



# Estimating Welfare Work Exits: Case Closing Reasons vs. UI Data

Pamela C. Ovwigho, Ph.D., Kirk Tracy, MSW, &  
Catherine E. Born, Ph.D.



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Maryland's ongoing, longitudinal study of families who leave Temporary Assistance to Needy Families (TANF) has utilized a variety of administrative data sources to provide policy makers and program managers with solid, empirical information on families' post-exit lives. Since the inception of welfare reform in Maryland, annual reports from the *Life After Welfare* project have shown that, at minimum, one out of two adults work in a job covered by the state's unemployment insurance (UI) program in the quarter immediately following the welfare exit. This percentage is significantly higher than the percentage of cases typically closed with the administrative code "Income Above Limit/Started Work."

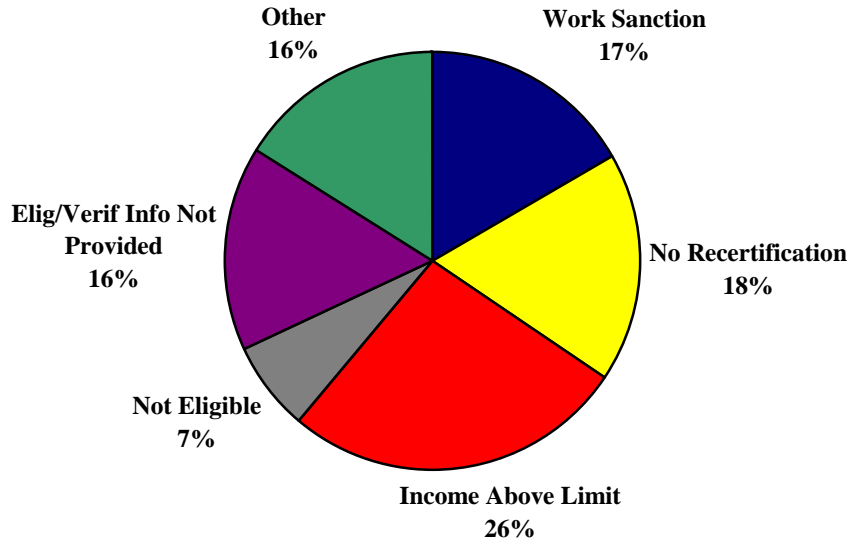
In this research brief, we utilize a subset of data from the *Life After Welfare* study to more closely examine the relationship between employment and administrative case closing reasons. Data from both Maryland's UI wage system is combined with UI wage data from the District of Columbia and several states that border Maryland (Delaware, Pennsylvania, Virginia, and West Virginia) to provide several different measures of "leaving welfare for work".

Our sample for this analysis consists of 3,647 families who exited the Temporary Cash Assistance (TCA) rolls for at least one month between July 1999 and December 2002.<sup>1</sup> As shown in Figure 1, a little more than one-quarter of these cases were closed with the code "Income Above Limit". The next most common reason was that the family did not complete the recertification/redetermination process, with slightly less than one-fifth closing for this reason. Work sanctions and cases where information to verify eligibility was not provided each accounted for about 16% of closures in this time period. An additional 7% of cases were determined to be no longer eligible for benefits and the remaining 16.1% were closed with a variety of other administrative codes. In other words, together the top five case closing reasons displayed in Figure 1 account for more than four-fifths (83.9%) of all TCA cases closed between July 1999 and December 2002.

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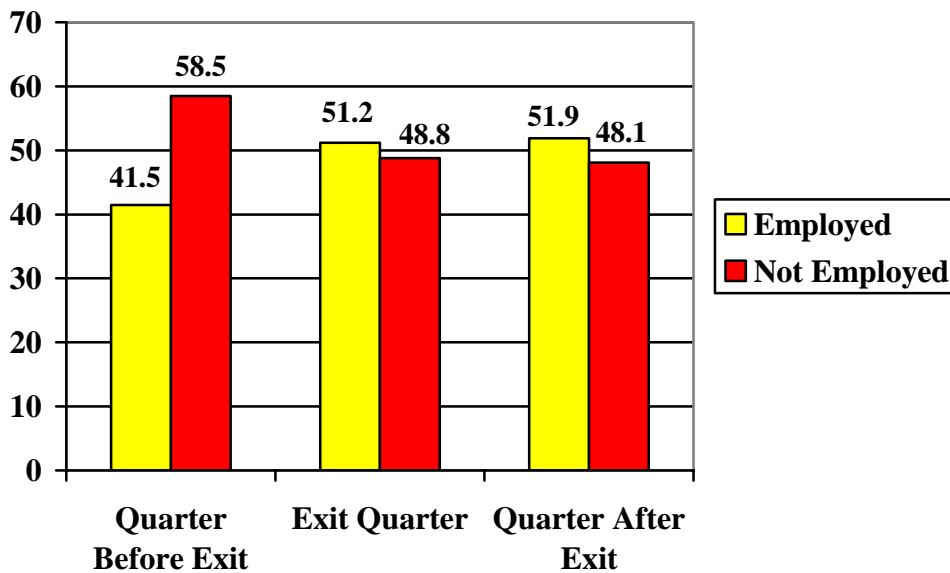
<sup>1</sup> For our *Life After Welfare* study we draw a random 5% sample of all cases that close each month. We include in this analysis the cohorts for whom we have complete employment data from Maryland, the District of Columbia and the border states. For more information about Maryland's leavers study, see Ovwigho, Born, Ruck and Tracy, 2003.

**Figure 1. Top 5 Case Closing Reasons.**



In contrast to administrative case closing reasons, UI employment data suggest much higher rates of leaving welfare for work. As shown in Figure 2, two-fifths of TANF caseheads who left the rolls between July 1999 and December 2002 had been employed in a UI-covered job in the quarter before exit. One-half of welfare exiters worked in the quarter of exit and the same percentage were employed in the first quarter after exit.

**Figure 2. Quarterly UI-Covered Employment among Welfare Leavers**



Another method for estimating the percentage of exits due to new employment or higher earnings is to consider the patterns of employment over time relative to the case closing date. The previous figure demonstrated that significantly more people are working in UI-covered employment in the quarters surrounding the welfare exit than is noted in the administrative case closing reasons. However, they provide us little information about the percentage of families that are transitioning from unemployment to employment or from lower to higher earnings. Table 1, following this discussion, provides a number of estimates of “exiting for work” based on the timing of various employment and case closing events. The first column shows the percentage of closing cases where the casehead had UI-covered earnings in the quarter of exit, despite having none in the previous quarter. We find that a little less than one-fifth (17.7%) of exiting caseheads met this definition of “exit for work”.

The “exit for work” estimates in the second column are based on the timing of the welfare exit relative to UI-covered employment. If the casehead left TCA in the first two months of a quarter (e.g., January or February), we consider them to have left welfare for work if they were employed in the exit quarter, but not the quarter before. If the casehead left TCA in the third month of the quarter (e.g., March), they are marked as leaving for work if they were not employed in the quarter of exit, but are employed in the first quarter after exit. This attempt to provide a more precise estimate yields a slightly lower estimate overall with 14.8% meeting this definition of exiting welfare for employment.

The last column of Table 1 displays the percentage of cases by case closing reason meeting either definition of “exit for work” reported in the first two columns. Not surprisingly, this most liberal definition yields the highest estimates. Overall, more than one-fourth of cases (27.8%) are estimated to close because of employment. As in the previous rows, we find that the rates vary by case closing reason. More than one-third (34.6%) of cases closing with the administrative reason “income above limit” have new UI-covered employment near the time of their welfare exit. More than one-quarter of work sanctioned cases (28.1%) as well as those closing because information needed to maintain eligibility information was not provided (27.8%) and those closing for reasons other than the top five (25.0%) are also identified as having employment patterns consistent with this definition of “leaving welfare for work.”

**Table 1. Estimates of Exiting for Work by Administrative Case Closing Reason**

Case Closing Reason	Working in Exit Quarter, But Not Previous Quarter	“Exit for Work” Depending on Month of Exit	Meets Either Definition of “Exit for Work”
Work Sanction (n = 609)	13.1%	15.3%	28.1%
No Recertification or Redetermination (n = 651)	13.8%	12.7%	21.7%
Income Above Limit (n = 966)	26.8%	16.9%	34.6%
No Longer Eligible (n = 258)	7.4%	11.2%	18.6%
Eligibility/Verification Information Not Provided (n = 579)	19.9%	15.0%	27.8%
Other (n = 584)	14.0%	14.2%	25.0%
Total (n = 3,647)	17.7%	14.8%	27.4%

We also used UI wage data to estimate exits due to higher earnings. Table 2, following, displays these findings. The first column shows the percentage of cases where the former TCA casehead had earnings in both the quarter of exit and the quarter before and the earnings were higher in the quarter of exit. Among all cases, 12.1% met this definition of leaving welfare because of an increase in earnings.

The figures in the second column of Table 2 are based on a more precise consideration of the timing of earnings increases relative to the TCA exit. That is, if the welfare exit occurred in the first two months of the quarter (e.g., January or February) we considered earnings in the quarter before and quarter of exit. For caseheads leaving TCA in the third month of the quarter (e.g., March), earnings from the quarter of and first quarter after exit are used. Estimating closures due to higher earnings in this way, we find that one-fourth of all cases (25.2%) leave welfare due to an increase in income from UI-covered employment.

The third definition of leaving welfare because of higher earnings is presented in the last column of Table 2. This definition includes anyone who met either of the previous two definitions. Almost two-fifths (37.5%) of families exiting the TCA rolls between July 1999 and December 2002 may have done so because of an earnings increase.

All of the estimates provided in Table 2 vary significantly by administrative case closing reason. Earnings exits are highest among those with the administrative closure reason “Income above limit” when we consider the timing of the exit (Column 2, 39.9%) or when we use the most liberal definition (Column 3, 55.2%). Curiously, using the first definition of earnings exit, cases that close because they did not complete the redetermination process (14.4%), did not provide information to verify their eligibility (15.2%), or were found to no longer be eligible (14.0%) had higher rates of leaving welfare for increased earnings than cases closed because their income was above the limit (11.3%).

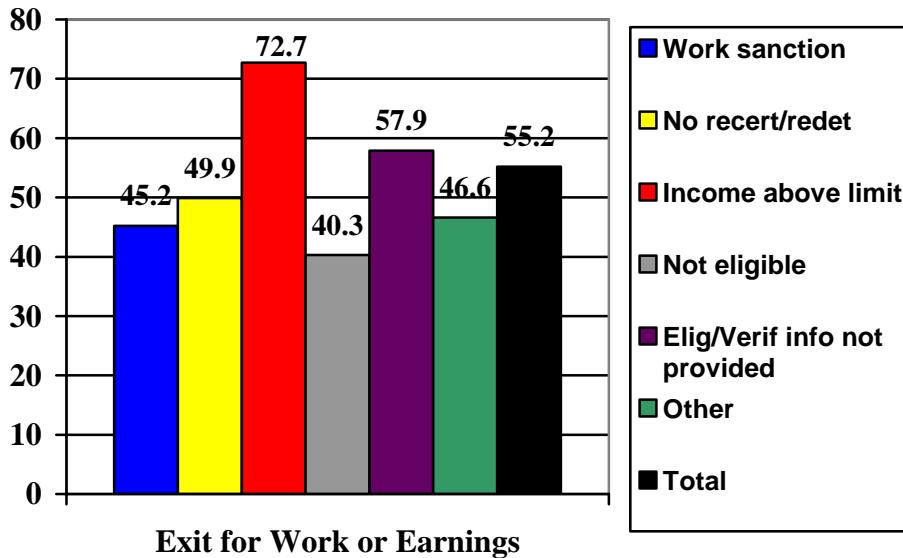
**Table 2. Estimates of Exiting for Higher Earnings by Administrative Case Closing Reason**

Case Closing Reason	Higher Earnings in Exit Quarter than in Previous Quarter	“Exit for Earnings” Depending on Month of Exit	Meets Either Definition of “Exit for Earnings”
Work Sanction (n = 609)	8.9%	13.6%	22.7%
No Recertification or Redetermination (n = 651)	14.4%	23.3%	35.3%
Income Above Limit (n = 966)	11.3%	39.9%	55.2%
No Longer Eligible (n = 258)	14.0%	16.3%	24.4%
Eligibility/Verification Information Not Provided (n = 579)	15.2%	27.5%	40.1%
Other (n = 584)	10.6%	16.6%	29.5%
Total (n = 3,647)	12.1%	25.2%	37.5%

Our final analysis addresses the question of the total percentage of cases where the UI data indicate either that the casehead started work or experienced an increase in earnings. Figure 3, following, displays the results of that analysis which simply combines the most liberal “exit for work” (last column of Table 1) and the most inclusive “exit for higher earnings” (last column of Table 2) definitions. As the figure shows, 55.2% of families that left TCA for at least one month between July 1999 and December 2002 can be classified as leaving for work or higher earnings. The percentage varies significantly by case closing reason, with the highest percentage, almost three-fourths (72.7%) among cases closed with the administrative code “income above limit.” Some readers may have expected the percentage among this group to be 100%. However, there are a number of legitimate reasons why the casehead may not have UI-reported earnings patterns picked up by the “exit for work/higher earnings” definitions used here. First, the casehead may be employed in a non-UI covered job. Second, the income that put the family above the eligibility limit may be from another source such as the employment of another family member.

Almost three-fifths of cases (57.9%) closed because the customer did not provide information to verify continuing eligibility also had employment patterns consistent with a work exit. Notably the lowest percentage still represents a significant proportion of cases: two-fifths (40.3%) of cases closed because the family was no longer eligible can be defined as leaving for work or higher earnings.

**Figure 3. Percentage Exiting for Work or Earnings by Administrative Case Closing Reason.**



In sum, this analysis of UI wage data from Maryland, the District of Columbia and the four states which border Maryland has yielded several estimates of work and earnings exits among welfare leavers. Depending on the definition used, we estimate that 14.8% to 27.4% of welfare leavers exit because of new employment and 12.1% to 37.5% exit because of higher earnings. Overall, more than half of the leavers in our sample (55.2%) have employment patterns consistent with leaving welfare for work or earnings. The estimates presented here are limited by the data sources on which they are based. Specifically, UI wage data are only available quarterly and thus, we can not precisely determine if employment in the exit quarter occurred before or after the welfare exit. Also, the data are correlational, not causal. That is, while this analysis has focused on employment and earnings events that may cause welfare exits, it is also likely that in at least some instances the welfare case closure may have prompted the employment events. This may be particularly true for cases closed because of a work sanction or because the family is no longer eligible.

Readers should also keep in mind that the definitions used here are also fairly conservative. Although these estimates of work exits are higher than the percentage of cases closed with the code “income above limit”, they are most likely still an underestimate because they include leavers who returned to welfare after one month and because they are based on quarterly data and do not account for transitions that occur during a given calendar quarter. At minimum, the estimates presented here provide data worthy of consideration as policy makers and program managers consider and plan for increased work requirements that will likely be included in the next round of welfare reform.