three months post-exit to nearly half (47.9%) by the 10th post-exit year. The second is a nearly two-thirds decline, from 43.1% to 15.5% in the percentage of cases with an active child support case, but no current support due. There are many possible explanations for these trends. On the positive side, over time children will reach the age of majority and current support obligations will cease, regardless of whether or not support has been paid (i.e., support arrears may be owed). Also possible is that the support case is closed at the client's request or the agency's discretion. It is beyond the scope of this study to ascertain definitively which of these or other reasons lie behind the trends observed in Figure 10.

The implications of these findings, however, provide important food-for-thought because cases with no support due when the families leave welfare have most likely not had a support order established. The decline in the size of this group of cases and the increase in the size of the cohort with no active support cases at all suggests that, if a support order is not in place by the time of the welfare exit, it is unlikely to ever be. Then, of course, the child and family lose out on an important potential income supplement and, unless and until the active support case is closed, state performance on several important, federally-mandated performance measures, is adversely affected.

Figure 10. Child Support Status Post-Exit – All Cases



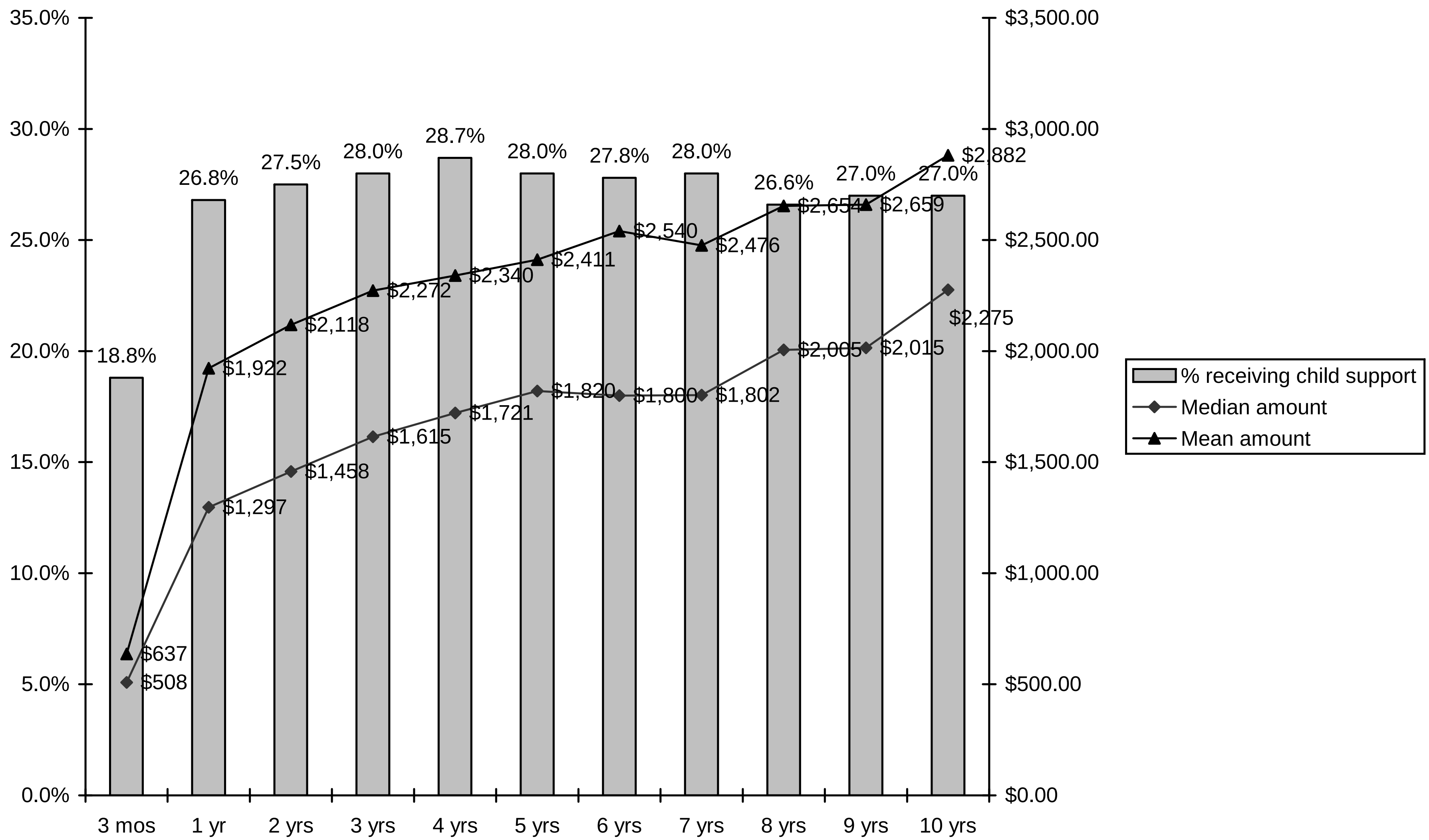
How Much Child Support Do Welfare Leavers Receive?

As the preceding discussion and figure show, the majority of families – roughly three of every five - leave welfare without having a current support obligation in place and/or in force. However, approximately two of five families are owed current support at or near the time of their welfare case closure. Because child support is a mandatory activity in virtually all active cash assistance cases, however, in the context of our *Life after Welfare* study, two key questions are relevant in terms of all families in our study sample. These are: How many families receive any child support after their welfare cases close; and, on average, How much child support do they receive? Figure 11, following this discussion, presents information on both of these issues.

About one in five (18.8%) welfare leavers receive some child support during the first three months after leaving welfare. Considering the entire first exit year, about one family in four (26.8%) have some child support income. In general, the percentage of all former TCA recipient families with some child support income remain within a fairly narrow band over time, ranging from a high of 28.7% in the 4^{th} post-exit year to a low of 26.6% in the 8^{th} post-exit year. Obviously, the rates would be higher if we limited the analyses to only cases in which support was due at each measuring point.

Figure 11 also shows how much child support income was received by families who, at each measuring point, received at least something from this supplemental income source. Three months post-exit, those who received any child support averaged $637 for the three month period while the median amount was $507. The good news is that, over the next decade, the trends are generally positive. The average amount of support received increases from $1,922 in the first full year after leaving welfare to $2,882 in the tenth. These positive findings do not diminish the fact that most families receive nothing because they do not have a support order in place. However, the findings do make it clear that child support can be an extremely valuable and not insignificant source of income support for low-income families. The findings also suggest there is wisdom in redoubling our efforts, even in these difficult times, to ensure that – at minimum – paternity has been established and a support order obtained for all children in families receiving cash assistance.

Figure 11. Amount of Child Support Received



How Many Leavers Are Owed Child Support Arrears?

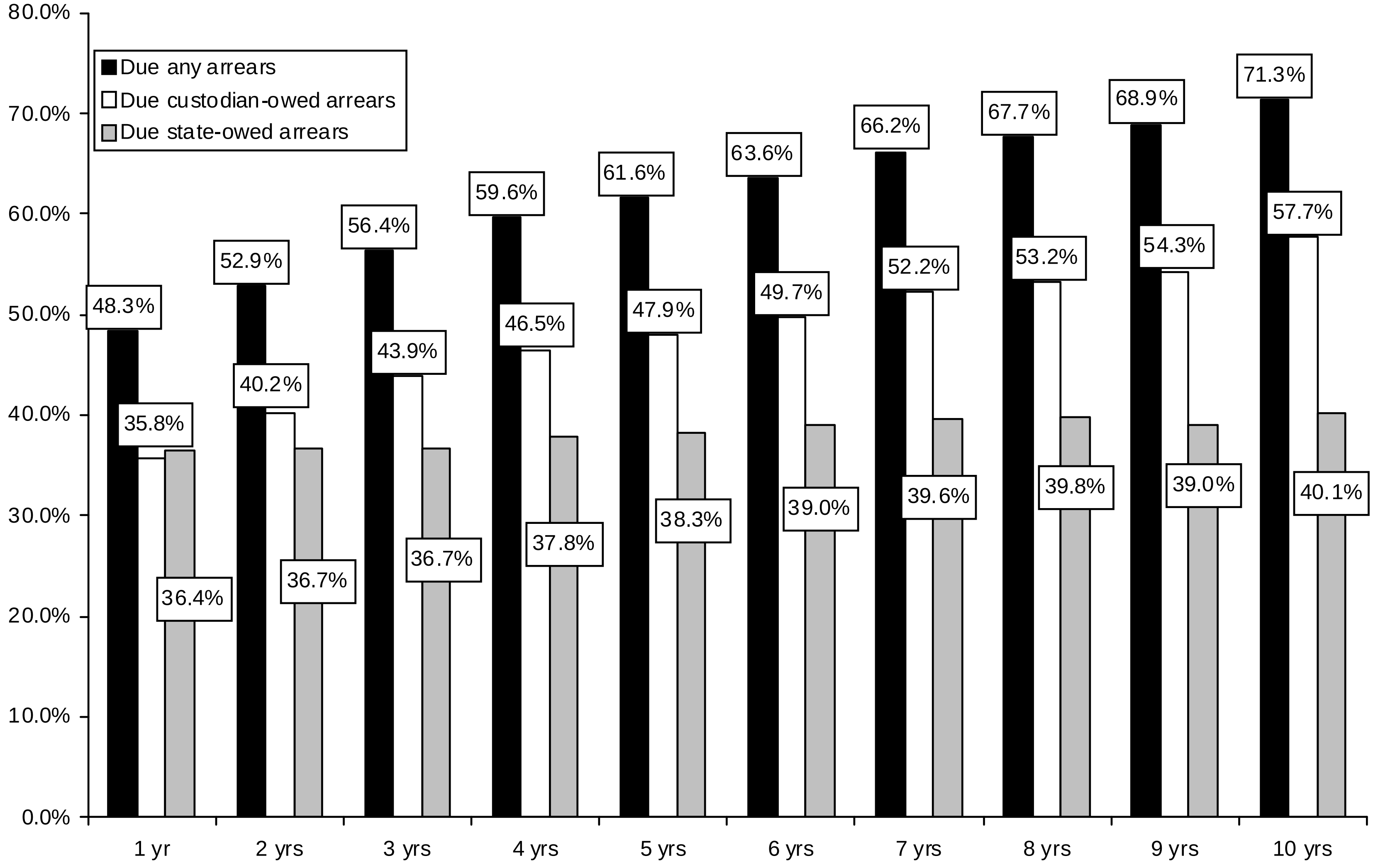
In this last section on work supports, we consider child support arrears owed in cases headed by the adults in our study cases. Nationally, and in Maryland, child support arrears are an issue of enormous and growing magnitude. In federal fiscal year 2008, the national child support arrears totaled more than $105 billion (U.S. Office of Child Support Enforcement, 2009); Maryland's arrears balance was just roughly $1.5 billion for the same period. A recent study shows that arrears are owed in the majority of all Maryland child support cases handled through the public, IV-D program and that half of all cases with arrears have debts of at least $5,000 (Ovwigho, Saunders, & Born, 2008).

Child support arrears can be owed to either the state or the custodian. State-owed arrears are payable to the state as reimbursement for the cash assistance (TANF/TCA) benefits provided to the family. All arrears/unpaid support in excess of the amount of cash assistance given to the family are owed to and, if paid, distributed to the custodial parent.

For families, custodian-owed arrears represent a potential large source of income. In Figure 12, following, we depict how many families in our sample, at various post-exit measuring points, have active Maryland child support cases on which arrears are owed. In the first post-exit year, past-due support is owed in about one-half (48.3%) of those with active child support cases. About one case in three (35.8%) has past due support owed to the custodian and in nearly the same percentage of cases (36.4%) arrears are owed to the state. Not surprisingly, the proportion of cases with arrears steadily increases over time, as does the share of cases in which arrears are owed to the custodian. The percentage of cases with state-owed arrears, however, remains relatively flat. To illustrate, about half (48.3%) of cases had arrears one year after the welfare case closed and about seven of 10 (71.3%) had arrears at the end of the 10th post-exit year. Similarly, about one in three (35.8%) cases had arrears owed to the custodian at the one year post-exit point, but this had risen to about three cases in five (57.7%) by the 10th post-exit year. State-owed arrears, in contrast, rose only from 36.4% to 40.1% during the same period of time. This latter finding makes sense because the majority of families do not return to welfare after exiting and thus, for most families, no additional state-owed arrears (i.e. reimbursement for the cost of cash assistance benefits) would accrue.

It is beyond the scope of today's *Life after Welfare* annual update to more fully explore the important and seemingly intractable topic of child support arrears. However, interested readers are referred to another of our studies, *Confronting Child Support Debt: A Baseline Profile of Maryland's Arrears Caseload* for a thorough empirical examination of the subject (Ovwigho, Saunders & Born, 2008). The report is available on our website: www.familywelfare.umaryland.edu.

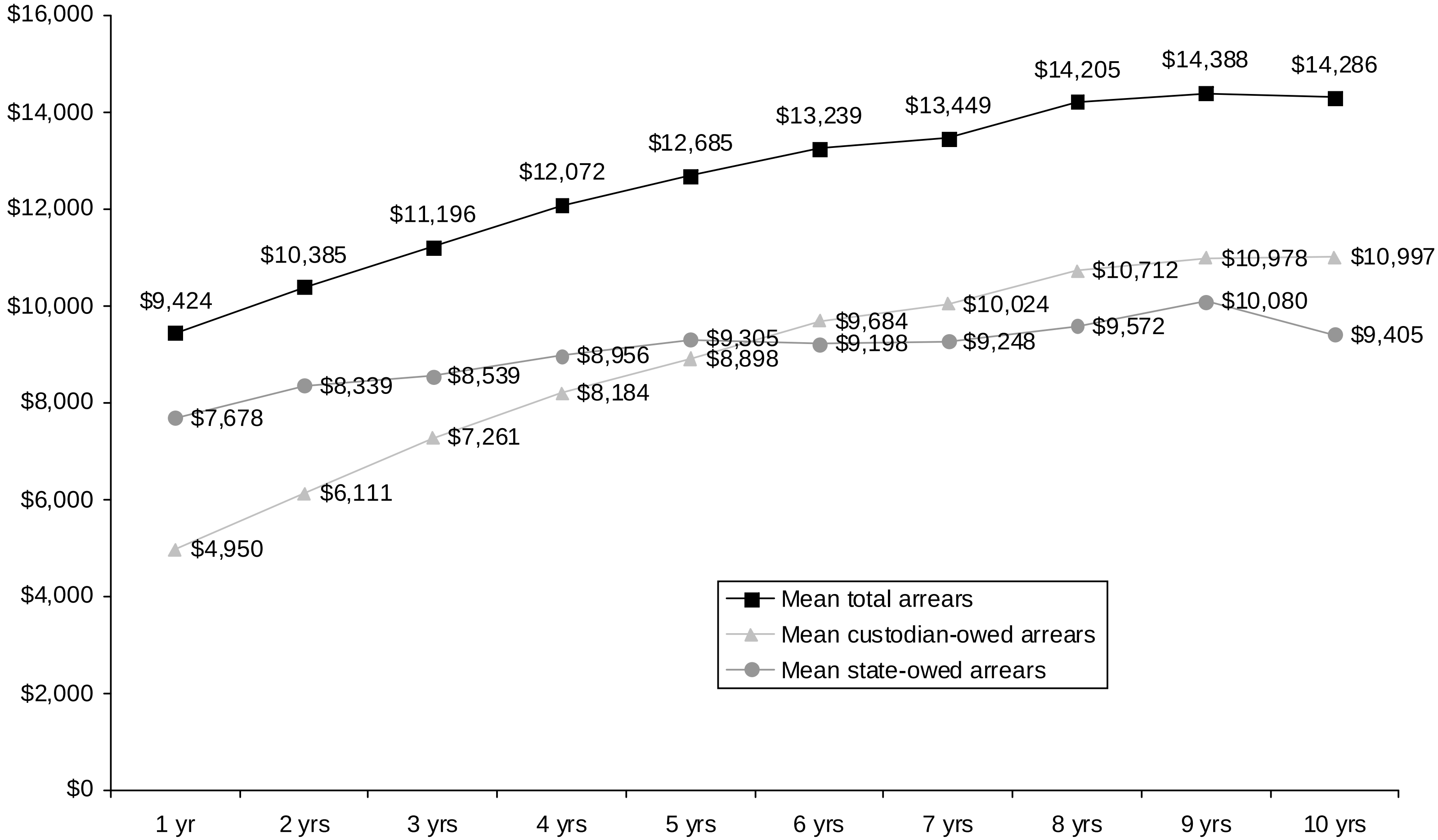
Figure 12. Child Support Arrears Post-Exit among Those with Active Child Support Cases



It is also important to have some idea of the amounts of past-due support owed in total and the amounts owed to the custodians and to the state, respectively. This information is presented for the cases in our sample, at various post-exit time periods in Figure 13. The most general point is that total arrears, custodian-owed arrears and state-owed arrears are all fairly substantial, on average, and increase over time.

Excluding cases with no arrears, Figure 13 shows that total arrears, in the average case, are $9,423 in the first year post-exit and increase steadily over the next few years, reaching $14,285 by the 10th year after the welfare exit. Consistent with the fact that most families do not return to welfare after leaving, Figure 13 shows that, although state-owed arrears amounts are also considerable, they do not increase nearly as much over time. State owed arrears, on average, are $7,678 in the first post-exit year and $9,404 some 10 years later. The most dramatic increases over time are observed with regard to arrears owed to the custodians. On average, custodians were owed roughly $5,000 in unpaid child support ($4,950) one year after leaving welfare; by the 10th post-exit year, this amount had increased by some 122% to $10,997).

Figure 13. Amount of Arrears Owed to Former TANF Recipients after Exit



FINDINGS: COMPLETING THE PICTURE

Previous chapters have shown that most former welfare recipients exit the rolls for employment in the formal labor market and do not return. Although earnings are low initially, they do increase over time. Most families continue to use SNAP and MA/MCHP as work supports. However, only a minority of cases has child support orders in place at the time they leave welfare and even fewer receive some, let alone all, of the court-ordered support that is due. Although returns to welfare are relatively low, the highest risk of recidivism occurs within the first year or two after welfare case closure. Roughly one in three families has received at least one additional month of aid by the end of the second year, but relatively few return after that point. Moreover, we have also seen some hints in our findings of lower employment rates and incrementally higher rates of returns to welfare that recent leavers, as well as some who left welfare earlier, are experiencing the effects of the recession as are many other households.

In this final Findings chapter, we combine our welfare and work data to paint a more complete picture of life after a welfare exit. Our analyses focus specifically on families' work and welfare status in the years after an exit. A more in-depth study of this topic, including the relationship between client characteristics and long-term outcomes, is the focus of a separate report to be issued later this year.

Work and Welfare Status over Time

We begin our discussion with Figure 14, following, which displays the percentage of cases falling into one of four status groups in each of the 12 years after the welfare exit which brought them into our study sample:

1) Work only: UI-covered employment in Maryland or a border state during the period and no TCA receipt in Maryland;
2) Work and welfare: UI-covered employment in Maryland or a border state and at least one month of TCA receipt during the period;
3) Welfare only: No UI-covered employment in Maryland or a border state in the period but received TCA for at least one month; and
4) No work or welfare: Neither UI-covered employment in Maryland or a border state and no TCA receipt in the period.

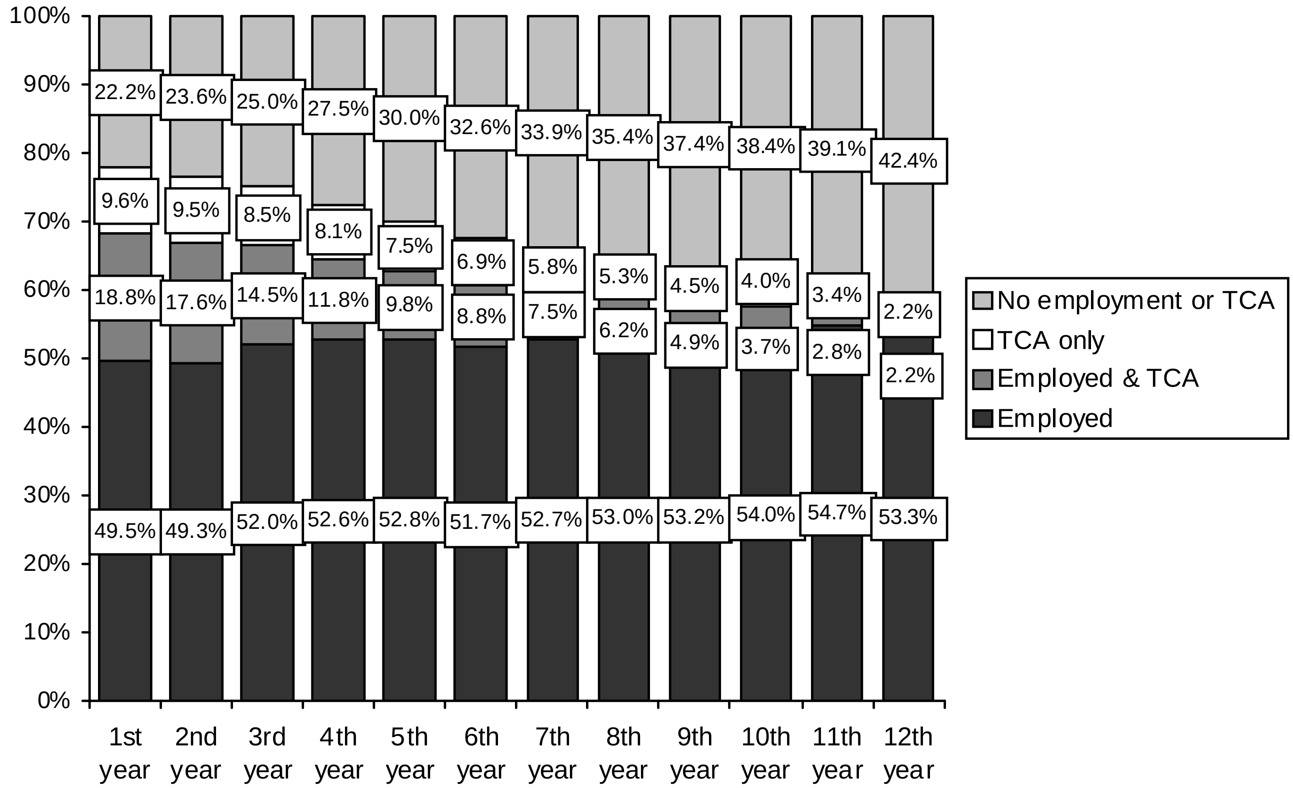
It is encouraging to see that work only is the most common case outcome not only in the first year after exit, but also in every follow up year as well. As illustrated in the bottom segment of the bars in Figure 14, about half of all cases are in the work-only category in the first two years (49.5% and 49.3% for years 1 and 2, respectively. The work-only rate then increases in the third year (52.0%) and more or less remains at that level up to and through the 11th follow up year where the highest work-only rate (54.7%) is found. Coinciding with the onset of what we now know was the beginning of the Great Recession, we see a slight decrease in the work-only rate (53.3%) for those for whom we have 12 full years of follow up data (i.e., those who left welfare in the earliest years of reform).

The second most common outcome is no-work-or-welfare, as shown in the top segment of the bars on Figure 14. In the first year after exit, a little more than one in five leavers (22.2%) experienced this outcome. Though never quite reaching the size of the work-only cohort, the percentage of families with neither work nor welfare does rise in each follow up year such that, by year 12, about two of every five families (42.4%) are in this category. This group is often referred to as “disconnected” because they do not appear to be connected to either the formal labor market or the cash assistance rolls and, understandably, has been a focus of some concern. In addition to several research studies on the topic, there has also been discussion in the popular media about these families, precipitated in part by the fact that cash assistance rolls, to date at least, have not risen as dramatically as they have in previous economic downturns.

Our own recently released report on disconnected leavers (Ovwigho, Kolupanowich & Born, 2009) shows that they are a diverse group. Perhaps contrary to popular conception, the single largest cohort (43%) is non-needy caretaker relative cases (i.e. child-only cases) and the majority (67%) has income from another source such as another adult’s earnings, child support and/or Supplemental Security Income or Social Security.

Figure 14 also shows that, while these two categories (work-only and no-work-no-welfare) together account for a large majority (71.7%) of cases in the first post-exit year, by the end of the 12th year, they account for almost all cases (95.7%). The other two case categories, one with partial dependence on welfare (i.e. the work and welfare group) the other with only cash assistance at each measuring point (i.e., the welfare only group), together accounted for only one in four cases (28.4%) in year 1 and only 4.4% in year 12.

Figure 14. Work & Welfare Status over Time



Fluidity in Work and Welfare Status

As recent economic and employment dislocations have shown in sharp relief, one's employment and economic well-being are not always unchanging from one point in time to another. This often painful reality is true for the families in our study sample as well and their work and welfare status groupings are dynamic, rather than static. From Figure 13, preceding, we know that, over time, our study families come to rely more heavily on income from employment or other sources, rather than income from cash assistance. More information about how families move between and among various work and welfare statuses in the years after the welfare exit that brought them into our sample appears in Figure 15 which follows this discussion. More detailed analyses of work and welfare status transitions over time will be presented in a special report on long-term outcomes that will be issued later this year.

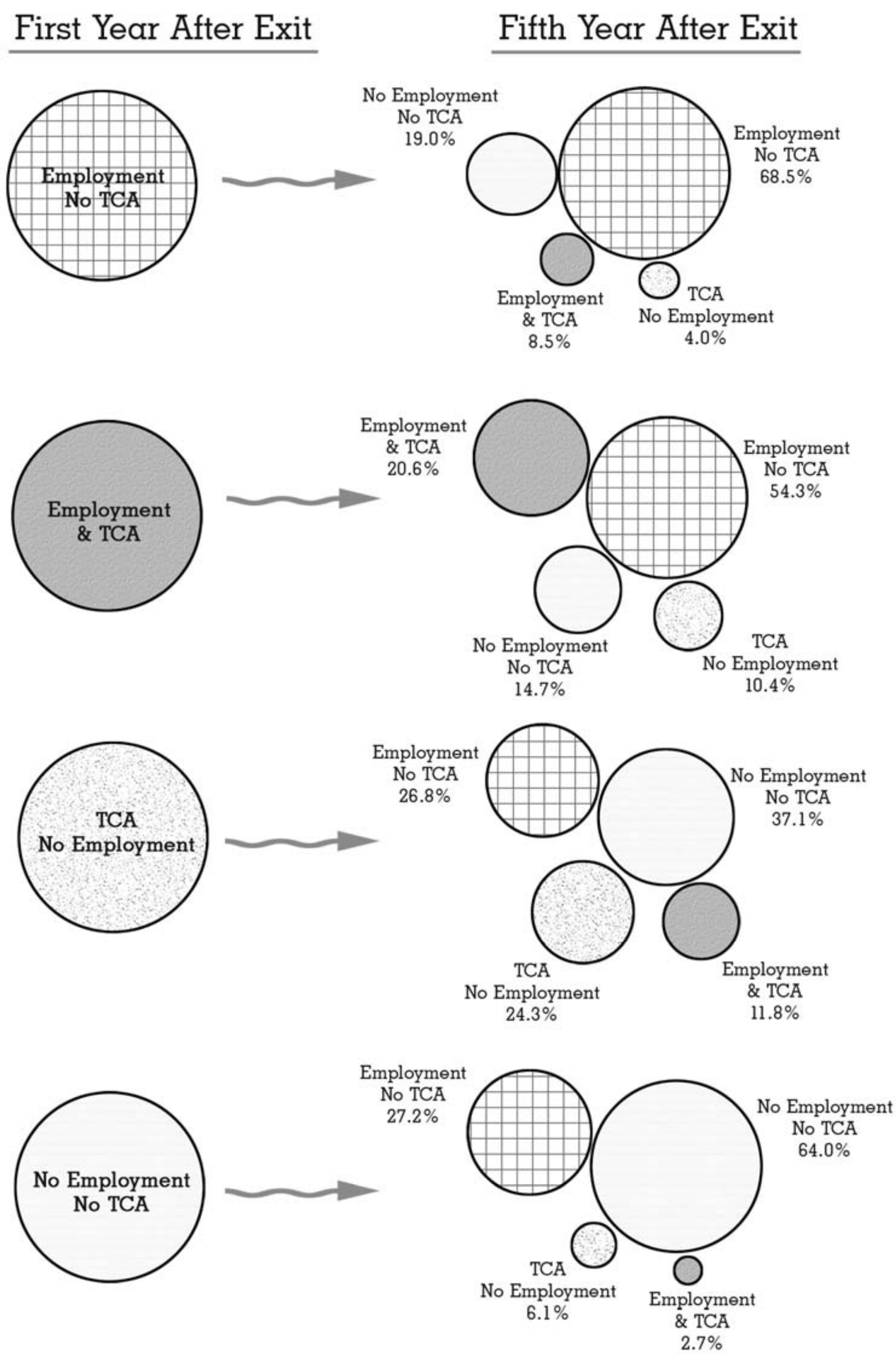
Looking at Figure 15, it is evident that the general trend is positive: across the four initial case status groupings, there is more movement in the direction of work and less movement in the direction of welfare over time. Starting with the work-only group, at the top left of Figure 15, we see that among leavers who began their post-welfare lives in the work-only group, more than two-thirds (68.5%) are still working and not receiving welfare five years later. About one in five (19.0%) had moved into the no-work-no-welfare category by the fifth post-exit year, a bit less than 8.5% were combining work and welfare in the latter period and 4.0% were back on welfare with no UI-covered earnings.

Findings are also heartening for the second category of cases, those who, in the first post-exit year, were combining work and welfare. By the fifth post-exit year, more than half (54.3%) have moved into the work-only group. One in five (20.6%) continue to combine work and welfare and one in 10 (10.4%) are receiving welfare, but have no earnings from UI-covered employment. Finally,14.7% of those who initially combined work and welfare have neither TCA receipt in Maryland nor are working in a UI-covered job in Maryland or a border state in the fifth year.

For our third group, families who were in the welfare-no work category in the first year, most eventually leave cash assistance as well. Figure 15 shows that in the fifth year, more than one in three (37.1%) are in the no-work/no-welfare group and about one in four (24.3%) are members of the welfare-only group. However, about two-fifths (38.6%) are working: 26.8% are now in the work-only category and 11.8% combine work and welfare.

The bottommost set of circles in Figure 15 represents study families who initially were members of the no-work/no-welfare or so-called ‘disconnected’ cohort. That is, during the first post-exit year they had neither work nor welfare income. As shown, the majority (64%) of these “disconnected” leavers remain in that group in the fifth post-exit year. Notably, however, one in four (27.2%) have moved to the work-only group. A very small minority (6.1%) is on welfare and has no income from work, while an even smaller minority (2.7%) combines employment income with cash assistance.

Figure 15. Work and Welfare Status First Year vs. Fifth Year



CONCLUSIONS

As this 2009 annual update on Maryland's legislatively-mandated, landmark study *Life After Welfare* goes to press, our state, our nation and, indeed, our world continue to grapple with the most severe, widespread economic downturn since the Great Depression. Household income has declined across all income groups, poverty has jumped sharply to 13.2%, an 11-year high, unemployment rates are at a decades-high point, and the use of SNAP/Food Stamps jumped 13% in 2008, ballooning to 9.8 million U.S. households (Yen, 2009). Although it is tentatively agreed that the worst may be behind us at the macro level, it is widely predicted that recovery will be slow, growth will be limited, and that, at the micro or household level, employment and economic recovery lies a few years in the future. For these and other reasons, it remains vitally important that policymakers and program managers have up-to-date, reliable, empirical information about how families who have left welfare are faring in these tumultuous and still difficult times. Providing this type of information, for Maryland, is the purpose of the ongoing *Life after Welfare* study in general and today's annual update in particular.

Given the economic turmoil of the recent past and today, it is heartening that, as in past years, much of the news in this year's *Life* update is generally positive. Most families leave welfare and do not return. Adults find work and experience earnings increases over time and the use of work supports such as SNAP and MA remains high. Also positive is the fact that, despite the current economy, the most recent welfare leavers are spending shorter periods of time on welfare than did their counterparts from the earliest days of welfare reform. Approximately half of recent leavers spent a year or less on the rolls and only a very small percentage had been on assistance for more than four years at the time of case closure.

On a less positive, but not unexpected, note we do find that families who left welfare in the most recent period (April 2008 through March 2009) have lower initial employment rates than their counterparts who exited earlier. In addition, our calendar year analyses reveal that annual earnings for all leavers fell slightly between 2007 and 2008 after several years of steady increase. More recent leavers also have an elevated risk of experiencing a return to welfare and higher rates of work sanctioning. We will continue to track these matters because a decline in earnings and/or a worsening of the employment situation could potentially begin a downward spiral that causes more families to have to return to cash assistance.

Last but not least, today's report continues to show that child support remains a potentially very important, if unrealized, source of post-welfare income for many families. Among the minority of cases which do receive support, its contribution to overall family income is substantial. Far too many families, however, appear to leave welfare with no paternity and/or support order in place and for others, court-ordered support is due but has not been paid and, as a result, sizable arrears are owed to the custodian, to the state or to both. In this regard, while recognizing that staff resources are constrained, we would suggest experimentation with a 'child support last' initiative. Just as the "child support first" component of welfare reform tries to ensure that all needed steps are taken before a cash assistance benefit case is opened, a “child support last” component could offer a similar assessment and, if needed, case actions at or near the time that the cash assistance case is closed. We are well aware that non-custodial parents, especially those with low incomes, are themselves under stress in today’s economy and that some may simply be unable to meet their child support obligations. Programmatically, however, the important action step is to insure that all cases are reviewed, that paternity and reasonable support orders are established and that support enforcement actions are taken when it is appropriate to do so.

Maryland has achieved much during the first 13 years of welfare reform and those accomplishments have been empirically documented through the ongoing *Life after Welfare* study. Today’s annual update confirms that the hard work of legislators, agencies, and families has continued and still yields positive results. The report also reaffirms that the success of our welfare-to-work efforts is, as it has always been, influenced by events and circumstances in the larger economy. These are challenging times and the challenges are likely to continue for the foreseeable future. As the old canard says, however, “when times get tough, the tough get going.” Having been participant observers and research chroniclers of Maryland’s welfare reform efforts for many years now, we are confident that Maryland is tough enough to meet today’s challenges and further that, with our best collective efforts, our state will address those challenges at least as well as, if not better than, other states. Indeed, for the sake of our state and its hard-working families, we must.

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APPENDIX A. AVAILABILITY OF POST-EXIT EMPLOYMENT DATA

Exit Month	Exit	1st	2nd	3rd	4th	8th	12th	16th	20th	24th	28th	32nd	36th	40th	44th	48th
10/96-12/96	√	√	√	√	√	√	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷
1/97-3/97	√	√	√	√	√	√	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	
4/97-12/97	√	√	√	√	√	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	
1/98-3/98	√	√	√	√	√	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷		
4/98-6/98	√	√	√	√	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷		
7/98-9/98	√	√	√	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷		
10/98-12/98	√	√	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷		
1/99-3/99	√	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷			
4/99-12/99	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷			
1/00-12/00	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷				
1/01-12/01	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷					
1/02-12/02	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷						
1/03-12/03	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷							
1/04-12/04	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷								
1/05-12/05	√✷	√✷	√✷	√✷	√✷	√✷	√✷									
1/06-12/06	√✷	√✷	√✷	√✷	√✷	√✷										
1/07-12/07	√✷	√✷	√✷	√✷	√✷											
1/08-3/08	√✷	√✷	√✷	√✷												
4/08-6/08	√✷	√✷	√✷													
7/08-9/08	√✷	√✷														
10/08-12/08	√✷															
1/09/3/09																

Note: A √ indicates that Maryland UI data are available. A ✷ indicates that UI data from the states that border Maryland are available (Delaware, District of Columbia, Pennsylvania, Virginia, and West Virginia).

Appendix B. UI-Covered Employment In- and Out-of-State

	Entire Sample 10/96-3/09	Cohort 3 Most Recent Cases 4/08-3/09	Cohort 2 Recent Cases 4/07-3/08	Cohort 1 Earlier Cases 10/96-3/07
Quarter of TCA Exit				
Percent Working in Maryland	49.4%	43.8%	49.4%	49.6%
Percent Working in a Border State	3.8%	1.4%	3.1%	4.1%
Total Percent Working	51.2%	45.0%	51.6%	51.4%
Mean Earnings*	$3,201.25	$3,478.15	$3,090.31	$3,193.69
Median Earnings	$2,516.70	$2,308.00	$2,127.09	$2,539.87
1st Quarter After TCA Exit				
Percent Working in Maryland	49.7%	44.2%	50.3%	49.9%
Percent Working in a Border State	4.6%	1.1%	3.6%	4.9%
Total Percent Working	52.2%	45.3%	53.3%	52.4%
Mean Earnings*	$3,638.84	$4,090.07	$3,687.35	$3,621.06
Median Earnings	$2,993.89	$2,909.00	$2,807.05	$3,003.33
2nd Quarter After TCA Exit				
Percent Working in Maryland	48.5%	41.3%	49.0%	48.6%
Percent Working in a Border State	5.0%	0.0%	3.5%	5.2%
Total Percent Working	51.1%	41.3%	51.6%	51.3%
Mean Earnings**	$3,808.18	$4,690.58	$3,882.70	$3,789.94
Median Earnings	$3,202.11	$3,569.00	$2,945.79	$3,206.12
3rd Quarter After TCA Exit				
Percent Working in Maryland	47.8%		44.9%	47.9%
Percent Working in a Border State	5.3%		4.0%	5.4%
Total Percent Working	50.7%		48.1%	50.9%
Mean Earnings*	$3,930.88		$4,166.33	$3,916.39
Median Earnings	$3,324.07		$3,203.00	$3,334.87
4th Quarter After TCA Exit				
Percent Working in Maryland	48.0%		45.8%	48.1%
Percent Working in a Border State	5.4%		5.6%	5.4%
Total Percent Working	51.1%		50.3%	51.2%
Mean Earnings	$4,061.90		$4,285.75	$4,051.34
Median Earnings	$3,455.36		$3,321.00	$3,470.84
8th Quarter After TCA Exit				
Percent Working in Maryland	47.2%			47.2%
Percent Working in a Border State	5.7%			5.7%
Total Percent Working	51.4%			51.4%
Mean Earnings	$4,416.55			$4,416.55
Median Earnings	$3,877.49			$3,877.49

	Entire Sample 10/96-3/09	Cohort 3 Most Recent Cases 4/08-3/09	Cohort 2 Recent Cases 4/07-3/08	Cohort 1 Earlier Cases 10/96-3/07
12th Quarter After TCA Exit				
Percent Working in Maryland	46.8%			46.8%
Percent Working in a Border State	6.6%			6.6%
Total Percent Working	51.8%			51.8%
Mean Earnings	$4,674.21			$4,674.21
Median Earnings	$4,196.01			$4,196.01
16th Quarter After TCA Exit				
Percent Working in Maryland	44.6%			44.6%
Percent Working in a Border State	7.0%			7.0%
Total Percent Working	50.0%			50.0%
Mean Earnings	$5,038.68			$5,038.68
Median Earnings	$4,524.01			$4,524.01
20th Quarter After TCA Exit				
Percent Working in Maryland	44.5%			44.5%
Percent Working in a Border State	7.2%			7.2%
Total Percent Working	50.1%			50.1%
Mean Earnings	$5,263.16			$5,263.16
Median Earnings	$4,790.24			$4,790.24
24th Quarter After TCA Exit				
Percent Working in Maryland	42.9%			42.9%
Percent Working in a Border State	6.6%			6.6%
Total Percent Working	48.4%			48.4%
Mean Earnings	$5,468.46			$5,468.46
Median Earnings	$4,907.90			$4,907.90
28th Quarter After TCA Exit				
Percent Working in Maryland	43.6%			43.6%
Percent Working in a Border State	6.6%			6.6%
Total Percent Working	49.3%			49.3%
Mean Earnings	$5,502.49			$5,502.49
Median Earnings	$5,036.90			$5,036.90
32nd Quarter After TCA Exit				
Percent Working in Maryland	43.8%			43.8%
Percent Working in a Border State	6.2%			6.2%
Total Percent Working	49.1%			49.1%
Mean Earnings	$5,884.16			$5,884.16
Median Earnings	$5,351.00			$5,351.00

	Entire Sample 10/96-3/09	Cohort 3 Most Recent Cases 4/08-3/09	Cohort 2 Recent Cases 4/07-3/08	Cohort 1 Earlier Cases 10/96-3/07
36th Quarter After TCA Exit				
Percent Working in Maryland	43.0%			43.0%
Percent Working in a Border State	6.6%			6.6%
Total Percent Working	48.8%			48.8%
Mean Earnings	$6,116.50			$6,116.50
Median Earnings	$5,599.56			$5,599.56
40th Quarter After TCA Exit				
Percent Working in Maryland	42.0%			42.0%
Percent Working in a Border State	7.1%			7.1%
Total Percent Working	48.2%			48.2%
Mean Earnings	$6,406.25			$6,406.25
Median Earnings	$5,716.16			$5,716.16
44th Quarter After TCA Exit				
Percent Working in Maryland	41.6%			41.6%
Percent Working in a Border State	7.8%			7.8%
Total Percent Working	48.3%			48.3%
Mean Earnings	$6,517.75			$6,517.75
Median Earnings	$5,892.50			$5,892.50
48th Quarter After TCA Exit				
Percent Working in Maryland	42.6%			42.6%
Percent Working in a Border State	5.7%			5.7%
Total Percent Working	47.9%			47.9%
Mean Earnings	$6,573.93			$6,573.93
Median Earnings	$5,995.00			$5,995.00

Note: Earnings are only for those working. Also, as noted previously, these are aggregate quarterly earnings. We do not know how many weeks or hours an individual worked, so hourly wage cannot be computed from these data.
*p<.05, **p<.01, ***p<.001

APPENDIX C. AVAILABILITY OF WELFARE-RELATED DATA

Sample Months	3 mo	6 mo	1 yr	2 yrs	3 yrs	4 yrs	5 yrs	6 yrs	7 yrs	8 yrs	9 yrs	10 yrs	11 yrs	12 yrs
10/96 – 3/97	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
4/97 – 3/98	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
4/98 – 3/99	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
4/99 – 3/00	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
4/00 – 3/01	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓				
4/01 – 3/02	✓	✓	✓	✓	✓	✓	✓	✓	✓					
4/02 – 3/03	✓	✓	✓	✓	✓	✓	✓	✓						
4/03 – 3/04	✓	✓	✓	✓	✓	✓	✓							
4/04 – 3/05	✓	✓	✓	✓	✓	✓								
4/05 – 3/06	✓	✓	✓	✓	✓									
4/06 – 3/07	✓	✓	✓	✓										
4/07 – 3/08	✓	✓	✓											
4/07 – 6/08	✓	✓												
7/08 – 9/08	✓	✓												
10/08 – 12/08	✓													
1/09 – 3/09														
Total Number of Cases with Available Data	**12,867**	**12,663**	**12,276**	**11,442**	**10,490**	**9,519**	**8,567**	**7,569**	**6,543**	**5,452**	**4,345**	**2,689**	**974**	

Figure D-1. Child Support Status by Cohort

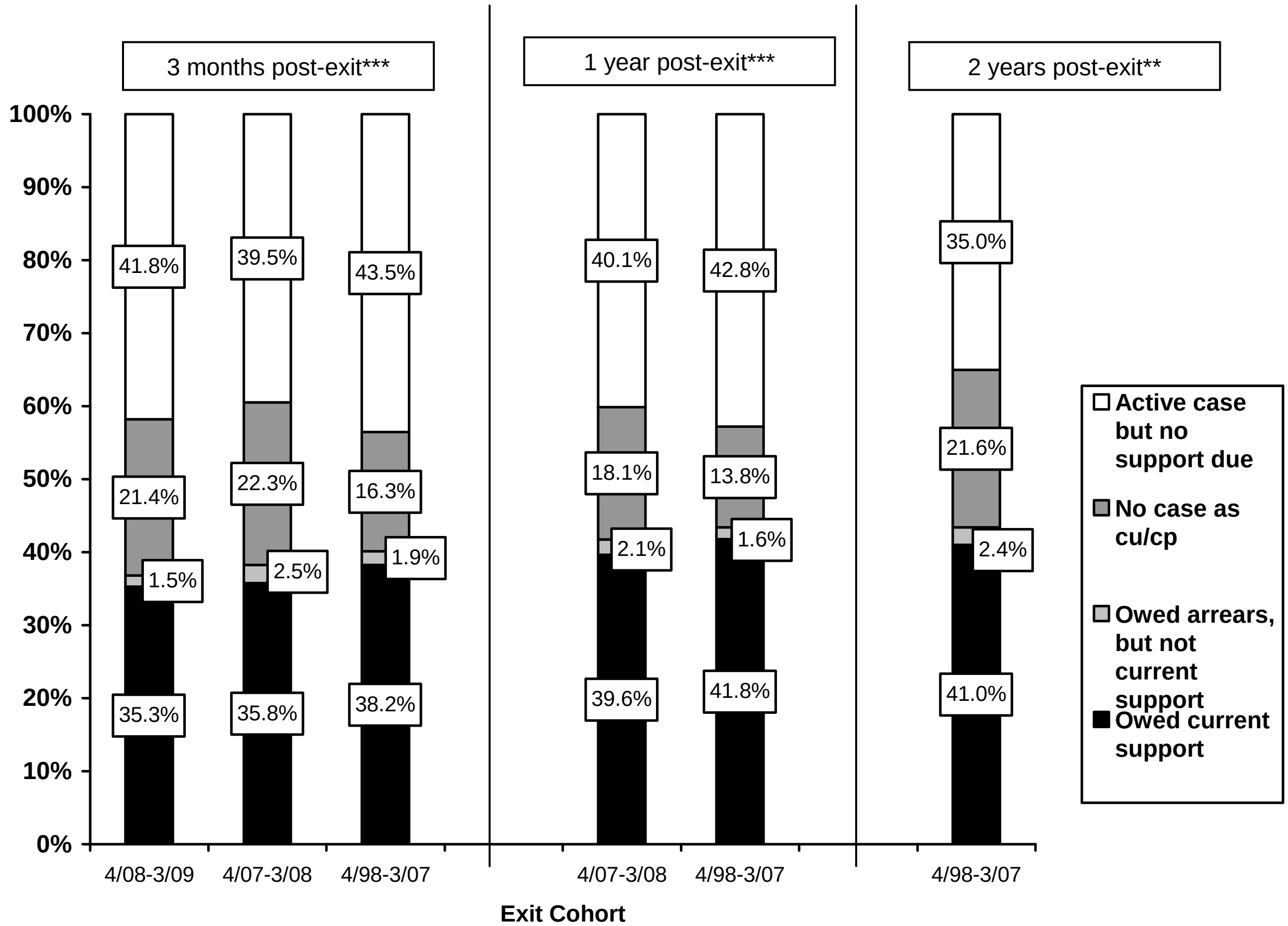

Table D-1. Child Support Receipt by Cohort

	Entire Sample 10/96-3/09	Cohort 3 Most Recent Cases 4/08-3/09	Cohort 2 Recent Cases 4/07-3/08	Cohort 1 Earlier Cases 10/96-3/07
3 months post-exit				
Received support***	20.2%	23.7%	20.6%	19.9%
Mean amount received**	$637.48	$734.06	$763.61	$618.45
Median amount received	$507.66	$585.04	$551.25	$493.34
1 yr post-exit				
Received support*	28.2%		29.0%	28.1%
Mean amount received*	$1922.35		$2253.45	$1893.85
Median amount received	$1297.46		$1595.34	$1276.00
2 yrs post-exit				
Received support	28.8%			28.8%
Mean amount received	$2117.85			$2117.85
Median amount received	$1457.73			$1457.73

Note: Due to missing data for some variables, counts may not sum up to the total number of cases. Valid percentages are reported. *p<.05, **p<.01, ***p<.001

Table D-2. Child Support Arrears by Cohort

	Entire Sample 10/96-3/09	**Cohort 3 Most Recent Cases 4/08-3/09**	**Cohort 2 Recent Cases 4/07-3/08**	**Cohort 1 Earlier Cases 10/96-3/07**
Critical Month				
Mean total arrears*	$8949.45	$9275.95	$7889.81	$9007.94
Mean CP-owed arrears	$5670.21	$6396.69	$5758.02	$5615.07
Mean state-owed arrears*	$6957.86	$7362.16	$5998.36	$6999.91
1 yr post-exit				
Mean total arrears	$9423.51		$8015.95	$9537.19
Mean CP-owed arrears	$4949.99		$4857.97	$4956.97
Mean state-owed arrears*	$7678.41		$6326.26	$7782.94
2 yrs post-exit				
Mean total arrears	$10,385.18			$10,385.18
Mean CP-owed arrears	$6111.34			$6111.34
Mean state-owed arrears	$8339.41			$8339.41

Note: Due to missing data for some variables, counts may not sum up to the total number of cases. Valid percentages are reported. *p<.05, **p<.01, ***p<.001