Life After Welfare: Annual Update

Pamela C. Ovwigho, PhD
Research Director

Catherine E. Born, PhD
Principal Investigator

Kathryn Patterson, BFA
Research Analyst

Nicholas Kolupanowich, BS
Research Analyst

October 2008

Family Welfare Research and Training Group
University of Maryland
School of Social Work
525 West Redwood Street
Baltimore, MD 21201

Acknowledgements

The authors would like to thank Michael Funk, Jamie Haskel, Rennert Kane, Daniel Kott, Tamiko Myles, Nikol Shaw, & Somlak Suvanasorn for their assistance in the collection and processing of data for this report.

This report was prepared by the Family Welfare Research and Training Group, School of Social Work, University of Maryland, 525 West Redwood Street, Baltimore, Maryland 21201 with support from its long time research partner, the Maryland Department of Human Resources.

For additional information about the report or the study, please contact Dr. Catherine Born at the School of Social Work (410.706.5134, cborn@ssw.umaryland.edu). Please visit our website, www.familywelfare.umaryland.edu, for additional copies of this and our other reports.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

Executive Summary

Prompted by bipartisan legislative concern about the effects of welfare reform on Maryland families, Maryland's historic *Life After Welfare* study has chronicled dramatic changes in the welfare policy and program landscape for more than a decade. Against a backdrop of declining caseloads, changes in the composition of those caseloads, and increased pressure to meet federal work participation rate requirements, data on the characteristics and outcomes of Maryland's welfare leavers has provided policy makers and program managers with real world, empirically-grounded information they can use to effectively serve families.

This annual update, however, is being issued at a time of great economic tension and uncertainty. The goal of our study remains to tell the story of how families are navigating the transition from welfare to work, but today's leavers are, without a doubt, entering a tougher labor market than their predecessors faced. Although controversy abounds as to whether we are currently experiencing a recession, it seems unquestionable that, today, we are much closer to a valley than to a peak. The national unemployment rate is now at 6.1%. For at least six consecutive months the country has lost jobs, on average 73,000 a month (Bater, 2008). Moreover, those who still have jobs are experiencing a drop in income because of reduced hours or shifts (Goodman, 2008).

Few in the U.S. population have been spared from the current economic woes, and the population of welfare leavers is almost certainly no exception, especially because the industry sectors in which they typically work tend to be disproportionately affected. Food Stamp caseloads have reached historic highs, with more than 28 million Americans receiving benefits in May 2008. Welfare rolls have also begun to grow.

This is 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 employment. Fortunately, Maryland's long and remarkable history of using empirical data to manage its public welfare program positions it strongly to weather the current storms. As the largest and longest-running welfare monitoring study in the country, *Life After Welfare* is a critical part of this history, providing decision-makers with annual updates on the course of welfare reform in our state.

This annual report describes the characteristics and outcomes of 13,076 families who exited Temporary Cash Assistance (TCA; Maryland's TANF program) between October 1996 (the first month of welfare reform) and March 2008. Using a variety of administrative data sources, we track families' employment outcomes, returns to TCA, and utilization of work supports after their exit. In addition to a snapshot of the basic outcomes of TANF leavers, we provide more in-depth analyses, including up to 11 years of follow-up data, exploring how families navigate the worlds of work and welfare. Specifically, we consider how families combine earnings from employment and TCA benefits and how client characteristics may relate to these different outcomes. Two facets of the study design, namely the addition of new cases to the sample each year and the examination of outcomes over many years, make the findings highly relevant to the challenges and decisions facing policymakers and program managers today. Not only can we provide information about how recent leavers are faring in the current economy, but we can also speak to how those who left welfare in earlier periods are doing in terms of maintaining the gains that they have made.

As a whole, this annual update presents one of the most comprehensive pictures of 'life after welfare' as experienced by agencies and individual families in the years since the original 1996 welfare reforms were adopted. In addition and, more importantly, it provides the first empirical look at how welfare reform is being played out in a tough economy. The following bullets summarize our major findings:

- **The majority of welfare exits still occur among traditional, single-parent TANF cases, for whom the TANF work requirements were originally intended.**

As in years past, the typical case exiting TCA is headed by a never-married (74.4%), African-American (74.6%) woman (95.4%) in her early 30s (mean age = 32.8 years). The case also includes her one or two children (mean = 1.73), the youngest of whom is about 5 ½ years old (mean = 5.64). Two out of five cases (41.0%) include a child under the age of three.

A notable minority (16.2%) of exiting cases are child-only cases in which the adult payee is not included in the TCA grant. Nearly half (46.2%) of all families leaving welfare reside in Baltimore City.

- **Among today's leavers, the proportion of work-mandatory cases is significantly lower than in the previous year. This may be an early indication that even work-ready clients may be having more difficulty leaving welfare for work**

Not surprisingly, two-thirds (67.9%) of all exiters were either work mandatory (55.1%) or earnings (12.8%) cases. However, the percentage of work mandatory cases (52.6%) among those who left welfare most recently (April 2007 to March 2008) is four percentage points lower than it was in the prior year (56.6%; April 2006 to March 2007). Notable also is the finding that, compared to the year before, the most recent cohort has a higher proportion of child only cases (19.5% vs. 18.0%) and a markedly higher proportion of cases where the adult was exempt from work activities because of caring for a child under the age of one (9.4% vs. 5.8%).

Unfortunately, from these data, we cannot determine if the slight decline in the proportion of work mandatory exiters should be a matter of long-term concern, but stagnant or rising assistance caseloads are a fairly reliable leading indicator of economic downturns or recession. During the 12 month period covered by this cohort (April 2007 - March 2008), macro-level economic difficulties were beginning to surface. The take-away point, however, is that continued monitoring of the composition of cases leaving welfare, using the core caseload group designations, would probably be prudent.

- **Most adults leaving welfare have recent experience working in Maryland jobs covered by the Unemployment Insurance (UI) system. Compared to their earlier-leaving counterparts, today's leavers are significantly more likely to have such experience. This increase in the percentage of leavers with recent work experience could be either good or bad news.**

It remains true that most welfare leavers are not strangers to the world of work. Seven out of ten (69.4%) leavers had UI-covered employment in the eight quarters leading up to their entry on to the welfare rolls. Slightly more (71.3%) worked at some point before their welfare exit.

Although most leavers in all cohorts had recent UI-covered employment, almost three-fourths of today's leavers (April 2007 to March 2008) had such experience (73.8% preceding spell entry and 73.2% preceding spell exit) compared to only about two-thirds of those exiting between April 2006 and March 2007 (66.2% preceding spell entry and 65.7% preceding spell exit). For the earliest cases, the percentages of former payees with recent UI-covered employment fall between the rates for the two more recent cohorts, with seven out of ten working in the two years before their welfare spell began (69.3%) and in the two years before exit (71.5%).

Whether the differences observed between earlier and later leavers in terms of work history are good news or bad news is not entirely clear. One possible explanation for the lower rates of historical employment among Cohort 2 leavers (April 2006 – March 2007) is that they were exiting at a time when Maryland was beginning to engage a broader spectrum of cases in work activities. It could be that efforts to meet the DRA's increased work participation requirements resulted in more customers exiting, including a larger group who had not recently worked.

This finding may suggest these adults are at least somewhat better equipped to secure and maintain employment post-exit. A more sobering interpretation is that, in the current economy, it is harder for welfare recipients to find work and so only those who are the most work ready are able to exit.

- **The most common case closing code remains "income above limit". However, recent leavers' cases are less-likely to have closed for this reason.**

As in years past, the good news is that "income above limit" is the most common code, with almost three out of ten (28.5%) cases closing for this reason. The next three closing codes each account for a little less than one-fifth of leavers: did not reapply (17.6%); eligibility verification information not provided (16.1%); and full family sanction for non compliance with work requirements (15.2%). Representing less than one in ten closures (6.9%), "no longer eligible" rounds out the top five. Of all leavers' cases, about four out of five (81.2%) were closed with one of these five codes.

This year, as in years past, there are statistically significant differences among our three cohorts, including an increase in the percentage of cases closing because of a full family sanction for non-compliance with work activities. More than one-fifth (22.8%) of cases in the cohort that left welfare most recently (April 2007 to March 2008) closed because of a work sanction. This is a four percentage point increase over the rate observed among cases which closed the previous year (18.8%; April 2006 to March 2007) and more than 8 percentage points higher than the rate for the earliest leavers (14.5%; October 1996 to March 2006).

Although a matter for ongoing monitoring, an increase in work sanction closures is not unexpected, as states must now engage a broader spectrum of cases in work and apply the designated penalty when non-compliance is assessed. Also the magnitude of the increase from last year to this one (4.0%) results, in part, from the fact that work sanction closures last year (18.8%) were actually anomalously lower than would have been expected based on prior years' trends.

Recent leavers' cases were also less likely to have closed because their income was above limit. Among those who left during the first 10 years of reform, roughly three of 10 (29.3%) were closed with this code; last year and this year the figures were 22.7% and 23.5%, respectively. This particular closing code is used most often when the client has left welfare for work and the caseworker is aware of that fact. Although far more clients leave welfare for work than are captured through the use of this closing code, it does bear watching in the short-term as national, state and local economic conditions remain uncertain at best. To the extent that the current financial crises begin to pervade the larger, day-to-day, consumer economy, it is more than conceivable that agencies' and individuals' welfare to work efforts will be stymied at worst or at least be made more difficult.

- **Quarterly employment rates among welfare leavers remain remarkably consistent, with about half of former recipient adults working in each quarter. Over time, employed adults' earnings increase steadily, as do the average number of quarters worked in a year.**

Since our first report in 1997, we have consistently found about one out of two leavers works in a UI-covered job in a given quarter. The range in quarterly rates is fairly small with only a 3.6 percentage point difference between the highest (52.5% in the 1st quarter) and lowest (48.9% in the 44th quarter) rates.

In the first quarter after exit, adults earn an average of $3,534, with half earning less than $2,892 and half earning more.[1] Over time, earnings increase so that, by the 40th quarter, both mean and median earnings have increased by almost $3,000. In other

[1] All earnings are standardized to 2007 dollars.

words, former welfare leavers earn an average of $6,741 in the 40th quarter from UI-covered employment, with half earning more than $5,710.

In the first post-exit year, former caseheads worked, on average, in three of the four quarters. In the following years, the average number of quarters worked increases or remains the same, reaching a peak of 3.4 quarters in the 10th year.

Mean total earnings generally follow the same pattern. In 9 out of 10 years, leavers' mean earnings increased over the previous year and, most of the time, these increases were by $1,000 or more. In total, average annual earnings nearly doubled from $11,350 in the first year to almost $22,973 in the tenth post-exit year. As a whole, these findings clearly demonstrate the persistent work effort of these former TANF adults.

- **The majority of leavers do not return to TCA. More than three-fifths of those who left cash assistance in the earliest years of reform have been successful in remaining off the rolls for ten or more years. For program management purposes, it is important to realize that recidivism is most likely to occur during the first 12 months after exit.**

Findings concerning welfare recidivism are largely positive: the majority of welfare leavers do not return to TCA. A relatively small percentage (13.8%) return within the first quarter after the exit that brought them into our sample and by the end of the first year, a little more than one quarter (28.1%) have returned. About one-third (35.8%) of all welfare leavers return to the welfare rolls for at least one month by the end of the second follow up year. The cumulative recidivism rate increases by small increments over the next few years so that by the fifth post-exit year, slightly more than two-fifths (43.4%) of families have received at least one additional month of TCA.

- **General positive trends notwithstanding, welfare leavers, both those exiting today and those who left in earlier years, are being affected by the souring economy. Regardless of how long they had been off welfare, most leavers earned less in the most recent year and most notably in the 1st quarter of 2008 than they had just one year before. Similarly, regardless of how long they have been off welfare, leavers' chances of returning to welfare between April 2007 and March 2008 were 7.2% higher than in previous time periods.**

Given the economic realities in the nation and our state, it would have been surprising had we found no evidence that our sample members, many of whom are now part of the low-income working population, are experiencing some effects. For the first time in the history of this more than decade-long *Life After Welfare* research project, we observe an earnings drop – by roughly $550 on average – between the 40th and the 44th post-exit quarter. This decrease disrupted a steady pattern that had seen mean or average earnings increase in every single post-exit quarter. Median earnings also decreased between the 40th and 44th post-exit quarters (from $5710 to $5586), albeit by a smaller amount, suggesting that the phenomenon is real, not an artifact of very large changes in earnings among just a few outlier cases.

A drop in annual earnings from $22,973 in the 10th post-exit year to $22,198 in the 11th is also evident. Moreover, because the average number of quarter worked (3.4) was the same in both the 10th and 11th post-exit years, the earnings dip most likely indicates a decrease in the number of hours or shifts worked, although the UI-data do not allow us to determine this definitely.

When we examine employment and recidivism using calendar years, we find that working adults' earnings decreased and their chances of returning to welfare increased between April 2007 and March 2008. This occurred for all leavers, regardless of how long they had been off the rolls.

For policymakers and program managers, these data suggest that they should not be surprised if customers who exited TANF years ago begin to return for help supplement their lower earnings. More sobering is the possibility that these trends reflect decreases in work hours that could be followed by layoffs, more returns to the TANF rolls and, perhaps, an influx of first-time applicants as well. This scenario seems well within the realm of possibility. Among other things, the fact that Food Stamp caseloads nationally and in Maryland are now at all-time high levels is a clear and certain indicator that many "main street" families have already been adversely affected by problems in the larger economy.

- **Most leavers utilize work supports, specifically Food Stamps and Medical Assistance/M-CHIP, even well after they leave welfare. Though participation rates decline over time, a considerable minority use Food Stamps and Medical Assistance even eleven years post-exit. Compared to leavers who left TCA during the first ten years of reform, recent leavers have significantly higher rates of FS and MA utilization.**

Also as in years past, we find that leavers' utilization of work supports remains high. Almost two-thirds of families (64.0%) receive FS in the first three months after exit. This rate falls gradually over the next few years, with slightly more than half (51.5%) of families receiving FS in the third post-exit year. Even eleven years post-exit, nearly one third (31.6%) of our sample is still receiving FS benefits.

Participation in the Medical Assistance and M-CHP programs was also high, even before the recent expansion of these programs. About four of five adults (79.9%), children (79.4%), and cases (84.5%) in our sample received MA/M-CHP benefits in the first quarter after exit. MA utilization rates remain high through the first year after exit and then slowly decrease. However, even eleven years after exiting, nearly half (47.2%) of the families have at least one member who is still receiving benefits through the MA/M-CHP program.

- **New to this report, we present data on child support receipt, a potentially vital income supplement for families trying to leave and remain off welfare. We find for a significant minority of our exiters, child support is largely an "untapped" source of additional income support.**

- **The good news is that once there is an order, at least some support is collected in most cases and, for the minority of families who receive it, child support can be significant income source. However, if, by the time they exit, leavers do not have a child support order in place, they are unlikely to ever have one. To unleash the enormous potential of child support as both work support and recidivism prevention, we recommend agencies adopt a "Child Support Last" practice.**

Several studies, including our own Maryland research, attest to the critical role child support can play in helping families leave and remain off welfare. For these reasons, we expand our discussion of work supports among leavers to include a discussion of their child support receipt.

Two-fifths (38.0%) of leavers are owed current support. Slightly more (43.2%) have an active child support case, but no current support or arrears are due. In most of these latter cases, no support is due because no support order was established while the family was on TANF. The remaining leavers have no child support cases (16.8%) or have cases on which past due support, but no current support, is owed (2.0%). Over the ten year follow up period, the child support status of our sample of welfare leavers changes dramatically, so that by the tenth year almost half (49.0%) no longer have an active child support case in Maryland.

The fact that a significant minority of welfare exiters are owed current support indicates that child support remains an important potential income supplement for families making the welfare to work transition. Given this potential, it would behoove agencies to consider including a "Child Support Last" component for families who are about to exit TANF. This could maximize the possibility that support will be collected and available for the family after their welfare checks end.

Less heartening is that another significant proportion of leavers exit with no support due. For most of these families, there is an active child support case, but no court order for support has been established. These families could also benefit from a "Child Support Last" strategy and perhaps redoubled efforts to establish court orders. Absent these efforts, our current data suggest that these families are more likely to close or have their child support cases close, than to move into the group where current support due and often paid.

- **In the first year of post-welfare life, the most common situation is one where the former welfare recipient has earnings and is not back on TCA. A minority are back on TCA, either with or without earnings. Over time, the**

percentage of leavers with earnings increases and the percentage receiving TCA decreases.

Although informative, our topic by topic analyses of employment and welfare recidivism do not tell how the outcomes fit together into a more complete picture of "life after welfare". In actuality, each leaver may experience any combination of many possible outcomes. Considering just employment and TCA receipt concurrently, employment only is the most common outcome in the first post-exit year. One-half (49.5%) of leavers work in a UI-covered job in that year and do not receive TCA. Slightly less than one-fifth (18.5%) combines UI-covered employment and TCA in that first post-exit year. For one in ten (9.5%), their welfare exit is short-lived and they receive only TCA.

For the final one-fifth (22.5%) of our sample, the first year after exit includes neither UI-covered employment in Maryland or a border state nor a return to the TCA rolls in Maryland. This group is often referred to as "disconnected" leavers and has recently received considerable research attention. Our previous analyses have revealed that more than four out of five of these families still reside in Maryland and remain connected to at least one other public benefit program (Ovwigho, Saunders, Patterson, Kolupanowich, & Born, 2007).

The proportion of leavers in each outcome group changes over time. The percentage of former recipients with UI-covered employment alone increases, reaching 55.9% in the eleventh follow up year.

The groups with some TCA receipt grow smaller over time. About one-tenth (9.5%) belonged to the "TCA only" group in year 1, but this decreased to 2.3% by the eleventh year. Similarly, the "Employed and TCA" group reduced from almost one out of every five (18.5%) in the first year, to about the same level as the "TCA" group by the eleventh year (2.8%).

The percentage of disconnected leavers, those without UI-covered employment and without TCA, also increases over time. In fact, the size of this group almost doubles from a little more than one-fifth (22.5%) in year 1 to two-fifths (39.1%) in year 11. This should not be surprising, given that most of our data sources are limited to Maryland.

- **As expected, post-exit outcomes vary by case type. Employment without additional TCA receipt is the most common outcome for Work-Mandatory, Earnings, and Child Under 1 Year cases. For child-only cases and those headed by an adult with a long-term disability, their post-exit lives are less likely to include either UI-covered earnings or a return to cash assistance.**

Maryland's cohort-specific approach to welfare reform acknowledges that, although TANF tends to be discussed mainly as a work-focused program, the reality is that employment may not be the most appropriate or the most feasible outcome for all welfare families. Child only cases where the adult casehead is a caretaker relative, typically a grandmother, or a parent receiving SSI disability benefits are prime examples.

The wisdom of the cohort approach is confirmed by the fact that families' post-exit outcomes do vary by case type. For leavers in the Work-Mandatory, Earnings, and Child Under 1 Year groups, the most common outcome is employment. Not surpisingly, seven out of ten (69.6%) families who had earnings while on TCA are in the "Employment Only" group in the first year after their welfare cases close. An additional 17.8% had UI-covered earnings in that period, but also received at least one additional month of TCA.

Similarly, three-fifths (59.5%) of leavers in the Child Under 1 group and almost half (47.9%) of those in the Work-Mandatory group were employed and did not receive TCA in the first year after exit. Almost one-quarter (23.9%) of Work-Mandatory leavers had a combination of UI-covered earnings and TCA receipt in that period.

The picture is much different for Child-Only cases and those where the adult casehead is disabled and working with DEAP. Less than one-fifth (18.7%) of leavers in the DEAP Disabled group have UI-covered earnings and no TCA receipt in the first post-exit year. The percentage of former caseheads in the Child Only group with employment in the first post-exit year is greater at 36.1%, although still well below the percentages observed for Work-Mandatory, Earnings, and Child Under 1 Year cases.

Notably, the most common first year outcome for Child-Only and DEAP Disabled cases is to have neither UI-covered earnings nor TCA. Two-fifths (42.6%) of Child-Only and slightly more than half (54.2%) of DEAP Disabled cases fall into this "disconnected" classification. This likely reflects the reality that SSI and/or Social Security is a more likely income source for these families than employment and, given that they exited TCA, than cash assistance.

In sum, against the backdrop of the recent economic meltdown, rising unemployment rates, increasing food and fuel costs, historically high Food Stamp rolls, and growing TANF caseloads, this annual update has provided policy makers and program managers with a wealth of empirically-grounded information about how families are faring as they navigate life after welfare. Much of the news is reassuring: The majority of leavers obtain jobs and, over time, their earnings increase. Few families return for additional cash assistance and most continue to utilize FS and MA/M-CHP as work supports. For policy makers and program managers, these general trends affirm that Maryland's well-crafted, empirically-driven, cohort-specific approach to welfare reform has worked well and is continuing to do so, despite fluctuations in the broader economy.

Going forward into the somewhat uncertain near-term future, a few themes seem important to keep in mind. First, just as Maryland's TANF caseload is diverse and dynamic, so are families' outcomes after they leave. For "traditional" cases headed by an able-bodied, single-parent, the most common post-exit reality is that the adult has UI-covered earnings and the family is not receiving TCA, although they likely have FS and MA/M-CHP benefits. As decision-makers consider possible refinements or retooling of Maryland's welfare-to-work program, they should give serious thought to including an intensive, post-exit case management/outreach component whereby support services could be provided to families for the critical first year after their cases close. Such services could increase the likelihood that leavers will be able to sustain their exits for those first twelve months and, as our study illustrates, having done so will greatly lower their risk of ever coming back on the rolls.

For another significant minority of families, a welfare-to-work transition may not be the most appropriate nor is it the most likely outcome. Specifically, life after welfare for child-only cases, especially those headed by a grandmother, and cases headed by a disabled adult who is applying for SSI benefits (DEAP-disabled) is unlikely to include either employment or a return to the TANF rolls. This is, in fact, a good outcome as it likely indicates either that children have been able to return to their parents, in the case of child only cases, or that families have another source of income such as SSI or Social Security benefits. In addition to reaffirming the wisdom of Maryland's cohort-specific approach to welfare reform, these findings also suggest that a cohort-specific approach to post-exit case management and outreach would also be appropriate and could have a positive effect on outcomes.

Income from child support is another important potential post-TCA support for families that is often forgotten in welfare reform discussions. Our findings regarding child support receipt among welfare leavers, coupled with earlier research demonstrating that child support receipt increases the chances that a welfare exit will be permanent, suggests that child support is an area worthy of greater systematic policy and practice development attention. In addition to broader, ongoing efforts to increase paternity and order establishment and to improve collections, agencies should seriously consider adopting a "child support last" policy for welfare leavers. The cost of establishing a "child support last" component for TCA cases that are closing, that would assess their child support situations and ensure that any necessary location, establishment or enforcement actions are being taken, should be fairly minimal. The payoff, however, for such efforts could be great in terms of increasing leavers' income, decreasing their chances of returning to welfare, and, as a bonus, increasing the child support program's performance measures.

A final important note is that there are some indications that welfare leavers, regardless of how long they have been off, are not faring as well in the current economy as they have historically. Agencies may find more families returning to TCA after having been off for a significant period of time. To help counteract the decline in adults' earnings, it would be wise to increase outreach efforts to working families, particularly for the FS and MA/M-CHP programs. The broader implication, of course, is that the opportunities available or not available in the large economy/labor market have much to do with the degree of welfare-to-work success which individuals and agencies are able to achieve.

The short-term future will be challenging for all of us and perhaps especially for low-income families, including those trying to leave welfare and those attempting to maintain employment and their independence. It will behoove all of us – and our state – to make certain that even in these increasingly austere times, programs and services needed to facilitate success among vulnerable families will not be disproportionately affected. This report has highlighted areas of achievement, but also areas where challenges remain; we are confident that while celebrating the former, our state is more than able to effectively tackle the latter.

Introduction

This annual update of Maryland's historic *Life After Welfare* study is being issued at a time of great economic tension and uncertainty. The study began in 1996, precipitated by bipartisan legislative concern about the effects on Maryland families of passage of the unprecedented Personal Responsibility and Work Opportunity Reconciliation Act. That statue repealed the entitlement-based Aid to Families with Dependent Children (AFDC) program and created, in its stead, the work-focused, time-limited Temporary Assistance to Needy Families (TANF) program. Since then, there welfare policy and program landscape has changed dramatically. Caseload have declined and their composition has changed, large numbers of recipient adults have left welfare for work, and recent passage of the Deficit Reduction Act (DRA) has increased pressures on states to meet federal work participation rate requirements. The national and state economy also fluctuated during this period from the boom of the early 1990s to the recession beginning in 2001, followed by a weak economic expansion (Aron-Dine, Stone, & Kogan, 2008).

Through these ups and downs, data on the characteristics and outcomes of Maryland's welfare leavers has provided policy makers and program managers with real world, empirically-grounded information they can use to effectively serve families. The goal of today's report is the same as each of our annual updates: to tell the story of how families are navigating the transition from welfare to work. The difference, however, is that today's leavers are, without a doubt, entering a tougher labor market than their predecessors faced. Regardless of whether the indicators meet the official definition of an economic recession or not, there seems to be no question that the United States' economy is hurting. The most recent figures from the Bureau of Labor Statistics (September 2008) indicate that the unemployment rate hit a five-year high in August 2008, reaching 6.1%. This statistic is just one more headline among the almost daily news reports chronicling how rising fuel costs, rising food costs, and mortgage crises are putting great pressure on families' finances and budgets.

Public programs are already seeing the effects. In May 2008, for example, more than 28 million Americans received benefits from the Food Stamp program. This represents the highest number of recipients since the program began in the 1960s (Eckholm, 2008).

The Food Stamp program in our own state has not been spared from significant caseload increases either. For example, between July 2007 and July 2008, the number of Maryland families receiving Food Stamps rose 15.5% from 150,326 to 173,598 households. In contrast, the Food Stamp caseload increased by 6.7% the previous year (July 2006 to July 2007) and only 5.5% between July 2005 and July 2006.

Maryland's energy assistance program is also feeling the pinch. For example, in state fiscal year 2008, the program experienced a historically high 15% increase in applications. At the local jurisdiction level, counties such as Anne Arundel have witnessed what has been termed a "staggering" 38% increase in families seeking help with utility bills (Sauers, 2008).

Given the economic circumstances and the fact that welfare caseloads have historically been a leading indicator of economic slowdown, it is not surprising that the TANF caseload has also started to grow. In July 2008, there were 22,115 TANF cases on the rolls, 5.5% more than in July 2007. During this period, 19 of Maryland's 24 local jurisdictions saw their TANF caseloads expand. This represents a radical change from previous periods when caseload decline has been the norm. In fact, Maryland's TANF caseload decreased 10.5% from July 2005 to July 2006 and an additional 4.8% between July 2006 and July 2007.

For the TANF program and the economically-vulnerable families it serves, today's realities lend added importance this legislatively-mandated study which tracks how families who are trying to leave welfare for work are faring and if those who left in earlier years have been able to maintain their financial independence. This report, an annual update of Maryland's *Life After Welfare* study, provides important empirical data about who is leaving welfare now and what happens to them after they exit the rolls.

As a state, Maryland has a long and remarkable history of using empirical data to manage its public welfare program. In response to the unprecedented welfare caseload declines in the 1990s, Maryland became the first state in the nation to report on who was leaving welfare, why they were leaving, and how they were faring. Today the *Life After Welfare* project remains the largest and longest-running welfare monitoring study, providing decision-makers with annual updates on the course of welfare reform in our state.

This annual update describes the characteristics and outcomes of 13,076 families who exited Temporary Cash Assistance (TCA; Maryland's TANF program) between October 1996 (the first month of welfare reform) and March 2008. Using a variety of administrative data sources, we track families' employment outcomes, returns to TCA, and utilization of work supports after their exit. Two facets of the study design, namely the addition of new cases to the sample each year and the examination of outcomes over many years, make the findings highly relevant to the challenges and decisions facing policymakers and program managers today. Not only can we provide information about how recent leavers are faring in the current economy, but we can also speak to how those who left welfare in earlier periods are doing in terms of maintaining the gains that they have made.

Several basic questions concerning the well-being of families making the transition from welfare to work frame our analyses:

1. What are the characteristics of Maryland's welfare leavers?
2. Why do families' welfare cases close?
3. What are customers' employment patterns after their welfare exit?

4. Do early and later leavers differ in terms of post-exit employment?
5. How many families return to welfare?
6. Do recidivism patterns vary by exit cohort?
7. To what extent do families continue to utilize Food Stamps and Medical Assistance (including MCHP)?
8. How many families receive child support after leaving TANF and how much do they receive?

This annual update continues to build our state's actionable knowledge base by profiling families that exited Maryland's TANF program and exploring differences between those who left the rolls most recently and their earlier-exiting peers. In addition to a snapshot of the basic outcomes of TANF leavers, we provide more in-depth analyses, including up to 11 years of follow-up data, exploring how families navigate the worlds of work and welfare. Specifically, we consider how families combine earnings from employment and TCA benefits and how client characteristics may relate to these different outcomes.

As a whole, this annual update presents one of the most comprehensive pictures of 'life after welfare' as experienced by agencies and individual families in the years since the original 1996 welfare reforms were adopted. In addition and, more importantly, it provides the first empirical look at how welfare reform is being played out in a tough economy. By speaking to the realities facing both the TANF program and its customers, it is hoped that study findings will guide policymakers and program managers in making the best choices possible for the TANF program and Maryland's hard-working families.

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 which exited TANF between October 1996, the first month of welfare reform in Maryland, and March 2008.

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, and 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 2008 (n=18,430), we exclude the 5,354 (29.1%) that returned to cash assistance within one month of exit. Thus, a total of 13,076 cases (18,430-5354) 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. New to this report, 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), 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, according to the 2000 census, 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%)[2]. Out-of-state employment is particularly common among residents of two very populous jurisdictions

---

[2]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.

(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

Our first findings chapter provides a snapshot of families when they exit the TANF rolls. We first describe the characteristics of our sample, including former payees' welfare and employment histories, and consider how the profile of welfare leavers has changed over time. The final section of this chapter focuses on the reasons why families' cases close.

What are the Characteristics of Exiting Payees and Cases?

Table 1, following this discussion, presents data on the characteristics of the exiting cases and former TCA payees in our sample. The table is divided into four columns: the first includes data for the entire sample, followed by columns for the most recent cases (those who exited between April 2007 and March 2008, Cohort 3), the next most recent cases (exiting between April 2006 and March 2007, Cohort 2), and earlier cases closing between October 1996 and March 2006 (Cohort 1). Typically, our annual update compares only the cases from the most recent year to those in earlier years. However, because of the tumultuous state of the U.S. economy and recent TCA program changes related to the Deficit Reduction Act (DRA), we felt it was important in this update to separate out leavers who exited in the two most recent years.

Characteristics of the entire sample.

Considering our entire sample, the typical case exiting TCA is headed by a never-married (74.4%), African-American (74.6%) woman (95.4%) in her early 30s (mean age = 32.8 years). The case also includes her one or two children (mean = 1.73), the youngest of whom is about 5 ½ years old (mean = 5.64). Two out of five cases (41.0%) include a child under the age of three.

A notable minority of exiting cases are child-only cases in which the adult payee is not included in the TCA grant. Compared to the active TANF caseload, child-only cases are underrepresented among leavers, accounting for slightly fewer than one out of five (16.2%) exiting cases. In contrast, cases with no adult included in the welfare grant accounted for more than two-fifths (41.5%) of the March 2008 TCA caseload. This difference is not surprising, however, given that most of TANF's rules regarding work requirements and time limits do not apply to child-only cases.

Nearly half (46.2%) of all families leaving welfare reside in Baltimore City. An additional one-quarter reside in either Prince Georges County (12.6%) or Baltimore County (11.5%). In sum, the vast majority of our sample (70.3%) hails from one of these three jurisdictions. In general, the geographic distribution of welfare leavers is fairly similar to that of the active TANF caseload. This indicates that among local departments the rate at which families are leaving welfare is fairly consistent.

Do recent leavers differ from earlier leavers?

Data in the last three columns of Table 1 allow us to assess how the characteristics of welfare leavers may have changed over time. We find that the general profile has been fairly consistent, with few statistically significant differences among the three cohorts. Moreover, the differences that do exist (payee race, marital status, jurisdiction, percent of child only cases, and percent of cases with a child under the age of three) are fairly small in practical terms.

Compared to those who exited welfare in the first ten years of reform (October 1996 to March 2006), former payees leaving welfare most recently are significantly more likely to be African American (78.2% of Cohorts 2 and 3 vs. 74.1% of Cohort 1). About four-fifths of recent leavers (80.9% Cohort 2 and 79.3% Cohort 3) have never married, compared to three-fourths who exited TANF in earlier years (73.5%). The two groups of most recent leavers (i.e., April 2006 to March 2007 and April 2007 to March 2008) also differ from earlier leavers in that they are more likely to have a very young child. Nearly one-half of Cohort 2 (48.7%) and Cohort 3 (48.8%) leavers have a child under the age of three. In contrast, two-fifths (39.9%) of Cohort 1 cases included a child that young.

Differences between the three cohorts in terms of geography are also statistically significant, but likely of little practical import. There was a slight decline in the percentage of Baltimore City cases when we compare Cohort 1 (46.3%; October 1996 to March 2006) to Cohort 2 (44.5%; April 2006 to March 2007). Among the most recent cohort (April 2007 to March 2008), 45.8% of cases are from Baltimore City.

While child-only cases remain underrepresented among welfare leavers, their share of exiting cases has increased over time. Among cases exiting TCA between April 2007 and March 2008, one out of five (19.6%) had no adult included in the TCA grant, a 1.7 percentage point increase over the previous year (17.9%). In the earliest years of reform (October 1996 to April 2006), only about one out of seven (15.9%) leavers headed a child-only case.

Welfare reform produced marked changes in cash assistance programs and Maryland has engaged a broader spectrum of cases in work activities in response to the requirements of the Deficit Reduction Act. Thus, the demographic differences between recent leavers and cases exiting in earlier years are not surprising. Moreover, the changes observed are fairly small and do not appear to be related to efforts to increase work participation among previously excluded groups. Perhaps more important for policymakers is the news that our comparison between families who exited TANF in the most recent period, when the economic situation was becoming more sobering, and those exiting earlier does not appear to raise any red flags. In other words, even with the present state of the economy, families are still trying to leave welfare for work, and for the most part, exits from the cash assistance rolls are still primarily occurring among the single mothers for whom TANF was designed.

Table 1. Demographic Characteristics of Exiting Payees and Cases.

	Entire Sample 10/96 - 3/08 (n = 13,076)	Cohort 3 Most Recent Cases 4/07 - 3/08 (n = 800)	Cohort 2 Recent Cases 4/06 – 3/07 (n = 834)	Cohort 1 Early Cases 10/96 - 3/06 (n = 11,442)
Payee's Gender (% female)	95.4%	96.0%	96.5%	95.3%
Payee's Age				
Mean (Standard deviation)	32.79 (10.99)	33.11 (12.05)	32.54 (11.68)	32.78 (10.86)
Payee's Racial/Ethnic Background* **				
African American	74.6%	78.2%	78.2%	74.1%
Caucasian	22.8%	19.1%	18.3%	23.4%
Other	2.6%	2.7%	3.6%	2.5%
Region[3]*				
Baltimore City	46.2%	45.8%	44.5%	46.3%
Prince George's County	12.6%	10.9%	13.4%	12.7%
Baltimore County	11.5%	10.6%	11.3%	11.5%
Metro Region	6.3%	7.8%	7.9%	6.1%
Anne Arundel County	5.2%	7.3%	7.0%	4.9%
Montgomery County	4.4%	4.3%	3.8%	4.5%
Upper Eastern Shore Region	4.1%	3.5%	4.0%	4.2%
Western Maryland Region	3.4%	3.6%	2.5%	3.5%
Lower Eastern Shore Region	3.3%	3.8%	3.1%	3.3%
Southern Maryland Region	3.0%	2.6%	2.5%	3.1%
Assistance Unit Size				
Mean (Standard deviation)	2.60 (1.19)	2.51 (1.20)	2.61 (1.27)	2.60 (1.18)
% child only cases**	16.2%	19.6%	17.9%	15.9%
Marital Status***				
Married	7.7%	6.2%	7.1%	7.9%
Never Married	74.4%	79.3%	80.9%	73.5%
Divorced/Separated/Widowed	17.9%	14.5%	12.0%	18.6%
Number of Children				
Mean (Standard deviation)	1.73 (1.07)	1.68 (1.07)	1.76 (1.14)	1.73 (1.06)
Age of Youngest Child				
Mean (Standard deviation)	5.64 (4.82)	5.37 (5.16)	5.38 (5.24)	5.68 (4.76)
% with a child under 3***	41.0%	48.8%	48.7%	39.9%

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

[3] 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.

Since the outset of welfare reform, Maryland has adopted an empirically-based, client-focused approach to its TANF program. Targeted efforts were made to help the most work-ready customers transition from welfare to work first, with the resulting savings being used to assist those who had more barriers or impediments. This approach is reflected in both Maryland's decision to place some cases, such as those with a disabled head of household who is in the process of applying for Supplemental Security Income (SSI), in a Separate State Program and its routine empirical analysis of the size and distribution of its "core" caseload. Essentially the "core" caseload consists of work mandatory, non-child-only TANF cases which 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. The majority of these groups were funded via the Separate State Program and, prior to the DRA, excluded from the work participation rate calculation. In addition, it was anticipated that the core caseload and Earnings cases would be the most likely to transition off the TANF rolls into employment and to do so more quickly than the other groups.

Changes made by the DRA effectively require that <u>all</u> TANF cases with a recipient adult be included in a state's work participation rate, even if they are paid by state maintenance of effort (MOE) funds. This change puts enormous pressure on states and families and, especially in the current economic climate, will make achievement of the federal work participation threshold a dauntingly difficult challenge.

Despite these added pressures, Maryland is, wisely, maintaining its cohort-specific approach. Therefore, because caseload composition in terms of work participation groupings is a central concept for the TCA program, we include it in our annual update. In Figure 1, we present the core caseload distribution for the most recent exiters, those leaving cash assistance between October 2007 and March 2008.[4] For comparison purposes, we also include the distribution for the active TCA caseload in October 2007.

Not surprisingly, we find marked differences between exiters and the active caseload. Most notably, nearly half (48.2%) of leavers are from the work mandatory group. However, this type of case accounts for just three out of ten (29.3%) active TCA cases. As expected, earnings cases are also over-represented among leavers. One-tenth (10.0%) of closing cases had earnings while on TANF, compared to only 3.0% of the TANF caseload as a whole.

Figure 1 also suggests that certain case types are less likely to exit than others. For example, one-third (32.1%) of active cases are headed by non-needy caretaker relatives (e.g., grandmothers). The percentage among exiters, however, is only half that (15.9%). Also notable is that cases classified as "other" (two-parent cases, legal immigrants; DEAP-disabled, temporarily disabled, caring for a disabled family member,

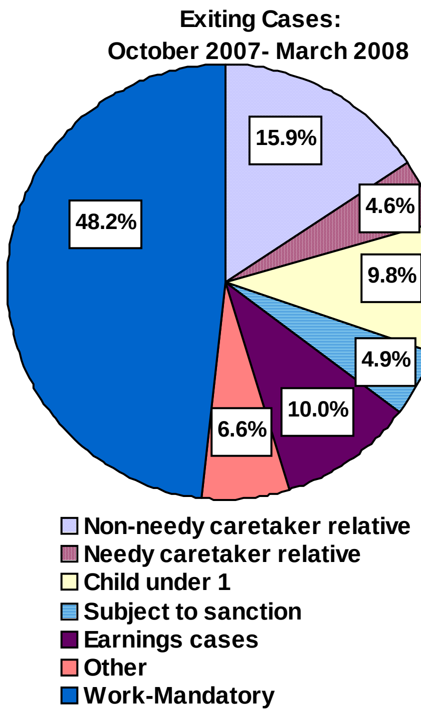
[4] The core caseload definitions were revised effective October 2007. The new groupings and definitions are not exactly comparable to those used in previous periods.

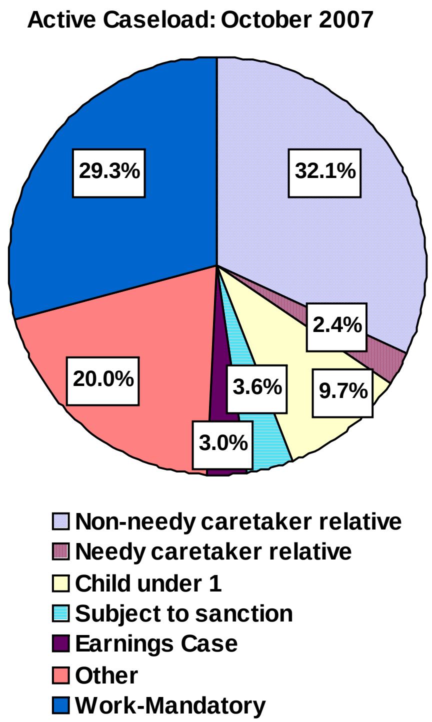
and domestic violence victims) account for almost one-fifth (20.0%) of the TCA caseload, but only 6.6% of exiting cases.

For policymakers and program managers, there are several implications to be drawn from Figure 1. First, the chart depicting the active, on-assistance caseload makes the point clearly that, for at least some families receiving TANF today, a lasting welfare-to-work transition may simply not be an appropriate or realistic goal. As illustrated, only three of ten cases today fall into the mandatory work category; seven of ten, in contrast, represent types of cases which, until the Deficit Reduction Act, were generally considered exempt - for good reason - from the work rules and requirements. Notably, the single largest cohort of cases today - representing nearly one in every three cases - are those headed by non-needy caretaker relatives, typically a grandmother. Often, the children in these TANF cases were involved in the formal child welfare system and, from a services' perspective, their current TANF living situation represents a successful outcome.

A second implication of the active caseload composition chart is that the realities of today's caseload suggest that - resource constraints and DRA rules notwithstanding - a key near-term task is to devise program strategies that can appropriately meet the needs of these non-traditional TANF families for whom, initially, work requirements and time limits were not intended. Finally, the composition of the current caseload also speaks well of Maryland's original welfare reform approach - to focus welfare-to-work efforts on those who were most job-ready; that this tactic has been more successful than not is evidenced by the fact that, today, work-mandatory clients represent less than one-third of all active cases in the state.

Figure 1. Core Caseload Subgroups among Exiters & Active Cases.





Note: The "Other" group consists of: State Two-Parent, Legal Immigrant, DEAP-Disabled, Temporary Disabled, Caring for a Disabled Family Member, and Domestic Violence cases.

It is also important to note that the core caseload grouping designations shown in Figure 1 reflect the current classifications, in use since October 2007. The next section of this chapter uses the pre-October 2007 case classification system to examine a new, but important question: have the relative sizes of the various classification groupings among welfare leavers changed over time. The results of our analysis on this question are presented in Table 2 which follows this discussion and, using the core caseload grouping designations common across time, presents data for the entire sample and, separately, for three cohorts of leavers (April 2007 to March 2008, April 2006 to March 2007, and April 2004 to March 2006).[5]

Table 2 does reveal statistically significant differences over time in the distribution of exiting cohorts among the core caseload categories. Not surprisingly, two-thirds (67.9%) of all exiters were either work mandatory (55.1%) or earnings (12.8%) cases. However, the percentage of work mandatory cases (52.6%) among those who left welfare most recently is four percentage points lower than it was in the prior year (56.6%). Notable also is the finding that, compared to the year before, the most recent cohort has a higher proportion of child only cases (19.5% vs. 18.0%) and a markedly higher proportion of cases where the adult was exempt from work activities because of caring for a child under the age of one (9.4% vs. 5.8%).

Unfortunately, from these data, it is not possible to determine if the slight decline in the proportion of work mandatory exiters should be a matter of long-term concern. It is quite possible, and in our view quite likely, that these findings may be an early indicator that even work-ready clients may be having more difficulty leaving welfare for work. As has been well demonstrated, stagnant or rising assistance caseloads are a fairly reliable leading indicator of economic downturns or recession and, during the 12 month period covered by this cohort (April 2007 - March 2008), macro-level economic difficulties were beginning to surface. The take-away point from Table 2, however, is that continued monitoring of the composition of cases leaving welfare, using the core caseload group designations, would probably be prudent.

[5] Core caseload data are not available prior to April 2004.

Table 2. Core Caseload Designations.***

	Entire Sample 4/04 - 3/08 (n=3544)	Cohort 3 Most Recent Cases 4/07-3/08 (n=800)	Cohort 2 Recent Cases 4/06 - 3/07 (n=834)	Cohort 1 Early Cases 4/04 - 3/06 (n=1910)
Work-Mandatory	55.1%	52.6%	56.6%	55.4%
Child Only	18.7%	19.5%	18.0%	18.7%
Earnings Cases	12.8%	11.0%	11.8%	14.0%
Child Under 1	6.6%	9.4%	5.8%	5.8%
DEAP Disabled	3.6%	2.8%	5.2%	3.4%
Needy Caretaker Relative	1.4%	2.8%	0.8%	1.2%
Temporary Disabled	0.8%	0.5%	0.8%	0.9%
Domestic Violence	0.6%	0.8%	0.8%	0.5%
Caring for Disabled Household Member	0.3%	0.8%	0.4%	0.2%

Note: Core caseload data are not available prior to April 2004. The percentage of cases designated as child only in the core caseload analysis may differ slightly from the percentage of child only cases presented in Figure 1 because they are based on two different data sources, at two different time points. Table 1 is based on the number of adults included in the grant amount paid at the beginning of the month of exit. Table 2 is based on the core caseload calculations performed at the end of the month.
*p<.05 **p<.01 ***p<.001

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

Two other important indicators of how prepared adults may be to make the transition to work are how long they have been on welfare and their work histories. In this section, we examine both the short and long-term welfare histories of Maryland welfare leavers and their historical attachment to UI-covered employment.

Table 3, following this discussion, presents data on two measures of leavers' welfare histories: current spell length and cumulative months of aid in the previous five years. Consistent with results from previous years, we find that most families in the overall sample are exiting from relatively short current welfare spells. Two out of three (67.8%) leavers had received cash assistance for one year or less before the exit that brought them into our sample. On average, families were ending a welfare spell that had lasted just under 16 months (mean = 15.91 months). The median value is even lower at 7.95 months indicating that half of all leavers received TANF for less than 8 months before exiting.

Of course, it is important to keep in mind that some families cycle on and off welfare so point in time measures that consider only one "spell" underestimate their true welfare histories. Our second measure, the number of months of cash assistance receipt in the five years before the exit that brought them into our sample, provides a more complete picture of the extent to which TCA exiters have relied on assistance in the past. For the entire sample, we find that, on average, families have spent about two of the previous five years (mean = 27.4 months; median = 24.0 months) on welfare. At the extremes, one out of five (21.0%) leavers had been on TCA for at least 49 of the 60 months preceding the exit that brought them into our sample, while nearly one in three (31.9%) had received benefits in 12 or fewer of the 60 months preceding their exit.

Table 3 also shows that there are statistically significant differences between recent and earlier leavers in terms of their current and cumulative use of welfare benefits. First, the data show that the recent leavers (Cohorts 2 & 3) are exiting from significantly shorter episodes of benefit receipt than their peers who left welfare between 1996 and 2006 (Cohort 1). Specifically, both groups of recent leavers had been on welfare for an average of about nine months when they exited and, as the median spell length figure shows, about half in each group had been on for about five months or less. In contrast, the average welfare spell length among persons whose cases closed in the earlier years of reform was roughly 17 months, or nearly twice as long. On this measure, at least, it seems clear that one effect of the welfare reforms begun in the mid-1990s has been to, indeed, make cash assistance a temporary and episodic, rather than long-term, source of income support for families.

Cohort differences are also evident and statistically significant when we look at cumulative welfare use over the past five years. The most noteworthy finding is that the proportion of leavers with heavy welfare dependence (49 or more of 60 months on aid) is significantly less among more recent leavers and the proportion with limited reliance on welfare (12 or fewer months on aid out of 60 months) is significantly higher. More specifically, some 22.8% of all earlier leavers (1996-2006) had received welfare in at least 49 of the 60 months immediately prior to the welfare case closure which brought them into our sample. In contrast, only 10.1% of the most recent leavers (April 2007 - March 2008) and 7.2% of those whose cases closed between April 2006 and March 2007) had that much reliance on cash assistance in the five year period. In contrast, 47.3% of those who exited in the 2007-2008 cohort and 45.4% of those whose cases closed in the 2006-2007 period had 12 or fewer months of cumulative benefit receipt in the past five years, compared to 29.9% among those who exited during the first 10 years of welfare reform.

Table 3. Welfare History.

	Entire Sample 10/96 - 3/08 (n=13,076)	Cohort 3 Most Recent Cases 4/07-3/08 (n = 800)	Cohort 2 Recent Cases 4/06 - 3/07 (n=834)	Cohort 1 Early Cases 10/96 - 3/06 (n=11,442)
Length of Exiting Spell*				
12 months or less	67.8%	83.1%	83.8%	65.6%
13 - 24 months	16.6%	9.9%	9.6%	17.5%
25 - 36 months	5.9%	3.1%	3.1%	6.3%
37 - 48 months	3.0%	1.4%	1.9%	3.2%
49 - 60 months	1.8%	0.5%	0.4%	2.0%
More than 60 months	4.9%	2.0%	1.2%	5.4%
Mean***	15.91 months	9.66 months	9.22 months	16.83 months
Median	7.95 months	4.73 months	5.34 months	8.64 months
Standard Deviation	25.14 months	18.69 months	14.10 months	26.01 months
TCA Receipt in 5 Yrs Prior to Exit*				
12 months or less	31.9%	47.3%	45.4%	29.9%
13 - 24 months	19.4%	23.3%	24.2%	18.8%
25 - 36 months	15.1%	11.5%	13.5%	15.5%
37 - 48 months	12.6%	7.9%	9.6%	13.1%
49 - 60 months	21.0%	10.1%	7.2%	22.8%
Mean***	27.37 months	19.68 months	19.56 months	28.48 months
Median	24.00 months	14.00 months	14.00 months	25.00 months
Standard Deviation	19.22 months	16.93 months	15.78 months	19.35 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

We now turn to the second indicator of potential job readiness, recent work experience. Table 4, following, presents the percentage of leavers who worked in a Maryland UI-covered job at some point in the two years before they entered the welfare spell and at some point in the two years before the welfare exit that brought them into our study sample. Seven out of ten (69.4%) leavers had UI-covered employment in the eight quarters leading up to their entry on to the welfare rolls. Slightly more (71.3%) worked at some point before their welfare exit.

On these measures we also find statistically significant differences among the three exit cohorts. The largest difference is found between those who exited most recently (April 2007 to March 2008) and cases which closed one year earlier (April 2006 to March 2007). Although the majority in both groups had recent UI-covered employment, almost three-fourths of Cohort 3 leavers had such experience (73.8% preceding spell entry and 73.2% preceding spell exit) compared to only about two-thirds of Cohort 2 exiters (66.2% preceding spell entry and 65.7% preceding spell exit). For the earliest cases, the percentages of former payees with recent UI-covered employment fall between the rates for the two more recent cohorts, with seven out of ten working in the two years before their welfare spell began (69.3%) and in the two years before exit (71.5%).

Whether the differences observed between earlier and later leavers in terms of work history are good news or bad news is not entirely clear. One possible explanation for the lower rates of historical employment among Cohort 2 leavers (April 2006 – March 2007) is that they were exiting at a time when Maryland was beginning to engage a broader spectrum of cases in work activities. It could be that efforts to meet the increased work participation requirements from the DRA resulted in more customers exiting the rolls, including a larger group of those who did not have recent work experience.

A positive implication of the higher rates of recent UI-covered employment among the most recent leavers (Cohort 3) is that it may suggest these adults are at least somewhat better equipped to secure and maintain employment post-exit. Another more sobering interpretation is that, in the current economy, it is harder for welfare recipients to find work and so only those who are the most work ready are able to exit. At this point, it is too early to say definitively whether policymakers and program managers should be concerned about the employment figures presented in Table 4. Common sense and past experience suggest, however, that continued economic uncertainty and/or retrenchment would not bode well for the employment prospects of current and former recipients. The next chapter which explores the post-exit employment and earnings of our welfare leavers will shed more light on how well today's leavers are able to get jobs, maintain employment, and increase their earnings over time.

Table 4. Employment History.

	Entire Sample 10/96 - 3/08 (n=13,076)	**Cohort 3 Most Recent Cases 4/07-3/08 (n = 800)**	**Cohort 2 Recent Cases 4/06 - 3/07 (n=834)**	**Cohort 1 Early Cases 10/96 - 3/06 (n=11,442)**
% working at some point in the 8 quarters preceding spell entry**	69.4%	73.8%	66.2%	69.3%
% working at some point in the 8 quarters preceding spell exit**	71.3%	73.2%	65.7%	71.5%

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 34 sample members with no unique identifier. In addition, employment preceding spell entry excludes anyone whose welfare spell began before April 1, 1987 (n=64 in Cohort 1 and n=2 in Cohort 2). Valid percentages are reported. *p<.05, **p<.01, ***p<.001

Why Do Families' Welfare Cases Close?

In this final section of our baseline findings chapter, we consider why welfare exits occur. When a welfare case closes, the caseworker must choose a reason for the closure from a list of pre-determined administrative codes. Unfortunately these codes may not fully capture the sometimes complex situations that bring about the case closure. For example, previous analyses have demonstrated that administrative case closure codes often understate the true rate of work-related exits because clients may not notify the agency when they become employed. Despite their limitations, however, case closure codes do provide some important programmatic information as these codes are correlated with important post-exit outcomes such as employment and recidivism, and are our 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 2 displays the top five administrative case closure reasons for our entire sample as a whole and then separately for each of our three cohorts. As in years past, the good news is that "income above limit" is the most common code, with almost three out of ten (28.5%) cases closing for this reason. The next three closing codes each account for a little less than one-fifth of leavers: did not reapply (17.6%); eligibility verification information not provided (16.1%); and full family sanction for non compliance with work requirements (15.2%). Representing less than one in ten closures (6.9%), "no longer eligible" rounds out the top five. Of all leavers' cases, about four out of five (81.2%) were closed with one of these five codes.

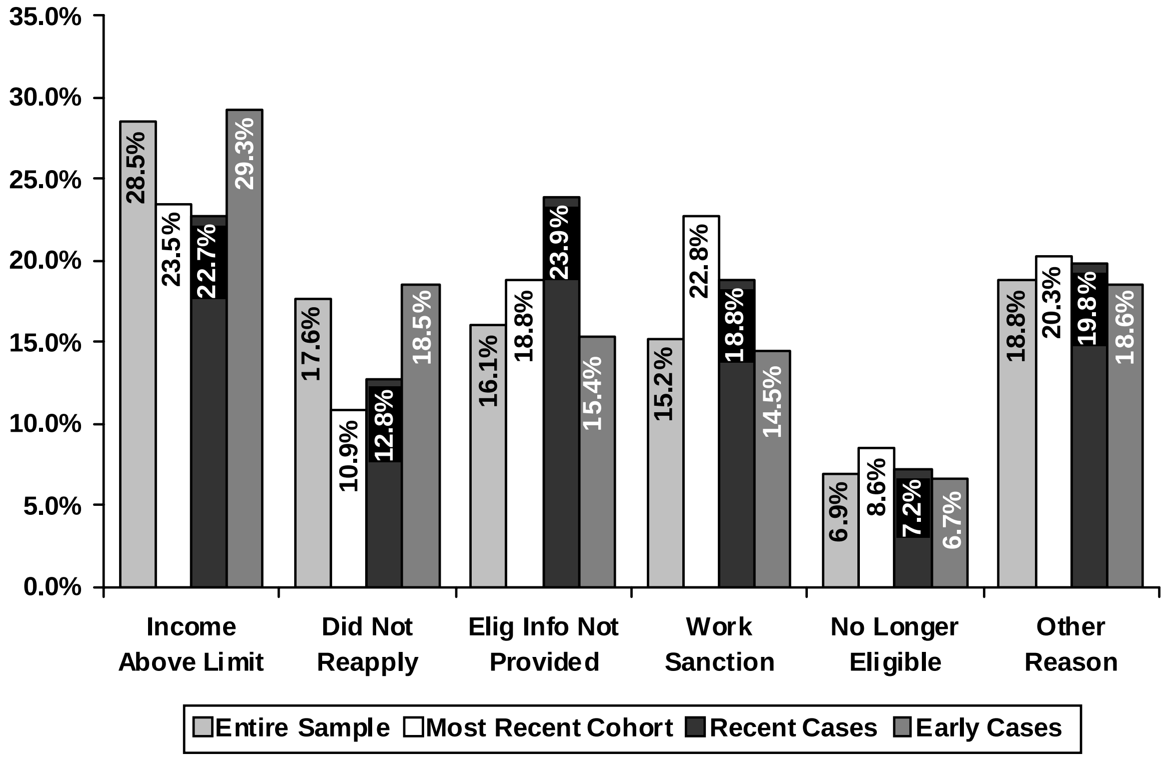
This year, as in years past, there are statistically significant differences among our three cohorts. One striking difference is the increase in the percentage of cases closing because of a full family sanction for non-compliance with work activities. More than one-fifth (22.8%) of cases in the cohort that left welfare most recently (April 2007 to March 2008) closed because of a work sanction. This is a four percentage point increase over the rate observed among cases which closed the previous year (18.8%; April 2006 to March 2007) and more than 8 percentage points higher than the rate for the earliest leavers (14.5%; October 1996 to March 2006).

Although a matter for ongoing monitoring, an increase in work sanction closures is not altogether unexpected. This is primarily because, pursuant to the Deficit Reduction Act mandates, states are now required to engage a broader spectrum of cases in work and apply the designated penalty when non-compliance is assessed. In Maryland, that penalty is the full family sanction. We would also point out that the magnitude of the increase from last year to this one (4.0%) results, in part, from the fact that work sanction closures last year (18.8%) were actually anomalously lower than would have been expected based on prior years' trends. That is, since the outset of welfare reform and this research study in 1996, work sanction rates have been incrementally increasing year-over-year, as one would expect. The April 2006-March 2007 period was the outlier; that year's rate (18.8%) was roughly two percentage points lower (20.7%) than the prior year. Thus, it would appear that the 22.8% work sanction closure rate for the most recent period (April 2007-March 2008) represents the resumption of the previous trends. The bottom-line, of course, is that monitoring of work sanction closures and case outcomes should continue.

Three other differences between the two most recent cohorts of leavers (2007-2008 and 2006-2007) and those who left earlier are also worthy of note. Chief among these, as shown in the first set of bars in Figure 2 is that recent leavers' cases were less likely to have closed because their income was above limit. Among those who left during the first 10 years of reform, roughly three of 10 cases (29.3%) were closed with this code; among last year's and this year's exiting cohorts the figures were 22.7% and 23.5%, respectively. This particular closing code is the one that most often is used in cases where the client has left welfare for work and the caseworker is aware of that fact. Although far more clients leave welfare for work than are captured through the use of this closing code, it does bear watching in the short-term as national, state and local economic conditions remain uncertain at best. To the extent that the current financial crises begin to pervade the larger, day-to-day, consumer economy, it is more than conceivable that agencies' and individuals' welfare to work efforts will be stymied at worst or at least be made more difficult.

Finally, cases exiting in the more recent periods are less likely to have their cases closed because they did not reapply for aid (10.9% for the most recent cohort, 12.8% for last year's cohort, and 18.5% for cases closing between 1996 and 2006. On the other hand, the more recent exiting cases are more likely to be coded 'eligibility verification information not provided' than were the earliest cases (18.8% for the most recent cases, 23.9% for last year's cases, and 15.4% for those who exited during the first years of welfare reform).

Figure 2. Case Closing Reasons.***



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

In this chapter, we examine, from an employment and earnings perspective, what happens to families once their welfare cases close. This is a critical analytic question because one of the main goals of TANF is to move families from welfare to work. Thus, in this chapter, we look at the extent to which former payees find employment after they leave welfare, how steady or sporadic that employment is over time, and adults' earnings patterns in the years after the welfare case closure which brought them into our sample.

How Many Work in UI-Covered Jobs Over Time?

From a historical perspective, the U.S. economy follows a wave-like pattern with peaks and valleys. Although controversy abounds as to whether we are currently experiencing a recession, it seems unquestionable that, today, we are much closer to a valley than to a peak. Moreover, it has been argued that the commonly-used definition of a recession – two or more quarters of negative growth in real Gross Domestic Product – provides only a rear-view determination, in essence calling a recession only after is it well underway, if not over.[6] The National Bureau of Economic Research, for example, did not announce the contraction which occurred in November 2001 until July 2003. In contrast, the legendary investor Warren Buffet noted earlier this year that, by the common-sense measure of people doing less well than they were three months, six months, or eight months earlier and most businesses finding themselves in that situation as well, then the U.S. is in recession (Stempel, 2008).

There are more than a few signals that confirm our economy is suffering and, like Buffett, the American Institute for Economic Research has concluded that, indeed, a recession is underway (Lynch, 2008). The national unemployment rate is now at 6.1%. For at least six consecutive months the country has lost jobs, on average 73,000 a month (Bater, 2008). Moreover, as a recent *New York Times* article points out, those who still have jobs are experiencing a drop in income:

> The number of Americans who have seen their full-time jobs chopped to part time because of weak business has swelled to more than 3.7 million – the largest figure since the government began tracking such data more than half a century ago (Goodman, 2008).

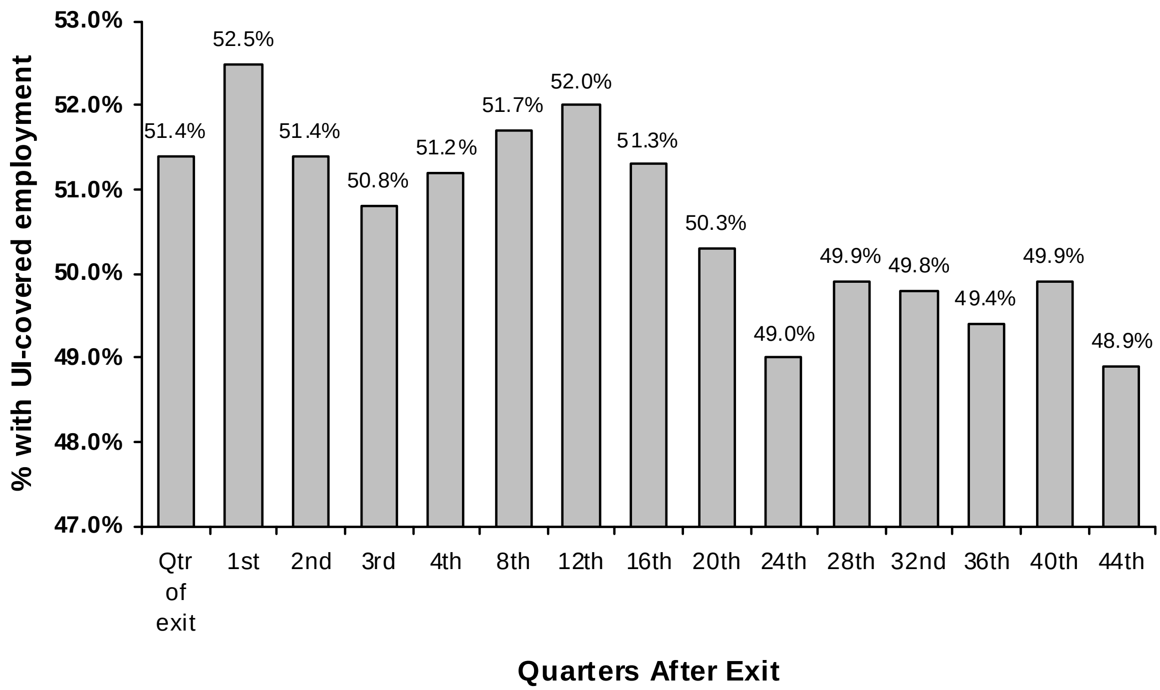
Few in the U.S. population have been spared from the current economic woes, and the population of welfare leavers is almost certainly no exception, especially because the industry sectors in which they typically work tend to be disproportionately affected. The

[6] The definition typically used is "when real Gross Domestic Product (GDP) growth is negative for two or more consecutive quarters". This definition is more narrow than the definition provided by the U.S. National Bureau of Economic Research: "a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales."

CEO of Kelly Services, for example, noted that June 2008 was "the 15th consecutive month of decline in temporary-help industry employment, with the rate of decline intensifying recently" (Bergman, 2008).

This is unquestionably 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 employment. It is in this unprecedented context that Figure 3, following this discussion, displays the percentage of former TCA caseheads employed in a UI-covered job in Maryland or one of its border states in the quarter after exit.[7] The data are remarkably consistent over the entire eleven year follow up period: about one out of two welfare leavers works in a UI-covered job in a given quarter. The range in quarterly rates is fairly small with only a 3.6 percentage point difference between the highest (52.5% in the 1st quarter) and lowest (48.9% in the 44th quarter) rates.

Figure 3. Quarterly Employment Rates.



Note: The employment figures exclude 36 sample members for whom we have no unique identifier.

[7] The number of quarters of follow up data varies depending on when the welfare case closed. Appendix A provides more information on quarters available. Appendix B includes detailed data regarding in- and out of state employment rates.

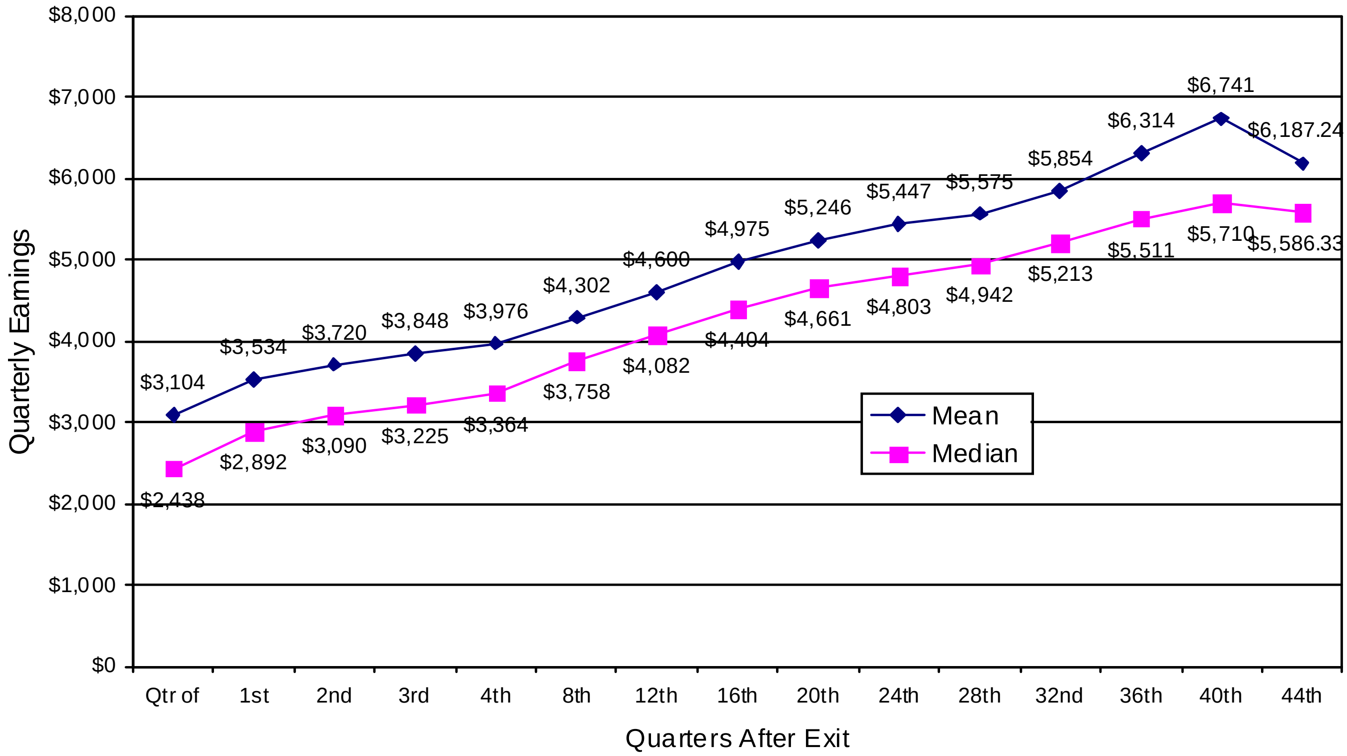
What are Adults' Earnings from UI-Covered Employment?

Historically, welfare leavers, like millions of others among the working poor, typically have relatively low earnings. Because of the structure of the data, we can only determine how much the adult earned in a quarter from UI-covered employment. Thus, it is impossible to determine if low earnings reflect low wage rates or less than full-time, full-quarter employment. Keeping in mind this caveat, Figure 4 displays the quarterly earnings for the caseheads in our sample. We find that in the first quarter after leaving welfare, former payees earn an average of $3,534, with half earning less than $2,892 and half earning more.[8] Over time, earnings increase so that, by the 40th quarter, both mean and median earnings have increased by almost $3,000. In other words, former welfare leavers earn an average of $6,741 in the 40th quarter from UI-covered employment, with half earning more than $5,710.

Rising earnings over time is certainly a positive finding, as is the general consistency of the trend. However, for the first time in the history of this more than decade-long *Life After Welfare* research project, we observe an earnings drop – by roughly $550 on average – between the 40th and the 44th post-exit quarter. This decrease disrupted a steady pattern that, as illustrated in Figure 4, had seen mean or average earnings increase in every single post-exit quarter. Median earnings also decreased between the 40th and 44th post-exit quarters (from $5710 to $5586), albeit by a smaller amount, suggesting that the phenomenon is real, not an artifact of very large changes in earnings among just a few outlier cases.

[8] All earnings are standardized to 2007 dollars.

Figure 4. 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.

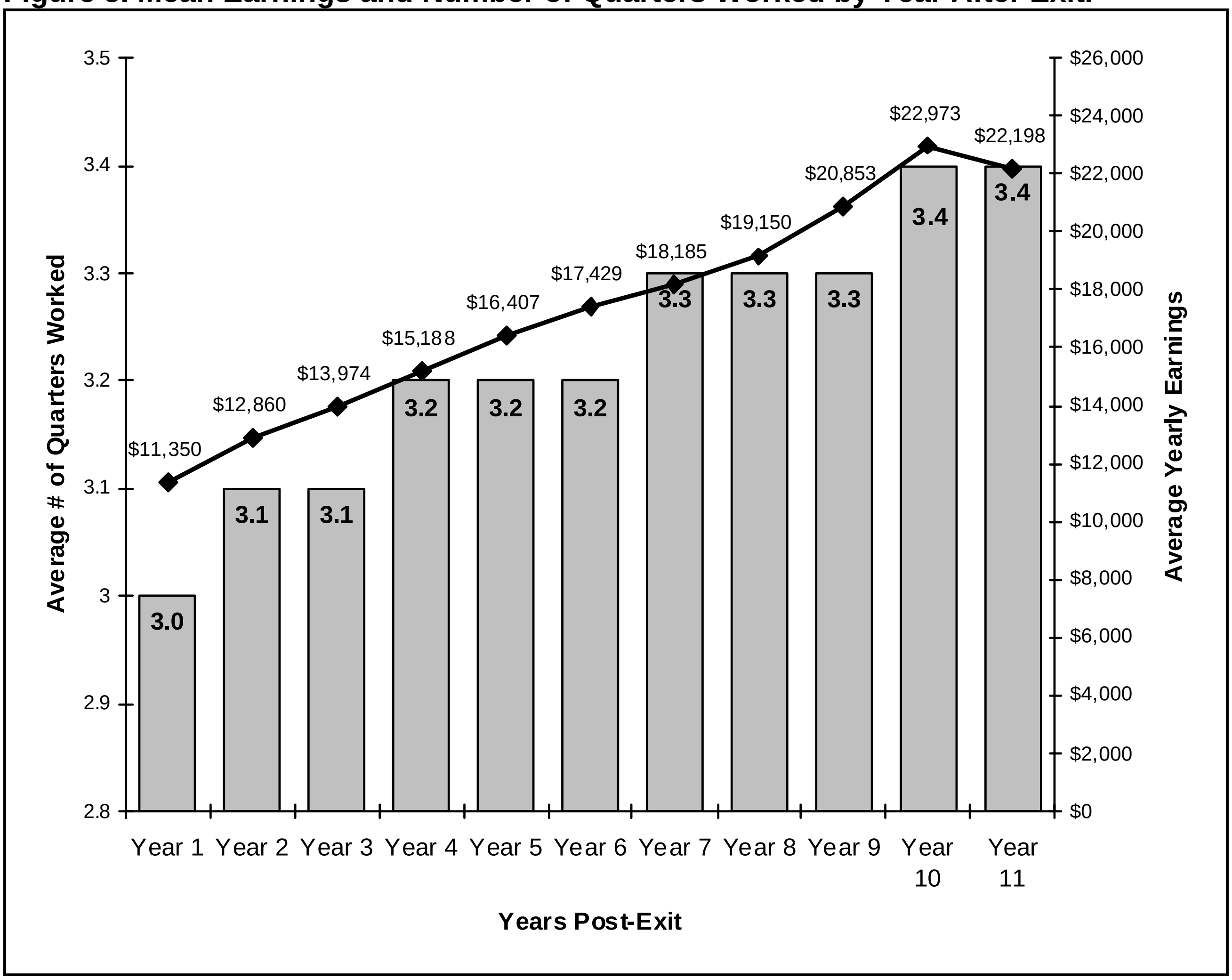
As mentioned previously, our UI employment data do not allow us to determine if the dip in earnings observed between the 40th and 44th follow up quarters is due to lower wage rates or, as suggested by Goodman (2008), reflect decreases in hours worked. However, we can provide a more nuanced picture of employment trends using yearly measures. This permits us to determine if the observed earnings dip is associated with a particular calendar quarter, indicating that we are likely seeing effects of the economy, or if there is some other factor at play.

Using annual measures, Figure 5 shows that employment and earnings trends over time are generally positive. In the years after leaving welfare, working adults do increase both the number of quarters they work each year and their annual UI-covered earnings. In the first post-exit year, former caseheads worked, on average, in three of the four quarters. In the following years, the average number of quarters worked increases or remains the same, reaching a peak of 3.4 quarters in the 10th year.

Mean total earnings generally follow the same pattern. In 9 out of 10 years, leavers' mean earnings increased over the previous year and, most of the time, these increases were by $1,000 or more. In total, average annual earnings nearly doubled from $11,350 in the first year to almost $22,973 in the tenth post-exit year.

These findings clearly demonstrate the persistent work effort of these former TANF adults. However, the data points shown at the far right-hand side of Figure 5 are again sobering. As was true when earnings were examined using quarterly measures, we observe, also for the first time in the history of this research, a drop in annual earnings from $22,973 in the 10th post-exit year to $22,198 in the 11th. Moreover, because the average number of quarter worked (3.4) was the same in both the 10th and 11th post-exit years, the earnings dip most likely indicates a decrease in the number of hours or shifts worked. Unfortunately, the limitations of UI data do not permit us to definitively state that this is, in fact, the explanation although common sense suggests it is the most likely culprit.

Figure 5. 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 2007 to March 2008) and 34 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.

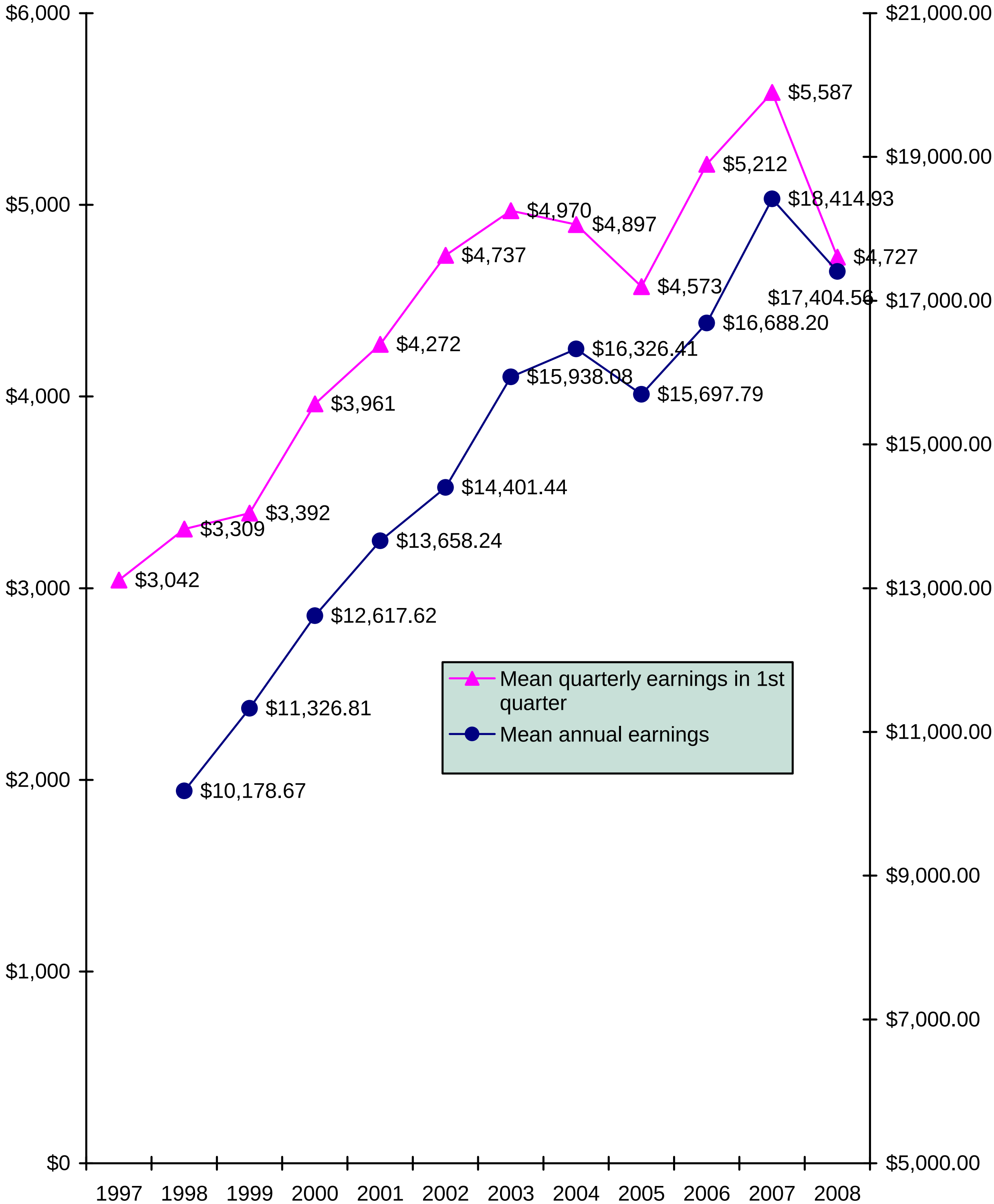
Figure 6 displays the mean quarterly earnings for the first calendar quarter of each year for all leavers who had exited TANF by that point and had any earnings in that quarter. This graphic provides some evidence that the decreases in earnings reflected in Figures 4 and 5 are related to changes associated with particular calendar quarters. In the first quarter of 1997 former TCA caseheads in our sample earned $3042 from UI-covered employment. Average earnings increase fairly steadily until they dip slightly to $4573 in the first quarter of 2005. The upward trend resumes by the first quarter of 2006, but then earnings decrease again in the first quarter of 2008 to $4,727.

When we group cases into cohorts by the quarter in which they exited TANF, we find that, for the vast majority of years, no cohorts experienced a year-to-year decrease in mean UI-earnings. However, between the 1st quarter of 2007 and the 1st quarter of 2008 – the most recent quarter for which data are available – earnings declined for 86% of the exiting cohorts.

Similar trends are also evident for annual UI-covered earnings. In the one year period from April 1997 to March 1998, former welfare recipients received, on average, $10,179 from UI-covered employment. Annual earnings increased steadily except for a slight dip in the April 2004 to March 2005 period. Between April 2006 and March 2007, welfare leavers earned an average of $18,415 in UI-covered earnings. However, in the most recent period for which data are available, April 2007 to March 2008, mean earnings decreased by more than $1,000 to $17,405.

The take-home message in Figure 6 is clear: Regardless of how long they had been off welfare, the majority of leavers earned less in the most recent year and most notably in the 1st quarter of 2008 than they had just one year before. For policymakers and program managers, these data suggest that they should not be surprised to see customers who may have exited TANF years ago now return for additional support to supplement their lower earnings. More sobering is the possibility that these trends reflect decreases in work hours that may be followed by layoffs and subsequently the return of more families to the TANF rolls and, perhaps, an influx of first-time applicants as well. This scenario seems well within the realm of possibility. Among other things, the fact that Food Stamp caseloads nationally and in Maryland are now at all-time high levels is a clear and certain indicator that many “main street” families have already been adversely affected by problems in the larger economy.

Figure 6. UI-Covered Earnings by Calendar Year.



Do Recent and Earlier Leavers Differ in Terms of Employment?

In the baseline chapter, we noted several differences between today's leavers and those who left in earlier years. One of the most striking differences was that those who left most recently were more likely to have worked for a Maryland UI-covered employer in the two years before their welfare exit. In this section, we examine whether employment differences between recent and earlier leavers persist in the first few quarters after their TCA exit. From the data in Table 5, we can see that in the quarter of exit through the seventh quarter after exit, the groups are relatively the same in terms of the percent employed. In each quarter, roughly one-half of former TANF caseheads are employed in a UI-covered job.

There are, however, statistically significant differences in mean quarterly earnings from the quarter of exit through the third quarter after exit. On average, leavers who exited between April 2006 and March 2007 earned significantly more from their UI-covered employment than their peers who exited earlier and those who left the rolls most recently (April 2007 to March 2008). For example, in the quarter of exit, those in Cohort 2 (April 2006 to March 2007) earned an average of $3,489, almost $500 more than Cohort 1 ($3,080) and Cohort 3 ($3,058) leavers. Mean earnings increase over the next three quarters for all cohorts, although the differences among the three remain. By the fourth post-exit quarter, however, there is no statistical difference in earnings.

Table 5. UI-Covered Employment by Exit Cohort.

	Entire Sample 10/96 - 3/08	Cohort 3 Most Recent Cases 4/07-3/08	Cohort 2 Recent Cases 4/06 - 3/07	Cohort 1 Early Cases 10/96 - 3/06
Quarter of TCA Exit				
Percent Working	51.4%	51.6%	50.2%	51.5%
Mean Earnings*	$3,104.10	$3,058.49	$3,489.32	$3,080.05
Median Earnings	$2,438.49	$2,049.00	$2,409.25	$2,461.69
1st Quarter After TCA Exit				
Percent Working	52.5%	54.0%	52.7%	52.4%
Mean Earnings*	$3,533.69	$3,596.77	$3,921.98	$3,502.00
Median Earnings	$2,892.03	$2,604.15	$2,888.42	$2,906.15
2nd Quarter After TCA Exit				
Percent Working	51.4% (6493)	55.8%	49.6%	51.4%
Mean Earnings**	$3,719.53	$3,641.67	$4,290.24	$3,682.35
Median Earnings	$3,090.35	$2,770.09	$3,458.08	$3,081.73
3rd Quarter After TCA Exit				
Percent Working	50.8%	45.3%	51.0%	50.9%
Mean Earnings*	$3848.14	$4046.93	$4243.62	$3816.47
Median Earnings	$3225.28	$3179.69	$3159.00	$3230.05
4th Quarter After TCA Exit				
Percent Working	51.2%		50.3%	51.2%
Mean Earnings	$3976.42		$4146.24	$3964.29
Median Earnings	$3364.21		$3392.00	$3362.09
5th Quarter After TCA Exit				
Percent Working	51.6%		50.9%	51.6%
Mean Earnings	$4046.03		$4075.92	$4044.37
Median Earnings	$3461.01		$3176.50	$3475.47
6th Quarter After TCA Exit				
Percent Working	51.4%		48.5%	51.5%
Mean Earnings	$4191.72		$4622.77	$4176.28
Median Earnings	$3598.65		$3779.67	$3596.59
7th Quarter After TCA Exit				
Percent Working	52.0%		48.4%	52.0%
Mean Earnings	$4178.68		$4011.60	$4181.72
Median Earnings	$3649.53		$2914.80	$3653.26

Note: Employment figures exclude 36 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

What Types of Industries Hire Former Welfare Recipients?

In this final section of our chapter focused on post-exit employment, we examine the question of where former welfare recipients are finding jobs. Historically, welfare leavers have typically found employment in service sector industries where wages tend to be low, hours unstable, and benefits and opportunities for advancement few. Analyses included in our earlier *Life After Welfare* reports have generally confirmed that Maryland's welfare leavers in the age of reform also tend to find jobs that are concentrated in particular industries.

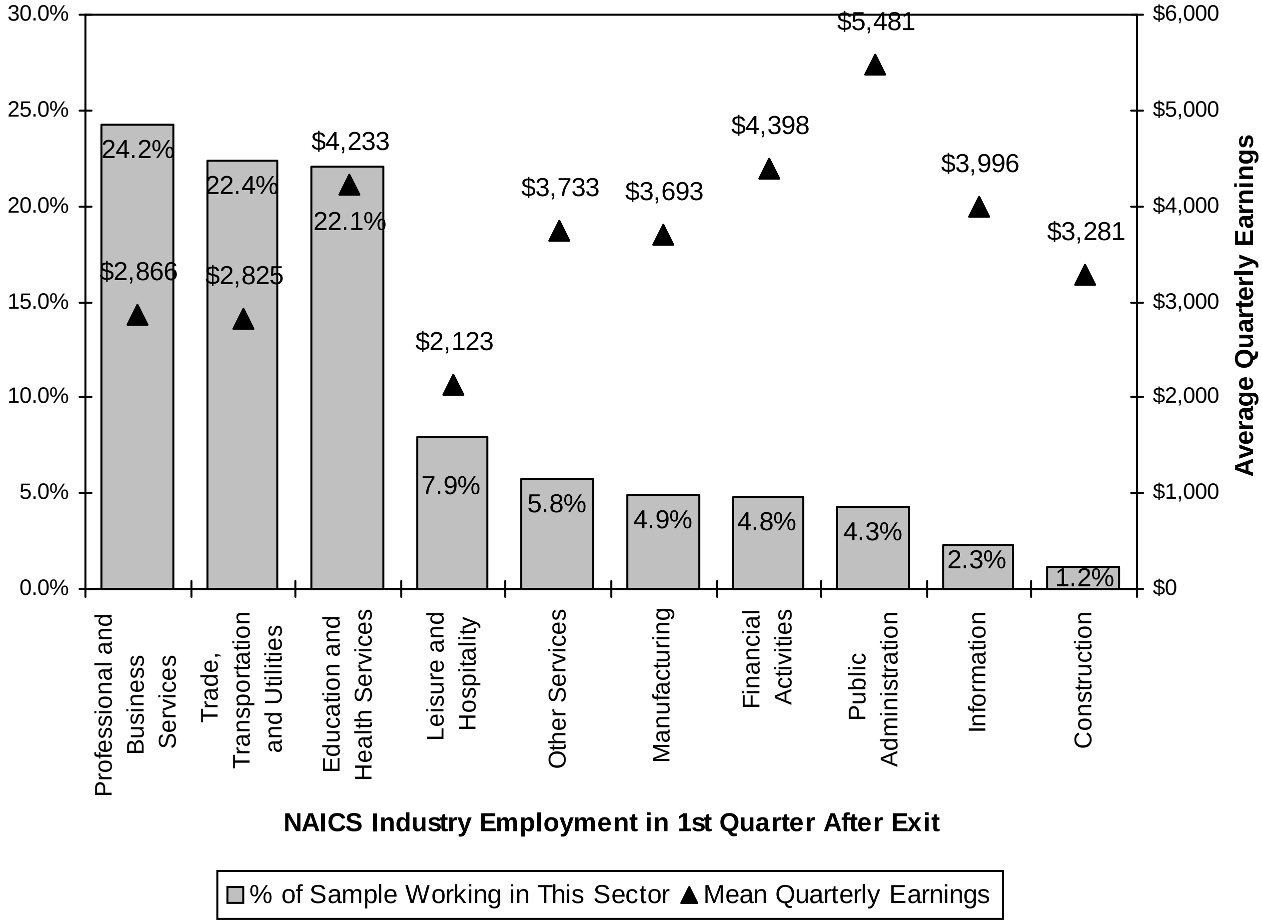
Notably, economic cycles tend to affect different segments of the labor market differently. For example, there are reports that the recent economic slowdown is affecting the housing industry, temporary help/staffing firms, and the manufacturing sector. However, the technology sector has remained relatively unscathed (Weisman, 2007).

These economic realities make it more important than ever to study which industries are hiring former welfare recipients. Figure 7, following this discussion, presents the industry sectors in which Maryland welfare leavers find employment in the first quarter after exit. Consistent with trends in previous years, the majority of leavers for whom data was available were employed in one of three industry sectors: Professional and Business Services (24.2%); Trade, Transportation and Utilities (22.4%); and Education and Health Services (22.1%). Together these three sectors accounted for almost seven out of ten (68.7%) of all first post-welfare jobs obtained by former clients.

Figure 7 also includes the mean quarterly earnings for leavers employed in each sector and demonstrates that the industries which hire the most welfare recipients are typically not the ones with the highest average quarterly earnings. For example, in three of the top four industries in which welfare leavers find employment, their quarterly earnings from those jobs average less than $3,000. The exception is Education and Health Services with mean earnings of $4,223. Earnings also tend to be higher in the other six industry sectors, with leavers employed in Public Administration earning the most with an average of $5,481 per quarter.[9]

[9] A comparison of the industries in which earlier and recent leavers found employment revealed few differences. The results of this comparison are presented in Appendix C.

Figure 7. Average Quarterly Earnings by NAICS Industry.



Note: Employment is classified using NAICS 2007, and aggregated using the Bureau of Labor Statistics standard (http://www.bls.gov/bls/naics_aggregation.htm). One additional sector included in the BLS standard, Natural Resources and Mining, is not included. Very few welfare recipients find employment in this sector and so the data are not included for confidentiality purposes. The figures includes only those sample cases with follow up data for the 1st post-exit quarter where the casehead worked in a UI-covered job in Maryland that was able to be classified in terms of NAICS industry (n=5,091).

For many families the transition from the welfare rolls to financial self-sufficiency can be challenging. Life circumstances such as illness, a child care arrangement falling apart, or a downturn in the local or larger economy can lead to job loss and the need for cash assistance. In this chapter, we examine how often such returns occur among Maryland's welfare leavers.

How Many Families Return to Welfare?

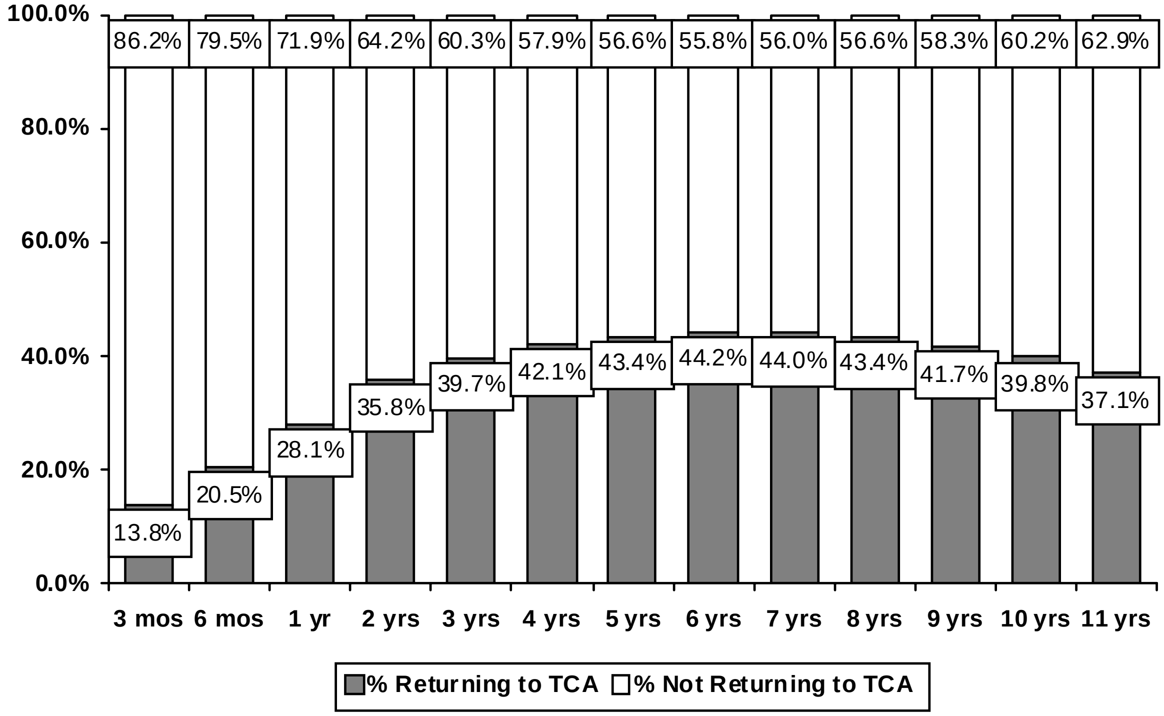
Figure 8 shows the percentage of leavers who remain off welfare and the percentage of those who return during the eleven-year follow-up period.[10] The overall picture is largely positive as the majority of welfare leavers do not return to TCA.

A relatively small percentage of leavers (13.8%) go back on the rolls within the first quarter after the exit that brought them into our sample. By the end of the first year, a little more than one quarter (28.1%) have returned. About one-third (35.8%) of all welfare leavers return to the welfare rolls for at least one month by the end of the second follow up year. The cumulative recidivism rate increases by small increments over the next few years so that by the fifth post-exit year, slightly more than two-fifths (43.4%) of families have had at least one additional month of benefit receipt.

Although Figure 8 displays the cumulative recidivism rate, readers should remember that we have different amounts of follow up data available for our sample, depending on when their welfare exit occurred. This aspect of our study design results in the appearance that the cumulative recidivism rate decreases in the 7th through 11th follow up years. That, of course, is impossible and is merely an artifact of the fact that we only have data at those points for the earliest cohorts of welfare leavers. The important conclusion from Figure 8 is that more than three-fifths of those who left cash assistance in the earliest years of reform have been successful in remaining off the rolls for ten or more years. Another is that recidivism is most likely to occur during the first 12 months after exit, a finding that has been consistent throughout the 10+ years that we have been tracking this phenomenon.

[10] The amount of recidivism data varies depending on when the welfare exit occurred. Appendix D provides detailed information on the amount of follow up data available for each cohort.

Figure 8. Cumulative Recidivism Rates.



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

The data in Figure 8 also contain at least a hint that more recent leavers may be at higher risk of returning to welfare than earlier leavers. Table 7, following, examines this question directly by comparing the recidivism rates of our three cohorts. We find that there are no statistically significant differences between recent and earlier leavers in the earliest follow up points (i.e. three and six months post-exit). However, there is a statistically significant difference by the end of the first post-exit year. By the 12-month mark, almost one-third (31.1%) of those who exited between April 2006 and March 2007 had returned to TCA, compared to a little more than a quarter (27.9%) of the earliest leavers.

For policy makers and program managers, our recidivism analysis contains both good and bad news. The fact that most families are able to remain independent of the cash assistance program after the initial exit that brought them into our sample is encouraging and attests to their hard work and persistent efforts to support their families. Less encouraging is the finding that more recent leavers seem to be having a more difficult time making their exits last, at least through the first year when recidivism risk tends to be highest. These data suggest the need for continued efforts to ensure that families have all available work supports in place as they are leaving the rolls, and perhaps, that for at least some families, some type of post-exit case management outreach services might be a prudent investment on the part of the Department of Human Resources or local Departments of Social Services. Admittedly, funding might be challenging in these difficult economic times, but the potential payoff could be significant. A decade's worth of *Life After Welfare* research has unequivocally demonstrated that if exiting families can remain off welfare for 12 months, their likelihood of ever returning is greatly diminished. At minimum, as strategic assessment and possible re-engineering of our state's welfare-to-work program is undertaken, the feasibility of including some type of post-exit outreach/follow-up component for at-risk families should be considered. Likewise, it would be informative and programmatically useful to systematically learn more about and to track why families return to welfare. Specifically, when a return occurs, an individualized assessment should be done to ascertain the reason or reasons and to identify what client, agency or community action or resource might have been able to prevent it. For that particular family and their caseworker, this type of information should be useful for case planning in order to increase the likelihood that the next welfare exit will be a permanent one. Aggregating this type of front-line, practice information would be useful in identifying best practices, community resource gaps, and/or any program or policy changes that may be appropriate.

Table 6. Recidivism Rates by Exit Cohort.

Months Post-Exit	Entire Sample 10/96 – 03/08	Cohort 3 Most Recent Cases 4/07-3/08	Cohort 2 Recent Cohort 04/06– 03/07	Cohort 1 Early Cases 10/96 - 3/06
	% not returning to TCA by this time			
3 mos	86.2%	85.4%	84.9%	86.4%
6 mos	79.5%	77.5%	78.1%	79.7%
12 mos*	71.9%		68.9%	72.1%
	% returning to TCA by this time			
3 mos	13.8%	14.6%	15.1%	13.6%
6 mos	20.5%	22.5%	21.9%	20.3%
12 mos*	28.1%		31.1%	27.9%

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

Risk Factors for Recidivism

In this final section of this chapter on welfare recidivism, we typically compare the demographic characteristics of leavers who return to the rolls and those who do not. We have repeated those analyses this year and present the details in Table 7.

As in previous years, we find several statistically significant differences between recidivists and non-recidivists. In general, recidivists are about two years younger (mean = 31.04 v. 33.44 years), more likely to be African American (82.7% v. 71.1%), less likely to have ever married (17.5% v. 29.3%), more likely to have exited from welfare in Baltimore City (57.0% v. 42.0%) and have a larger assistance unit size (mean = 2.75 v. 2.55) with more children on the grant (mean = 1.83 v. 1.70), than those families that did not return to the rolls in the first year. Child only cases are at less risk of returning to cash assistance. Only one-tenth (10.6%) of recidivists had a child only case, compared to 18.1% of non-recidivists. The age of the youngest child in recidivist families is also significantly lower than in non-recidivist families (mean = 5.41 v. 5.71 years) and the former are more likely to have a child under the age of three (42.0% v. 39.9%).

In terms of their welfare experiences, there are a number of important differences between recidivists and non-recidivists. Among cases that do not re-open, income above limit is the most common administrative closing code, accounting for about three out of ten (30.6%) non-recidivists. In contrast, less than one-fifth (18.1%) of families who return to cash assistance in the first three months had their cases closed for this reason. Recidivists, as expected, are more likely than their counterparts to have their cases closed with a work sanction (20.8% v. 12.4%). Recidivists also have longer welfare histories having spent, on average, just over half of the five years before their exit on welfare (32 out of 60 months), compared to an average of 26 months for those who did not return to the rolls.

Although we find no significant differences in employment history, working in a UI-covered job in the quarter of exit is less common among those who return to assistance. More than half (53.3%) of non-recidivists were employed at some point during that time period, compared to 46.0% of recidivists.

Table 7. Comparison of Recidivists and Non-Recidivists.

Characteristics	Did Not Return in 1st year (n = 8,827)	Returned in 1st year (n = 3,449)	Total (n = 12,276)
Payee's Age – Mean* (standard deviation)**	33.44 (11.27)	31.04 (9.75)	32.77 (10.91)
Payee's Race* **			
African American	71.1%	82.7%	74.4%
Caucasian	26.1%	15.4%	23.0%
Other	2.8%	1.9%	2.6%
Region* **			
Baltimore City	42.0%	57.0%	46.2%
23 Counties	58.0%	43.0%	53.8%
Marital Status* **			
Married	9.1%	4.7%	7.8%
Never Married	70.7%	82.5%	74.0%
Divorced/Separated/Widowed	20.2%	12.8%	18.1%
Assistance Unit Size Mean* (standard deviation)**	2.55 (1.18)	2.75 (1.20)	2.61 (1.19)
Number of Children Mean* (standard deviation)**	1.70 (1.04)	1.83 (1.12)	1.73 (1.07)
% of child only cases***	18.1%	10.6%	16.0%
Age of Youngest Child – Mean* (standard deviation)**	5.81 (4.91)	5.28 (4.49)	5.66 (4.80)
Percent with a child under 3 years old*	39.9%	42.0%	40.5%
Closing Code* **			
Income Above Limit/Started Work	30.7%	24.0%	28.8%
Failed to Reapply/Complete Redetermination	17.0%	20.0%	17.8%
Eligibility/Verification Information Not Provided	14.4%	19.8%	15.9%
Work Sanction	12.4%	20.8%	14.7%
Not Eligible	8.1%	3.3%	6.8%
Total Closings Accounted for by Top 5 Codes	82.6%	87.9%	84.1%
Length of Exiting Spell			
Mean** (standard deviation)	16.79 (26.07)	15.08 (23.76)	16.31 (25.45)
Welfare Receipt in 5 Years Prior to Exit			
Mean*** (standard deviation)	26.40 (19.20)	31.63 (18.90)	27.87 (19.26)
Percent employed in a UI-covered job in the two years before exit	70.6%	72.0%	71.0%
Percent Working in the Exit Quarter* **	53.3%	46.0%	51.2%

Note: Data in the table do not include cases closing between April 2007 and March 2008 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. However, the realities of today's economy are such that it is also important to consider if, all else being equal, recidivism risk is higher currently than it was in previous years. To answer this question, we conducted a discrete-time event history analysis of the odds of returning to cash assistance. The study period includes the first month after the cash assistance case closed through the last month for which we have recidivism follow-up data (March 2008). We test two time-varying predictors of recidivism risk: 1) the number of months the leaver had been off assistance; and 2) the calendar year.

In the previous chapter we showed that regardless of how long they had been off welfare, the majority of leavers earned less in the most recent year (April 2007 to March 2008) than they had the previous year (April 2006 to March 2007). Our findings regarding recidivism are similar. For each additional month that a former recipient remains off welfare, his/her risk of returning to the rolls decreases by 5.0%. This is consistent with our previous statement that, if a former recipient can remain off assistance for the first year after a welfare exit, s/he is unlikely to return at all.

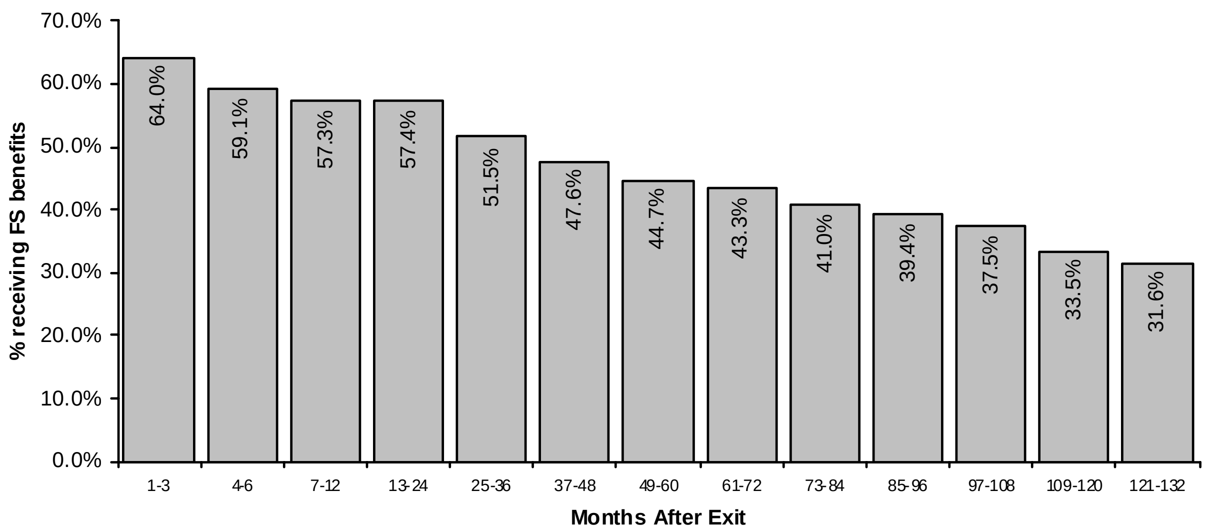
Perhaps more importantly, we find that regardless of how long they have been off welfare, leavers' chances of returning to welfare between April 2007 and March 2008 were 7.2% higher than in previous time periods. This finding provides additional evidence that the current economic situation is affecting former welfare families, even those whose welfare exits occurred several years ago.

As mentioned previously, welfare recipients have historically worked in jobs that have low wages and few benefits. For this reason, policymakers and program managers emphasize the importance of work supports, such as Food Stamps, Medical Assistance/M-CHP, and child support, in supplementing family income and easing the welfare to work transition. In this chapter, we explore the extent to which families receive benefits such as Food Stamps and Medical Assistance/M-CHP designed to support their work efforts. In addition, for the first time in our *Life After Welfare* series, we present data on child support receipt among the former welfare population.

How Many Families Receive Food Stamps After Leaving Welfare?

In Figure 9, which follows this discussion, we show the percent of families who receive Food Stamps in the months following their TCA exit. Initial FS participation rates are fairly high with almost two-thirds of families (64.0%) receiving benefits in the first three months after exit. The rate of food stamp participation falls gradually over the next few years, with slightly more than half (51.5%) of former welfare families receiving FS in the third post-exit year. Even eleven years after they left welfare, we find that nearly one third (31.6%) of our sample is still receiving FS benefits.

Figure 9. Post-Exit FS Participation Rates.



A comparison of food stamp participation rates between our three cohorts is shown in Table 8. Compared to those who left TCA in the first ten years of reform, more recent leavers have significantly higher rates of FS utilization. During the first three months after exit, more than three-fourths of Cohort 3 (78.3%) and Cohort 2 (76.5%) received Food Stamps, compared to less than two thirds (62.3%) of earlier exiters. The pattern is much the same in months four through six and in the last six months of the first post-exit year.

Table 8. Food Stamp Participation Rates by Exit Cohort.

	Entire Sample 10/96-3/08	Cohort 3 Most Recent Cases 4/07-3/08	Cohort 2 Recent Cases 4/06-3/07	Cohort 1 Earlier Cases 10/96-3/06
Months 1-3***	64.0%	78.3%	76.5%	62.3%
Months 4-6***	59.1%	73.4%	73.0%	57.6%
Months 7-12***	57.3%		66.9%	56.6%

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

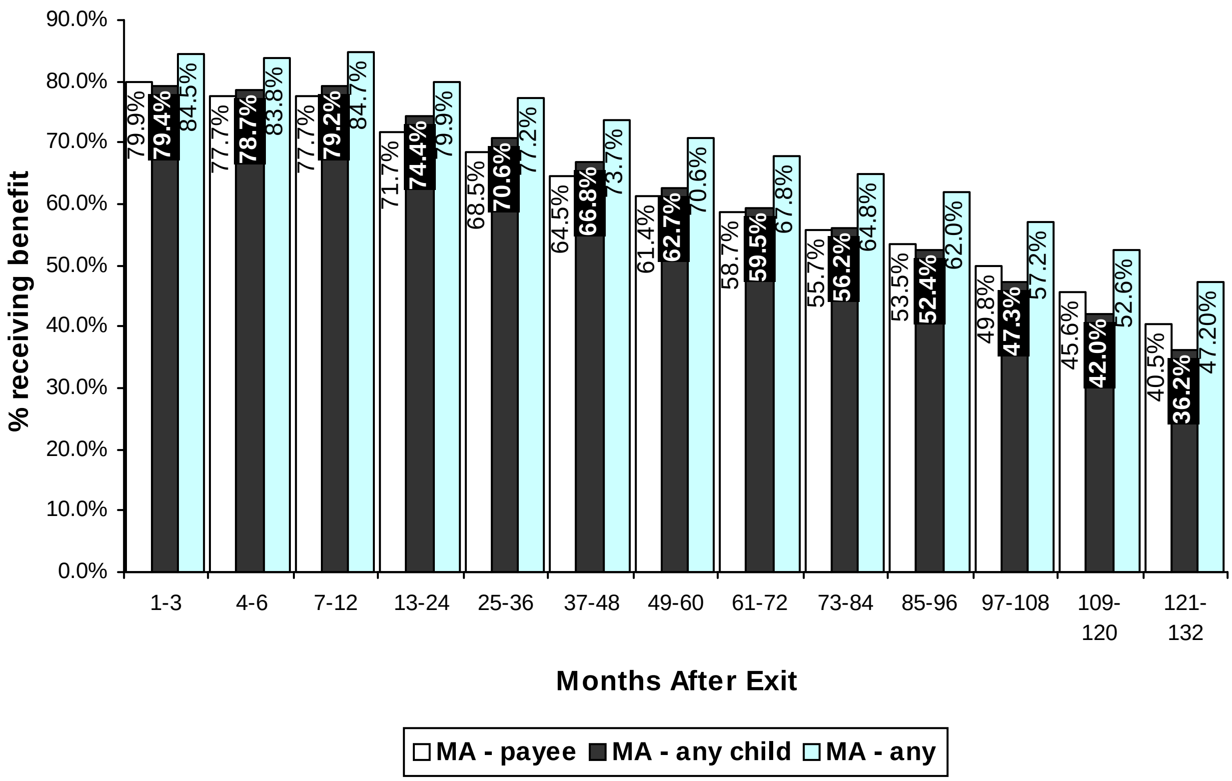
How Many Families Receive Medical Assistance After Leaving Welfare?

Because their jobs frequently do not provide health benefits, welfare leavers are encouraged to continue participation in the Medical Assistance and MCHP programs. Maryland's commitment to provide for the working poor and uninsured families is evidenced by the recent expansion of medical coverage under the Working Families and Small Business Coverage Act.[11]

Figure 10 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 (79.9%), children (79.4%), and cases (84.5%) in our sample received MA/M-CHP benefits in the first quarter after exit. The rates of MA utilization remain high through the first year after exit and then slowly decrease in the following years. However, even eleven years after exiting, nearly half (47.2%) of the families in our sample have at least one member who is still receiving benefits through the MA/M-CHP program.

[11] 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 10. Post-Exit MA Participation Rates.



Similar to the trend observed for FS receipt, we find that recent leavers are significantly more likely to participate in MA/M-CHP than their counterparts who exited the rolls in earlier years. As shown in Table 9, in the first three months after exit, more than nine out of ten families who left welfare recently (96.3%, Cohort 3 and 95.6%, Cohort 2) have at least one member enrolled in MA/M-CHP. The rate for the earliest exiting cases (Cohort 1) is somewhat lower, although still the vast majority, at 83.1%. The pattern of the majority of families participating, but higher rates for recent leavers continues through the end of the first post-exit year.

Table 9. Medical Assistance/M-CHP Participation Rates by Exit Cohort.

	Entire Sample 10/96-3/08	Cohort 3 Most Recent Cases 4/07-3/08	Cohort 2 Recent Cases 4/06-3/07	Cohort 1 Earlier Cases 10/96-3/06
Payee Received MA				
Months 1-3***	79.9%	93.1%	93.0%	78.3%
Months 4-6***	77.7%	87.6%	88.4%	76.6%
Months 7-12***	77.7%		88.2%	76.9%
Child(ren) Received MA				
Months 1-3***	79.4%	88.3%	89.4%	78.2.%
Months 4-6***	78.7%	83.7%	86.0%	78.0%
Months 7-12**	79.2%		85.1%	78.8%
Anyone in the AU Received MA				
Months 1-3***	84.5%	96.3%	95.6%	83.1%
Months 4-6***	83.8%	92.5%	92.7%	82.9%
Months 7-12***	84.7%		92.7%	84.1%

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

Child Support After Leaving Welfare

One additional work support that receives surprisingly little attention in the welfare literature is child support. For poor children in particular, child support is an important income source accounting for more than one-quarter (26%) of total household income (Sorensen & Zibman, 2000). The Child Support Enforcement Program (CSE), grounded on the principle that noncustodial parents should support their children and contribute to their economic well-being, is unique among public programs in that it is fundamentally an open-access program with virtually no so-called “eligibility requirements” (Pirog & Ziol-Guest, 2006). For families leaving welfare, the distinctive universal aspect of the child support program means that they may continue to benefit from the program, even after their TCA case has closed.

Several studies attest to the critical role child support can play in helping families leave and remain off welfare. Early studies documented that women who receive child support are more likely to be employed and to work longer hours than women who do not (Graham & Beller, 1989; Robins & Dickinson, 1985). Other studies, including one in Maryland, reveal that 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, and Garfinkel, 2002; Srivastava, Ovwigho, & Born, 2001). For these reasons, we expand our typical discussion of work supports among our leavers population to include a discussion of their child support receipt.

How Many Welfare Leavers are Owed Child Support?

We begin with an examination of families' child support status. Figure 11, following this discussion, displays the percentage of leavers falling into one of four child support status categories in each follow up period:

1) The former TANF casehead is the custodial parent/custodian on an active child support case in Maryland and is owed current child support.

2) The former TANF casehead is the custodial parent/custodian on an active child support case in Maryland with arrears, but no current support, due.

3) The former TANF casehead is the custodial parent/custodian on an active child support case in Maryland, but no current support or arrears are due.

4) The former TANF casehead is not the custodial parent/custodian on any active child support case in Maryland.

As shown in Figure 11, in the first three months after exit, the majority of former welfare recipients fall into one of two categories: either they are owed current support or they have an active case with no current support or arrears due. Two-fifths (38.0%) of leavers are owed current support. Slightly more, 43.2% have an active child support case, but no current support or arrears are due. In the majority of these latter cases, no support is due because no support order was established while the family was on TANF. The remaining minority of leavers either has no child support case (16.8%) or has a case on which past due support, but no current support, is owed (2.0%).

Over the ten year follow up period, the child support status of our sample of welfare leavers changes dramatically. Starting from the top of Figure 11, the percentage of former TCA payees with an active child support case but no support due declines from 42.8% in the first follow up year to only 13.2% by the tenth year. We find the opposite trend for the percentage of leavers with no active child support case. In the first post exit year, a little more than one-tenth (13.9%) of sample members fell into this group. By the tenth year, however, almost half (49.0%) no longer have an active child support case in Maryland.

Several factors explain the increase in the percentage of families with no active child support case. First, over time children will reach the age of majority and therefore no longer be eligible for current support. In addition, once the custodial parent leaves the welfare rolls, s/he is no longer required to participate in the child support program. Thus, over time, cases may be closed at the client's request or at the agency's discretion if they are unable to locate the non-custodial parent, the custodial and non-custodial parent reconcile, or the non-custodial parent becomes deceased.

For the remaining two groups, those who are owed at least some support, the changes over time are less dramatic. The proportion who are owed current support decreases while the proportion owed only past-due support (or arrears) increases. By the tenth follow up year, three out of ten (30.0%) leavers have an active case on which current support is due and 7.8% are arrears only cases.[12]

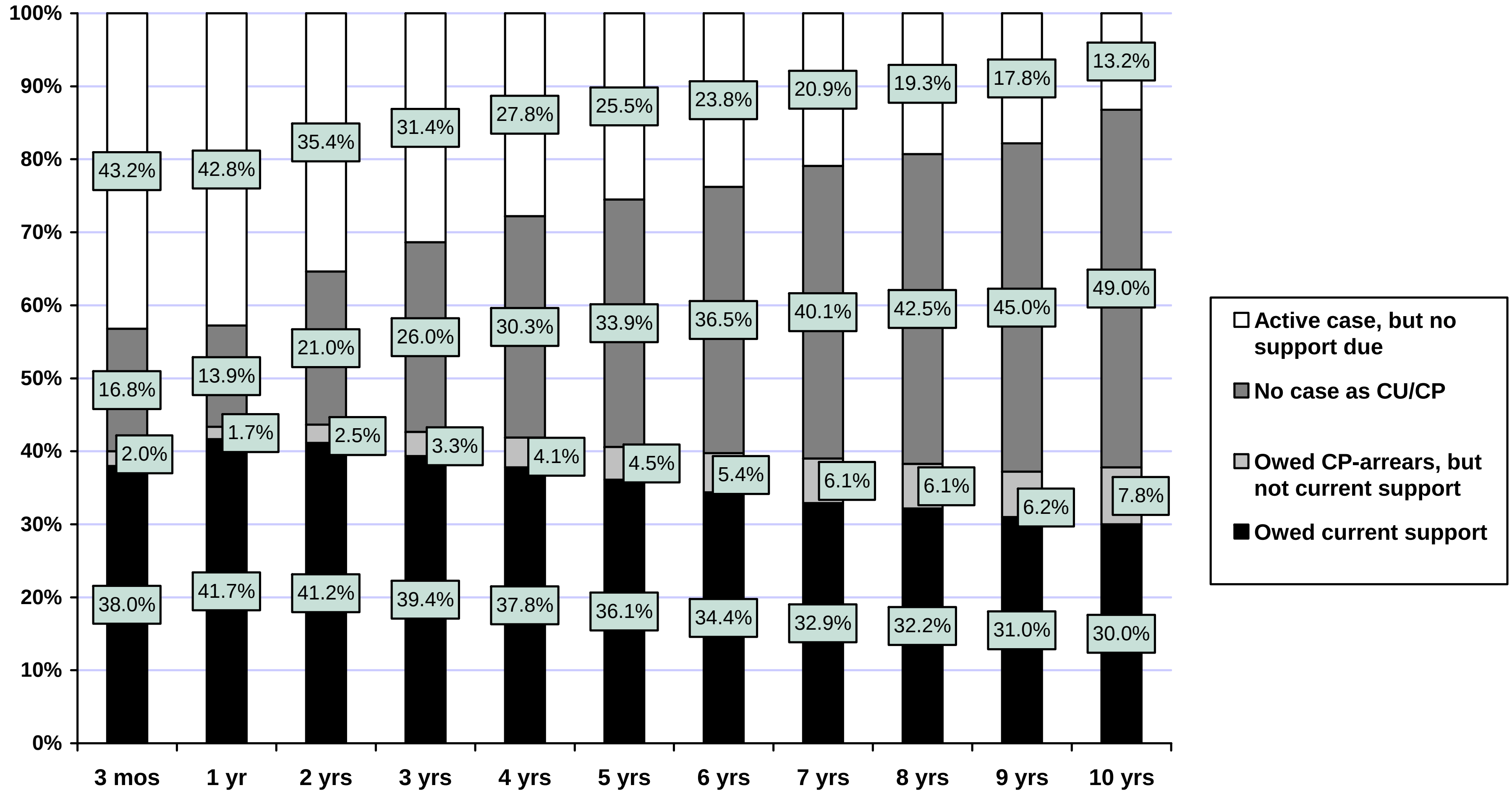
For policy makers and program managers, there are several important implications from the data presented in Figure 11. The fact that a significant minority of welfare exiters are owed current support indicates that child support remains an important potential income supplement for families making the welfare to work transition. Given this potential, it would be wise for agencies to consider including a "Child Support Last" component for families who are about to exit the TANF rolls. This could perhaps help ensure that everything is in place to maximize the possibility that support will be collected and available for the family after their welfare checks end.

A second less heartening implication is that another significant proportion of leavers exit with no support due. For the majority of these families, there is an active child support case, but no court order for support has been established. These families, as well, could benefit from a "Child Support Last" strategy and perhaps redoubled efforts to establish court orders. Absent these efforts, our current data suggest that these families are more likely to close or have their child support cases close, than to move into the group with current support due. For example, among the cases with an active case with no support due in the first post-exit year, two-fifths (41.3%) have no active case by the fifth follow up year. Similarly, 55.4% of those with no active child support case in the tenth year had had an active case with no support due in the first year. Although a full analysis of how former welfare families' child support status changes over time is beyond the scope of this annual update, these preliminary analyses strongly suggest that if a child support order has not been established by the time a family leaves the welfare rolls, it will likely never be established.

The implications here are enormous for children, their custodians, and for the state. This is because, absent a court order, the child will never be able to receive financial support from the non-custodial parent and the state will never be able to recoup the cost of the TANF assistance provided to the child. Obtaining support orders and collecting support for low-income children can, in some cases, involve complex and challenging issues from establishing paternity to locating non-custodial parents, concern about non-custodial parents' ability to meet their child support obligations, distrust of the "system", incarceration, and more. Notwithstanding these potential issues, however, child support is an area to which focused policy and program practice attention is warranted. This point is clearly illustrated in the next sections of this chapter which present various measures of actual post-welfare child support receipt by the families in our sample.

[12] Comparisons between earlier and later leavers in terms of child support receipt revealed few differences. Appendix E contains the details of these analyses.

Figure 11. Child Support Status Post-Exit – All Cases.



Note: Child support data are available for cases exiting between April 1998 and March 2008.

How Much Child Support Do Welfare Leavers Receive?

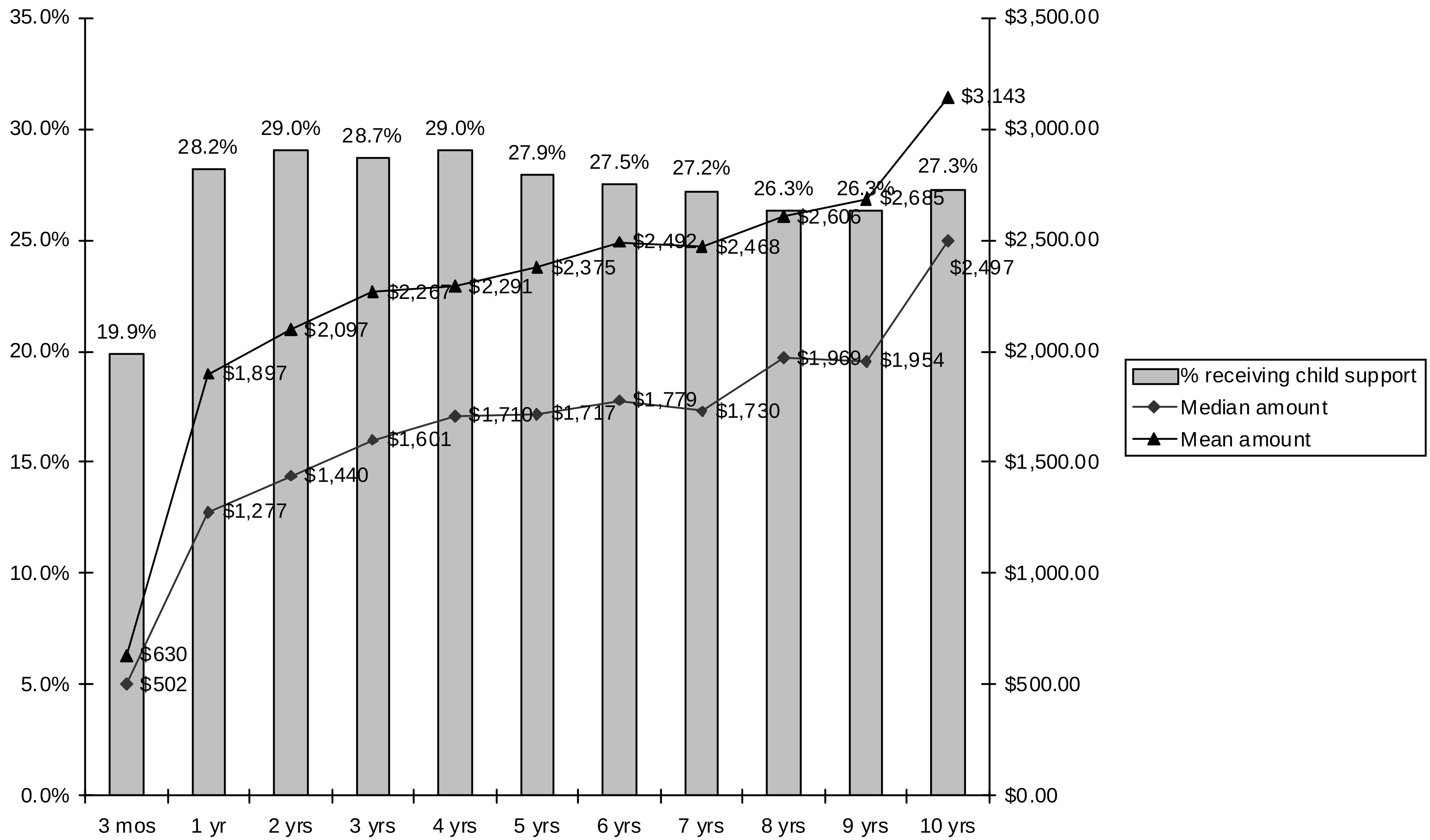
The previous section described how many welfare leavers are due child support. We now turn to the arguably more important question of how many actually receive support. As shown in Figure 12, on the following page, one-fifth (19.9%) of all former TANF caseheads receive at least some child support in the critical first three months after leaving welfare. Considering the entire first post-exit year, almost three out of ten (28.2%) leavers have at least some child support income. The percentage receiving support remains fairly consistent over the next years, ranging from a low of 27.3% in the tenth year to 29.0% in the second and fourth years.

It is important to keep in mind that the percents in Figure 12 reflect the percent of ALL leavers who receive child support income, not just those who are owed support. This perspective is appropriate as we consider the extent to which child support is a work support for welfare leavers in general. It is also an appropriate perspective because, in principle at least, all children are entitled to support from both of their parents and, in practice, it is the task of the public child support program to pursue support on children's behalf. However, it is important to point out that, when we consider how many leavers have orders for support (Figure 11), the good news contained in Figure 12 is clear: the majority of leavers who are owed support actually get some. For example, among leavers owed either current support or arrears in the first post-exit year, two-thirds (63.7%) received at least some child support income in that period.

Figure 12 also describes the amount of child support income received by former welfare families. In the first three months after exiting TANF, those who receive any child support get an average of $630, with more than half receiving $502 or more. Considering yearly figures, we find that leavers' annual child support income averages $1,897 in the first year, increasing to $3,143 by the tenth year. These amounts are impressive when considered relative to our sample members' annual UI-earnings. In the first follow up year, to illustrate, former recipients earned an average of $11,350 from UI-covered employment. Receiving $1,897 in child support in that same period would result in an impressive 16.7% of additional income to the family.

In sum, our findings concerning child support receipt indicate that support from non-custodial parents is in fact an important income source for families leaving welfare. They illustrate that, once an order is established, the child support agency is effective in collecting support for the majority of custodial parents. For former welfare families, however, the challenge remains to increase the percentage with support orders in place when their welfare cases close.

Figure 12. Amount of Child Support Received.



Note: Child support data are available for cases exiting between April 1998 and March 2008

How Many Leavers Are Owed Child Support Arrears?

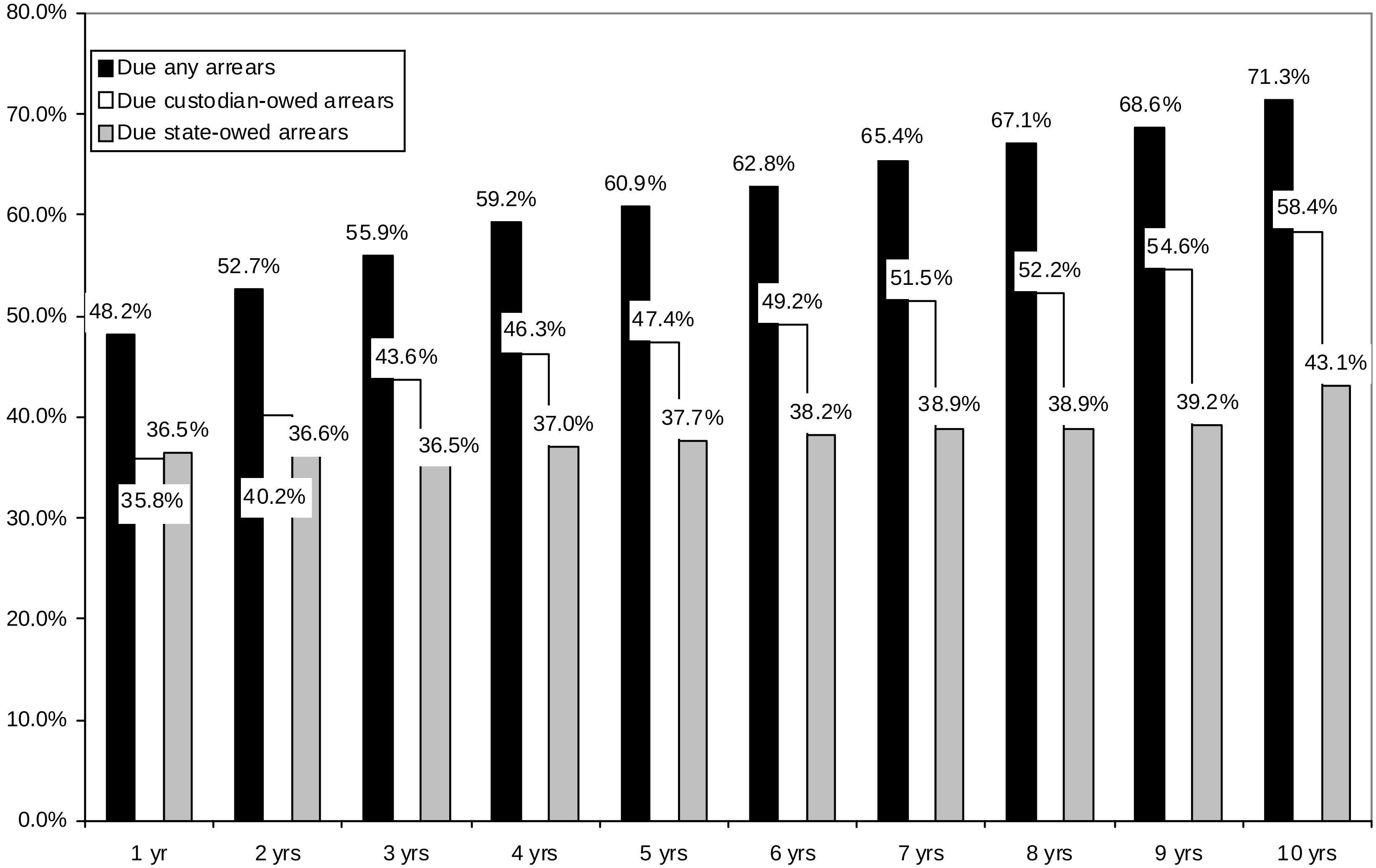
In this final section of our work supports chapter, we examine how much child support is owed to former welfare families, but has not been collected. The previous section showed that majority of those who are owed current support receive at least some. However, nationally and in Maryland past due support or arrears is a critical issue. For example, in federal fiscal year 2007, the national child support arrears debt totaled more than $107 billion (U.S. Office of Child Support Enforcement, 2008). Maryland's own past-due support balance was more than $1.5 billion in that same year. A recent analysis of our state's arrears situation revealed that arrears are owed in three-fifths (60.1%) of all child support cases and although the amount owed ranges widely, half of all cases with arrears have debts of at least $5,000 (Ovwigho, Saunders, & Born, 2008).

To whom arrears debt is owed depends on the family's welfare history. Debts that accumulate while the family is receiving cash assistance are defined as "state-owed" arrears and are payable to the state to reimburse it for the family's welfare payments. All other arrears are payable to the custodian. Contrary to the situation in other states, in terms of dollars, the majority (73.8%) of past-due child support in Maryland is owed to families, not the state. Thus, for families who are leaving welfare, arrears represent potential income that could supplement their earnings and perhaps increase their chances of making a lasting exit.

Figure 13, following, shows the percent of welfare leavers with active child support cases on which arrears are owed. In the first post-exit year, past-due support is owed to one-half (48.2%) of those with cases. A little more than one-third (35.8%) are the custodians on cases with custodian-owed arrears and nearly the same percentage (36.5%) have arrears payable to the state for the family's welfare benefits.

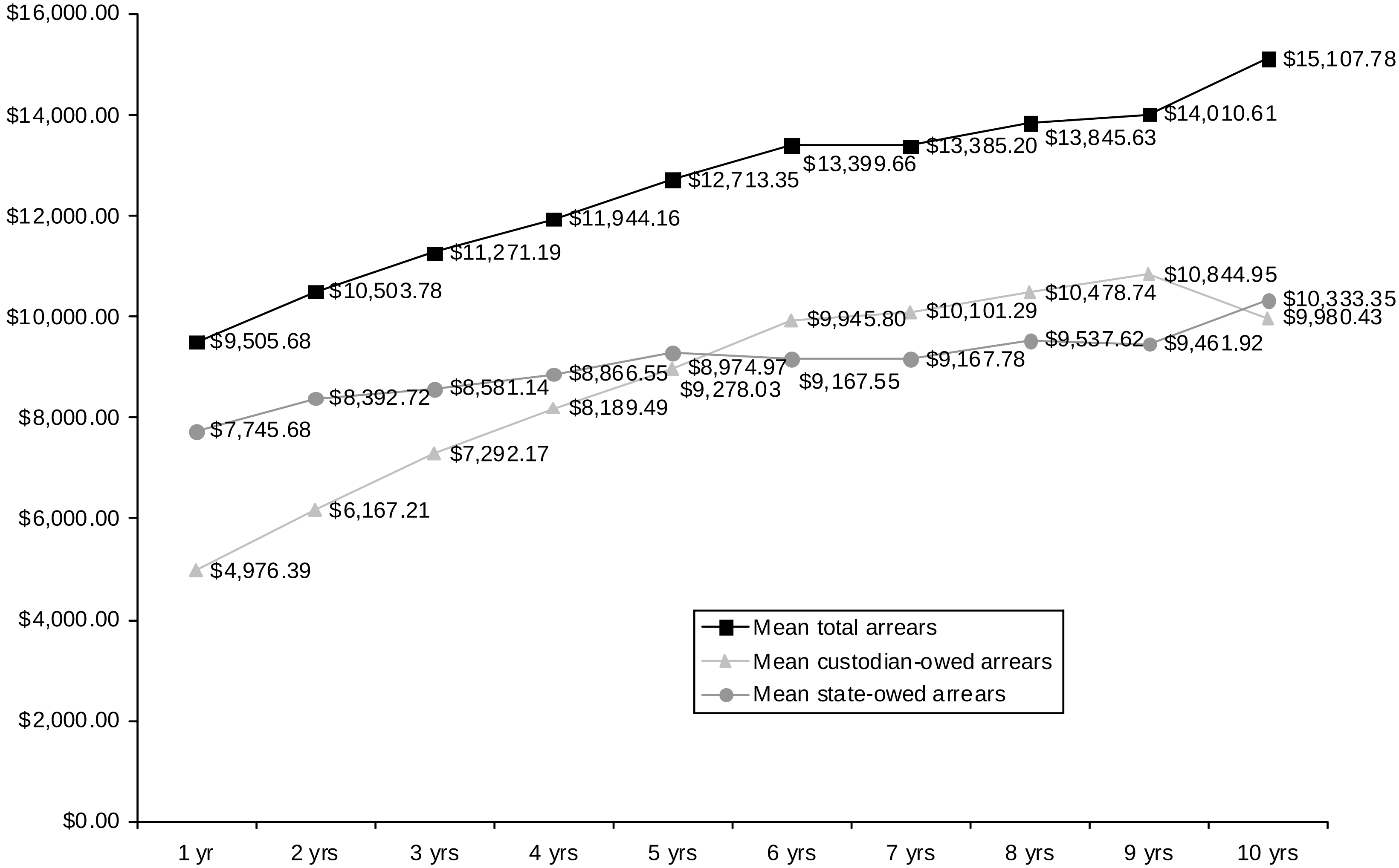
Over time, the percentage of those owed arrears among all former TANF caseheads with child support cases increases. Consistent with previous studies showing that the majority of Maryland child support cases have past-due support debt, we find that, by the ninth follow up year, almost seven out of ten (68.6%) leavers with cases are owed at least some arrears. Reflecting the fact that most exiters do not return to the cash assistance rolls, Figure 13 also shows that the percent with custodian-owed arrears increases much more than the percent with state-owed debt.

Figure 13. Child Support Arrears Post-Exit Among Those with Child Support Cases.



As the proportion of leavers who are owed past-due child support increases over time, so does the average amount due. As seen in Figure 14, the mean amount owed to former welfare recipients who head a child support case is $9,506 in the first post-exit year; this amount increases by 59% to $15,108 by the 10th follow up year. The trend for state-owed arrears is similar, although the increase is much less dramatic, from $7,746 in the first year to $10,333 in the tenth. Unfortunately for the families in our sample, the average amount of custodian-owed arrears rises from $4,976 to a peak of $10,845 in the ninth year after exit. As a whole, these arrears analyses reinforce the fact that preventing and collecting past-due support remains an important area for policy and program development.

Figure 14. Amount of Arrears Owed to Former TANF Recipients After Exit.



Findings: Completing the Picture

The previous chapters presented a wealth of data which provide a series of snapshots depicting certain aspects of the lives of families leaving welfare. As in years past, we find that most adults work in a UI-covered job where their earnings increase over time, most receive FS and MA/M-CHP and relatively few return for additional cash assistance. In addition, a significant minority receive income from child support.

Although informative, the topic by topic analyses do not tell how the outcomes fit together into a more complete picture of "life after welfare". For example, our employment figures include sample members who subsequently returned to the cash assistance rolls. Similarly, our recidivism analyses do not separate out those who did not have employment nor do they give any information about how long families who subsequently return to assistance remain on the rolls.

Real life is, of course, complex. In actuality, each leaver in our sample may experience any combination of many possible outcomes. Considering just post-exit employment, TCA receipt, FS receipt, MA/M-CHP participation, and child support receipt, there are 32 possible combinations of these outcomes in any given quarter. Moreover, the number of possible outcome combinations is even greater because we track families over an extended period of time. A complete analysis of post-exit outcomes is obviously beyond the scope of this annual update. However, in this last findings chapter, we do present readers with some basic information about the general patterns for at least our two main outcomes: employment and return to TCA after exiting. In addition, we explore how client characteristics, FS and MA/M-CHP participation, and child support receipt correlate with these outcomes.

Work and Welfare Status Over Time

Figure 15 displays the percentage of leavers falling into one of four groups in each of the eleven years after leaving cash assistance:

1) Employment only – Those who have UI-covered employment in Maryland or a border state during the period and no TCA receipt in Maryland;

2) Employment and TCA – Those with UI-covered employment and at least one month of TCA receipt during the period;

3) TCA only – Those who did not have any UI-covered employment in the period and received TCA for at least one month; and

4) No employment or TCA – Those with neither UI-covered employment nor TCA receipt in the period.

As the figure shows, employment only is the most common outcome in the first post-exit year. One-half (49.5%) of leavers work in a UI-covered job in that year and do not receive TCA. Slightly less than one-fifth (18.5%) combine UI-covered employment and TCA in that first year after the welfare exit that brought them into our sample.

For one in ten (9.5%), their welfare exit is short-lived and they receive only TCA. Not surprisingly, a full family sanction for non-compliance with work activities (26.8%) and did not complete the recertification process (23.8%) are the top administrative closing codes for this group.

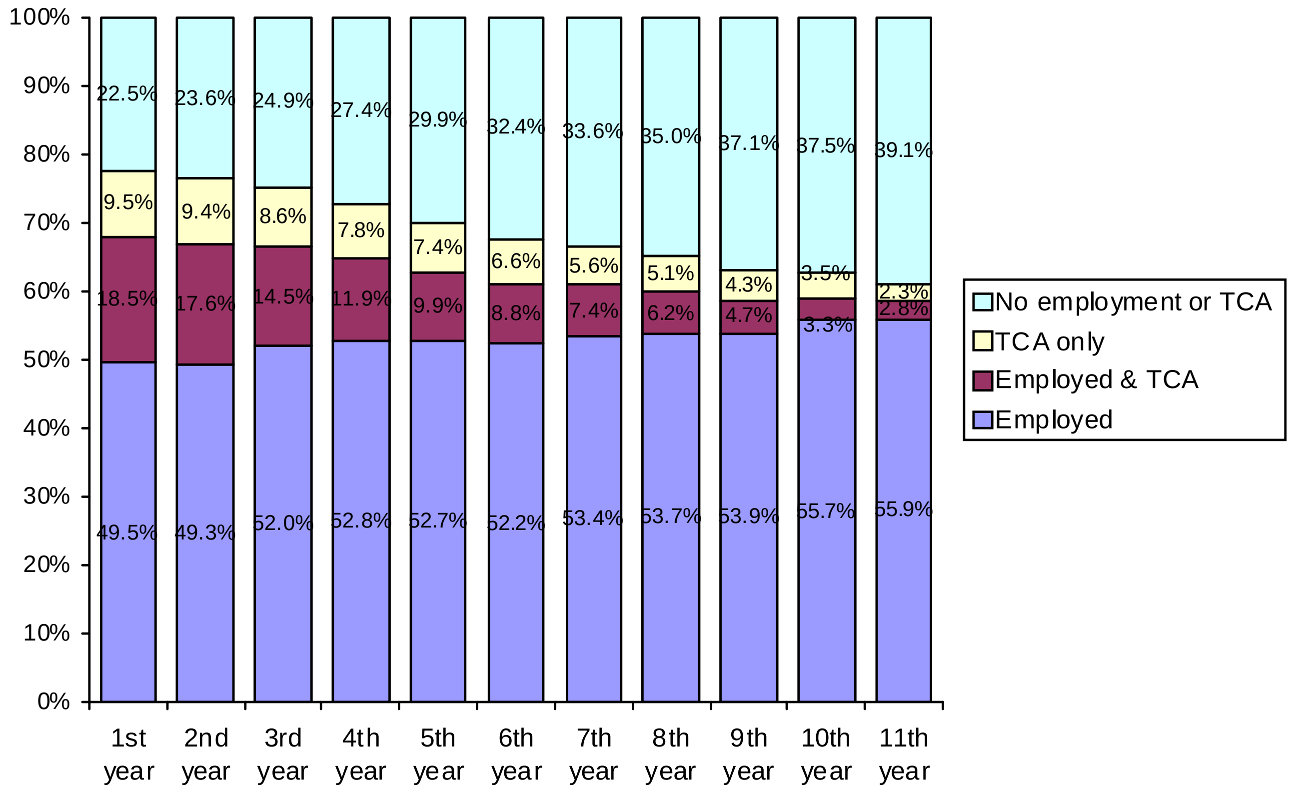
For the final one-fifth (22.5%) of our sample, the first year after exit does not include either UI-covered employment in Maryland or a border state nor a return to the TCA rolls in Maryland. This group is often referred to as “disconnected” leavers and has recently received considerable research attention (Blank, 2007; Loprest, 2003; Turner, Danziger, & Seefeldt, 2006; Wood & Rangjaran, 2003). Our own previous analyses have revealed that more than four out of five of these families still reside in Maryland and remain connected to at least one other public benefit program (Ovwigho, Saunders, Patterson, Kolupanowich, & Born, 2007). In addition, and as discussed in more detail in the following sections, child only cases are more likely to fall into this “disconnected” category than more traditional cases where the adult is included in the grant. This suggests that at least some portion of the “no work and no TCA” group are those with other sources of income (e.g., Supplemental Security Income) and/or instances where a relative was receiving TANF for a child and that child has now returned to his/her parents. These hypotheses are supported by our earlier study of child-only cases. That study found that the majority of child-only cases were headed by non-parental relatives – most often a grandmother – and that roughly half of the children in TANF child-only cases had a history of formal child welfare involvement (Hetling, Saunders, & Born, 2005).

Figure 15 also shows that the proportion of leavers in each outcome group changes over time. The good news is that the percentage of former recipients with UI-covered employment alone increases, reaching 55.9% in the eleventh follow up year.

The groups with some TCA receipt grow smaller during the follow up period. About one-tenth of the sample (9.5%) belonged to the “TCA only” group in year 1, but this decreased to 2.3% by the eleventh year. Similarly, the “Employed and TCA” group reduced from almost one out of every five people (18.5%) in the first year, to about the same level as the “TCA” group by the eleventh year (2.8%).

The percentage of disconnected leavers, those without UI-covered employment and without TCA, also increases over time. In fact, the size of this group almost doubles from a little more than one-fifth (22.5%) in year 1 to two-fifths (39.1%) in year 11.   This should not be surprising, given that most of our data sources are limited to Maryland. Over time, an unknown percentage of former welfare caseheads will pass away, move outside of Maryland, marry, or begin receiving an income source that is not recorded in one of the data systems available for this research.

Figure 15. Work & Welfare Status Over Time.



Fluidity in Work and Welfare Status

Figure 15 clearly shows that the work and welfare status groupings are dynamic rather than static over time. That is, as the number of years since welfare exit increases, the "employment only" and "no employment and no TCA" groups grow. Conversely, the two groups with partial or total reliance on TCA steadily shrink. While this data at the aggregate level is informative, it does not tell us about how individual families move among these various work and welfare statuses.

Figure 16, following this discussion, speaks to how leavers navigate between UI-covered employment and TCA and illustrates the fluidity over time of our outcome categories. Specifically, we show the percentage of TCA customers in each outcome group in the fifth post-exit year, based on their outcomes in the first year. The general trend is a positive one: most movement occurs among those entering into the "Employment Only" group.

Starting at the top left of Figure 16 we see that, among those who have UI-covered earnings and no TCA receipt in year 1, more than two-thirds (68.5%) are still working and not receiving TCA in year 5. About one out of five (18.9%) leavers in the initial "working only" group moves into the "no UI-covered employment and no TCA" category by the fifth post-exit year. An additional 8.6% combines work and welfare in the latter period and 4.0% are back on the cash assistance rolls with no UI-covered earnings.

These data should be very encouraging for policy makers and program managers as they demonstrate remarkable stability among those who leave welfare for work and are able to sustain their independence from welfare through the first 12 months. This finding, of course, is consistent with what this and other of our research studies have consistently shown about welfare recidivism: the first year after exit is a critical time, perhaps especially for those who leave welfare for work. Thus, to the extent that Maryland's welfare to work program may be retooled in some fashion to reflect today's economic realities, consideration should be given to some type of post-exit outreach/case management component.

For the second outcomes group, those who have both UI-covered earnings and TCA in the first post-exit year, the news is also encouraging: By the fifth post-exit year, more than half (54.0%) have moved to the "employment only" category. A minority is still receiving welfare; one-fifth (21.3%) combine work and TCA and one-tenth (10.2%) have TCA, but no UI-covered earnings. Finally, 14.5% 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.

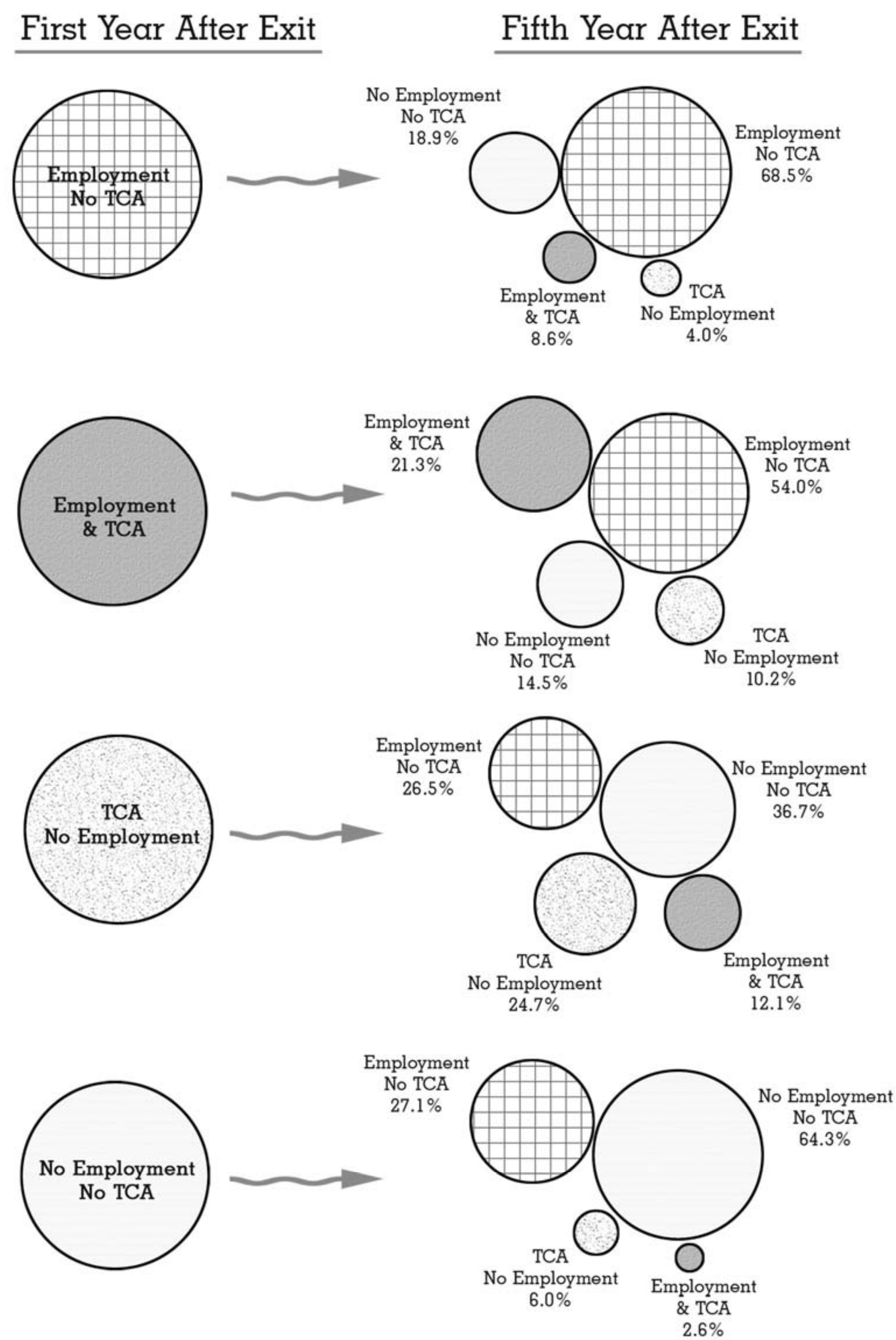
Together these findings indicate that most leavers who were initially employed, but had to return for at least one additional month of cash assistance in the first year, are able to exit again and are supporting their families and free of cash assistance by the fifth year. For policy and program management purposes, it is important to learn more about this particular group, especially what was different in their second exit to make it more lasting. This is consistent with our earlier recommendation in the chapter on returns to welfare, that individualized assessment become a standard part of case management among those who have left welfare but subsequently return. Ascertaining, more specifically, what precipitated the return/caused the exit to fail could be invaluable in case planning for the affected families. Aggregating this information across families and local departments, of course, would have enormous programmatic value as well.

The third outcome group consists of families whose welfare exit that brought them into our sample was short-lived and whose first "post-exit" year was marked by only TCA receipt. We find that, over time, the most common transition for this group is to the "no employment and no TCA" category with 36.7% reaching that status by year 5. A little less than two-fifths have employment in the fifth year, with more than one-quarter (26.5%) having UI-covered earnings only and an additional 12.1% combining work and welfare receipt. The remaining one-fourth (24.7%) of those who initially rely on TCA alone still do not have UI-covered earnings and are only receiving cash assistance in the fifth year.

The last section of Figure 16 illustrates that leavers who lack Maryland or border state UI-covered employment and do not receive welfare in Maryland in the first post-exit year, the “disconnected” leavers, do not necessarily stay in that group over time. By the fifth post-exit year, a little more than one-quarter (27.1%) of initially disconnected leavers has UI-covered earnings and are still not receiving TANF. A minority (6.0%) is back on Maryland’s welfare rolls with no employment and 2.6% are combining employment and cash assistance receipt.

All in all, this analysis makes the important but sometimes overlooked point that families’ situations post-exit are fluid and dynamic over time. It also implies that post-exit services, supports, and outreach may have great potential, at least in some cases, to help insure that families’ outcomes, over time, are positive. Still, this analysis is suggestive, rather than definitive, because among other things, it does not take case composition or case type into account. This latter consideration is an important one, however, especially because caseload composition has changed so dramatically since the outset of welfare reform in the mid-1990s. Most notably, the proportion of “traditional” single-parent families has greatly declined and the proportion of child-only cases has greatly increased. Moreover, the DRA mandate that expands the types of cases that must be factored into work participation rate calculations also makes case type an important dimension to consider in any examination of post-exit outcomes. We take a look at this topic in the next part of this chapter.

Figure 16. Work and Welfare Status First Year vs. Fifth Year.



What is the Relationship between Case Type and Outcomes?

In the first findings chapter, we discussed Maryland's carefully-crafted, empirically-driven, cohort-specific approach to welfare reform. Although TANF tends to be discussed mainly as a work-focused program, the reality is that employment may not be the most appropriate or the most feasible outcome for all welfare families. Child only cases where the adult casehead is a caretaker relative, typically a grandmother, or a parent receiving SSI disability benefits are prime examples. These adults are exempt from TANF's work requirements and thus, it would not be surprising that their post-exit lives would not include earnings from UI-covered employment. Another example is cases where the adult casehead is included in the grant, but has a disability that will likely qualify him or her for SSI. These adults would also be exempt from work requirements as they work with the Disability Entitlement Assistance Program (DEAP) in filing for SSI.

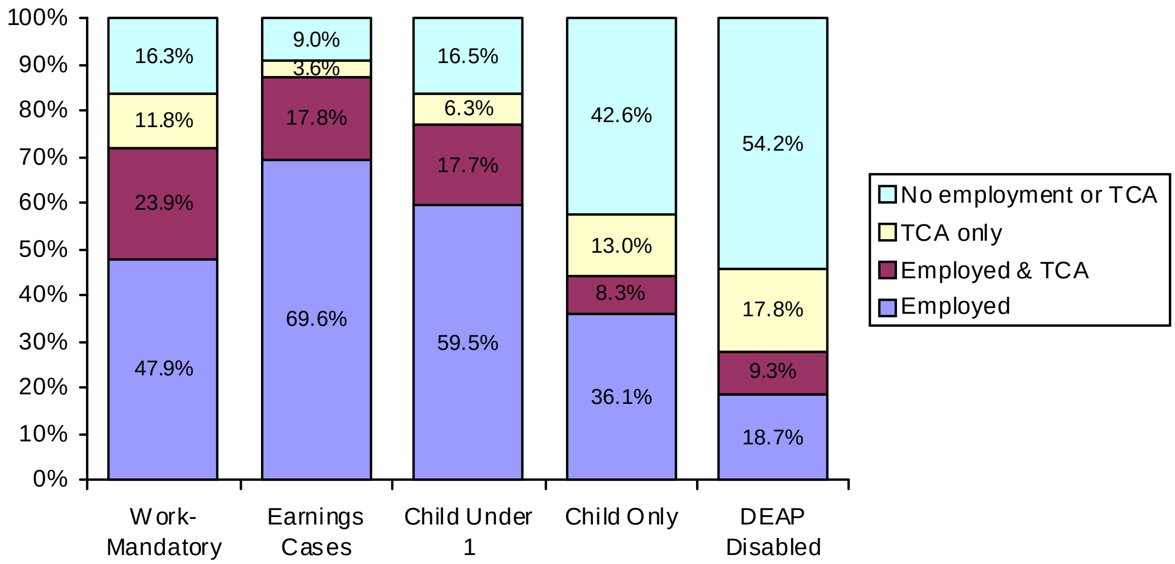
Figure 17 shows that, as anticipated, families' post-exit outcomes do vary by welfare case type. For leavers in the Work-Mandatory, Earnings, and Child Under 1 Year groups, the most common outcome is employment. Not surpisingly, seven out of ten (69.6%) families who had earnings while on TCA are in the "Employment Only" group in the first year after their welfare cases close. An additional 17.8% had UI-covered earnings in that period, but also received at least one additional month of TCA.

Similarly, three-fifths (59.5%) of leavers in the Child Under 1 group and almost half (47.9%) of those in the Work-Mandatory group were employed and did not receive TCA in the first year after exit. Almost one-quarter (23.9%) of Work-Mandatory leavers had a combination of UI-covered earnings and TCA receipt in that period.

The picture is much different when we consider Child-Only cases and those where the adult casehead is disabled and working with DEAP. Less than one-fifth (18.7%) of leavers in the DEAP Disabled group have UI-covered earnings and no TCA receipt in the first post-exit year. The percentage of former caseheads in the Child Only group with employment in the first post-exit year is greater at 36.1%, although still well below the percentages observed for Work-Mandatory, Earnings, and Child Under 1 Year cases.

Notably, the most common first year outcome for Child-Only and DEAP Disabled cases is to have neither UI-covered earnings nor TCA. Two-fifths (42.6%) of Child-Only and slightly more than half (54.2%) of DEAP Disabled cases fall into this "disconnected" classification. This likely reflects the reality that SSI and/or Social Security is a more likely income source for these families than employment and, given that they exited TCA, than cash assistance. In other words, this confirms that this group is disconnected from UI-covered earnings and TANF in Maryland, but not necessarily from every type of income or public program. Families in this group may and likely do have other sources of income. In the final section of this chapter we take yet another look at post-exit outcomes, specifically at the relationships between post-exit outcomes and the reasons for case closure and client characteristics.

Figure 17. Work & Welfare Status in 1st Post-Exit Year by Case Type.



How Do Outcomes Differ Based on Case Closure Codes?

Our analyses of leavers' work and welfare status after their TANF exits have demonstrated diversity over time and among different case types. Today's welfare programs are structured such that most policies and program features are designed specifically to move "Work-Mandatory" families from the welfare rolls to employment. As mentioned previously, some welfare cases, most notably child-only cases, do not really fit this mold and, in acknowledgement of this reality, they have been excluded from work requirements.

For policymakers and program managers, understanding how client characteristics relate to leavers' work and welfare outcomes can lead to better decision-making regarding welfare policies, program strategies, and individual case management. For this reason, we use this final section of our last findings chapter to examine the relationships among exiting families' characteristics and their outcomes in the first post-exit year.

We begin by first considering the reasons why the welfare exit occurred as these are recorded in the automated information management system. Table 10, following, displays the top five case closing reasons for each of our four outcome groups. For purposes of this analysis, we exclude child only cases.[13]

Among leavers with UI-covered earnings in the first post-exit year, the most common administrative case closing code is “Income Above Limit”. Two out of five (41.4%) cases in the Employment Only group were closed for this reason, as were one-third (32.2%) of cases where the casehead had earnings, but the family also received at least one additional month of cash assistance. The same closing code is also among the top five for the other two groups. However, only 11.8% of “TCA only” cases and a little less than one-fifth (18.0%) of “No employment or TCA” cases closed with this code.

These findings are encouraging in that they indicate that for many welfare leavers who obtained employment, their cases are closed using the administrative code that automatically triggers transitional Medical Assistance. In addition, because “Income Above Limit” includes all possible income sources, the fact that it is the third most common closure code among leavers with no UI-covered employment or TCA receipt suggests that they do indeed have another source of income that is sufficient to make them ineligible for TANF.

Full family sanction for non-compliance with work requirements also appears in the top five administrative closing reasons for all four outcome groups. However, its rank and proportion of cases accounted for varies. Consistent with the goal of full family sanctions, which is to bring the casehead into compliance, we find that Work Sanction is the top closing code among leavers whose initial exit is followed by a return to TCA, with one-third (32.2%) of “TCA only” cases closing for this reason. Work sanction is also the most common closing code for “No employment or TCA” cases. One-fifth (19.3%) of cases in this group are sanctioned as are 19.1% of “Employed & TCA” and 13.3% of “Employment only” cases.

Two other closing codes are also among the top five for all four outcome groups and account for similar proportions of cases. “Eligibility/Verification Information Not Provided” and “Failed to Reapply/Complete Redetermination” together account for three out of ten (30.5%) “Employment only” cases, one-third (33.1%) of “No employment or TCA” cases, and almost two-fifths of “Employment and TCA” (37.0%) and “TCA only” (39.2%) cases. Because these two codes reflect a closure that occurred because the TANF agency did not receive a response from the customer (either a reapplication or information needed to maintain eligibility), they imply that, in at least some of these cases and for whatever reason, the customer, at least temporarily, no longer felt the need to remain on the TANF rolls. More important, the diversity of outcomes among cases closed with these codes implies that they reflect closures that occur for a variety of perhaps complex reasons.

[13] Ideally, we would have like to have focused our analysis on cases with a work-mandatory case type only. However, the definition of case type has changed over time and the administrative data are not available before April 2004. Child only cases constitute the majority that do not fall into the “work-mandatory” category so, for purposes of this analysis, we chose to exclude child only cases.

Table 10. Top 5 Closing Codes by First Year Work and Welfare Status.***

Closing Codes	
Employed Only	
Income Above Limit/Started Work	41.4% (2188)
Eligibility/Verification Information Not Provided	16.4% (867)
Failed to Reapply/Complete Redetermination	14.1% (745)
Work Sanction	13.3% (705)
Requested Closure	5.0% (262)
Total Closings Accounted for by Top 5 Codes	90.2% (4767)
Employed & TCA	
Income Above Limit/Started Work	32.2% (675)
Eligibility/Verification Information Not Provided	20.7% (434)
Work Sanction	19.1% (400)
Failed to Reapply/Complete Redetermination	16.3% (342)
Whereabouts Unknown	3.0% (62)
Total Closings Accounted for by Top 5 Codes	91.3% (1913)
TCA Only	
Work Sanction	32.2% (311)
Eligibility/Verification Information Not Provided	21.0% (203)
Failed to Reapply/Complete Redetermination	18.2% (176)
Income Above Limit/Started Work	11.8% (114)
Whereabouts Unknown	6.1% (59)
Total Closings Accounted for by Top 5 Codes	89.3% (863)
No Employment & No TCA	
Work Sanction	19.3% (372)
Failed to Reapply/Complete Redetermination	18.0% (347)
Income Above Limit/Started Work	18.0% (347)
Eligibility/Verification Information Not Provided	15.1% (291)
Not Eligible	8.8% (169)
Total Closings Accounted for by Top 5 Codes	79.2% (1526)

How Do Outcomes Differ Based on Client Characteristics?

We now turn to the question of the relationships among client characteristics and post-exit outcomes. Table 11, following, provides a profile of cases falling into our four outcome groups. There are statistically significant differences between the outcome groups on every characteristic examined. However, some have larger and more practically-important differences than others.

In terms of payee's race, we find that African-American caseheads are significantly more likely to be in one of the two outcomes groups that returned to TCA. In both the "Employment and TCA" and "TCA only" groups, four out of five leavers (83.4% for the former and 83.3% for the latter) are African-American. A smaller percentage, though still the majority, of leavers who had UI-covered earnings only (73.1%) and who had neither employment nor TCA (65.2%) are also African-American.

Differences in geographic region are also fairly large and, not surprisingly, mirror the racial discrepancies. Two-thirds (65.3%) of leavers whose initial exit was followed by one or more subsequent months of welfare receipt and no UI-covered employment are from Baltimore City. Similarly, more than half (56.0%) of those who have both earnings and subsequent welfare receipt in the first post-exit year reside in Baltimore City. In contrast, only two-fifths of "No employment or TCA" (42.4%) and "Employment only" (42.5%) group members are City residents.

In terms of family composition, leavers in the "No employment or TCA" group stand out from the others in that they are more likely to have been married and more likely to have two adults included in their welfare case. Almost one-tenth (9.1%) of payees whose first post-exit year does not include UI-covered employment or TCA receipt are married and 14.2% are separated. Although the percentage of cases with two adults in the "disconnected" group is still fairly small at 6.1%, such families are nearly twice as common as they are in the other three outcome groups. Taken together, these family composition data suggest that at least a minority of these families may be able to leave welfare and remain off even without UI-covered earnings for the casehead because of the support of another adult.

Another striking difference among the outcome groups is in the age of the youngest child in the assistance unit. Contrary to expectation, leavers whose first post-exit year includes UI-covered employment have younger children than those who do not have such employment. Almost half of the "Employment only" (47.0%) and of the "Employment and TCA" (47.4%) groups has a child under the age of three. In contrast, only about two-fifths of "TCA only" (39.6%) and "No employment or TCA" (37.9%) leavers have a child that young.

One possible explanation for this finding is that women who enter the welfare rolls because their employment is temporarily disrupted by pregnancy may then be more likely to re-enter employment once they exit. This hypothesis is consistent with the fact that payees in the two outcome groups with UI-covered earnings are younger and are exiting from shorter welfare spells than their counterparts whose first post-exit year does not include employment. Irrespective of the reason why the difference exists, the fact that leavers with employment are more likely to have a very young child reemphasizes the importance of ensuring that families have accessible, available, and affordable child care in place when they exit the welfare rolls.

When we consider how long welfare leavers had received cash assistance before the exit that brought them into our sample, we find that those in the “No employment or TCA” group are exiting from the longest welfare spells. The difference, however, is fairly small. On average, cases in this outcome group had been on assistance for 16 months, compared to 13 to 14 months for the other three groups. Differences in long-term welfare history, that is the number of months of receipt in the five years before exit, are more pronounced and show longer welfare histories among leavers who subsequently return to the cash assistance rolls. Leavers who had TCA only in the first “post-exit” year had received assistance for 33 of the 60 post-exit months. Similarly, the average welfare history for the “Employed and TCA” group is 31 months, compared to only 28 months for those with no employment or TCA and 25 months for the “Employment only” group.

The final row of Table 11 shows that the four outcome groups also vary in terms of their receipt of various work supports, although the majority utilizes the FS and MA/M-CHP programs regardless of outcome. Not surprisingly, FS and MA/M-CHP participation is nearly universal among the two groups who re-enter the welfare rolls. Among those whose first post-exit year includes UI-covered earnings, but no subsequent TCA receipt, three-fourths (72.1%) receive FS benefits and almost nine out of ten (87.7%) have at least one family member enrolled in MA/M-CHP.

Participation in other public welfare programs is also substantial for those who are disconnected from UI-covered employment and TCA in the first follow up year. Almost two-thirds (63.5%) participate in the FS program and four-fifths (80.0%) have MA/M-CHP.

Last, but certainly not least, only a minority of leavers in all four outcome groups also receives income from child support during the first twelve months of welfare case closure.[14] Rates are highest among the “Employment only” group with one-third (32.3%) having at least some child support income. Slightly more than one-fourth of those who combined employment and TCA (27.5%) and of those with no employment or TCA (26.6%) receive support, as do one-fifth (20.2%) of “TCA only” cases. These findings suggest that, obviously, much remains to be done to try to insure that child support is available to families transitioning off welfare. It should be noted too that the higher rate of child support receipt among the “employment only” group may be more than coincidental. Research has demonstrated that women who receive child support after a welfare exit are significantly less likely to come back on welfare.

[14] The child support figures in Table 10 include all non-child-only cases, regardless of their child support order status.

Table 11. Case Characteristics by 1st Year Outcomes – Non-Child Only Cases.

Characteristics	Employed	Employed & TCA	TCA	No employment & No TCA
Payee Age				
Mean (standard deviation)***	29.70 (7.83)	28.58 (7.48)	31.66 (8.82)	33.16 (8.95)
Payee Race* **				
African American	73.1%	83.3%	83.4%	65.2%
Caucasian	24.6%	15.2%	14.3%	31.1%
Other	2.3%	1.5%	2.3%	3.8%
Region* **				
Baltimore City	42.5%	56.0%	65.3%	42.4%
23 Counties	57.5%	44.0%	34.7%	57.6%
Payee Marital Status* **				
Never Married	77.1%	85.7%	83.6%	69.9%
Married	5.3%	2.8%	4.6%	9.1%
Separated	12.7%	9.3%	8.9%	14.2%
Divorced/widowed	5.0%	2.2%	2.8%	6.8%
Number of Adults* **				
1	97.1%	97.8%	96.5%	93.9%
2	2.9%	2.2%	3.5%	6.1%
Number of Children				
Mean (standard deviation)***	1.76 (1.06)	1.84 (1.12)	1.90 (1.18)	1.73 (1.12)
Median	1.00	2.00	2.00	1.00
Age of Youngest Child				
Mean (standard deviation)***	4.90 (4.45)	4.61 (4.13)	5.60 (4.54)	5.97 (4.94)
Median	3.33	3.20	4.24	4.48
Percent with a child under 3 years old* **	47.0%	47.4%	39.6%	37.9%
Length of Exiting Spell				
Mean (standard deviation)***	14.41 (23.30)	13.55 (22.09)	14.68 (24.93)	16.32 (26.22)
Welfare Receipt in 5 Years Prior to Exit* **				
Mean (standard deviation)***	25.29 (18.89)	30.59 (18.87)	33.09 (18.88)	27.50 (19.51)
Utilization of Work Supports in 1st Post-Exit Year				
Receiving FS***	72.1%	97.1%	97.9%	63.5%
Receiving MA***	87.7%	99.5%	99.8%	80.0%
Receiving CS***	32.3%	27.5%	20.2%	26.6%

Note: Data in the table do not include cases closing between January 2008 and March 2008 because at the time of this writing, no follow-up data were available. See Appendix D for detailed information on the availability of welfare-related data. *p<.05, **p<.01, ***p<.001

CONCLUSIONS

As this legislatively-mandated annual update of Maryland's longitudinal *Life After Welfare* study goes to press, the nation is focused on the recent economic meltdown and how the government should react to avoid further calamity. This unprecedented crisis is yet another sign among rising unemployment rates, increasing food and fuel costs, historically high Food Stamp rolls, and growing TANF caseloads that our state and the nation as a whole are facing an uncertain economic future. For Maryland's TANF program, the uncertainty of the future raises the stakes even more as agencies assist families in making the transition from welfare to work, with fewer resources and while still required to meet mandates such as the DRA-revised federal work participation rate.

Against this backdrop, this annual update has provided policy makers and program managers with a wealth of empirically-grounded information about how families are faring as they navigate life after welfare. Much of the news is reassuring: The majority of leavers obtain jobs and, over time, their earnings increase. Few families return for additional cash assistance and most continue to utilize FS and MA/M-CHP as work supports. For policy makers and program managers, these general trends affirm that Maryland's well-crafted, empirically-driven, cohort-specific approach to welfare reform has worked well and is continuing to do so, despite fluctuations in the broader economy.

A second important conclusion from our findings is that, just as Maryland's TANF caseload is diverse and dynamic, so are families' outcomes after they leave. For "traditional" cases headed by an able-bodied, single-parent, the most common post-exit reality is that the adult has UI-covered earnings and the family is not receiving TCA, although they likely have FS and MA/M-CHP benefits. As decision-makers consider possible refinements or retooling of Maryland's welfare-to-work program, they should give serious thought to including an intensive, post-exit case management/outreach component whereby support services could be provided to families for the critical first year after their cases close. Such services could increase the likelihood that leavers will be able to sustain their exits for those first twelve months and, as our study illustrates, having done so will greatly lower their risk of ever coming back on the rolls.

For another significant minority of families, a welfare-to-work transition may not be the most appropriate nor is it the most likely outcome. Specifically, life after welfare for child-only cases, especially those headed by a grandmother, and cases headed by a disabled adult who is applying for SSI benefits (DEAP-disabled) is unlikely to include either employment or a return to the TANF rolls. This is, in fact, a good outcome as it likely indicates either that children have been able to return to their parents, in the case of child only cases, or that families have another source of income such as SSI or Social Security benefits. The relationship between case type and outcomes reaffirms the wisdom of Maryland's cohort-specific approach to welfare reform and suggests that a recommitment to the philosophy that one size does not fit all is appropriate. In addition, these findings also suggest that a cohort-specific approach to post-exit case management and outreach would also be appropriate and could have a positive effect on outcomes.

Income from child support is another important potential post-TCA support for families that is often forgotten in welfare reform discussions. For the first time in this study, the annual update includes an analysis of child support data and reveals that, for the minority of families who receive it, child support income is significant. This finding, coupled with earlier research demonstrating that child support receipt increases the chances that a welfare exit will be permanent, suggests that child support is an area worthy of greater systematic policy and practice development attention.

In addition to broader, ongoing efforts to increase paternity and order establishment and to improve collections, our findings also indicate that agencies should seriously consider adopting a "child support last" policy for welfare leavers. The data show that if, by the time they exit, leavers do not have a child support order in place, they are unlikely to ever have one. The good news is that once there is an order, at least some support is collected in most cases. The cost of establishing a "child support last" component for TCA cases that are closing, that would assess their child support situations and ensure that any necessary location, establishment or enforcement actions are being taken, should be fairly minimal. The payoff, however, for such efforts would be great in terms of increasing leavers' income, decreasing their chances of returning to welfare, and, as a bonus, increasing the child support program's performance measures.

A final important conclusion from our analyses is that there are clear signs that welfare leavers, regardless of how long they have been off, are not faring as well in the current economy as they have historically. Notably, for the first time in the history of this decade-long study, quarterly earnings decreased from one follow up point to the next. Moreover, regardless of how long they had been off welfare, most working adults saw their earnings decrease in the most recent year and their risk of returning to cash assistance increase. The implication for Maryland's TANF program is that agencies may find more families returning to aid after having been off for a significant period of time. To help counteract the decline in adults' earnings, it would be wise to increase outreach efforts to working families, particularly for the FS and MA/M-CHP programs. The broader implication, of course, is that the opportunities available or not available in the large economy/labor market have much to do with the degree of welfare-to-work success which individuals and agencies are able to achieve.

For those families that re-enter the welfare system, individualized assessment of what worked during their previous exit and what failed or went wrong would be valuable for caseworkers. Maryland's history of effectively reforming welfare and helping families transition from welfare to work attests to the wisdom and value of such information. As we move into the uncertain future, it is more important than ever to use empirical data to learn from where we've been, to map out where we are going, and to monitor our progress.

The short-term future will be challenging for all of us and perhaps especially for low-income families, including those trying to leave welfare and those attempting to maintain employment and their independence. It will behoove all of us – and our state – to make certain that even in these increasingly austere times, programs and services needed to facilitate success among vulnerable families will not be disproportionately affected. This report has highlighted areas of achievement, but also areas where challenges remain; we are confident that while celebrating the former, our state is more than able to effectively tackle the latter.

REFERENCES

Aron-Dine, A., Stone, C., & Kogan, R. (2008). How robust was the 2001-2007 economic expansion? Washington, DC: Center on Budget and Policy Priorities. Available online: http://www.cbpp.org/8-9-05bud.pdf

Bater, J. (2008, July 3). Data Snap: U.S. June payrolls fall for sixth drop in a row. Dow Jones Newswires. Available online: http://www.themonthlyinvestor.com/news-feeds/dj-data-snap-us-jun-payrolls-fall-for-sixth-drop-in-a-row-onetpl/

Bergman, B. (2008, July 28). Inflation, unemployment looming larger. Morningstar. Available online: http://www.themonthlyinvestor.com/news-feeds/dj-data-snap-us-jun-payrolls-fall-for-sixth-drop-in-a-row-onetpl/

Blank, R. (2007). Improving the safety net for single mothers who face serious barriers to work. The Future of Children, 17(2), 183-197. Available online: http://www.futureofchildren.org/usr_doc/7_09_Blank.pdf

Born, C.E., Ovwigho, P.C., & Cordero, M.L. (2002). Returns to welfare under welfare reform: Early patterns and their implications. *Administration in Social Work, 26*, 53-70.

Eckholm, E. (2008, March 31). As jobs vanish and prices rise, Food Stamp use nears record. *The New York Times.* Available online: http://www.nytimes.com/2008/03/31/us/31foodstamps.html

Goodman, P.S. (2008, July 31). A hidden toll on employment: Cut to part time. *The New York Times*. Available online: http://www.nytimes.com/2008/07/31/business/economy/31jobs.html

Graham, J. W. & Beller, A. H. (1989). The effect of child support payments on the labor supply of female family heads: An econometric analysis. *The Journal of Human Resources, 24*(4), 664-688.

Hetling, A., Saunders, C., & Born, C.E. (2005). *Maryland child only caseload: A comparison of parental and non-parental cases.* Baltimore: University of Maryland School of Social Work. Available online: http://www.familywelfare.umaryland.edu/reports/childonly.pdf

Huang,C., Kunz, J., & Garfinkel, I. (2002). The effect of child support on exits and re-entries. *Journal of Policy Analysis and Management, 21*(4), 557-576.

Loprest, P.J. (2003). *Disconnected welfare leavers face serious risks.* Washington, DC: The Urban Institute. Available online: http://www.urban.org/UploadedPDF/310839_snapshots3_no7.pdf

Lynch, K. (2008, August 27). *Business-cycle update: AIER indicators still point to recession.* Great Barringon, MA: American Institute for Economic Research. Available online: http://www.aier.org/research/commentaries/510-business-cycle-update-aier-indicators-still-point-to-recession

Ovwigho, P.C., Saunders, C., & Born, C. (2008). *Confronting child support debt: A baseline profile of Maryland's arrears caseload.* Baltimore: University of Maryland School of Social Work. Available online: http://www.familywelfare.umaryland.edu/reports/arrears.pdf

Ovwigho, P.C., Saunders, C., Patterson, K., Kolupanowich, N., & Born, C. (2007). *Life after welfare: Annual update.* Baltimore: University of Maryland School of Social Work. Available online: http://www.familywelfare.umaryland.edu/reports/life12.pdf

Ovwigho, P.C., Tracy, K., & Born, C.E. (2004). *Estimating welfare work exits: Case closing reasons vs. UI data.* Baltimore: University of Maryland School of Social Work. Available online: http://www.familywelfare.umaryland.edu/reports/exitforworkbrief.pdf

Pirog, M. A. & Ziol-Guest, K. M. (2006). Child support enforcement: Programs and policies, impacts, and questions. *Journal of Policy Analysis and Management, 25*(4), 943-990.

Robins, P. & Dickinson, K. P. (1985). Child support and welfare dependence: A multinomial logit analysis. *Demography, 22*(3), 367-380.

Sauers, E. (2008, July 13). Thousands seek help with soaring electric bills. The Capital. Available online: http://www.hometownannapolis.com/cgi-bin/readne/2008/07_13-34/PRI

Sorensen, E. & Zibman, C. (2000). *To what extent to children benefit from child support?* Washington DC: Urban Institute.

Srivastava, S., Ovwigho, P. C., & Born, C. E. (2001). *Child support receipt among children in former TANF families.* Baltimore: University of Maryland School of Social Work.

Stempel, J. (2008, March 3). Buffett says U.S. in recession. *Reuters.* Available online: http://www.reuters.com/article/ousiv/idUSWEN425620080304

Turner, L.J., Danziger, S., & Seefeldt, K.S. (2006). Failing the transition from welfare to work: Women chronically disconnected from employment and cash welfare. *Social Science Quarterly, 87(2),* 227-249.

U.S. Office of Child Support Enforcement. (2008). Child Support Enforcement FY 2007 preliminary report. Washington, DC: Author. Available online: http://www.acf.hhs.gov/programs/cse/pubs/2008/preliminary_report_fy2007/

Wood, R.G., & Rangarajan, A. (2003). *What's happening to TANF leavers who are not employed?* Washington, DC: Mathematica Policy Research, Inc.

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
10/96-3/97	√	√	√	√	√	√	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷
4/97-6/97	√	√	√	√	√	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	
7/97-3/98	√	√	√	√	√	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	
4/98-6/98	√	√	√	√	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷		
7/98-9/98	√	√	√	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷		
10/98-12/98	√	√	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷		
1/99-3/99	√	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷	√✷		
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	√✷	√✷	√✷	√✷	√✷										
4/07-6/07	√✷	√✷	√✷	√✷											
7/07-9/07	√✷	√✷	√✷												
10/07-12/07	√✷	√✷													
1/08-3/08	√✷														

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 – 3/08	Cohort 3 Most Recent Cases 4/07 – 3/08	Cohort 2 Recent Cases 4/06 – 3/07	Cohort 1 Early Cases 10/96 – 3/06
Quarter of TCA Exit				
Percent Working in Maryland	49.6%	49.4%	48.5%	49.7%
Percent Working in a Border State	4.0%	3.1%	2.8%	4.3%
Total Percent Working	51.4%	51.6%	50.2%	51.5%
Mean Earnings*	$3,104.10	$3,058.49	$3,489.32	$3,080.05
Median Earnings	$2,438.49	$2,049.00	$2,409.25	$2,461.69
1st Quarter After TCA Exit				
Percent Working in Maryland	50.0%	51.1%	49.6%	49.9%
Percent Working in a Border State	4.8%	3.4%	3.9%	5.1%
Total Percent Working	52.5%	54.0%	52.7%	52.4%
Mean Earnings*	$3,533.69	$3,596.77	$3,921.98	$3,502.00
Median Earnings	$2,892.03	$2,604.15	$2,888.42	$2,906.15
2nd Quarter After TCA Exit				
Percent Working in Maryland	48.7%	53.2%	46.0%	48.8%
Percent Working in a Border State	5.2%	3.6%	4.5%	5.3%
Total Percent Working	51.4%	55.8%	49.6%	51.4%
Mean Earnings**	$3,719.53	$3,641.67	$4,290.24	$3,682.35
Median Earnings	$3,090.35	$2,770.09	$3,458.08	$3,081.73
3rd Quarter After TCA Exit				
Percent Working in Maryland	47.9%	41.7%	47.5%	48.0%
Percent Working in a Border State	5.3%	4.2%	4.2%	5.5%
Total Percent Working	50.8%	45.3%	51.0%	50.9%
Mean Earnings*	$3,848.14	$4,046.93	$4,243.62	$3,816.47
Median Earnings	$3,225.28	$3,179.69	$3,159.00	$3,230.05
4th Quarter After TCA Exit				
Percent Working in Maryland	48.1%		46.9%	48.2%
Percent Working in a Border State	5.4%		4.1%	5.5%
Total Percent Working	51.2%		50.3%	51.2%
Mean Earnings	$3,976.42		$4,146.24	$3,964.29
Median Earnings	$3,364.21		$3,392.00	$3,362.09
8th Quarter After TCA Exit				
Percent Working in Maryland	47.5%			47.5%
Percent Working in a Border State	5.8%			5.8%
Total Percent Working	51.7%			51.7%
Mean Earnings	$4,301.53			$4,301.53
Median Earnings	$3,757.67			$3,757.67

	Entire Sample 10/96 – 3/08	Cohort 3 Most Recent Cases 4/07 – 3/08	Cohort 2 Recent Cases 4/06 – 3/07	Cohort 1 Early Cases 10/96 – 3/06
12th Quarter After TCA Exit				
Percent Working in Maryland	47.0%			47.0%
Percent Working in a Border State	6.7%			6.7%
Total Percent Working	52.0%			52.0%
Mean Earnings	$4,600.30			$4,600.30
Median Earnings	$4,081.62			$4,081.62
16th Quarter After TCA Exit				
Percent Working in Maryland	44.8%			44.8%
Percent Working in a Border State	7.1%			7.1%
Total Percent Working	50.3%			50.3%
Mean Earnings	$4,974.72			$4,974.72
Median Earnings	$4,404.34			$4,404.34
20th Quarter After TCA Exit				
Percent Working in Maryland	44.7%			44.7%
Percent Working in a Border State	7.3%			7.3%
Total Percent Working	50.3%			50.3%
Mean Earnings	$5,246.38			$5,246.38
Median Earnings	$4,661.08			$4,661.08
24th Quarter After TCA Exit				
Percent Working in Maryland	43.3%			43.3%
Percent Working in a Border State	6.7%			6.7%
Total Percent Working	49.0%			49.0%
Mean Earnings	$5,447.16			$5,447.16
Median Earnings	$4,802.81			$4,802.81
28th Quarter After TCA Exit				
Percent Working in Maryland	43.9%			43.9%
Percent Working in a Border State	7.0%			7.0%
Total Percent Working	49.9%			49.9%
Mean Earnings	$5,575.02			$5,575.02
Median Earnings	$4,942.04			$4,942.04
32nd Quarter After TCA Exit				
Percent Working in Maryland	44.2%			44.2%
Percent Working in a Border State	6.5%			6.5%
Total Percent Working	49.8%			49.8%
Mean Earnings	$5,854.02			$5,854.02
Median Earnings	$5,213.26			$5,213.26
36th Quarter After TCA Exit				
Percent Working in Maryland	43.5%			43.5%

	Entire Sample 10/96 – 3/08	Cohort 3 Most Recent Cases 4/07 – 3/08	Cohort 2 Recent Cases 4/06 – 3/07	Cohort 1 Early Cases 10/96 – 3/06
Percent Working in a Border State	6.7%			6.7%
Total Percent Working	49.4%			49.4%
Mean Earnings	$6,314.10			$6,314.10
Median Earnings	$5,511.00			$5,511.00
40th Quarter After TCA Exit				
Percent Working in Maryland	43.3%			43.3%
Percent Working in a Border State	7.6%			7.6%
Total Percent Working	49.9%			49.9%
Mean Earnings	$6,741.33			$6,741.33
Median Earnings	$5,710.26			$5,710.26
44th Quarter After TCA Exit				
Percent Working in Maryland	42.0%			42.0%
Percent Working in a Border State	7.5%			7.5%
Total Percent Working	48.9%			48.9%
Mean Earnings	$6,187.24			$6,187.24
Median Earnings	$5,586.33			$5,586.33

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. Industry of Employment by Cohort.

Industry of Employment During the 1st Quarter After Exiting TANF*	Entire Sample 10/96 - 3/08	Cohort 3 Most Recent Cases 4/07-3/08	Cohort 2 Recent Cases 4/06 - 3/07	Cohort 1 Early Cases 10/96 - 3/06
Professional and Business Services	24.2%	24.4%	21.6%	24.3%
Trade, Transportation and Utilities	22.4%	26.4%	29.4%	21.6%
Education and Health Services	22.1%	22.8%	23.1%	22.0%
Leisure and Hospitality	7.9%	8.5%	6.6%	8.0%
Other Services	5.8%	6.1%	4.2%	5.9%
Financial Activities	4.9%	3.3%	3.3%	5.1%
Manufacturing	4.8%	4.5%	5.7%	4.7%
Public Administration	4.3%	2.0%	3.0%	4.5%
Information	2.3%	0.4%	0.9%	2.5%
Construction	1.2%	1.2%	1.8%	1.1%

Note: Employment is classified using NAICS 2007, and aggregated using the Bureau of Labor Statistics standard (http://www.bls.gov/bls/naics_aggregation.htm). In addition, the table includes only those sample cases with follow up data for the 1st post-exit quarter where the casehead worked in a UI-covered job in Maryland that was able to be classified in terms of NAICS industry (n=5,091). *p<.05, **p<.01, ***p<.001

APPENDIX D. 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
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	✓	✓	✓										
4/06 – 6/07	✓	✓											
7/07 – 9/07	✓	✓											
10/07 – 12/07	✓												
1/08 – 3/08													
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 E-1. Child Support Status by Cohort.

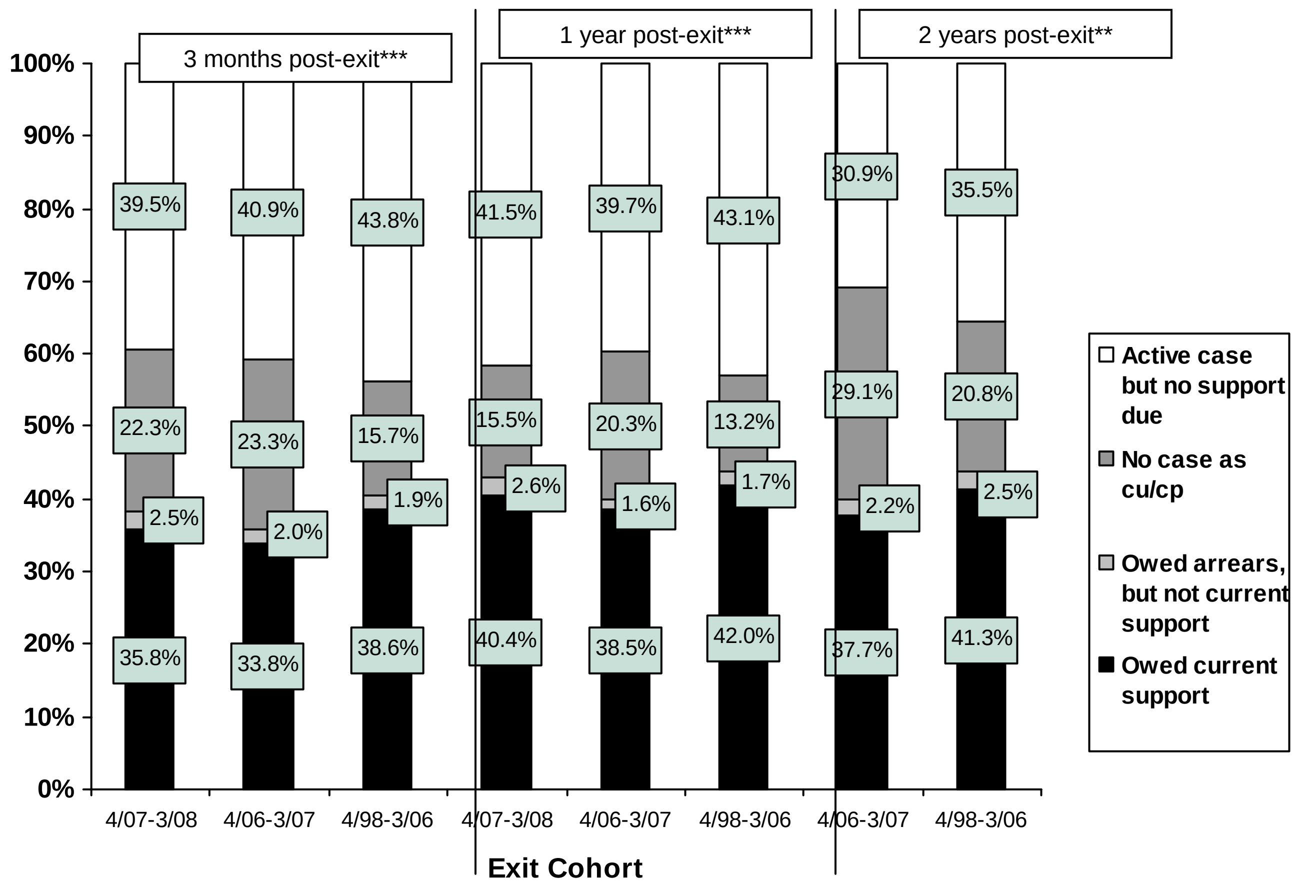


Table E-1. Child Support Receipt by Cohort.

	Entire Sample 4/98 - 3/08	Cohort 3 Most Recent Cases 4/07-3/08	Cohort 2 Recent Cases 4/06 - 3/07	Cohort 1 Early Cases 4/98 - 3/06
3 months post-exit				
Received support	19.9%	20.6%	19.2%	19.9%
Mean amount received***	$630.02	$763.61	$741.25	$607.19
Median amount received	$502.39	$551.25	$636.36	$486.00
1 yr post-exit				
Received support	28.2%	31.1%	28.3%	28.1%
Mean amount received	$1896.89	$2041.63	$2164.63	$1867.70
Median amount received	$1276.94	$1354.96	$1465.96	$1266.26
2 yrs post-exit				
Received support	29.0%		26.5%	29.1%
Mean amount received	$2097.40		$2638.01	$2084.86
Median amount received	$1440.00		$1914.51	$1417.80

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 E-2. Child Support Arrears by Cohort

	Entire Sample 4/98 - 3/08 (n=13,076)	Cohort 3 Most Recent Cases 4/07-3/08 (n = 800)	Cohort 2 Recent Cases 4/06 - 3/07 (n=834)	Cohort 1 Early Cases 4/98 - 3/06 (n=11,442)
1 yr post-exit				
Mean total arrears	$9,505.68	$7,623.08	$8,773.86	$9,611.75
Mean CP-owed arrears	$4,976.39	$4,823.05	$5,145.01	$4,964.83
Mean state-owed arrears	$7,745.68	$5,760.84	$7,085.23	$7,846.70
2 yrs post-exit				
Mean total arrears	$10,503.78		$11,775.63	$10,474.60
Mean CP-owed arrears	$6,167.21		$6,337.54	$6,163.49
Mean state-owed arrears	$8,392.72		$10,801.28	$8,339.70

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