LIFE WITHOUT WELFARE: THE PREVALENCE AND OUTCOMES OF DIVERSION STRATEGIES IN MARYLAND

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Executive Summary

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 profoundly changed the philosophy and practice of providing cash assistance to low-income children and their caretakers. Among other things, the legislation permitted states to adopt a variety of previously non-standard, if not prohibited, practices such as time limits and full family sanctions, about which there already is a sizable and ever-growing body of research literature.

Diversion, another new program technique, appears to have received far less research attention, despite the fact that it was thought to hold great promise in the new work-oriented welfare system. The premise of diversion is that cash assistance is not always the best way to meet the financial needs of at-risk families and if other, more appropriate aid can be provided, their need to become welfare users in the traditional sense (i.e., receiving ongoing checks) may be obviated. Despite the seemingly commonsensical basis for using diversion in certain client situations, there have been few published studies which examine the characteristics of diverted families and the outcomes achieved through diversion. The study described in this report begins to fill that information gap for Maryland. It provides state and local officials with the same type of information about families who experience 'life without welfare' as other of our studies have provided about families living 'life after welfare' and 'life on welfare'. Key study questions are:

1. To what extent are two types of formal diversion, lump sum payments and rapid employment services used and what are the characteristics of diverted families?

2. What happens to diverted families over time in terms of employment, earnings and participation in Food Stamps and Medical Assistance?

3. Does formal diversion appear to prevent ongoing cash assistance receipt or just defer that receipt for some period of time?

To answer these questions, we extracted data from a variety of administrative data systems and examined the universe of cases (n=4,219) formally diverted from cash assistance in Maryland during a two year period (April, 1998 - March, 2000).

Summary of Key Findings

1. The two types of formal diversion, Welfare Avoidance Grants (48.0%) and Rapid Employment Services (52.0%), appear to have been used in roughly equal measure, although our results likely underestimate the numbers diverted through employment because, for this study, we lacked data on out-of-state employment.

2. The typical formally diverted case consists of one adult (83.3%), about 30 years of age (mean=30.4 years), never-married (53.1%), female (93.3%), African-American (52.1%) and one (36.0%) or two (32.2%) children, both of whom are over the age of three years (60.0%).

3. Adults in formally diverted cases have a history of labor force participation. The large majority (85.9%) worked at some point in each of the eight quarters (two years) immediately preceding the diversion event. A comparable percentage (83.6%) worked during the calendar quarter in which the diversion took place. About three of every four jobs held by these adults during the diversion quarter (77.8%) were in wholesale/retail trade (33.7%), personal services (24.0%) or organizational services (20.1%).

4. In general, formally diverted adults had not made extensive prior use of ongoing cash assistance. Indeed, two-fifths (41.2%) of all formally diverted adults had received no cash assistance in the 60 months or five years immediately prior to diversion. Another one-fifth (20.0%) had received welfare in 12 or fewer of the preceding 60 months. Long-term welfare use was rare among diverted adults; only six in 100 (6.1%) had received welfare for 49 months or more in the past five years. There were no significant differences between the two groups on historical welfare use patterns.

5. There were some statistically significant pre-diversion differences between the two groups of clients. Adults diverted through employment tended to be younger, were more likely to be of an ethnicity other than Caucasian or African-American, and more likely to have never married. The rapid employment

group also worked significantly fewer quarters (4.3) in the preceding eight quarters than did the WAG group (5.0) and had lower average quarterly earnings ($1,754 vs. $2,176) during that time. They were more likely to be working in the quarter of diversion (91.6% vs. 74.8%), although average earnings in the diversion quarter ($1,535) were significantly less than for the WAG group ($1,919).[1]

6. The large majority of adults in formally-diverted cases worked in each of the four calendar quarters immediately following the diversion event; the percentages are 77.7%, 70.9%, 69.2% and 66.5% for the 1st through 4th post-diversion quarters, respectively.

7. Mean earnings for all clients in the first post-diversion quarter were $2,184 and there was no significant difference between the two groups. In the 2nd, 3rd and 4th post-diversion quarters, however, mean earnings of WAG clients were significantly higher than those of rapid employment clients.[2]

8. Both groups experienced a net gain in average annual earnings from one year prior to diversion to one year post diversion; the average gain among rapid employment clients ($2,510), however, was significantly greater than the gain among WAG recipients ($1,673).

9. The vast majority (84.3%) of formally diverted clients did not receive any ‘regular' cash assistance payments during the 12 months after diversion.[3] Among the small minority who did, the plurality (42.6%) received welfare within the first three months after diversion.

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[1]Because of the quarterly nature of the employment/earnings data, it is not possible to determine if employment during the diversion quarter occurred before, at the same time as, or after the diversion event. Additional discussion of this point appears on page 25 of the report.

[2]Readers must avoid the temptation to calculate hourly wage or infer total annual income from these data. Neither can be done with any degree of confidence because the quarterly nature of the employment/earnings data means that one does not know if reported earnings represent wages from one, two or all three months in the quarter and whether those earnings arose from full-time or part-time employment.

[3]WAG clients were significantly less likely to use cash assistance (90.5%) than were employment clients (78.6%), but results may be affected by the nature of WAG. A WAG is usually a sum equal to x months of ‘regular' benefits for which the family was eligible. Thus, WAG receipt equal to x months' grant precludes receipt of ‘regular' aid for x number of months.

10. The majority of diverted clients in both groups were enrolled in Food Stamps and Medical Assistance during the month in which diversion from cash assistance took place, but participation rates were significantly higher among WAG clients (73.8% and 78.6% for Food Stamps and Medical Assistance, respectively) than among rapid employment clients (61.6% and 65.4%). Results during the first post-diversion year were similar.

Conclusions

It is dangerous to draw definitive conclusions from a purely descriptive study and, given the continuing evolution of welfare reform policy and practice, certainly to do so from a study which focuses on a particular time frame (April, 1998 - March, 2000). Nonetheless, there are a few concluding observations that do seem warranted based on the findings of this study and the authors' familiarity with the Maryland public welfare system/program.

1. Despite fears expressed by some national welfare reform observers, formal diversion, in Maryland at least, does not appear to have been used as a way to keep caseloads down or to prevent otherwise eligible families from receiving ongoing cash assistance. Rather, formal diversion appears to have been used rather sparingly during the two year study period. Statewide there were a total of 4,219 unique diverted families; in contrast, 77,139 unique families received ‘regular' cash assistance benefits.

2. The premise behind diversion is that ongoing cash assistance is not always the best way to address at-risk families' financial crises and that, if other more appropriate aid can be provided, their need to become welfare recipients may be prevented. At least in the short-run (12 months post-diversion), our data suggest that this notion has borne out in reality. The vast majority of formally diverted families do not receive any ‘regular' cash assistance payments in the year after the diversion event.

Since a majority (three-fifths) of diverted families in our study had little or no prior welfare history, it would seem a generally positive finding that public welfare agencies are now able to help them with their immediate needs without requiring them to go "on the rolls".

3. This preliminary descriptive study of formal diversion in Maryland's reformed welfare program has answered a number of initial questions, but other important, unanswered questions remain. For example, while short-term (one year) results are positive in terms of the preventive power of formal diversion, follow-up data over a more time period are necessary to truly assess whether diversion really does prevent cash assistance receipt or merely defer it for some period of time. A longer-term look at the differences - in both customer characteristics and outcomes - between the two types of diversion, lump sum payments or WAGs (Welfare Avoidance Grants) and rapid employment services - would also be informative for policy-making and front-line practice.

4. Overall, results from this initial look at the characteristics and outcomes of formally diverted families in Maryland are generally positive and raise no obvious ‘warning flags' with regard to diversion policy or practice.

Introduction

The historic Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) has profoundly altered the philosophy and the practice of providing cash assistance to low-income children and their adult caretakers. Much has been written about this landmark statute and the myriad, substantive ways in which the cash assistance program it ushered in, Temporary Assistance to Needy Families (TANF), differs from its predecessor, Aid to Families with Dependent Children (AFDC), which had existed since the 1930s. Two new features - lifetime limits on the amount of time that most adults can receive benefits and the state option to impose full family sanctions for non-compliance with program rules - have received the lion's share of attention (see, for example, Gordon, Kuhns, Loeffler & Agodini, 1999 and, Goldberg and Schott, 2000).

One other new program technique permitted under TANF, that of diversion, has received far less research attention, despite the fact that 26 states and the District of Columbia are using it in one form or another (Urban Institute, 2002). Consistent with the PRWORA/TANF theme of avoiding welfare dependency, the general purpose of diversion is to steer applicants to investigate alternatives to on-going cash assistance, in the hopes that fewer will become long-term recipients (Richardson, Schoenfeld, LaFever, Jackson, & Tecco, 2001).

The thinking behind diversion is that cash assistance is not the only or always the best way to meet the needs of at-risk families and if other appropriate assistance can be made available, their need to become welfare users in the traditional sense (i.e., receiving monthly grants) may be obviated. In Maryland, the purpose of diversion is "to help the family remain independent and avoid the need for TCA (Temporary Cash Assistance)" (MD State TCA Manual, 2000).

Despite the seemingly commonsensical basis for using diversion in certain situations, there have been few studies examining the characteristics of diverted families and the outcomes achieved through diversion. The study described in this report begins to fill that information gap for Maryland. It provides state officials with the same type of information about families who have experienced "life without welfare" as other of our studies have provided about families living "life after welfare" and "life on welfare".[1] The key study questions are:

1. To what extent are two types of formal diversion, lump sum payments and rapid employment services, used and what are the characteristics of diverted families?
2. In terms of outcomes related to employment and wages, what happens to diverted families over time?
3. Does formal diversion prevent cash assistance receipt or just defer that receipt for some period of time?
4. What are the patterns of Food Stamp and Medical Assistance participation among diverted families

To address these questions, the study uses administrative data sources to examine the prevalence of diversion and the baseline characteristics of Maryland families (n=4,219) formally diverted from cash assistance during a two year period (April 1998 - March 2000), through lump sum awards, Welfare Avoidance Grants, (n=2,023) and "rapid employment" services (n=2,196). Separate attention is given to the two groups and twelve month post-diversion outcomes for each group are also presented.

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[1] See, for example, Born, Ovwigho, Leavitt, & Cordero, 2001; Born, Caudill & Cordero, 1998; Hetling-Wernyj and Born, 2002.

Background

The hallmark of welfare reform in the United States in the waning years of the 20th century was passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA, P.L. 104-121) and comparable, implementing legislation at the state level. In the five years since that time, caseloads have decreased dramatically and numerous studies of those who have left cash assistance have been undertaken and reported (see for example; Born, Ovwigho, Leavitt, & Cordero, 2001; Loprest, 1999; and Acs, Loprest, & Roberts, 2001). At the five year mark, however, relatively little is known about families who have been diverted from cash assistance, let alone about what happens to them after diversion. To some degree, this is understandable. There is no fixed federal definition of diversion, the strategy is optional for states, states electing this option are free, for the most part, to structure diversion programs as they see fit, and there is no mandatory reporting requirement associated with the operation of diversion programs (Maloy, Pavetti, Shin, Darnell, & Scarpulla-Nolan, 1998). This section of the report provides background information on diversion programs and what could be gleaned from the literature about their design, operation and outcomes.

Types of Diversion

Our focus in this study is on formal diversion strategies, defined by Maloy et al. (1998) as “activities that are explicitly designed to provide assistance to TANF applicants in an effort to eliminate their need for ongoing cash assistance".[2] A few states had experimented with formal diversion techniques under waiver programs which preceded PRWORA/TANF; under TANF just over half the states have adopted formal diversion programs, but these vary in scope and implementation (Urban Institute, 2002). In general, however, three types of formal diversion strategies have been and are most common: lump sum payments; job search; and alternative resources.

Lump Sum Payments

Lump sum payments are often the monetary equivalent of one or more months of the TANF grant to which the family would otherwise be entitled. As Friedman (1999) notes, lump sum payments "provide potential welfare applicants with short-term financial assistance to meet emergency needs...to secure or retain employment...to meet emergency needs during short periods of unemployment...for car repair, child care or rental assistance...or to stabilize employment". Although usually unstated, the underlying assumption of the lump sum technique appears to be that the need or emergency can be permanently addressed through the provision of this type of one-time, lump sum financial help.

In Maryland, lump sum payments are a key component in the state's diversion strategy and are referred to as Welfare Avoidance Grants or "WAGs". While some states have adopted very specific screening criteria with regard to diversion, including

[2]Informal diversion, in contrast, refers largely to the fact that some potential customers opt not to apply for ongoing cash assistance perhaps, to paraphrase Maloy et. al 1998), in response to program rules they perceive impose certain requirements they cannot or do not wish to meet or which they think may make them ineligible for aid.

assessment of the likelihood that provision of the lump sum aid will permanently solve the presenting problem, others, including Maryland, give much greater discretion in decision-making to local front-line staff and managers. Lump sum TANF payments do not count against the recipient's lifetime benefit receipt limit (i.e., they do not count as 'assistance' under federal TANF regulations) and do not trigger other program requirements such as those related to work. However, in exchange for a lump sum payment, the recipient almost always loses eligibility for ongoing TANF aid for some specified period of time. In Maryland, the number of months of forfeited TANF eligibility equals the lump sum award divided by the monthly grant amount for which the family would have qualified.

Job Search

The other most common formal diversion technique is some type of job search component or what is often referred to as "rapid employment" services. Not surprisingly given PRWORA/TANF's strong work emphasis, this strategy appears to be widely used across states although the specifics of the programs vary. At the time of Maloy's study (1999), to illustrate, 12 states required TANF applicants to attend a work orientation, while 16 mandated that applicants look for employment as a condition of TANF eligibility. Some states required documentation of just two contacts per month with prospective employers, others as many as forty. Workshops and orientation programs were provided in some states; in others applicants were left to their own devices. Consistent with diversity across states, the specifics of how Maryland counties operate the up front job search component are largely determined at the local level (Maryland Department of Human Resources, 2000).

Alternative Resources

The third diversion strategy, alternative resources, or the attempt to link potential cash assistance recipients with - or divert them to - formal or informal resources or services other than cash assistance is the most nebulous of the three (Maloy et al., 1998). In general, the idea appears to be that ongoing cash assistance should be the solution of last resort, not first. That is, in this form of diversion, attempts are made to divert cash assistance applicants to other community or family resources (e.g., childcare, local charities, child support) or other governmental non-cash benefits (e.g., Food Stamps, Medical Assistance). While the potential to divert or connect families to alternate resources conceivably could be substantial, Maloy et al (1999) found little evidence of formal, detailed policies or procedures to inform or guide front-line staff in how to utilize this strategy.

As with the other two forms of diversion, implementation of this strategy in Maryland is largely the purview of the local office. However, the statewide applicant assessment policy does include direction to caseworkers to use the results of the assessment to refer applicants to child support services, family planning, transportation services and anything else deemed ‘appropriate’ (Maryland Department of Human Resources, 1999). Due to the highly-individualized, non-standard nature of this strategy, it is not possible for us to quantify the number of TANF-eligible individuals who utilized (or accepted) alternative services. For example, it was impossible to determine if individuals who withdrew their TANF applications did indeed pursue and obtain other community resources instead. Likewise, it was not possible using administrative data to determine if Food Stamp recipients originally requested cash assistance but ultimately pursued other non-cash benefits as an alternative. Thus, the utilization and outcomes of alternative resources as a diversion strategy are not included in this study. However, we do investigate the use of non-cash benefits, one type of alternative services, during the 12 month post-diversion outcome period to ascertain the extent to which participation in these two programs is a complement to WAGs and rapid employment services.

Differences Across States

As mentioned previously, states differ greatly in the manner in which they have designed and implemented diversion programs and in the nature and specificity of eligibility criteria used to screen customers for potential diversion from ongoing cash assistance (Johnson and Meckstroth, 1998). This diversity makes it difficult to do meaningful cross-state comparisons and, as Johnson and Meckstroth (1998) report, has led to estimates of the proportion of clients diverted under TANF ranging from five to 20 percent. Caseworker perceptions of the purpose of diversion policies also differ across states. According to Holcomb et al. (1998), front-line caseworkers in one state perceived that the initial interview served to inform potential applicants of options other than cash assistance that could meet their needs. Caseworkers in another state opined that the interview was not meant to coerce potential clients from applying for TANF, but these same workers were uncertain whether the goal was to divert customers or just inform them of other options.

Based on their review of the operation and use of diversion as a TANF program strategy across states, Maloy et al. (1999) concluded that, at the time of their review, lump sum payments were the most well-understood, but they were rarely used. Job search or rapid employment techniques, those authors concluded, were the most widely-used diversionary tactic. Maloy et al. (1999) found that diversion through referral or connection to alternative resources was the least utilized strategy, in part because it was probably the most radical departure from past practice and was not well-understood or operationally defined. At the time of their investigation, only seven states appeared to have made a concerted effort to explore alternative resources before proceeding with customers' applications for ongoing TANF assistance.

Diversion Outcomes

Not surprisingly, there is even less published literature which speaks to the outcomes of diversion, particularly outcomes over an extended period of time. To date, the major impetus for outcome-focused studies has been the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services which has funded several state-level studies of diversion. The results of these projects are being disseminated as they become available. At present, however, published literature on the outcomes of diversion programs remains thin, especially compared with the now voluminous body of research reports on the so-called welfare leavers. Two of the earliest published studies of diversion, to illustrate, concluded that it was not possible to reach conclusions about the effectiveness of diversion programs due to the lack of data and, further, that due to the newness of these programs, states themselves had little evidence on how these programs were working (Johnson and Meckstroth, 1998; Maloy et al., 1998).

Although the data are incomplete and not consistent in terms of time periods, there are some state-level reported findings about the effectiveness of diversion, in general, as a “welfare avoidance” strategy. Acker and Morgan (2001), for example, report that of diverted Oregonians, 67% did not return to TANF in a 19 month follow-up period, but that among those who did, one-third were receiving cash assistance within one to three months. This same study also noted that, compared to TANF exiters or leavers, diverted customers were more likely to subsequently receive cash assistance or at least to apply for cash assistance. Johnson and Meckstroth (1998) reported that, in Maryland, two-thirds of customers diverted in 1997 had not applied for cash assistance at the end of a 12 month follow-up period. That same study noted that, since 1995, 85% of diverted customers in Virginia and 75% in Utah had not reapplied for cash assistance as of February 1998.

The bottom-line, insofar as we have been able to determine, is that despite their initial popularity as a new cash assistance program strategy, the empirical jury is still out with regard to formal diversion programs. Specifically, empirical evidence is sparse on whether formal diversion programs have achieved their primary purpose: meeting families’ immediate needs while obviating the need for ongoing cash assistance.[3] There is also limited information about the numbers of families that have been diverted and their characteristics. To our knowledge, there is even less information about whether the profile of families diverted through lump sum payments differs from that of families diverted through rapid employment or job search strategies. Because diversion programs do vary so much across states, it is at the state-level that studies examining

[3]Some advocates may opine that the unstated purpose of diversion was or is to keep welfare caseloads down by deterring families from applying for or receiving aid. The veracity of that argument was not the topic of the studies we examined nor can it be investigated in the Maryland study we report in this document.

these questions should be undertaken. The remainder of this paper describes the methodology, findings and conclusions of such a study for the State of Maryland.

Methodology

This chapter describes the procedures of sample selection, data collection and variable construction used in this empirical examination of formal diversion in Maryland's reformed cash assistance program. Included also is discussion of the various sources of administrative data used to assess customers' baseline demographic characteristics, program participation, employment patterns, and 12 month post-diversion outcomes. The approach used to analyze data is also described.

Sample

The population of interest in this study was all families which, having met the technical requirements of eligibility to receive ongoing TANF benefits (i.e., Temporary Cash Assistance), were instead diverted via a lump sum payment or rapid employment services during the two year period from April 1, 1998 through March 31, 2000. Using administrative data systems, a total of 4,219 cases diverted through one of these two avenues during the study period were identified.[4, 5] Of this number, 2,023 (48.0 percent or not quite half the sample) had received a Welfare Avoidance Grant/lump sum payment. These cases were identified via the administrative data system, CARES, selecting all cases in which the Assistance Unit (AU) number had a code of "IF" entered in the STAT screen, indicating issuance of a WAG.

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[4]In a few instances (n=158, 3.7% of cases), the family received both a Welfare Avoidance Grant and rapid employment diversion during the two year study period. In these cases we used the first-occurring diversion action/episode.

[5] To put this number in proper perspective, it should be noted that the total number of statewide unique cases receiving traditional (e.g., ongoing) cash assistance benefits during the April 1998 to March 2000 period was 77,139.

Identification of customers diverted through provision of rapid employment services was more difficult and less straightforward. Absent, to our knowledge, a clear-cut, universally-mandated procedure for documenting this service/form of diversion, we used a combination of available data to identify study cases. Specifically, we selected all cases in which the casehead applied for cash assistance and was denied, but appears in the New Hires Registry within 30 days of the cash assistance application date which resulted in the denial. The resulting count (n=2,196) is probably an underestimate of the total number of customers diverted through this method between April 1998 and March 2000.[6] Despite this caveat, the 2,196 rapid employment cases do represent 52.0 percent of all identified diverted cases, or about one-half of the total sample of 4,219 diverted cases.

Data Sources

Findings presented in this report are based on administrative data retrieved and analyzed by the authors from several computerized management information systems maintained by the State of Maryland. Specifically, demographic and program participation data were extracted from two primary administrative data systems: the Automated Information Management System/Automated Master File (AIMS/AMF) and the Client Automated Resources and Eligibility System (CARES). Employment and

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[6]No data were available on customer employment in the four states and the District of Columbia which border Maryland or in federal jobs, civilian and military. The number of federal jobs in Maryland is sizable and, in some Maryland counties more than one-third of all employed residents are known to work outside the state. Thus, the lack of data on other than Maryland jobs covered by the Unemployment Insurance program likely causes us to underestimate of the true number of customers diverted through rapid employment services during the two year study period.

earnings data were obtained from the Maryland Automated Benefits System (MABS), and the New Hires Registry (NHR).

AIMS/AMF

AIMS/AMF was the statewide data system for programs under the purview of the Maryland Department of Human Resources from 1987 through 1993. Beginning in late 1993, the state began converting to a new system, CARES. The final jurisdiction (Baltimore City) converted to CARES in March 1998; since that point, no new data have been added to AIMS, although the system is still accessible for program management and research purposes.

For each person who applied for cash assistance (AFDC or TCA), Food Stamps, Medical Assistance, or Social Services, AIMS contains a participation history. In addition to providing basic demographic data (name, date of birth, gender, ethnicity, etc), the system includes the type of program, application and the denial or closure date for each service episode, and a relationship code indicating the relationship of the individual to the head of the assistance unit.

CARES

As of March 1, 1998, CARES became the statewide automated data system for programs under the purview of the Maryland Department of Human Resources. Similar to AIMS, CARES provides individual and case level program participation data for cash assistance, Food Stamps, Medical Assistance and Social Services. In addition, CARES provides more extensive data on clients' circumstances, including education level and disability status. Also, expanded program requirements associated with welfare reform have resulted in more fields being added to CARES, including indicators for substance abuse and domestic violence.

MABS

In order to investigate the employment patterns of our customer sample, quarterly employment and earnings data were obtained from the Maryland Automated Benefits System (MABS). MABS includes data from all employers (approximately 93% of Maryland jobs) covered by the state's Unemployment Insurance (UI) law. 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 a small state such as Maryland which borders four states (Delaware, Pennsylvania, Virginia, West Virginia) and the District of Columbia, cross-border employment by Maryland residents is quite common. Fully half of all counties in Maryland border at least one other state.

New Hires Registry

As of July 1, 1997, federal and state laws require employers to report certain information about newly hired or re-hired employees to the Department of Labor, Licensing and Regulation. Reporting must be done within twenty days of the employee's first day of work. Information in the Registry is used to detect abuse of public assistance benefits, to locate non-custodial parents to establish and enforce child support orders, and to detect and prevent Unemployment Insurance overpayment.

Variables

For sample cases, we report data on their baseline demographic characteristics, employment experiences and welfare participation patterns.

Demographic Variables

Sample cases are described in terms of the number of adults and number of children in the assistance unit and the age of the youngest child in the assistance unit. Gender, race/ethnicity, marital status, age, and age at first birth (for females) are reported for payees. Age at first birth is estimated for female payees based on the payee's date of birth and the date of birth of her oldest child in the assistance unit. Our calculations may overestimate the age at first birth if the payee has another older child who is not included in the assistance unit or known to CARES.

Employment Variables

The employment data described in this report capture historical and follow-up employment and earnings information for our customer sample. Although we examine employment status (i.e., employed at all in a given time period) and earnings separately, these are in fact highly correlated. That is, UI earnings are reported on an aggregate quarterly basis. We do not know, in any given quarter, how much of that quarter (e.g., how many months within the quarter, weeks within the month, or hours within the week) the individual was employed. It is not possible to compute hourly wage figures or a weekly salary from these data. When an increase or decrease in earnings is noted, we cannot be certain if this reflects a wage or salary change, or simply a change in the level of employment (i.e., months, weeks, or hours worked) within the quarter. Our final employment variable describes total number of jobs, based on Standard Industrial Classification (SIC) codes, which describe the categorization of job types.

Participation Variables

Customer participation in public assistance programs was examined. Specifically, we examined participation in the Aid to Families with Dependent Children (AFDC) and Temporary Cash Assistance (TCA) programs. Historical involvement in the AFDC/TCA program as well as involvement in the TCA program during our 12 month follow-up period were investigated. Customer participation is defined in terms of monthly benefit receipt.[7] An historical participation variable was constructed using AFDC and TCA benefit receipt data. We define historical participation as receipt of AFDC/TCA as an adult in Maryland during the 60 months prior to the study month. Similarly, total months of TCA receipt after the study month (one follow-up measure) reflects a cumulative (not necessarily consecutive) count of months and includes receipt of TCA only or TCA in combination with other benefits. We also examine the extent to which families reapply and receive TCA during the 12 month post-diversion follow-up period.

In addition to cash assistance we examine Food Stamps, Medical Assistance and WAGs. Specifically, receipt of Food Stamps and Medical Assistance during the 12-month follow-up period are measured in terms of cumulative monthly receipt during the

[7] Our measures are constructed from monthly benefit receipt data. Therefore, our findings may not be directly comparable to national figures due to differences in operational definitions.

one-year period. We then look at WAG receipt during the 12 months after the initial diversion event.

Data Analysis

These data were analyzed using descriptive statistics. Specifically, frequency tables were created to summarize customer information and measures of central tendency were used to describe customer characteristics and trends. T-tests and chi-square tests were used to test for demographic, participation and employment differences between the WAG group and the rapid employment group.

Findings: Baseline Characteristics

In this chapter we present baseline (at the time of diversion) profiles at both the individual (adult casehead) and case levels. Data are presented for the formally diverted sample as a whole, but also separately for those who received a welfare avoidance grant (WAG) and those who were diverted through the provision of rapid employment services (RES). We begin with demographic data describing the adults in diverted cases.

Demographics, Employment History & Welfare Utilization

Client Demographics

Table 1, following this discussion, describes the characteristics of adults who were diverted from cash assistance during our study period (April 1998 - March 2000) and separately profiles them according to the type of diversion strategy employed. The table shows first that diverted customers, in general, were typically about 30 years of age (30.4), never married (53.1%), African American (52.1%), female (93.3%), and first gave birth in their early 20s (mean=22.1 years).

The table also shows some significant differences in demographics between the two groups of diverted customers. Specifically, compared to those receiving WAGs, adults who were diverted via rapid employment services tended to be younger (mean ages 29.4 vs. 31.6 years), slightly more likely to be of a race other than Caucasian or African-American (10.1% vs. 6.9%), and more likely to have never married (56.6% vs. 49.2%). There were no statistically significant differences between the two groups in terms of gender or age at first birth.

Table 1. Customer Demographics

	WAG n=2023	Rapid Employment n=2196	All Diverted Cases n=4219
Age as of Diversion ***			
Under 18	0.1% (2)	0.6% (14)	0.4% (16)
18-20	3.6% (72)	9.7% (214)	6.8% (286)
21-25	18.6% (376)	26.0% (571)	22.4% (947)
26-30	24.2% (489)	21.0% (462)	22.5% (951)
31-35	21.2% (429)	17.1% (376)	19.1% (805)
36 and older	32.4% (655)	25.5% (559)	28.8% (1,214)
Mean	31.6	29.4	30.4
Median	30.9	28.3	29.6
Std. Dev.	7.5	8.0	7.9
Range	17.4 - 63.8	16.4 - 65.3	16.4 - 65.3
Race ***			
African American	51.6% (1044)	52.5% (1153)	52.1% (2,197)
Caucasian	41.5% (840)	37.4% (822)	39.4% (1,662)
Other	6.9% (139)	10.1% (221)	8.5% (360)
Marital Status ***			
Divorced	6.9% (140)	6.0% (132)	6.4% (272)
Married	16.7% (338)	9.5% (209)	13.0% (547)
Never Married	49.2% (996)	56.6% (1243)	53.1% (2239)
Separated	19.2% (388)	14.8% (324)	16.9% (712)
Unknown	7.5% (153)	12.8% (280)	10.2% (433)
Widowed	0.4% (8)	0.4% (8)	0.4% (16)
Sex			
Female	94.0% (1901)	92.7% (2035)	93.3% (3936)
Male	6.0% (122)	7.3% (161)	6.7% (283)
Age at First Birth	n=1834	n=973	n=2807
Under 16	4.1% (75)	4.6% (45)	4.3% (120)
16	5.9% (108)	5.7% (55)	5.8% (163)
17	8.1% (48)	8.0% (78)	8.1% (226)
18	11.5% (210)	11.% (108)	11.3% (318)
19	11.7% (215)	11.9% (116)	11.8% (331)
20	10.5% (193)	10.1% (98)	10.4% (291)
21-25	29.2% (535)	30.8% (300)	29.7% (835)
26-30	12.1% (222)	11.7% (114)	12.0% (336)
31 and Over	7.0% (128)	6.1% (59)	6.7% (187)
Mean	22.2	22.0	22.1
Median	20.9	20.9	20.9
Std Deviation	5.0	4.8	4.9
Range	13.7 - 44.9	13.3 - 41.5	13.3 - 44.9

Note: * $p<0.05$, ** $p<0.01$, *** $p<0.001$

Case Demographics

We also examined four case-level variables: assistance unit size, number of adults on assistance unit, number of children on assistance unit, and age of the youngest child on assistance unit. Results are presented in Table 2, following. In examining these data, however, readers are alerted that while data are almost totally complete for cases in the WAG group, data are missing for more than half (n=1,353 or 61.6%) of all cases in the rapid employment group. This latter finding was not totally unexpected. By definition, customers diverted via Rapid Employment Services (RES) received no direct financial assistance from TANF and thus have no official 'assistance unit' per se, about which these data would be required to be entered in the administrative system.[8] For RES clients with no prior historical cash assistance, of course, there would also be no historical **case-level** demographic data recorded in the system. Our experience with the data system and its requirements strongly suggests that the 1,353 RES cases (61.6% of all cases diverted through RES) for which **case** demographics are missing were most likely all new or first-time cash assistance applicants. In contrast, the remainder of the RES diverted cases (n=843 or 38.4%) - those for which demographic data are available - are ones which had received cash assistance at some point prior to the diversion event which brought them into the sample. We have confidence in this interpretation, but the explanation does not change the fact that these data are not available for more than half of all RES cases. Therefore,

[8] All applicants, however, have individual level data recorded.

because of the large volume of RES cases for which no case-level data are available, readers should treat the findings as informative, rather than definitive.

With the above caveat in mind, Table 2 shows that, as a group, diverted assistance units tend to be fairly small. The vast majority of cases for whom this information is known (83.3%, n=2,387) are assistance units containing only one adult. Similarly, a bit more than one of three diverted cases (36.0%, n=1,031) contain only one child; another one-third (32.2%, n-932) contain two children. The majority of diverted cases for which case-level demographic data were available did not contain a child under the age of three years (60.0%, n=2,394). The average age of youngsters in diverted cases was 5.5 years; the median age was 4.2 years.

The table also illustrates several differences between the two groups of diverted clients although, as noted, extreme caution must be used in interpreting these results due to the high rate of missing data for customers diverted through rapid employment services. Using the data which were available, Table 2 shows that, on average, WAG assistance units contained more adults (mean=1.2 adults) and children (mean=2.1) than did assistance units diverted through rapid employment (mean=1.0 adults, mean=1.7 children).

Table 2. Case Demographics

	WAG n=2023	Rapid Employment n=843	All Diverted Cases n=2866
Number of Adults on case			
0	0.9% (19)	7.8% (66)	3.0% (85)
1	81.2% (1643)	88.3% (744)	83.3% (2387)
2	17.7% (358)	3.9% (33)	13.6% (391)
3	0.1% (3)	0	0.1% (3)
Mean	1.2	1.0	1.1
Median	1.0	1.0	1.0
Std Deviation	0.4	0.3	1.3
Number of Children			
0	3.1% (63)	7.7% (65)	4.5% (128)
1	32.7% (661)	43.9% (370)	36.0 (1031)
2	34.4% (696)	26.9% (227)	32.2% (923)
3	18.4% (373)	13.4% (113)	17.0% (486)
4	8.0% (161)	5.6% (47)	7.3% (208)
5	2.1% (43)	1.7% (14)	2.0% (57)
6 or more	1.1% (26)	0.8% (7)	1.1% (34)
Mean	2.1	1.7	2.0
Median	2.0	1.0	2.0
Std Deviation	1.2	1.2	1.2
Range	0 - 11	0 - 8	0 - 11
Is youngest child <3?			
Yes	38.2% (753)	41.8% (843)	40.0% (1596)
No	61.8% (1220)	58.2% (1174)	60.0% (2394)
Mean Age	5.6	5.3	5.5
Median Age	4.6	4.0	4.2
Std Deviation	4.5	4.5	4.5
Range	0.02 - 17.96	0.02 - 17.96	0.02 - 17.96

Employment History

Our large longitudinal study of Maryland welfare leavers has consistently found that prior employment in a Maryland job covered by the Unemployment Insurance (UI) program is associated with certain important post-welfare outcomes. In particular, we have found that customers with a prior history of employment in a UI-covered Maryland job have higher rates of post-welfare employment and lower rates of recidivism or returns to welfare after exiting. We have also found that those with prior employment history also tend to have higher post-exit earnings (Born, Ovwigho, Leavitt, & Cordero, 2001; Welfare and Child Support Research and Training Group, 2000).

It is reasonable to speculate that similar relationships might hold true for customers who are diverted from cash assistance through rapid employment services (RES) or provision of a lump sum payment (WAG). Moreover, given that formal diversion is primarily meant to be used when it is thought able to address permanently the customer's presenting problem, one might hypothesize that diverted customers, as a group, would be likely to have a history of recent or current attachment to the labor force. Thus, as part of our baseline profiling of diverted cases, we also gathered historical employment data; these are reported in Table 3, following, which presents this information for all diverted customers and separately for the two groups.

Table 3. Historical Employment Data

		WAG n=2023	Rapid Employment n=2196	All Diverted Cases n=4219
8 Quarters before Diversion	Percent Worked At All	88.8%	83.3%	85.9%
	Mean Quarters Worked ***	5.0	4.3	4.6
	Average Total Earnings ***	$13,687.32	$10,622.19	$12,089.62
	Average Quarterly Earnings ***	$2,176.01	$1,753.51	$1,956.10
Quarter of Diversion	Percent Working ***	74.8%	91.6%	83.6%
	Mean Earnings ***	$1,918.51	$1,535.41	$1,719.15
	Median Earnings	$1,394.42	$1,083.12	$1,203.73

Note: * p<0.05, **p<0.01, ***p<0.001

Table 3 shows that, as expected, the vast majority of Maryland TANF applicants who were formally diverted during the two year study period (April 1998 to March 2000) did have a history of recent and current attachment to the labor force. For all customers, 85.9% (n=3,625) worked at some point in the 8 quarters preceding their diversion event. Almost as many (83.6%, n=3,525) worked during the quarter of the diversion.[9]

The table also shows that there were statistically significant differences between the two types of formally diverted customers on most pre-diversion employment and earnings measures. The large majority of customers in both groups had worked in a Maryland UI-covered job at some point in the two years prior to diversion (88.8% among the WAG group, 83.3% among the rapid employment group). However, the mean

[9] Readers are reminded that these figures likely understate the true rate of labor force participation because of our lack of data on employment in other states and for the federal government, among others.

number of quarters worked in the preceding eight quarters or two years was significantly higher for the former group (5.0/8.0) than the latter (4.3/8.0). Likewise, average total earnings during the two years prior to diversion were significantly greater for WAG customers ($13,687) than for rapid employment customers ($10,622), as were average quarterly earnings: $2,176 among those who received a Welfare Avoidance Grant and $1,754 among those diverted through the provision of rapid employment services.

The two groups also differ significantly on most measures pertaining to the quarter of diversion, but the pattern was not as clear-cut and, due to the quarterly nature of UI data, is difficult to interpret. Again, the large majority of customers in both groups were employed at some point during the diversion quarter, but those diverted through rapid employment services were significantly more likely to be working (91.6%) than were those who received an avoidance grant (74.8%). This does not necessarily mean, however, that the former group were more likely to be working in the month or months immediately **after** the month in which they were diverted. Even though we have the exact date on which the diversion took place, UI data are only available on a quarterly basis. Thus, it is not possible to determine if the "quarter of" employment reported here occurred in the month(s) before, the month of or the month(s) after the month of diversion.[10]

[10]An example may help to illustrate this conundrum. A client diverted in February 1999 and known to have worked in the first quarter of that year could have worked in any one, two or all three of the following months: January, February, March, 1999, or the month before and/or the month of and/or the month after diversion. While the programmatic implications differ depending on which scenario is the correct one, the quarterly nature of UI data preclude us from determining employment status by month.

Mean or average earnings in the quarter of diversion were also significantly different between the two groups. As was true for mean quarterly earnings in the two years prior to diversion, those who received a welfare avoidance grant had significantly higher quarterly earnings ($1,919) than did those who received rapid employment services ($1,535).

Using Standard Industrial Classification (SIC) coding at the most general level (SIC1), we also examined the types of industries in which employed customers were working during the quarter in which they were formally diverted from cash assistance.[11]

Table 4. Industries Worked

Industry at time of Diversion Event	WAG n=1666	Rapid Employment n=2699	All Diverted Cases n=4365
Wholesale/Retail	33.1% (551)	34.1% (921)	33.7% (1472)
Services – Personal	20.6% (343)	26.2% (706)	24.0% (1049)
Services – Organizational	24.4% (406)	17.5% (471)	20.1% (877)
Transportation/Communications/Utils/Sanitation	3.4% (57)	6.0% (163)	5.0% (220)
Finance/Insurance/Real Estate	3.9% (65)	3.5% (95)	3.7% (160)
Public Admin/Non-Classifiable	6.6% (110)	2.7% (73)	4.2% (183)
Manufacturing-Nondurable	3.2% (53)	3.3% (89)	3.3% (152)
Manufacturing-Durable	2.3% (39)	3.0% (82)	2.8% (121)
Mining/Construction	2.0% (34)	2.8% (75)	2.5% (109)
Agriculture/Forestry/Fishing	0.5% (8)	0.9% (23)	0.7% (31)

These data are presented in Table 4 which shows that the most common industries employing diverted customers in the quarter of diversion were: Wholesale/Retail trade (33.7% of all jobs), Personal Services (24.0% of all jobs) and Organizational Services (20.1% of all jobs). Together, these three industries accounted

[11]To take maximum advantage of the available data, individuals were allowed to contribute up to five jobs to these data; thus, findings are based on the number of jobs held by customers, not on the number of customers who were employed. Approximately half of all diverted customers in our sample (48.1% n=2,100), however, held only one job during the diversion quarter.

for more than three of every four UI-covered Maryland jobs (77.8%) held by adults during the quarter in which formal diversion from cash assistance took place.

Notably, these are the same three industries in which Maryland welfare exiters have most often found employment (Born, Ovwigho, Leavitt, & Cordero, 2001). Indeed, just as these three industries account for three-fourths of all initial jobs obtained by diverted customers, our *Life After Welfare* study shows they have accounted for fully three-fourths of all initial post-welfare jobs since October 1996.

Cash Assistance Utilization History

Another factor known to be associated with future welfare use is prior history of aid receipt. Our longitudinal study of Maryland TANF leavers, for example, has shown that customers who received welfare in 12 or fewer of the 60 months immediately preceding their welfare exit had lower rates of returns to welfare than did customers with longer periods of welfare usage (Born, Ovwigho, Leavitt, & Cordero, 2001). The generally consistent AFDC-era research finding that, nationwide, persons who returned to cash assistance were likely to do so relatively quickly - often within one year - was also thought potentially relevant to our preliminary study of cash assistance diversion (Blank and Ruggles, as cited in Brandon, 1995; Cao, 1996; Greenberg, 1993). Thus, for purposes of this study we examined historical cash assistance receipt patterns for all customers in our diverted sample. Table 5, following, presents findings for the diverted group as a whole and separately for those who received WAGs and those who received rapid employment services.

Table 5. Historical TCA Receipt

	WAG n=2023	Rapid Employment n=2196	All Diverted Cases n=4219
Months of Receipt in last 5 years			
0 months	37.6% (761)	44.5% (978)	41.2% (1739)
1-12 months	22.8% (462)	17.4% (383)	20.0% (845)
13-24 months	14.1% (285)	13.2% (289)	13.6% (574)
25-36 months	11.6% (235)	10.2% (224)	10.9% (459)
37-48 months	8.7% (177)	7.7% (168)	8.2% (345)
49-60 months	5.1% (103)	7.0% (154)	6.1% (257)
Mean	14.0	13.6	13.8
Median	6.0	4.0	5.0
Std Deviation	16.7	17.5	17.1

As shown in the table, customers diverted from cash assistance had not had long histories of cash assistance receipt during the five years or 60 months immediately prior to the diversion which brought them into our sample. For the group as a whole, the average was receipt of cash assistance in only 13.8 of 60 months, or just a little over one year. Indeed, about two-fifths of all diverted customers (n=1,739 or 41.2%) had received no welfare during the past five years, with another 20.0% (n=845) receiving welfare 12 or fewer months. In contrast, just about 6.1% or six in 100 had received aid for at least four years. Interestingly, there were no significant differences between the WAG and rapid employment groups in their historical welfare use patterns.

As a group, these data indicate that diverted clients are disproportionately those with fairly limited adult exposure to/use of cash assistance (i.e., a fifth received 12 or fewer welfare checks in the past five years) or a person who may have had no prior receipt at all (i.e., two-fifths received no cash assistance in the past five years).

Findings: Diversion Outcomes

The preceding chapter presented information describing certain individual and case level data descriptive of customers' demographic and employment situations prior to and at the time of their formal diversion from cash assistance. Information was also provided concerning customers' previous histories of cash assistance receipt. Both similarities and differences between the two groups of formally diverted customers were found and comparisons between diverted customers and those who exited cash assistance were noted, where appropriate.

For diverted customers, as for so-called "welfare leavers", however, information about what happens to them after their diversion or exit is of greatest interest and utility to policy-makers and program managers. With regard to diverted clients, this is also a subject on which little data are available. This section of the report begins to fill that information gap for Maryland by focusing on two key customer-level outcomes: employment and cash assistance receipt during the 12 month period immediately following diversion. Data describing customers' participation in Medical Assistance and Food Stamps as well as subsequent WAG receipt are also presented.

Employment Follow-up

We examined follow-up employment data in order to answer our second research question: In terms of outcomes related to employment and earnings, what happens to diverted families over time? These data are shown in Table 6.

Table 6. Follow-up Employment Data

		WAG n=2023	Rapid Employment n=2196	All Diverted Cases n=4219
1st Quarter after Diversion	Percent Working ***	73.2%	81.9%	77.7%
	Mean Earnings	$2,220.27	$2,151.39	$2,184.41
	Median Earnings	$1,746.56	$1,655.50	$1,693,77
2nd Quarter after Diversion	Percent Working	71.0%	70.8%	70.9%
	Mean Earnings ***	$2,330.63	$2,013.42	$2,165.43
	Median Earnings	$1,818.50	$1,289.95	$1,551.45
3rd Quarter after Diversion	Percent Working	70.1%	68.4%	69.2%
	Mean Earnings ***	$2,296.99	$1,953.41	$2,118.11
	Median Earnings	$1,740.00	$1,164.88	$1,435.80
4th Quarter after Diversion	Percent Working	67.8%	65.3%	66.5%
	Mean Earnings ***	$2,342.71	$1,974.98	$2,151.34
	Median Earnings	$1,622.73	$958.50	$1,288.38
Average Change in earnings from 1 year before Diversion to 1 year after **		$1,672.64	$2,510.42	$2,109.73

Note: * $p<0.05$, **$p<0.01$, ***$p<0.001$

For all diverted customers, the large majority were working in each of the follow-up quarters. In the first quarter after the quarter of the diversion event, over three-fourths (77.7%, n=3,278) of diverted clients worked. Despite a slight decrease over time, (70.9%, n=2,927 in the second quarter, 69.2%, n=2,920 in the third), a full two-thirds (66.5%, n=2,806) of the diverted sample were working in the fourth quarter after the quarter of diversion.

When looking at the two groups, we found a statistically significant difference in the percent working in the first quarter, with 73.2% (n=1,481) of the WAG group working, compared to 81.9% (n=1,799) of the rapid employment group. Considering the nature of rapid employment, this is not surprising. Over the next three follow-up quarters, this gap narrows, with just a 2.5% difference (67.8%, n=1372 for the WAG group versus 65.3%, n=1,434 for the rapid employment group), between the two groups by the fourth follow-up quarter.

Despite minor fluctuations, Table 6 shows that the wages of the diverted group remained stable or flat in the follow-up period; mean quarterly earnings were $2,184.41 in the first quarter after the quarter of diversion, and $2,151.34 in the fourth post-diversion quarter. However, the last cell shows that they did experience a positive change in earnings from one year before diversion to one year after, an average increase of $2,109.73.

When looking at the earnings of the two groups, we found no significant difference between the mean earnings of the WAG group ($2,220.27) and the rapid employment group ($2,151.39) in the first post-diversion quarter. However, in each of the next three follow-up quarters, the WAG group earned significantly more, on average, than the rapid employment group. In the fourth follow-up quarter, the WAG group ($2,342.71) earned $367.73 more, on average, than the rapid employment group ($1,974.98).

The last part of Table 6 tempers this finding somewhat. There was a significant difference between the groups on how much their earnings increased, on average from a year before diversion, to a year after. On this measure, however, the RES group fared better; their average annual earnings increased by $2,510.42, compared to an increase of $1,672.64 among WAG recipients.

We also examined the industries in which diverted customers worked in the quarter after diversion. These results are presented in Table 7 following, which reports job types using the most general (SIC1) Standard Classification Codes. [12]

Table 7. Industries worked in follow-up quarter

Industry in quarter after Diversion Event	WAG n=1637	Rapid Employment n=2047	All Diverted Cases n=3684
Wholesale/Retail	29.9% (490)	33.1% (678)	31.7% (1168)
Services – Personal	23.3% (381)	23.9% (489)	23.6% (870)
Services – Organizational	26.0% (426)	19.1% (392)	22.2% (818)
Transportation/Communications/Utils/Sanitation	3.5% (57)	6.4% (131)	5.1% (188)
Public Admin/Non-Classifiable	6.1% (100)	3.8% (77)	4.8% (177)
Finance/Insurance/Real Estate	3.3% (54)	3.7% (76)	3.5% (130)
Manufacturing-Nondurable	2.7% (44)	3.4% (70)	3.1% (114)
Manufacturing-Durable	2.6% (43)	3.4% (70)	2.9% (105)
Mining/Construction	2.1% (35)	2.7% (56)	2.5% (91)
Agriculture/Forestry/Fishing	0.4% (7)	0.7% (15)	0.6% (22)

Findings for the first post-diversion quarter are very similar to those reported for the quarter of diversion (see Table 4). Wholesale/Retail trade (31.7% of all jobs), Personal Services (23.6% of all jobs) and Organizational Services (22.2% of all jobs) remain the top three industries. As before, these three industries also account for more than three of every four UI-covered Maryland jobs (77.5%) held by adults during the quarter after formal diversion from cash assistance took place.

[12] To take maximum advantage of the available data, individuals were allowed to contribute up to five jobs to these data; thus, findings are based on the number of jobs held by customers, not on the number of customers who were employed. Just over half of all diverted customers in our sample (57.7% n=2,126), however, held only one job during the follow-up quarter.

Cash Assistance Utilization Follow-Up

Table 8 shows TCA usage for the diverted group as a whole and separately for those who received WAGs and those who received rapid employment services during the 12 month follow-up period. The findings presented in this table and the others in this section answer our third research question: Does formal diversion prevent cash assistance receipt or just defer that receipt for some period of time?

Table 8. Follow-up TCA receipt

	WAG n=2023	Rapid Employment n=2196	All Diverted Cases n=4219
12 month follow-up of TCA Receipt ***			
0	90.5% (1830)	78.6% (1726)	84.3% (3556)
1-3 months	4.4% (90)	8.9% (195)	6.8% (285)
4-6 months	3.1% (63)	5.2% (115)	4.2% (178)
7-9 months	1.3% (26)	3.9% (86)	2.7% (112)
10-12 months	0.7% (14)	3.4% (74)	2.1% (88)
Mean	0.4	1.1	0.8
Median	0	0	0
Std Deviation	1.6	2.6	2.2

Note: * p<0.05, **p<0.01, ***p<0.001

Table 8 shows that, in the majority of cases, formal diversion does appear to accomplish one of its primary purposes: obviating the need to apply for and receive cash assistance. More than eight of every ten cases diverted during our two year study period (84.3%, n=3,556) received no cash assistance during the next 12 months. This finding is impressive on its own, but also stands in stark contrast to findings with regard to welfare leavers (i.e., those who had been receiving cash assistance benefits, but then exit for whatever reason). That is, using the worst case measure of recidivism, our *Life After Welfare* study has found that, among those who left welfare between October 1996 and June 2000, 45.7% received at least one cash payment during the 12 months immediately following the exit (Born, Ovwigho, Leavitt, & Cordero, 2001).[13]

While overall results are quite good, analysis did reveal significant differences between the two types of formally-diverted clients. Those diverted via a WAG were much more likely not to receive welfare during the next year (90.5%) than were those who received rapid employment services (78.6%). On average, WAG clients received 0.4 months of cash assistance over the next year, compared to an average of 1.1 months of benefit receipt among those diverted through provision of rapid employment services.

As noted, the vast majority of formally diverted clients (n=3,556 of 4,219) did not use cash assistance during the first post-diversion year, but a small minority did (n=663). We thought it important to take a closer look at the timing of post-diversion welfare receipt among this latter group for whom, in the sense of eliminating the need for cash assistance, this diversion event at least, appeared not to have been

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[13] Using the worst case measure, cases which close but reopen within 30 days are included. Virtually all other leavers' studies exclude such cases; our recidivism rates thus often appear (but are really not) higher than other states'. We acknowledge that these quickly reopened cases do not represent "true" exits from welfare, but include them in our studies because the phenomenon is not uncommon or well-understood, does consume agency as well as client time and resources, and is an area of inefficiency that may be amenable to intervention.

successful. Specifically, we examined the number of elapsed months between the diversion event and subsequent receipt of TCA. Results are presented in Table 9.

Table 9. Length of "Diversion Spell"

Number of Months from Diversion Event to TCA Receipt	WAG n=194	Rapid Employment n=465	All Diverted Cases n=659
Up to 3 Months	26.8% (52)	49.3% (229)	42.6% (281)
4-6 Months	27.8% (54)	24.5% (114)	25.5% (168)
7-9 Months	28.4% (55)	14.4% (67)	18.5% (122)
10-12 Months	17.9% (33)	11.8% (55)	13.4% (88)
Mean ***	6.1	4.5	5.3
Median	6.0	3.6	4.8
Std Deviation	3.2	3.4	3.3

Note: * $p<0.05$, **$p<0.01$, ***$p<0.001$

Among those who received cash assistance within a year after the formal diversion which took place between April 1998 and March 2000, Table 9 shows that, most often (42.6%) welfare was received rather rapidly, that is within the first three months. On average, diverted clients who subsequently did receive TCA were able to remain independent of welfare for 5.3 months, before returning for cash aid. The general pattern for "unsuccessful" diverted customers is that of a declining rate of welfare use. In other words, the longer the elapsed time since diversion, the smaller the number of diverted clients who used welfare.

Clients who received WAGs and subsequently used cash assistance had significantly longer diversion 'spells', on average, than did members of the rapid employment group. The mean number of months between diversion and use of cash assistance was 6.1 months for the former group and 4.5 months for the latter, about a one and one-half month difference. Also worth noting is that, among rapid employment clients who subsequently received welfare, about half (49.3%) did so within three months of the diversion event; in contrast, only about one-fourth (26.8%) of WAG recipients who later turned to welfare came back within the three month time frame. It should be noted, however, that some of the observed differences between the groups may arise because of the conditional nature of WAG receipt. That is, a WAG is often issued for an amount equal to x number of months of the welfare grant to which the family would have been entitled; in exchange for this lump sum grant, the recipient is precluded from receiving a regular cash assistance payment (i.e., TCA) for an equivalent number of months.

Receipt of WAGs in Follow-up Period

Diversion strategies aim to meet families' needs while eliminating the necessity for on-going cash assistance. When diversion strategies are successful, it is logical to assume, or at least hope, that not only will diverted families not need ongoing TCA in the immediate future, but that they will also not need other types of emergency cash grants. Thus, we examined the extent to which cases in our study sample received a WAG during the 12 month follow-up period. Results are displayed in Table 10.

Table 10. Use of WAG in 12 month follow-up

	WAG n=2,023	Rapid Employment n=2,196	All Diverted Cases n=4,219
0	90.9% (1838)	96.0% (2109)	93.6% (3947)
1	7.7% (156)	3.3% (72)	5.4% (228)
2 or more	1.3% (29)	0.6% (15)	1.0% (44)
Mean ***	0.1	0.0	0.0
Median	0.0	0.0	0.0
Std Deviation	0.4	0.3	0.4

Note: * $p<0.05$, ** $p<0.01$, *** $p<0.001$

Overwhelmingly, the data show that virtually no clients received a WAG after their initial diversion event (93.6%). However, the rate of WAG receipt during the follow-up year was more than twice as great (9.1%) among those whose initial diversion event had been a WAG, than among those initially diverted through rapid employment services (4.0%).

Food Stamps and Medical Assistance Participation

It has long been known that participation in non-cash benefit programs such as Food Stamps and Medical Assistance, for some families at least, can prevent the need for ongoing cash assistance. Also, since the advent of PRWORA, renewed attention has been given to these and other programs as important income supports for the working poor, not just component parts of an overall benefit package available to those involved in cash assistance. For these and other reasons, we did a preliminary examination of diverted clients' use of these two programs. Initial results appear in Table 11.

Table 11. Food Stamp and Medical Assistance Participation

	WAG n=2023		Rapid Employment n=2196	
Assistance	Food Stamps	Medical Assistance	Food Stamps	Medical Assistance
Month of Diversion Event ***	73.8% (1492)	78.6% (1591)	61.6% (1352)	65.4% (1436)
Follow-Up Period				
0 months	23.6% (477)	11.7% (236)	33.0% (725)	16.1% (353)
1-3 months	13.4% (270)	4.9% (100)	14.6% (320)	9.4% (207)
4-6 months	12.5% (252)	10.1% (202)	12.3% (270)	13.4% (294)
7-9 months	11.7% (236)	12.3% (249)	11.7%(256)	14.9% (327)
10-12 months	38.9% (788)	61.0% (1236)	28.5% (625)	46.2% (1015)
Mean ***	6.4	8.7	5.1	7.4
Median	7.0	11.0	4.0	9.0
Std Deviation	4.9	4.3	4.8	4.5

Note: * p<0.05, **p<0.01, ***p<0.001

The majority of customers in both groups were enrolled in Food Stamps and Medical Assistance in the month in which the diversion event took place. For both programs also, Table 11 shows higher participation rates in the diversion month among WAG recipients than among those to whom rapid employment services were provided. About three-fourths of WAG clients participated in Food Stamps (73.8%) at the time of diversion; a comparable but slightly higher percentage were enrolled in Medical Assistance (78.6%) at that time. For the rapid employment group, the comparable figures were 61.6% (Food Stamps) and 65.4% (Medical Assistance). The differences were statistically significant.

Similar examination was made of Food Stamp and Medical Assistance participation during the 12 month follow-up period. Results were similar. Customers who received a WAG were more likely than rapid employment customers to receive Food Stamps and to receive Medical Assistance and, on average, participated in these programs for a greater number of months. About one in four WAG clients (23.6%), to illustrate, received no Food Stamps during the 12 month follow-up period compared to one in three rapid employment clients (33.0%). Just about one in 10 WAG recipients (11.7%) had no Medical Assistance participation in the follow-up year, compared to 16.1% in the other diversion group. Mean number of months of Food Stamp receipt were 6.4 months and 5.1 months (out of 12) for the WAG and rapid employment groups, respectively. With regard to Medical Assistance, the figures are 8.7 months and 7.4 months, respectively.

Conclusions

This report presents results from a descriptive analysis of baseline demographic characteristics and key follow-up employment, earnings and welfare use outcomes of clients formally diverted from ongoing cash assistance between April, 1998 and March, 2000 through the use of Welfare Avoidance Grants (WAGS) or Rapid Employment Services (RES). It is dangerous to draw definitive conclusions from purely descriptive research, but a few concluding observations do seem warranted based on the findings of this study.

First and foremost, these data indicate that Maryland used formal diversion rather sparingly. There were a total of 4,219 unique diverted families; in contrast, 77,139 unique families received 'regular' cash assistance during the two year study period. This is an important finding because it suggests that, contrary to the fears of some, diversion, in Maryland at least, has not been used merely as a way to keep caseloads down or deny families assistance. Rather, our data describing diverted families' historical and post-diversion use of 'regular' cash assistance suggest that formal diversion appears to have been used exactly as proponents of the technique and state policy opine it should be used: "to help the family remain independent" (Maryland State TCA Policy Manual, 2000). Moreover, the finding that the vast majority of formally diverted clients do not receive any 'regular' cash assistance during the 12 months after diversion, suggests that, at least in the short run, the technique is being deployed in ways and with families where the stated goal of "...avoiding the need for Temporary Cash Assistance" (TCA Policy Manual, 2000) is able to be and is being achieved.

Overall, findings from this initial look at the characteristics and outcomes of formally diverted families in Maryland are generally positive and reveal no obvious policy or practice-level ‘warning flags' specific to diversion itself. It is also true, of course, that definitive assessment of the preventive power of diversion must be deferred until more longitudinal data are available.

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