Life After Welfare:
Third Interim Report

Prepared by

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for
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Executive Summary

This is the third interim report from a large, longitudinal study, *Life After Welfare*, being carried out by the School of Social Work, University of Maryland-Baltimore, for its long-time research partner, the Maryland Department of Human Resources. The overall purpose of the study and today s report is to provide state and local officials with empirical answers to a straightforward, but important question: what happens, over time, to families who leave cash assistance in the era of welfare reform?

It is obviously too early to have definitive or final answers about the outcomes of welfare reform over time. However, today s report, using information obtained from administrative data systems about a random sample of 3,171 cases which left welfare during the first 18 months of reform in Maryland (October 1996 - March 1998) does add to our knowledge about former welfare recipient families in our state. It does so by profiling key characteristics of these 3,171 families at the time they left welfare and by providing detailed information about adults employment in jobs covered by the state s Unemployment Insurance (UI) program before, at the time of, and in the quarters following their exits from welfare.

The report also presents results from two new analyses that are germane to welfare reform planning for the next few years. The first is a cohort analysis to determine if the characteristics of those who left welfare in the first months of reform are similar to the characteristics of those who left relatively later. The second analysis takes a more detailed look at recidivism or returns to welfare by those who have left.

Key findings from this third in an ongoing series of reports about *Life After Welfare* in Maryland include the following.

1. Overall, the trends remain positive.

Study results indicate that the vast majority of families leaving welfare during the first 18 months of reform in Maryland have done so voluntarily (92.0%), not because a full family sanction has been imposed by the welfare agency for non-compliance with work (7.3%) or child support requirements (0.7%). In addition, the majority of exiting, adult payees (59.3%) are able to secure post-welfare employment in Maryland in jobs which are covered by the state s Unemployment Insurance program. Half (50.3%) of all adults obtain such jobs in the same quarter in which their welfare cases close; among those with a previous history of UI-covered employment, the figure is 65.8%. Moreover, work effort persists in subsequent quarters; at least half of all exiting adults work in the 2nd through 5th quarters after they cease receiving welfare. In addition, the vast majority of families have been able to remain off welfare. Excluding cases which exit, but reopen in one month or less, the three month recidivism rate observed in our study is only 5.2%.

2. There has been little change in the profile of exiting cases over time.

Families who left welfare in the 7th through 12th and 13th through 18th months of reform closely resemble those who left in the earliest months (1st through 6th). We find no evidence that early and later leavers differ in family size, length of time on welfare, number and ages of children and the like. In short, the overall demographic profile of an exiting case in Maryland has not changed over time. The cohort analysis does show differences over time in the proportions of child-only cases which exited in each of the three time periods and differences by ethnicity as well. While these differences are statistically significant, they do not appear to represent trends or problems to which attention needs to be directed.

3. **Most adults do work in Unemployment Insurance (UI)-covered jobs after leaving welfare. Moreover, work effort and employment persist over time.**

After leaving welfare three of every five adults in exiting cases worked in Maryland in a job in covered by Unemployment Insurance. Half of all clients (including those who return to welfare within 3 months or less) have such jobs in the quarter in which their welfare cases close. In each and every quarter thereafter, half are also working in UI-covered jobs in our state.

4. **True recidivism (returns to welfare) is relatively rare, but churning is fairly common. These may be very different phenomena and their reduction or prevention may require different strategies and techniques.**

True recidivism, or returns to welfare after having been off the rolls for at least a month, is fairly rare. At the three month post-exit point only 1 in 20 (5.2%) clients have come back on TCA. However, churning - where cases close, but reopen in 30 days or less is not infrequent. It is well-recognized that preventing true recidivism is one of the most important challenges that confront us in the years ahead. Today s data show that some attention should also be given to front-line techniques that might help to prevent or at least reduce churning. Resources and time expended on these processes, no doubt, could be put to better use.

5. **No substantive changes to the state s welfare program seem needed based on today s findings.**

Considered as a whole, the expanded data presented in today s report continue to indicate that Maryland s bi-partisan, empirically-grounded, locally-driven reformed welfare system continues to work well and we find no evidence to suggest that mid-course corrections are needed. However, the data do suggest a few areas to which particular attention should be paid as we move forward. One, as noted, is the prevention of returns to welfare, which in a time-limited world, is of the utmost importance. While Maryland does not have a major problem in this area, now is the best time to take proactive steps to insure, insofar as we can, that returns to welfare do not become a problem in the future. Related to this, some thought should also be given to the practical implications of our finding that there are two types of returns to welfare: recidivism and churning, each of which may require different methods to prevent or reduce.

Close attention in coming months should also be paid to the use of full family sanctions, especially those for non-compliance with work requirements. So far our state has made only sparing use of this strict penalty; at the 18 month measuring point fewer than 1 in 10 case closures (7.3%) have been work-related sanctions. However, the use of this penalty has increased over time. Thus, as we move forward, particularly as more families reach the 24 month threshold after which work is mandatory for continued TCA receipt, it will be important to monitor work sanction statistics at the state, local and district office levels.

Our findings also provide strong support for continuation of the Department of Human Resources Medical Assistance enrollment/outreach initiative to insure that all exiting families who are potentially eligible for work-related transitional medical benefits do receive them. It is crystal-clear that far more clients are leaving welfare for work than are known to the agency as doing so. Therefore, the presently underway worker-and client-focused strategies to increase awareness about the importance and the very real benefits of focusing on work at the time of case closing are critical and should be continued. Indeed, we would only add encouragement for groups outside DHR/DSS to also mount independent, wholesale efforts to communicate these messages to clients. The importance of health coverage in enabling families to remain free of welfare can not be overstated. For this reason it is in everyone s best interest to have the message about work-related Medical Assistance conveyed as often and through as many different channels as possible.

Today s findings also provide strong support for the work first philosophy embodied in Maryland s approach to welfare reform. In our study so far, work-related variables have been found to be consistent indicators of recidivism risk. As front-line welfare managers know all too well and as our data also suggest, however, the relationship between work and welfare recidivism is complex.

The overarching conclusion the authors draw from today s third interim, *Life After Welfare,* report is identical to what we concluded at the end of our second report: it appears that Maryland s welfare reform program remains on target, but that its greatest challenges lie ahead . The body of today s report, we trust, provides some additional information about certain of these challenges, while also providing policy-makers with more empirical data describing the facts about life after welfare in our state.

Introduction

This document is the third interim report from a large, longitudinal study, *Life After Welfare*, being carried out by the School of Social Work, University of Maryland-Baltimore for its long-time research partner, the Maryland Department of Human Resources. The overall purpose of the study and today s report is to provide state and local officials with empirical answers to a straightforward, but very important question: what happens over time to families who leave cash assistance? The study was precipitated by the August 1996 signing of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), arguably the most dramatic change in U.S. social welfare policy since adoption of the original Social Security Act in 1935 and by passage, in Maryland, of a series of bipartisan Welfare Innovation Acts which created the state s new welfare system.

In this radically new, devolved, time-limited and block-granted welfare world, state officials must continue to grapple with questions that have long been important (e.g., how many families receive welfare? who are they? why do they come on welfare? how long do they stay? why do they leave?). They must also find reliable answers to questions heretofore less often posed (e.g., how many families are affected by full family sanctioning? what happens to families who leave welfare? are children in former welfare families at greater risk of child welfare involvement under the new rules? how many and which families are at risk of hitting time limits? what effect do the new rules have on patterns of welfare use over time? how many families return to welfare after an exit?).

Many states are only now beginning to develop research strategies to address these and related questions. In Maryland, because of the ongoing university-agency partnership, research results have long been used to inform public welfare policy. As a result, we were able to begin our study of these issues simultaneously with the start of our state s new cash assistance program, Temporary Cash Assistance (TCA), in October 1996. Our research agenda is a broad one. It includes studies of those who make up the current caseload as well as those who have exited, studies which establish baselines in key areas such as recidivism and foster care, and projects which examine special populations such as child-only cases.

The largest of our projects, *Life After Welfare*, the topic of this report, focuses on the group of families who have been the subject of greatest attention and speculation since the beginning of reform: those who have exited cash assistance since the new program rules were adopted. Reliable empirical data is needed about this group, now commonly referred to as welfare leavers, in part because opinions about those who have left welfare remain mixed. Some observers view welfare leavers as heralds of the success of the nation s new welfare policies; others contend they are harbingers of difficult times that poor families will experience after they no longer receive cash assistance.

In public welfare, which affects so many low-income persons, most of them children, opinion is simply an inadequate basis on which to make important, often unprecedented policy decisions. Thus, the main purposes of our ongoing, longitudinal study are: to assist state policy-makers to determine the facts about life after welfare in Maryland; to provide empirical data against which the progress and prospects of state reforms can be assessed; and to identify any areas where mid-course adjustments may seem warranted. Our first two reports on this study of Maryland welfare leavers have indicated that, overall, reform is working well in our state (see Welfare and Child Support Research and Training Group, September 1997 and March 1998). Families are leaving assistance voluntarily, not because of sanctions; most adults are getting and keeping jobs and not returning to the welfare rolls; children are not coming into foster care as a result of the new reforms. The present report, using a much larger (n=3,171) sample of exiting families, describes the baseline (at time of exit) characteristics of families who left the Maryland welfare rolls during the first 18 months of reform (October 1996 - March 1998). It also provides considerably more follow up data about these families, particularly about their post-exit employment, quarterly earnings, and returns to welfare (recidivism).

Today s document also reports on two new analyses. The first is a cohort analysis to examine if there has been any significant change in the profile of exiting cases over time. Here our interest is to determine whether the characteristics of those who left welfare in the earliest months of reform (months 1-6) are similar to or different from the characteristics of those who left in later months (i.e., months 7-12 and months 13-18). This information should be useful in the strategic planning now underway for the next few years of the still new and still evolving welfare system. The second new analysis is a drill-down look at data describing returns to welfare (i.e., recidivism) among those who exited during the first months of reform. Here the purpose is to more precisely define what the nature of the recidivism phenomenon appears to be at this time. Given time limits on benefit receipt, this type of information should be valuable in agencies essential efforts to prevent recidivism in the future.

Like its two predecessors, today s report does not provide definitive or final answers about what happens, over time, to Maryland families who experience a cash assistance case closing under the new welfare system. It is still too early to know the ultimate answer to that most important question. However, this report, like the two previous ones, does provide our state with additional information which can be used to plan for the next few, likely more difficult, years of welfare reform.

Methodology

To address our main research question of what happens over time to Maryland families who cease to receive cash assistance, we are conducting a large-scale, multi-method, multi-year longitudinal study. Today s report provides more data, over a longer period of post-exit time, for more families who have left welfare than did our two earlier reports. Nonetheless, this report still does not provide definitive answers about the outcomes of welfare reform in Maryland. The extent to which former clients can obtain and retain jobs, move up the career and earnings ladder, and maintain financial independence from cash assistance remain open questions for now.

Today s report though does expand our knowledge about what has been happening to former welfare recipient families in our state. Using information about a random sample of 3,171 families who left welfare during the first 18 months of reform, our report provides expanded, though still interim, answers to key questions such as:

What are the characteristics of those who leave welfare?

Does the profile of early exiters differ from those who left in later months?

Why do families leave welfare?

How many exiting adults get jobs? How many keep working?

What industries hire exiting adults? What are adults quarterly earnings?

How many leavers return to welfare (i.e., what is the recidivism rate?)

What is the nature of the present recidivism phenomenon?

What do recidivism risk factors appear to be at this time?

Before presenting updated and/or new findings on these important issues, we briefly describe the methodology being used in our *Life After Welfare* study and the nature and sources of the data upon which this third interim report is based.[1] We begin with a description of sample size and the method of sample selection.

Sample

To insure that our longitudinal study sample is truly representative of the universe of cases which exit (or are terminated), we draw a 5 percent random sample of TCA cases which close each month. Our first sample was drawn for October 1996, the first month of welfare reform in Maryland and we have continued to draw samples for each subsequent month. It is important to note that, unlike some other welfare leavers studies, our sample is not restricted to a particular type of case (e.g., those who left and have not returned or those who left welfare for work). Rather, our sampling frame includes the entire universe of cases which closed. Thus, our study sample includes the entire range of case situations - families who leave welfare for work, those who are terminated for non-compliance, those who, eventually, come back on welfare, and those who do not. This all-inclusive approach is believed to best permit us to ascertain the facts about life after welfare in our state. However, its use does mean that the positive global findings we report on such things as post-exit rates of employment are

[1] Readers interested in more methodological detail should consult our earlier reports, noted in the List of References, or contact us by phone at 410-706-5134 (Dr. Born) or 410-706-2479 (Ms. Caudill); or by email at cborn@ssw.umaryland.edu.

conservative, rather than optimistic, a point readers are cautioned to keep in mind when reviewing and reporting on our results.[2]

With those caveats in mind, today s report focuses on the first 18 months of exiting families - those who left the Maryland cash assistance program during the period October 1996 through March 1998. All together, the 18 monthly samples include a total of 3,171 families. As can be seen in Table 1, following, monthly sample sizes range from a low of 150 in February 1997 to a high of 194 in March 1997.

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[2] In particular, the phenomenon of administrative churning - cases which close, but reopen in 30 days or less - has a very depressing effect on post-exit employment findings. All things considered, however, it seems wiser to understate, rather than overstate, positive effects in these early years of reform.

Table 1.
Exiting Sample Sizes by Month

Month	Sample Size
October 1996	183
November 1996	193
December 1996	159
January 1997	175
February 1997	150
March 1997	194
April 1997	177
May 1997	189
June 1997	185
July 1997	177
August 1997	191
September 1997	183
October 1997	178
November 1997	167
December 1997	164
January 1998	170
February 1998	174
March 1998	162
Total	3,171

Using this approach to sampling (5% monthly samples) provides us with a valid statewide sample at the $\pm$ 2% confidence level. This sample size will also permit us to separately analyze data for each of the larger jurisdictions (Baltimore City and Prince George s County, at minimum, and probably Anne Arundel, Baltimore and Montgomery

Counties as well). Likewise, we should be able to prepare separate regional reports for the other areas of our tiny, but diverse state. As noted in previous reports, sampling from each month also permits us to take into account any seasonal fluctuations which might exist in cash assistance exit rates.

Data Sources

Some questions that our welfare leavers data have been and will be used to address will remain constant over time. Others, such as the characteristics of early vs. later exiters or recidivists vs. non-recidivists, will continue to emerge over time. Certain study questions are purely quantitative in nature (e.g., how many adults are employed post-exit? how many families come back on welfare?). Others are more qualitative (e.g., what do adults see as the barriers to their independence from welfare?). In our study, both types of data are to be gathered over time.

The primary data source for the overall study and today s report are various administrative information systems maintained by the state. Certain of these systems contain case- and individual-level client characteristics and service utilization data for public assistance and social service programs under the Department of Human Resources umbrella. Others contain official data on employment and wages in Maryland industries which are covered by the state s Unemployment Insurance (UI) law.[3]

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[3] Approximately 93 percent of Maryland jobs are covered. Important omissions for our purposes include military and civilian federal employees, among others. Our ability to accurately and completely report on clients post-exit employment rates is also constrained by our lack of access to UI databases of the District of Columbia and the four states which border Maryland. This is a problem common to many, if not all, welfare leavers studies at present.

Data from these administrative systems are used to construct a baseline profile of exiting cases and individuals at the time of their selection into our sample (i.e., at the time of the welfare exit). Follow up data on cases and individuals are collected from these same systems at 3, 6, 12, 18 and 24 months after their exit from welfare.[4]

Administrative data are thought most appropriate as the primary data source for several reasons.[5] A primary one is policy-makers very real need to have feedback in as close to real time as possible. Another is their need for longitudinal, not just point-in-time or cross-sectional, data. A third is that, while working with administrative data is neither easy nor cost-free, it permits us to have much larger sample sizes than would be feasible through client surveys.[6] Moreover, while some claim that administrative data are only useful for tracking persons while they are involved with a public program, we have, preliminarily, been able to locate more than four out of five (82%) of sample cases, post-exit, in one or more of the administrative data systems presently available to us. At least some of the remaining 18% of families, no doubt, have moved out of state, work in non-UI covered jobs (e.g., for the federal government) or in an adjacent state or the District of Columbia or may be deceased or incarcerated.

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[4] Given Maryland s 60-month time limit, additional post-exit data collection points may be added.

[5] The use of administrative data for research purposes is an increasingly popular, though not always a well-understood and definitely not as-simple-as-it-sounds approach. A good place of beginning for readers interested in this approach is a report issued by the Joint Center for Poverty Research, the citation for which appears in our List of References.

[6] See, for example, National Conference of State Legislatures, Tracking Recipients after They Leave Welfare: Summaries of State Follow-Up Studies (May 11, 1998).

Administrative data, in our experience, are a rich source of important welfare reform tracking information, but they may not tell the complete story. Our own and others studies confirm that much valuable and useful information can only be obtained from clients themselves (see, for example, Born and Kunz, 1990, 1992; Edin, 1993, 1997; Welfare Advocates, 1993, 1999). Thus, we are now pilot-testing a telephone survey to tap into elements of families lives that may not be evident from administrative data. Key topics include clients perceptions of what enabled them to leave welfare, how they have been faring since that time, and, in the case of those who have returned to welfare, what it was that brought them back to cash assistance.

Using administrative data and based on a random, statewide sample of 3,171 families who left welfare during the first 18 months of reform, the next two chapters present updated findings on baseline characteristics, post-exit employment, wages and welfare recidivism experiences and results from two new analyses. The first findings chapter focuses on client characteristics at baseline (exit) and also presents results from our new cohort analysis. The second findings chapter presents follow up administrative data on post-exit employment experiences and families returns to welfare, the latter including results from our new, more detailed examination of recidivism under the new welfare system.

Findings: Baseline Administrative Data

This chapter presents results to date which describe the characteristics of exiting families at the time they left the Maryland welfare rolls. It also examines a new question: are there any differences in the profiles of those who left during welfare s first six months and those who left later (during the 7^{th} to 12^{th} and 13^{th} to 18^{th} months).

Astute readers will recognize that, since we are only in the third year of this historic new welfare era, some findings from our own and others tracking studies are not likely to stand the test of time. That is, many of the early findings, especially those about post-exit employment, earnings, job stability and recidivism, may not be accurate representations of welfare outcomes 5 or 10 years from now. Certain early findings though, including many reported in this chapter, will not be affected by the passage of time. The characteristics of families making relatively early welfare exits (during the first 18 months) will not change, nor will the prior employment and welfare use patterns of early exiting adults.

In either case, however, it remains important for welfare policy-makers and program administrators to keep track of who is exiting welfare, not just how many are leaving the rolls.[7] The next section presents updated information on the baseline characteristics of exiting families during the first 18 months of welfare reform in Maryland.

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[7] It is also important to monitor who is using welfare now; this area of inquiry is being addressed through our new *Life On Welfare* research series, the first report of which appears in our List of References.

What are the Characteristics of Exiting Cases?

Table 2, following this discussion, summarizes demographic characteristics of the 3,171 sample cases which left welfare between October, 1996 and March, 1998. Data for the entire sample during this 18 month period are shown in the first column of the table. Subsequent columns present data separately for those who left in the first six months of reform (10/96 - 3/97), those who exited in the second six months of the new program (4/97 - 9/97), and those who left in the 13th through 18th months (10/97 - 3/98). These latter columns, the cohort data, are included to allow for comparisons between those who left early and those who left, relatively, later.

Characteristics of the Universe of Study Cases

Because our samples are randomly drawn, the demographic characteristics of sample cases closely resemble those of the universe of closing cases. Though we include a series of bullets which present findings on each of the characteristics separately, it is instructive to also consider a thumbnail sketch of the demographics of cases which have closed. Typically, a case which left the Maryland cash assistance rolls during the first 18 months of reform consists of a two person family composed of a female (96.1%), African-American (68.2%), single parent (83.5%) and her one child (47.5%). Mother, on average, is 30 to 31 years of age. At least one in two payees had her first child before the age of 21 (conservatively, about 56% of the sample). In the average exiting case, the youngest child is about five and one-half years old, with about

35% of cases including a child under the age of three years. For the entire sample, key characteristics as illustrated in Table 2 and as summarized above are as follows:[8]

> Exiting assistance units (n = 3,171) include between one and eleven persons. The average assistance unit consists of 2.67 people. The median or mid-point unit as well as the modal or most common situation is that of a two person unit.
>
> The large majority (83.5%, n = 2,649/3,171) of exiting cases contain only one adult. Fewer than five percent (2.7%, n = 86/3,171) have two adults and about one in eight (13.7%, n = 436/3,171) are child-only cases.
>
> The most common situation among exiting cases is that where only one child is included in the assistance unit (47.5%, n = 1,506/3,171). Another three of 10 (29.7%, n = 943/3,171) contain two children. Together cases with only one or two children comprise more than three-fourths (77.2%, n = 2,449/3,171) of all sample cases.
>
> Children in families which left welfare during the first 18 months range in age from less than one month to 18 years. The average age of the youngest child in exiting households is 5.63 years. Notably, a bit more than one in three households (35.1%, n = 1,056/3,011) include a child under the age of three.
>
> Virtually all payees in exiting cases are female (96.1%, n = 2,921/3,038) and about two-thirds are African American (68.2% n = 2,014/2,952). Almost three in ten are Caucasian (29.3%, n = 864/2,952).
>
> The average age of payees exiting welfare in the first 18 months of reform is 31.64 years. Very few (4.8%, n = 144/3,031) exiting cases are headed by payees between the ages of 18 and 20. About three in 10 (30.2%, n = 916/3,031) are headed by payees over the age of 36.
>
> Early childbearing was common among payees in the exiting sample. About one in five (21.8% n = 574/2,634) gave birth to her first child before the age of 18, more than half (55.7% n = 1,467/2,634) before the age of 21.[9]

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[8] Valid percent is used. Due to missing data for some cases on some variables, n does not always equal 3,171.

[9] Estimates of age at first birth for female payees were calculated using the payees date of birth and the date of birth of her oldest child included in the assistance unit. Our calculations may overestimate the age at first birth if the payee has another older child who is not included in the assistance unit.

Table 2.
Demographic Characteristics of Exiting Cohorts.

Characteristics	All Exiting Cohorts 10/96 - 3/98 (n=3,171)	Exiting Cohort 10/96 - 3/97 (n=1,054)	Exiting Cohort 4/97 - 9/97 (n=1,102)	Exiting Cohort 10/97 - 3/98 (n=1,015)
Assistance Unit Size				
Mean	2.67	2.62	2.69	2.70
Median	2.00	2.00	2.00	2.00
Std. Dev.	1.15	1.10	1.13	1.22
Range	1 to 11	1 to 9	1 to 8	1 to 11
% of cases with one adult	83.5%	81.7%	86.2%	82.6%
% of cases with only one or two children	77.2%	77.7%	77.2%	76.8%
% of child-only cases*	13.7%	15.9%	11.3%	14.2%
% with female heads of household	96.1%	96.6%	95.8%	96.1%
% with African-American heads of household*	68.2%	64.6%	69.2%	70.8%
% with Caucasian heads of household*	29.3%	32.7%	28.1%	27.0%
Age of Payee				
Mean	31.64	31.20	31.69	32.04
Median	30.22	29.88	30.35	30.62
Std. Dev.	9.24	8.76	9.05	9.89
Range	18 to 86	18 to 71	18 to 86	18 to 73
Estimated Age at Birth of First Child				
Mean	21.82	21.55	21.98	21.92
Median	20.42	20.45	20.58	20.25
Std. Dev.	5.21	4.72	5.26	5.62
Range	13 to 49	14 to 40	13 to 42	13 to 49
% of Mothers who gave birth before 18	21.8%	21.7%	21.7%	22.0%
% of Mothers who gave birth before 21	55.7%	55.2%	54.4%	57.6%
Age of youngest child in the household				
Mean	5.63	5.68	5.61	5.59
Median	4.37	4.42	4.26	4.43
Std. Dev.	4.38	4.33	4.42	4.40
Range	.04 to 17.98	.12 to 17.92	.04 to 17.81	.08 to 17.98
% of households with a child under 3	35.1%	32.7%	36.7%	35.8%

Characteristics of the Three Exiting Cohorts

Since the implementation of reform, caseloads nationally have plummeted to their lowest levels in 30 years and a recent review of state-level studies that track former welfare recipients indicates that the majority of parents are employed shortly after they leave the rolls (Parrott, 1998). These findings are consistent with Bureau of Labor Statistics data which show that employment rates among all single mothers have increased in the past few years (Burtless, 1998).

This is all certainly good news, but leads to the question of whether the families leaving welfare now differ from those who left in the very first months of reform.[10] In a state like Maryland, where reform was designed to facilitate early exits among the most job-ready clients so that program savings could be used to assist more troubled families, this is a very important question. If, for example, adults exiting in the 13th through 18th months of reform are noticeably younger or have more or younger children than those who left right away, one might need to anticipate higher rates of recidivism, child care demand and the like. Thus, we have included separate cohort data in Table 2 on the preceding page.

Examination of Table 2 shows that the demographic profile of the three cohorts is generally similar, with only slight variation between cohorts.[11] Two significant

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[10] A corollary question is whether the profile of the on-welfare caseload now differs from the profile of the overall caseload at the outset of reform. See, for example, Born, Caudill and Cordero (November, 1998), the first report in our new, *Life On Welfare* series.

[11] A one-way ANOVA was used to test for differences between cohorts on continuous variables including: age, assistance unit size, age of mother at first birth, and age of youngest child in household. The chi-square statistic was used to test for differences between cohorts on categorical variables including gender of payee and racial/ethnic background.

differences were found, however. The percentage of child-only cases exiting in the 1st and subsequent cohorts was significantly different, and a significant relationship was found between racial/ethnic group and exit cohort.

In the first six months of welfare reform, 15.9% (n = 168/1,054) of all cases which left welfare were child-only cases (those in which no adult was included on the grant). In the second six months of reform, the proportion of all exiting cases that were child-only dropped to about 10% (11.3%, n = 124/1,102). The proportion rose during the 13th through 18th months of reform (14.2%, n = 144/1,015), but did not return to the level observed in the first time period. It is too early in the course of welfare reform to make a definitive statement about why this pattern occurred or what it might mean. However, we will continue to closely monitor child-only cases, both those which exit from cash assistance and those which do not.

With regard to the second significant difference across exit cohorts, the table shows that, in all three time periods, the majority of exiting cases were headed by African-Americans and, for the entire 18 month period, almost 7 of every 10 exiting cases were headed by African-Americans. Overall, about three of every ten exiting cases were headed by Caucasians, about two percent by members of other racial or ethnic groups.

The significant difference lies in the timing of exits by case heads of different ethnic backgrounds. In short, the proportion of Caucasian-headed exiting families was highest in the first six months (32.7% of exiters) and has fallen since then (to 27% in the 13th to 18th months). Conversely, the percentage of African-American headed families exiting welfare has risen steadily from the first six months (64.6%) to seven in ten (70.8%) in the 13th through 18th months. The percentage of families of other racial/ethnic groups exiting has decreased slightly from 2.6% to 2.3%.

Why are Families Leaving Welfare?

To shed some light on why families are leaving welfare, we examine case closing reasons recorded in the administrative data. As noted in prior reports, great caution must be exercised when interpreting these administratively-documented reasons for case closings. The primary reason for caution is that pre-set codes used in administrative data systems are simply an incomplete and not always accurate representation of the often complex realities behind families departures from welfare.

This point has been illustrated in our second interim report which, using the state s wage database, found that 51% of adults in our sample worked in UI-covered employment in the quarter in which their welfare cases closed. In stark contrast, the administrative data had only 11% of these adults welfare cases closed with the code payee started work/had higher wages . Similarly, analysis of case narratives has suggested that up to 20% of cases administratively closed at the request of the client were actually cases where the payee had started a job, as were a proportion of cases closed with a code of income above limit (UM-SSW, March 1998). Finally, another caveat to keep in mind is that for the first 17 months of welfare reform in Maryland (10/96 - 2/98), two separate automated systems (AIMS/AMF and CARES) were in use, with similar, but not identical sets of closing codes.

Despite these limitations, it remains instructive to examine why, according to administrative data, cash assistance cases have been closing in our state since the start of welfare reform. Bearing the above-noted caveats in mind, we find that the most frequent reasons for case closings across the first 18 months of reform are, in descending order: income above limit , failure to reapply/complete redet, failure to provide eligibility information , payee started work/has higher earnings, and assistance unit requested closure. As shown in Table 3, on the next page, these five codes together account for nearly seven of every ten (68.9%) case closures in our sample during the 18 month study period. The top three reasons (income above limit, failure to reapply, and failure to provide information) account for just about half (50.6%) of all closures.[12]

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[12] See pps. 38 to 42 which indicate that many cases closed for the latter two reasons were actually ones in which the adult became employed, but did not advise the case manager of same.

Table 3.
Top Five Reasons for Case Closure - Entire Exiting Sample

Closing Code (n=3,150)	Frequency	Percent	Cumulative Percent
Income above limit	600	19.1%	19.1%
Failed to reapply/complete redet.	537	17.1%	36.2%
Failed to provide eligibility information	454	14.4%	50.6%
Payee started work or has higher earnings	310	9.8%	60.4%
Assistance unit requested closure	268	8.5%	68.9%

We also examined whether the pattern of case closing reasons changed over the 18 month study period; results appear in Table 4, following.[13]

Table 4.
Reasons for Case Closure - Cohort Effects[14]

Closing Code	Exiting Cohort 10/96-3/97 (n=1,054)	Exiting Cohort 4/97-9/97 (n=1,102)	Exiting Cohort 10/97-3/98 (n=1,015)	All Cohorts 10/96-3/98 (n=3,171)
Income above limit	17.4% (181)	20.9% (229)	18.8% (190)	19.1% (600)
Failed to reapply/redet.	18.4% (192)	19.0% (208)	13.5% (137)	17.1% (537)
Failed to provide eligibility information	13.8% (144)	12.8% (140)	16.8% (170)	14.4% (454)
Payee started work or has higher earnings	13.9% (145)	8.5% (93)	7.1% (72)	9.8% (310)
Assistance unit requested closure	10.0% (104)	8.7% (95)	6.8% (69)	8.5% (268)

[13] No tests of statistical significance were applied because the four largest counties converted to the new computer system (CARES) during the 18 month study period. Since the new and old systems used similar, but not identical case closing codes, observed differences, if any ,would already be known not to be the result of chance.

[14] Income above limit is the work-related closing code used by the new (CARES) system; payee started work/has higher earnings is the comparable code in the old (AIMS) system which was phased out during the 18 months covered by this study.

How Many Families Have Been Sanctioned?

A continuing area of great interest is the use of the full family sanction, the termination of the entire household s cash assistance grant, a feature that had not been used in Maryland prior to welfare reform. Table 5, following, presents information on the extent of full family sanctioning during reform s first 18 months. The table shows first, that, despite some predictions to the contrary, the use of full family sanctions has not been common and certainly has not been the cause of the marked caseload reductions that have taken place. Overall, only 8% - about one in 12 - of all case closures (n = 251/3,150) have been because the agency imposed a full family sanction for non-compliance with work or child support requirements.[15] The table also shows that, overwhelmingly, when sanctions are imposed they arise because of clients non-participation in work (n = 229 of 251 total sanctions), not because clients refuse to cooperate with child support (n = 22 of 251 total sanctions statewide).

Table 5.
Cases Closed Because of Sanctions: Entire Exiting Sample

Closing Code (n=3,150)	Frequency	Percent
Non-cooperation with work requirements	229	7.3%
Non-cooperation with child support requirements	22	0.7%

[15] Case closing reason could not be determined for 21 cases.

With regard to the use of full family sanctions we were able to look at the three time periods (months 1-6, months 7-12, months 13-18) separately and determine if there are any significant differences in the use of this new penalty. Table 6, following, shows that, in fact, a statistically significant difference was found between exiting cohort and frequency of work sanctions.

Table 6.
Reasons for Case Closure - Sanctions and Cohort Effects

Closing Code	Exiting Cohort 10/96-3/97 (n=1,054)	Exiting Cohort 4/97-9/97 (n=1,102)	Exiting Cohort 10/97-3/98 (n=1,015)	All Cohorts 10/96-3/98 (n=3,171)
Non-cooperation with work requirements* **	3.6% (37)	8.8% (96)	9.5% (96)	7.3% (229)
Non-cooperation with child support requirements	0.3% (3)	0.9% (10)	0.9% (9)	0.7% (22)

*** Difference between cohorts is statistically significant at the $p < .001$ level.

The proportion of cases closing due to work sanctions steadily increased across the 18 month time period. In the first six months of reform, only 3.6% of cases (n = 37) were closed due to work sanctions. In the second six months, the proportion increased to 8.8% (n = 96) and, in the 13th through 18th months, increased slightly again to 9.5% (n = 96). Altogether, in our sample, however, there have been only 229 full family, work-related sanctions applied statewide in the 18 months of welfare reform. No significant difference was found in the proportion of child support sanctions applied in the three time periods.

What are Payees Experiences with the Welfare System?

Maryland s welfare reform program was specifically designed to assist those who were most job ready to exit from welfare first. This approach was adopted so that program savings from early exiters can be used to provide services to families for whom successfully transitioning from welfare to work may be considerably more difficult. One indicator of the extent to which this approach has prevailed in practice is the length of time exiting families had been on welfare immediately prior to their case closing under welfare reform.

Consistent with the state s planned approach, Table 7, following, indicates that the majority of families who left welfare in the first 18 months were exiting from relatively short spells of welfare use. Key findings include:

At the time they exited, the plurality of families had been receiving assistance for 12 months or less (n =1,381 or 43.6%). Seven of ten cases had been open continuously for two years or less (n = 2,209 or 69.7%) at the time of exit.

Only one in ten families (n=314 or 9.9%) had been receiving assistance continuously for more than five years.

On average, cases had been open continuously for 25 months at the time of exit. The median case had been open for just about 14 months. Exiting spell lengths range from one month to 24 years.

Table 7.
Length of Exiting Spell - Entire Exiting Sample

Length of Exiting Spell	Frequency	Percent	Cumulative Percent
12 months or less	1,381	43.6%	43.6%
13-24 months	828	26.1%	69.7%
25-36 months	337	10.6%	80.3%
37-48 months	188	5.9%	86.2%
49-60 months	123	3.9%	90.1%
More than 5 years	314	9.9%	100.0%
Mean **Median** **Standard deviation** **Range**	25.4 months 13.9 months 31.5 months 1 month to 24 years		

We also examined spell lengths separately for each of the three exiting cohorts (months 1-6, 7-12, 13-18) to determine if there were any differences on this dimension between those who left welfare in the first few months of reform and those whose exits occurred later. We find no evidence that patterns have changed over time. As can be seen in Table 8, following, the most common situation in all three time periods is that the plurality of clients are exiting welfare spells that have lasted 12 months or less. In all three time periods, about one in 10 clients were exiting from a welfare spell that had lasted for more than five years.

Table 8.
Length of Exiting Spell - Cohort Effects

Length of Exiting Spell	Exiting Cohort 10/96-3/97 (n=1,054)	Exiting Cohort 4/97-9/97 (1,102)	Exiting Cohort 10/97-3/98 (n=1,015)
12 months or less	42.9% (452)	41.4% (456)	46.6% (473)
13-24 months	26.9% (283)	25.7% (283)	25.8% (268)
25-36 months	10.0% (105)	12.3% (136)	9.5% (96)
37-48 months	6.2% (65)	6.2% (68)	5.4% (55)
49-60 months	3.3% (35)	4.2% (46)	4.1% (42)
More than 5 years	10.8% (114)	10.3% (113)	8.6% (87)
Mean **Median** **Standard deviation** **Range**	25.4 months 14.0 months 30.4 months 1 month to 19 years	26.6 months 16.0 months 32.9 months 1 month to 24 years	23.9 months 12.9 months 31.0 months 1 month to 21 years

Readers familiar with welfare spell dynamics will realize that the length of any one welfare spell does not necessarily provide a good indicator of whether a family has had (or will have) an extensive welfare history. This is true in our present study as well. For example, it is possible that the spell culminating in the welfare exit that brought a family into our sample may be relatively short. However, that same family may have received welfare for a number of years in a prior spell or spells. Thus, to more thoroughly assess and report the actual welfare use of exiting families, we have collected historical data from administrative systems on lifetime welfare receipt for the 2,665 case heads in our first 15 months exiting samples (10/96-12/97). The results of this analysis are presented in Table 9.

Table 9.
Lifetime Welfare Receipt - 10/96-12/97 Samples

Total Time on Welfare at Time of Exit	Frequency	Percent	Cumulative Percent
12 months or less	612	23.0%	23.0%
13-24 months	449	16.8%	39.8%
25-36 months	339	12.7%	52.6%
37-48 months	264	9.9%	62.5%
49-60 months	200	7.5%	70.0%
61 months or more	799	30.0%	100.0%
Mean Median Standard deviation Range	47.4 months 34.7 months 43.3 months 1 month to 25 years		

The results illustrate that when we consider the adult payee s entire welfare history, we find a greater proportion of long-term recipients in our exiting sample. Specifically, we find that, over their lifetimes, three of 10 exiting payees (n=799, 30.0%) have received welfare for more than five years; almost half (n=1,263, 47.4%) have more than three years of cumulative welfare use. However, even considering lifetime, rather than single spell, welfare use, four of every 10 exiting adults (n=1,061, 39.8%) have spent no more than two years on assistance. Consistent with the data on exiting spell length, we find no evidence of differences in lifetime welfare receipt by exit cohort. Those who left welfare in the later (13^{th} - 15^{th}) months of reform resemble those who left earlier in terms of cumulative months of welfare receipt.

How Many Exiting Adults Have Prior UI-Covered Employment?

As states operate very work-focused welfare systems, a key issue is whether sufficient numbers of former clients can get and keep jobs and avoid returning to welfare. Information about the extent to which adult recipients have recent labor force attachment can be particularly valuable in thinking about this question.

For our study of families leaving Maryland s reformed welfare program, we use employment and wage data from the Maryland Automated Benefits System (MABS), which includes all employers (approximately 93% of jobs) covered by the state s Unemployment Insurance law. Independent contractors, sales people on commission only, some farm workers, federal government employees (civilian and military), some student interns, most religious organization employees and self-employed persons who do not employ any paid individuals are not covered.[16] O ff the books or under the table employment is not included nor are jobs located in other states. In a small state like ours which borders four states (Virginia, West Virginia, Pennsylvania, Delaware) and the District of Columbia, cross-border employment by Maryland residents is quite common.[17]

For the reasons noted, MABS data yield a conservative estimate of exiting adults employment. Still, it is important to examine how many adults had a recent history of UI-covered employment prior to the welfare exit which brought them into our sample; this information can be valuable in anticipating what their post-exit employment patterns

[16] Our lack of data on federal employment is significant since, in this area, the number of federal positions is considerable. Moreover, many of the 10,000 federal jobs which the President wishes to make available to former welfare recipients apparently will be located in the Baltimore-Washington area.

[17] The authors and many welfare agency administrators across the nation believe that standardized, generally-accepted protocols need to be developed whereby states can share vital UI wage/employment data while still protecting the confidentiality of those data. Since the need for these data is nearly universal across states, this is a task on which the federal Departments of Health and Human Services and Labor should probably take the lead.

might look like and what post-exit services might be required. For example, while almost all adult recipients have some occupational experience, many of them may have been out of the labor market for a long time. The research evidence is clear that reentering the workforce after a long absence can be a daunting task.[18] Thus, we conclude our baseline findings chapter by presenting some information on the prior employment experiences of payees in our exiting sample. In brief, the pre-exit data show that the typical exiting payee does have some history of labor force attachment and that, generally, it has not been a long time since exiting payees were employed in jobs covered by the state s Unemployment Insurance system.

Almost eight of ten exiting payees (78.7%, n = 2,497/3,171) worked at some point between the first quarter of 1995 and the first quarter of 1998.[19]

A large majority of our sample (70.6%, n = 2,238/3,171) had been on welfare for only seven to eight quarters before exiting, which lets us examine their employment status during the quarter immediately preceding their TCA entry. Of the adults in these cases, roughly one-third (31.4% n = 702/2,238) had UI-covered wages in the quarter right before they came on TCA. Mean quarterly earnings in these cases were $2,009 while the median or mid-point earnings were $1,550.

Half of the exiting adults (50.3%, n = 1595/3,171) worked in UI-covered employment in Maryland at some point during the quarter in which they exited TCA.[20]

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[18] See, for example, The Lewin Group, Job Retention and Advancement Among Welfare Recipients: Challenges and Opportunities, November 3, 1998 and Rangarajan, Keeping Welfare Recipients Employed: A Guide for States Designing Job Retention Services, June, 1998.

[19] For the most recent exiters in our sample (1/98 - 3/98) these employment data also include the 2nd quarter (4/98 - 6/98) of calendar year 1998.

[20] Since wage data are reported quarterly, we have no way to determine if UI-covered employment in the exit quarter occurred before or after the date the welfare case closed.

The retrospective picture of the payees in cases which left welfare during the first 18 months of reform is generally a positive one relative to a welfare-to-work strategy. The vast majority of adults do have some history of paid employment in a job covered by the state s Unemployment Insurance (UI) system, suggesting they are not total strangers to the world of work and that, in the past, they have been able to find jobs. On the other hand, the fact that we are studying these women because they have just exited from welfare means that, at least in the fairly recent past, many of them have not been able to remain employed and have wound up on cash assistance. Thus, it seems crystal-clear that the true test of community-wide efforts at welfare reform does not lie in how many former clients become employed, but rather in how many are able to stay employed. In short, as we move forward in the new welfare era, emphasis on job retention and employment support services will be critically important.

Findings: Follow up Administrative Data

The preceding chapter describes the characteristics of those who have left welfare during the first 18 months of reform in Maryland and shows that there have been few changes in the overall profile of welfare leavers during the first one and one-half years of the program. It also suggests that, consistent with the state s intended approach, the majority of adult welfare leavers have been individuals with at least some recent history of participation in UI-covered employment and relatively short, recent welfare spells. These baseline data are important for continued program planning and refinement and do speak to one question of interest: who is leaving welfare under the new rules. However, baseline data say nothing about the second important issue: what happens to families after they exit from welfare. That issue is the subject of this chapter. It presents findings to date concerning post-exit employment in jobs covered by the state s Unemployment Insurance (UI) program, quarterly earnings from those jobs and welfare recidivism.[21]

How Many Adults Have UI-Covered Jobs after Exiting TCA?

The preceding chapter reports that the majority of exiting adults have at least some labor force attachment in the years immediately prior to their welfare case closing. We now examine employment at the time the cash assistance case closes and in the

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[21] Unlike previous reports, today s does not include additional data on rates of foster care entry among exiting children; we will be issuing a separate report on child welfare outcomes, including historical baseline data, within the next few months. Readers interested in this topic are referred to our March, 1998 report which shows that less than 1% (0.4%, n = 15 children from 11 families) of the 3,467 children in our first year exiting samples entered foster care after their families left welfare.

quarters thereafter. We begin by looking at the extent of UI-covered employment among exiting adults in the quarter in which their welfare cases closed.

<u>How Many Work in UI-Covered Jobs Right Away?</u>[22]

About one of every two (n=1595 or 50.3%) exiting adults worked at some point during the quarter in which they left cash assistance. Mean or average earnings among those who worked in the exit quarter are $2,205; mid-point or median earnings are $1,945.[23]

Among those with a prior history (pre-exit) of UI-covered employment, about two of every three (n = 1,414/2,150 or 65.8%) work in UI-covered employment during the quarter in which their welfare cases closed. Mean or average earnings are $2,325 while median or mid-point earnings are $2,055.[24]

<u>Does Work Effort Persist Over Time?</u>

The most important question of interest to elected officials, program managers and advocates, of course, is the extent to which former adult recipients are working in the quarters **after** they no longer receive cash assistance. In particular, there is interest in the extent to which former payees are able to sustain employment (not necessarily in the same job) over time. We use employment and wage data on UI-covered employment in Maryland to address these questions. Readers are reminded, however, that these data tend to lag one to two quarters behind calendar time; thus, at the time of this writing, follow up employment data are only complete through the first quarter of 1998 (January-March, 1998).[25] In addition, the amount of post-exit employment data

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[22] As noted, the MABS system reports earnings on an aggregate quarterly basis. Thus, we do not know when in the quarter someone worked and how many hours they worked and it is impossible to compute hourly wage figures from these quarterly earnings data.

[23] Removing child-only cases increases the percent working to 52.1% (n = 1424/2735). Mean earnings change to $2,020 and the median shifts to $1,867.

[24] Eliminating child-only cases does not change the figures very much: the percent working becomes 65.6% (n = 1,253/1,909), average earnings become $2,118 and median earnings become $1,993.

[25] For the January-March, 1998 exit samples, however, we do have employment data for the 2nd quarter of 1998 (their first post-exit quarter).

varies depending on the month in which the case left welfare because of the nature of our longitudinal study (data collection at 3, 6, 12, 18 and 24 months post-exit). To facilitate interpretation, Table 10, following, shows how many quarters of post-exit employment data are available for each month s sample cases.

Table 10.
Number of Quarters of Post-Exit Employment Data by Sample Month

Sample Cohort	One Qtr (n = 3,171)	Two Qtrs (n = 2,156)	Three Qtrs (n = 1,605)	Four Qtrs (n =1,054)	Five Qtrs (n = 535)
October 1996					
November 1996					
December 1996					
January 1997					
February 1997					
March 1997					
April 1997					
May 1997					
June 1997					
July 1997					
August 1997					
September 1997					
October 1997					
November 1997					
December 1997					
January 1998					
February 1998					
March 1998					

As shown, five post-exit quarters of data are available for the October 1996 through December 1996 leavers. Those who exited between January 1997 and March 1997 have four quarters of post-exit employment data and those who exited between April 1997 and June 1997 have three. Two post-exit quarters of data are available for the July 1997 through September 1997 cohorts. Data for one post-exit quarter are presented for all remaining cohorts, October 1997 through March 1998.

What do we know about the post-exit employment of former welfare recipients in jobs covered by the state s Unemployment Insurance system? Table 11, following this discussion, graphically illustrates key results. While the major finding is that the majority of household heads do work in UI-covered employment after they leave the welfare rolls, specific items of note are:

- About three of every five exiting payees (59.3% or n =1,880/3,171) worked in at least one quarter after their TCA exit.
- In the first quarter after exit, one of every two (50.6% or n = 1,605/3,171) former payees worked in UI-covered employment. Excluding child only cases (where the adult casehead was not on the welfare grant), this figure increases to 52.4%.

Considering the myriad reasons that families leave welfare, it is heartening that at least half of those who exited during the first 18 months of reform worked in UI-covered jobs immediately upon their departure from welfare. Of course in a time-limited welfare world, the most important questions pertain to what happens in terms of employment, work effort and wages over time. The issues are many; key findings about subsequent post-exit quarters (also shown in Table 11) include:

The pattern of approximately one out of two adults working in UI-covered employment continues in the 2nd through 5th quarters post-exit. That is, in each subsequent quarter, half are employed in a job covered by the state s Unemployment Insurance system.

The specific proportions employed in each quarter, for all cases, are: 51.3% (2nd post-exit quarter), 50.8% (3rd post-exit quarter); 52.1% (4th post-exit quarter); and 49.2% (5th post-exit quarter).[26]

Those with a pre-exit wage history have noticeably higher rates of post-exit employment: roughly three-fifths of these clients are working in each of the 2nd through 5th quarters after they exited from welfare.

It is important to note that, while three of every five clients with a pre-exit wage history do continue to work in the quarters after leaving welfare, there is a slight decrease in the percent working over time. That is, in the first post-exit quarter, some 64.7% of those with recent prior, pre-TCA exit work experience are working in UI-covered jobs. Though still a majority, the proportion so working drops to 59.2% by the fifth post-exit quarter.

There are many possible explanations for this observed pattern. Because our monthly samples vary in the number of quarters of post-exit employment data available, (see Table 10), unmeasured differences in study cohorts could produce the pattern observed. Alternatively, the effect could be due to former recipients or the working poor, in general, encountering difficulties in sustaining employment over the long-term. We have conducted preliminary analyses to test both of these hypotheses and the results do not support either. The causes of the possible trend aside, this finding, while

[26] The percent working in each quarter goes up when child-only cases are excluded. The rates are: 52.6%, 51.9%, 54.0% and 51.4% for the 2nd through 5th post-exit quarters, respectively.

preliminary, does point to the importance of developing post-exit services to assist former clients with job retention, job reacquisition and job advancement.

What Quarterly Earnings from UI-Covered Employment Do Adults Obtain?

Table 11 also includes information on the aggregate quarterly earnings of former adult recipients employed in UI-covered jobs in Maryland after their exits from the cash assistance rolls. The general findings are:

In the first post-exit quarter, average quarterly UI-covered earnings are $2,369 for all cases (excluding child-only cases, the figure is slightly less, $2,207).[27]

The trend in quarterly earnings is an upward one over the 2nd through 5th post-exit quarters, such that, for all cases average earnings are $2,646 by the 5th quarter after the welfare case closed. (Excluding child-only cases, the figure is slightly less, $2,524.)

The proportion of former TCA clients who are working in UI-covered employment immediately after they leave welfare is encouraging, but some may be concerned about what appear to be their relatively low quarterly earnings. Indisputably, low wage employment and the problems of the working poor, in general, should be matters of public concern. However, readers and users of our earnings data must **not** assume that these quarterly figures indicate that employed, former welfare recipients are all working in minimum wage jobs. Wages are reported on an aggregate, quarterly basis. It is impossible to determine if the person is working part-time or full-time, if they worked

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[27] By definition, child-only cases have no adult included on the grant. However, we do have employment and wage data on the adult(s) who receive welfare for the youngsters in child-only cases. Thus, excluding child-only cases in this context means that we are not considering those non-recipient adults employment and wages.

during the entire quarter or only a portion of it. Thus, the quarterly earnings we report simply can not be converted into full-time hourly wage equivalents.

Table 11.
UI-Covered Employment in the Quarters After TCA Exit[28]

UI-Covered Employment	All Cases	Excluding Child Only Cases
1st Quarter After TCA Exit		
Total number of cases	3,171	2,735
Percent Working	50.6% (1,605)	52.4% (1,434)
Mean Earnings	$2,369	$2,207
Median Earnings	$2,131	$2,039
Percent with Pre-Wage History Working	64.7%	64.3%
2nd Quarter After TCA Exit		
Total number of cases	2,156	1,864
Percent Working	51.3% (1,105)	52.6% (981)
Mean Earnings	$2,444	$2,323
Median Earnings	$2,143	$2,107
Percent with Pre-Wage History Working	62.7%	61.8%
3rd Quarter After TCA Exit		
Total number of cases		
Percent Working	1,605	1,373
	50.8% (816)	51.9% (713)
Mean Earnings	$2,533	$2,396
Median Earnings	$2,252	$2,193
Percent with Pre-Wage History Working	62.5%	61.7%
4th Quarter After TCA Exit		
Total number of cases	1,054	886
Percent Working	52.1% (549)	54.0% (478)
Mean Earnings	$2,624	$2,480
Median Earnings	$2,308	$2,279
Percent with Pre-Wage History Working	62.2%	62.0%
5th Quarter After TCA Exit		
Total number of cases	535	442
Percent Working	49.2% (263)	51.4% (227)
Mean Earnings	$2,646	$2,524
Median Earnings	$2,480	$2,417
Percent with Pre-Wage History Working	59.2%	58.4%

[28] As previously noted, the MABS system reports earnings on an aggregate quarterly basis. Thus, we do not know when in the quarter someone worked and how many hours they worked and it is impossible to compute hourly wage figures from these quarterly earnings data.

How Many Adults Are Steadily Employed in UI-Covered Jobs Over Time?

The above results are encouraging because they indicate that work effort among recent welfare leavers is not a short-lived phenomenon; for many former clients, work effort and UI-covered employment do persist over time - at least through the first full year after welfare case closure. To examine in more detail the specific question of how many who work immediately after leaving welfare continue to work in subsequent post-exit quarters, we looked at the monthly samples for which we have at least three post-exit quarters of employment and wage data. Specifically, we looked at cases which exited during the first nine months of welfare reform (10/96 - 6/97)

Results are quite encouraging. Of those who left during reform s first nine months and who worked in UI-covered jobs during the first post-exit quarter, the vast majority (86.7%, n=722/833) also had UI-reported earnings in the second post-exit quarter. Likewise, the large majority (77.3%, n=644/833) who worked in the first quarter after exiting welfare were also employed in the third quarter post-exit. Moreover, the vast majority (73.8%, n = 615/833) of those who worked in UI-covered jobs during the first post-exit quarter worked in such jobs in **both** the 2^{nd} and 3^{rd} post-exit quarters as well.

Does Likelihood of Working Vary by Case Closing Reason?

We also examined whether, as documented in our second interim report, post-exit employment continues to vary systematically with the case closing reason (our caveats on administrative case closing reasons notwithstanding). As presented in Table 12, following, this relationship has persisted. Specifically, employment in the exit quarter is most common among adults whose welfare cases closed because payee started work or had income above limit. Almost nine of every 10 of the former (86.1%) and seven of 10 of the latter (71.7%) cases, respectively, worked in UI-covered jobs in Maryland during the calendar quarter in which they left cash assistance. Consistent with earlier reports, employment is much lower, though not unsubstantial, among adults whose welfare cases closed because the customer did not complete the redetermination process (43.2%). Also less likely to be employed in UI-covered jobs right at the time of welfare exit are cases where the client requested closure (42.5%). About half of those who did not provide information needed to continue eligibility (48.9%) also worked in the exit quarter.[29] These differences are statistically significant.

Table 12.
Employment in Quarter of Exit by Case Closing Reason

Top Five Case Closing Reasons	Percent Working***	Number Working	Mean Earnings***	Median Earnings
Income above limit	71.7%	430/600	$1,924	$1,758
Failed to reapply/redet.	43.2%	232/537	$2,542	$2,132
Failed to give elig. Information	48.9%	222/454	$2,274	$1,910
Started work or had higher earnings	86.1%	267/310	$2,519	$2,376
Client requested closure	42.5%	114/268	$2,855	$2,213

***p<.001

There are also statistically significant differences in the mean or average quarter-of-exit earnings among those who left welfare for various reasons. Notably, Table 12 shows that average quarterly earnings among those who are working are highest for

[29]Although not shown in the table, about one in three adults sanctioned for non-compliance with work also had UI-covered employment in the exit quarter (33.2%); this finding is tempered by the fact that sanctioned cases have very high recidivism rates (about one in four, 24.4% return to welfare 30 days or less after exiting).

clients who requested case closure ($2,855). Mean quarterly earnings among those who did not complete the redetermination process, but did work in the exit quarter ($2,542) are higher than, but close to the earnings of employed former clients whose cases closed because they started work or had higher earnings ($2,519).

These data make it clear that many clients who requested case closure or simply failed to complete the eligibility redetermination process were actually clients who left welfare for work, but did not inform their case manager of that fact. According to program rules, Transitional Medical Assistance might well have been automatically available to many of these clients if the worker had been aware of the client s job and closed the TCA case for a work-related reason. We also know that lack of health coverage, especially for children, is a frequent cause of welfare recidivism.

This trend - of far more clients actually leaving welfare for work than is reflected in administrative data - is one whose existence we began to suspect in our second interim report. As a result of this nascent trend we understand the Department of Human Resources has initiated a Medical Assistance enrollment/outreach project. Among other things this project is devising strategies to assist front-line workers to inquire further as to reasons for case closure, particularly when closure requests are client-initiated, and will use various strategies such as redesigned notices to educate clients about the importance and potential benefits of reporting jobs to the agency.

Today s findings indicate that this enrollment/outreach initiative is an appropriate strategy, to which the authors would offer only one friendly amendment. That is, in addition to agency-initiated efforts, we think it would also be valuable for community agencies and groups to also mount their own, independent, wholesale efforts to inform clients about the importance and very real potential benefits of reporting employment to the local welfare department. If the past is any prologue, the importance of health coverage in enabling families to remain free of welfare simply can not be overstated; thus, it is in everyone s best interest if the message about employment-related transitional medical benefits is conveyed through as many channels as possible.

We also examined whether a client s likelihood of working in the first full quarter **after** leaving welfare also varied systematically according to the administratively-recorded reason that her cash assistance case had closed. Table 13 presents our results.

Table 13.
Employment in First Post-Exit Quarter by Case Closing Reason

Top Five Case Closing Reasons	Percent Working***	Number Working	Mean Earnings***	Median Earnings
Income above limit	69.7%	418/600	$2,396	$2,211
Failed to reapply/redet.	44.7%	240/537	$2,420	$1,941
Failed to give elig. Information	48.2%	219/454	$2,351	$2,010
Started work or had higher earnings	81.6%	253/310	$2,465	$2,517
Client requested closure	41.8%	112/268	$3,194	$2,728

***p<.001

The patterns in Table 13 (first post-exit quarter) are identical to those shown in Table 12 (quarter of exit). Those most likely to be working in UI-covered employment in the first, full post-exit quarter are clients who left welfare because they started work/had higher earnings (81.6%) or had income above limit (69.7%). Employment is lower, though still substantial, among those whose cases were closed at the client s request

(41.8%), because the redetermination process was not completed (44.7%) or because the client did not supply required eligibility information (48.2%). Also consistent with Table 12 are the mean earnings patterns found in the first, full post-exit quarter. Again, those with the highest average ($3,194) and median ($2,728) earnings are clients who had requested case closure. These differences in mean earnings are statistically significant.[30]

<u>What Types of Industries Hire Former Welfare Recipients?</u>

The data presented in the previous section indicate that, for the most part, former welfare recipients are able to obtain employment and remain employed, in UI-covered jobs in Maryland, at least in the first few quarters following their welfare exit. However, many have raised questions about the extent to which these findings will hold over the long term and whether the jobs former recipients obtain will pay enough for them to support their families. Historically, research has indicated that, because they often have low education levels, welfare recipients are most likely to find employment in low-skill, low-wage sectors of the labor market (Burtless, 1997; Zill, Moore, Nord & Steif, 1991). In fact, data from the U.S. Bureau of the Census Survey of Income and Program Participation (SIPP) show that welfare mothers jobs, in the past, tended to be in the lowest-wage women s occupations (i.e. pink collar jobs in service industries such as restaurants, bars, nursing homes, hotels and motels, department stores, and temporary help service firms (Spalter-Roth, et. al., 1995)). In contrast, the work of Lane et. al.

[30] Notably, the proportion of adults in cases sanctioned for non-compliance with work goes up in the first full post-exit quarter (40.2% of these adults had UI-covered employment in the post-exit quarter, compared to 33.2% in the quarter of exit).

(1998) shows that, historically, some other industries have been more successful in retaining former welfare recipients; individuals who worked in public administration, health services, and social services were more likely to have successful outcomes.

For the above reasons, it is important to document the most common types of UI-covered industries in which former recipients work immediately after leaving welfare. To do this, we grouped former payees first post-exit employers by Standard Industrial Classification (SIC) codes. It was not uncommon for exiting adults to work for more than one employer in the first post-exit quarter.[31] To best utilize the available data, we allowed each exiting adult to contribute up to five employers to the industry data. Thus, the data presented in the following section reflect number of employers for which exiting adults worked, not the number of exiting adults working in each industry in the first post-exit quarter.

For ease of interpretation we present data at the most general (SIC 1, Figure 1) and most specific (SIC 4, Table 14) levels of classification. In sum these data indicate the following:

> The most frequent employer type in the first post-exit quarter is wholesale and retail trade accounting for 35.0% (n = 608) of all jobs. A little over half of the jobs in this sector are: eating and drinking places (n = 171), department stores (n = 92), and supermarkets (n = 72).
>
> The next most common industry is personal/business services (n = 405), accounting for 23.3% of the employers in the sample. Employment services (n = 193), hotels and motels (n = 44) and security system services (n = 30) are the most common types of employers within this classification.

---

[31] The vast majority (80.9%, n=1,299) of payees who worked had only one employer in the first post-exit quarter. However, about 16% (15.7%, n=252) had two employers and 3.4% (n=54) had three or more.

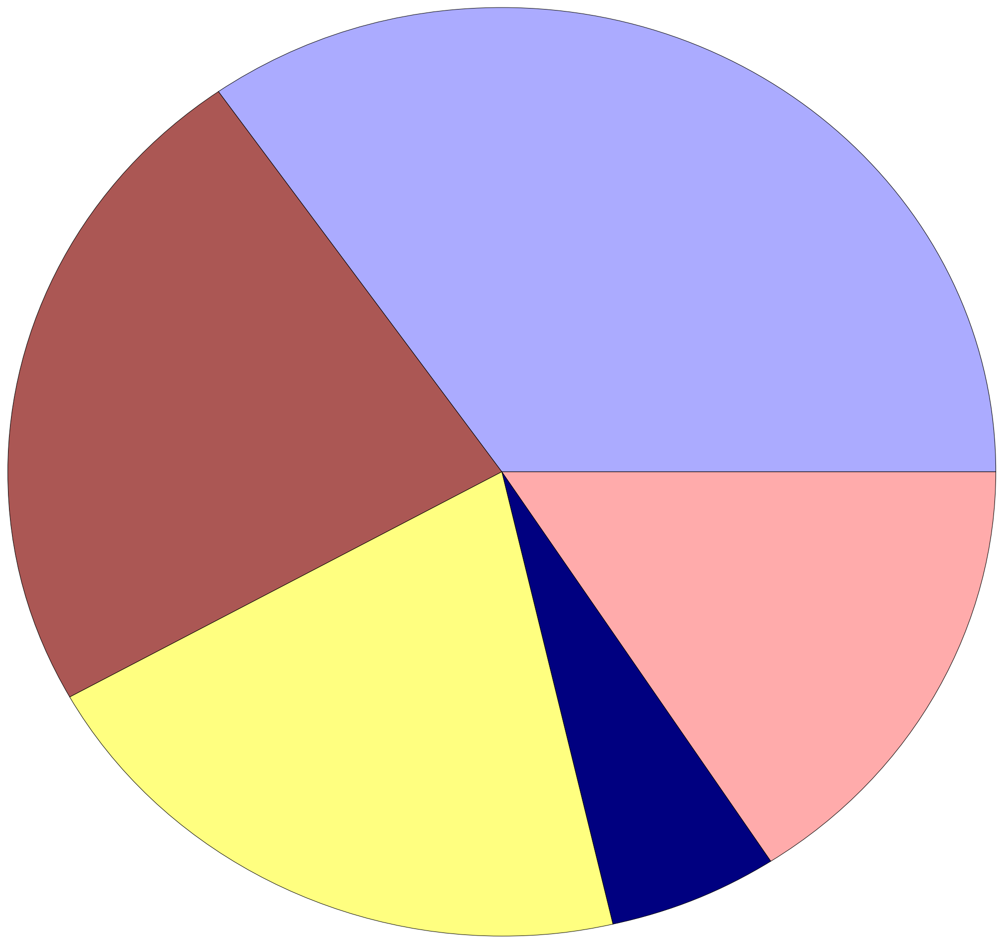
The third most common type (n = 357) of employer is organizational services, accounting for 20.5% of the total. A majority of the employers classified as organizational services are health services (nursing homes, hospitals, home healthcare, n = 135), sole proprietors (n = 31) and social services (n = 27).

Together these three industries account for just about four-fifths (78.8%) of the employers in the first quarter after the welfare exit.

Readers familiar with our previous reports will notice that the second and third most common industry types have switched places. That is, in our second interim report organizational services accounted for 23.5% of the employers and personal/business services accounted for 19.3%; the proportions now are personal/business services, 23.3% and organizational services, 20.5%. Table 14, on the following page, lists the top 25 industries (using the more specific SIC4 categories) in which former welfare recipients find employment in the three months immediately following their exits from cash assistance. Figure 1, immediately following the table, displays the most common employers, grouped by the most general SIC1 category.

Table 14.
Finding Work After Welfare:
The Top 25 Employers/Industries in the First Quarter after Exiting

Type of Employer/Industry (SIC4)	Frequency	Percent
Temporary Help/Employment Agencies	193	11.1%
General Eating and Drinking Places	171	9.8%
Department Stores	92	5.3%
Nursing Homes and Hospices	75	4.3%
Grocery Stores/Supermarkets	72	4.1%
Sanitary Services, Commercial	48	2.8%
Hotels and Motels	44	2.5%
Hospitals	44	2.5%
Drug Stores	31	1.8%
Sole Proprietors	31	1.8%
Security System Services	30	1.7%
Miscellaneous Food Stores	28	1.6%
Social Services	27	1.6%
Groceries and Related Products	26	1.5%
Food and Kindred Products	22	1.3%
Colleges and Universities	20	1.2%
Management Services	18	1.0%
City Government	18	1.0%
County Government	17	1.0%
Home Health Care Services	16	0.9%
Elementary and Secondary Schools	16	0.9%
Child Day Care Services	16	0.9%
State Government	16	0.9%
Telephone Communication	15	0.9%
Schools and Educational Services	15	0.9%



How Many Families Return to Welfare after an Exit?

The phenomenon of recidivism or returning to welfare after having exited was common under the old cash assistance program, AFDC. Estimates of the incidence of AFDC recidivism vary somewhat, but it is probably safe to say that at least one-third and perhaps as many as two-thirds of all AFDC exiters experienced at least one subsequent welfare spell (see, for example, Bane and Ellwood, 1994; Blank and Ruggles, 1994; Pavetti, 1993; Weeks, 1991). Our own analysis of AFDC recidivism in Maryland found that nearly half (47%) of all exits from a first welfare spell resulted in at least a 2nd spell of welfare receipt over a nine year period (Born, Caudill and Cordero, July,1998). Under AFDC it was also true that returns to welfare tended to happen quickly; our Maryland study showed that one in three recidivists returned to welfare within six months of exit; about half who returned did so within 12 months.

Little attention has thus far been paid to the phenomenon of recidivism under welfare reform, but PRWORA s imposition of time limits on cash assistance receipt does require state officials to pay close attention to how long clients receive welfare. Understandably, most attention in terms of time limits has focused on clients at risk of hitting the federal 60 month limit in one, long continuous spell. Over time, however, a much larger group, those who intersperse spells of welfare with periods of being off welfare, are also at risk to reach the 60 month threshold. Thus, an essential part of attending to time clock issues will be concerted, effective efforts to prevent recidivism. The success of these efforts, in turn, requires that we have empirical data which describe the extent of returns to welfare among those who have exited, document the timing of those returns, and identify, at least preliminarily, what the risk factors for recidivism appear to be in the new welfare era.

To address the question of recidivism under Maryland s new welfare system, we obtain administrative data on cash assistance receipt for exiting cases in our sample. Because of historical evidence that recidivism tends to happen quickly, we use these data to examine several dimensions of the recidivism phenomenon. First and most basically, we calculate overall recidivism or returns-to-welfare rates at the 3, 6, and 12 months post-exit measuring points. We then look at the timing of those returns, specifically at the extent to which administrative churning (cases which close, but reopen in 30 days or less) may be contributing to the observed recidivism rates. Recidivism rates are also calculated separately for sanctioned and non-sanctioned cases and, more generally, we examine whether recidivism appears to vary by case closing reason. Finally, because recidivism prevention is so vitally important in the new time-limited world of welfare, we also compare the demographic characteristics of recidivists and non-recidivists at the three-month follow up point.

In reviewing all recidivism findings presented in this chapter, readers are alerted that, because of the nature of our data collection cycle (follow up at 3, 6, 12, 18 and 24 months post-exit), we have differing amounts of follow up recidivism data for our monthly samples of cases. Table 15, on the next page, illustrates the amount of recidivism data available for each of our monthly samples.

Table 15.
Amount of Recidivism Data by Sample Month

Sample Month	3 Month Recidivism (n = 2,665)	6 Month Recidivism (n = 2,156)	12 Month Recidivism (n = 1,054)
October, 1996	x	x	x
November, 1996	x	x	x
December, 1996	x	x	x
January, 1997	x	x	x
February, 1997	x	x	x
March, 1997	x	x	x
April, 1997	x	x	
May, 1997	x	x	
June, 1997	x	x	
July, 1997	x	x	
August, 1997	x	x	
September, 1997	x	x	
October, 1997	x		
November, 1997	x		
December, 1997	x		
January, 1998			
February, 1998			
March, 1998			

We begin with presentation of our findings on the overall rates of recidivism at the 3, 6 and 12 months post-exit measuring points; these data appear in Table 16 on the next page.

Table 16.
Recidivism Rates: Entire Sample at 3, 6 and 12 Months

Months Post-Exit	% Not Returning to TCA by This Time	% Returning to TCA by This Time	Cumulative Rate of Returns to Welfare
3 months (n=2665)	80.3%	19.7%	19.7%
6 months (n=2156)	76.9%	23.1%	23.1%
12 months (n=1054)	75.8%	24.2%	24.2%

Table 16 shows that, even taking the worst case approach to measuring recidivism, the vast majority of exiting families have been able to remain off the welfare rolls; even at the end of one full year post-exit, fully three-fourths of all exiting families (75.8%) have not returned to cash assistance.[32] The data also show that returns to welfare, when they do occur, happen very quickly - usually within three months or 90 days of the case closure. That is, 19.7% of exiting families have returned to welfare three months after exiting; by the end of 12 months, the rate only increases by an additional four percent, such that, at the end of one year the worst case cumulative recidivism rate stands at 24.2%.

Table 16 really only tells us one, important programmatically useful thing about the phenomenon of recidivism in the new welfare era - that early returns (within the first three months of exit) constitute the bulk of the recidivism problem at the moment. The authors experience with Maryland s old (AFDC) and new (TCA) welfare systems as well as findings from our previous interim reports leads us to hypothesize that there are

[32] These are worst case statistics largely because they do not take into account the phenomenon of administrative churning , where cases close, but reopen within 30 days or less. As will be shown, excluding churning cases from the analysis reduces the three month recidivism rate to about 5%.

two phenomena that are most likely to be responsible for these early returns to welfare. One possibility is that sanctioned cases, those where the entire grant is terminated for non-compliance with work or child support requirements are the ones returning to welfare shortly after exiting. The second possibility is that the phenomenon of administrative churning, where welfare cases close, but reopen in 30 days or less, is responsible for most of these early returns. This type of churning, which happened quite frequently under AFDC, could conceivably still be occurring regularly under the new system. Table 17, following, shows what we found when these hypotheses were investigated.

Table 17.
Recidivism Rates: The Role of Sanctioning and Churning

Types of Cases	3 Month Recidivism (n = 2665)	6 Month Recidivism (n = 2156)	12 Month Recidivism (n=1054)
All Cases	19.7% (526)	23.1% (499)	24.2% (255)
All Cases Except: Full family Sanctions	18.4% (451)	22.0% (438)	23.7% (237)
All Cases Except: Churners (returned to TCA in 30 days or less)	5.2% (139)	10.0% (216)	17.8% (188)
All Cases Except: Sanctioned Cases & Churners	4.7% (116)	9.5% (190)	17.3% (173)

Table 17 indicates that, at least in the first few months post-exit, the lion s share of returns to welfare are accounted for by churners - cases which are closed, but then reopen within 30 days. In contrast, sanctioned cases have only minimal impact on the overall recidivism rate in the first few months.[33] These realities are most dramatically illustrated in the 3 month recidivism column of Table 17. When all cases are included, the worst case scenario, we find that about one in five clients (19.7%) have returned to welfare within 90 days of exiting; when all cases except sanctioned cases are examined, the rate drops only marginally (18.4%). However, when we include sanctioned cases, but exclude churners , the three month recidivism rate drops precipitously - to just about five percent (5.2%). A similar pattern, though not quite as dramatic, can also be observed in the 6 month recidivism column . The all case/worst case six month recidivism rate is 23.1% and excluding sanctioned cases has virtually no effect (22.0%). When we exclude only the churning cases (those who return to welfare in 30 days or less), however, the six month recidivism rate is more than cut in half (10.0%).

At the 12 month recidivism measuring point, the pattern also appears to prevail. However, we urge caution in reaching any conclusions about trends at the 12 month point because this column of Table 17, at present, is based on so few cases (n=1,054) relative to the three (n=2,665) and six (n=2,156) month columns. Despite this caveat, we would say that it appears - even at the one year post-exit point - that the vast majority (of non-churning) families have managed to remain off the welfare rolls; of cases for whom we have a full year s data, including cases that were sanctioned, fewer than one in five (17.8%) have returned to cash assistance.

[33] This is not meant to imply that sanctioned cases have low rates of recidivism, for they do not; their recidivism rates are quite high. However, there are so few sanctioned cases that they have only minimal impact on the overall sample s recidivism rates.

<u>Who is at Risk of Returning to Welfare?</u>

While the preceding analysis focuses primarily on the timing of returns to welfare, it also gives rise to the possibility that certain types of cases may be more at risk to experience a return to welfare than other types of cases. If this is true, the finding would be important for front-line welfare practice since, to prevent recidivism, what program managers really need is more specific information about who is returning to welfare and who is not. Thus, as part of our new, more detailed examination of returns to welfare, we also examine two other possibilities. The first is that there may be a relationship between case closing reason and recidivism risk. To conduct this analysis we focus on the top five case closing reasons which, together, account for just about seven of every 10 (68.9%) closures in our sample. For obvious reasons, we also include cases sanctioned for non-compliance with work. Table 18, following, presents the results of this analysis.

Table 18.
Three Month Recidivism Rates by Case Closing Reason

Administrative Case Closing Reason (Top Five)***	% Which Did Not Return To TCA in Three Months	% Which Did Return To TCA in Three Months
Income above limit	89.8% (449)	10.2% (51)
Did not reapply/no redet.	70.7% (367)	29.3% (152)
Did not give eligibility info	78.4% (286)	21.6% (79)
Started work/had higher wages	97.5% (273)	2.5% (7)
Payee requested case closure	81.7% (183)	18.3% (41)
Full family sanction (work)	64.4% (116)	35.6% (64)

*** Difference is significant at the $p < .001$ level

It is obvious from Table 18 that the likelihood of returning to welfare within the first 90 days of exit does vary significantly depending on the administratively-recorded reason for closing the welfare case. The very lowest rates of recidivism are observed among those who, as known to the agency, leave welfare for work: payees whose closing reasons were because they started jobs/had higher earnings (2.5%) and those whose incomes were above limit (10.2%) had the lowest rates of early returns to welfare.[34] Consistent with our previous interim report (March, 1998), it remains true that the highest rate of early (within three months) recidivism is found among those whose welfare cases were closed for non-compliance with work requirements.[35] Fully one of every three cases closed for this reason (35.6%, n=64/180) had come back on welfare within three months of exiting. We took an even closer look at work-sanctioned cases and found that the vast majority of sanctioned cases which came back within 90 days actually returned within the first 30 days. Specifically, a total of 64 work-sanctioned cases came back to welfare within the first 90 days; of this number, two-thirds (n=44) had returned by the end of the first month.[36]

All of the above analyses lead to the obvious question of whether the demographic characteristics of those who return to welfare shortly after an exit differ

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[34] Started work/higher wages was the primary employment closing code in the old (AIMS/AMF) system and income above limit is the primary work-related closing code in the new (CARES) system.

[35] We do not include cases sanctioned for non-compliance with child support as there are only 19 such cases in our 15 month sample. Of this number, 13 did not return to welfare in the first 90 days, while 6 did.

[36] This last finding is consistent with arguments made by front-line staff for adoption of full family sanctioning; they saw this as an effective way to get clients attention and secure their participation in work before their time limits expired.

from the characteristics of those who do not return. Recidivism research under AFDC was generally consistent in showing that lack of work experience, among other things, increased a person s risk of recidivism. Because the new welfare systems are so radically different from AFDC, however, today s risk factors may or may not be the same. Thus, it is necessary to examine this issue using data generated under the new program rules, which we have done as the second part of our who is at risk analysis.

To determine if today s recidivists and non-recidivists differ, we compare those who returned to Maryland s new cash assistance program with those who did not reenter on 12 variables associated with recidivism under AFDC. These are: payee age, payee estimated age at first birth, payee racial/ethnic background, region of residence, assistance unit size, number of children, age of youngest child, length of exiting spell, total time on welfare pre-exit (lifetime welfare use), pre-exit wage history, and whether payee worked in the exit quarter and the quarter immediately after exiting from welfare.

Table 19, on the next two pages, presents the results of this comparison at the three months post-exit point. We chose the three month measure because we have this data for the largest number of cases (n=2,665, the first 15 months samples) and because, as we have demonstrated, the vast majority of recidivism so far under the new system has taken place in the first few months after cases close. Consistent with our earlier approach and findings, the table presents characteristics separately for recidivists who return to welfare in 30 days or less (the churners) and those who return between the 31st and the 90th days (3 months), the true recidivists.[37]

[37]The comparisons were also run with churners and recidivists combined; the patterns of significance were the same.

Table 19.
Comparisons between Recidivists and Non-Recidivists at the 3 month follow up point - Case Characteristics

Characteristics	Recidivists: 30 days or less	Recidivists: more than 30 days but within 3 months	Non-Recidivists	Total: Recidivists and Non-Recidivists
Payee s Age				
Mean	31.82	30.24	31.62	31.58
Median	30.55	29.32	30.26	30.23
Std. Dev.	9.23	8.32	9.09	9.07
Range	18 to 73	18 to 55	18 to 86	18 to 86
Payee s Age at First Birth				
Mean	21.65	22.07	21.81	21.80
Median	20.08	20.04	20.54	20.48
Std. Dev.	5.19	5.72	5.01	5.07
Range	13 to 42	14 to 40	13 to 49	13 to 49
Payee s Racial/Ethnic Background				
Caucasian	25.5% (92)	25.8% (34)	30.9% (614)	29.8% (740)
African-American	73.4% (265)	71.2% (94)	66.4% (1,319)	67.7% (1,678)
Other	1.1% (4)	3.1% (4)	2.7% (54)	2.4% (62)
Region* **				
Baltimore City	8.0% (31)	27.3% (38)	36.2% (774)	31.6% (843)
Prince George s	37.2% (144)	18.0% (25)	15.1% (332)	18.4% (491)
Montgomery	6.7% (26)	3.6% (5)	5.5% (118)	5.6% (149)
Baltimore County	20.4% (79)	18.0% (25)	11.2% (240)	12.9% (344)
Anne Arundel	6.2% (24)	5.0% (7)	5.4% (116)	5.5% (147)
Metro	4.4% (17)	5.0% (7)	6.6% (141)	6.2% (165)
Western MD	4.1% (16)	6.5% (9)	6.6% (141)	6.2% (166)
Eastern Shore	10.3% (40)	14.4% (20)	8.8% (189)	9.3% (249)
Southern MD	2.6% (10)	2.2% (3)	4.5% (97)	4.1% (110)
Assistance Unit Size				
Mean	2.78	2.71	2.65	2.67
Median	2.00	3.00	2.00	2.00
Std. Dev.	1.32	1.00	1.11	1.14
Range	1 to 11	1 to 6	1 to 9	1 to 11
Number of Children				
Mean	1.90	1.76	1.76	1.78
Median	2.00	2.00	1.00	2.00
Std. Dev.	1.21	0.95	1.01	1.04
Range	0 to 9	0 to 5	0 to 8	0 to 9

Characteristics	Recidivists: 30 days or less	Recidivists: more than 30 days but within 3 months	Non-Recidivists	Total: Recidivists and Non-Recidivists
Age of Youngest Child				
Mean	5.38	5.23	5.61	5.56
Median	4.37	3.57	4.37	4.31
Std. Dev.	4.27	4.31	4.38	4.36
Range	<1 to 18	<1 to 18	<1 to 18	<1 to 18
Percent less than 3 years	36.7%	39.5%	35.2%	35.6%
Exit Spell**				
Less than 12 mos.	63.8% (247)	53.8% (81)	53.1% (1,133)	54.9% (1,461)
12 - 24 Months	17.6% (68)	20.9% (29)	20.3% (434)	20.0% (531)
25 - 36 Months	8.8% (34)	7.2% (10)	9.8% (210)	9.5% (254)
37 - 48 Months	3.6% (14)	5.8% (8)	4.9% (105)	4.8% (127)
49 - 60 Months	0.8% (3)	1.4% (2)	3.2% (68)	2.7% (73)
More than 60 mos.	5.4% (21)	6.5% (9)	8.6% (184)	8.0% (214)
Mean	17.10	18.67	22.78	21.74
Median	8.48	8.94	11.20	10.92
Std. Dev.	22.80	25.92	31.29	30.01
Range	0 to 140	0 to 158	0 to 285	0 to 285
Total Time Spent on Welfare***				
Less than 12 mos.	14.5% (56)	13.7% (19)	25.1% (537)	23.0% (612)
12 - 24 Months	20.7% (80)	9.4% (13)	16.7% (356)	16.9% (449)
25 - 36 Months	14.2% (55)	12.9% (18)	12.4% (266)	12.7% (339)
37 - 48 Months	11.1% (43)	16.5% (23)	9.3% (198)	9.9% (264)
49 - 60 Months	8.0% (31)	6.5% (9)	7.5% (160)	7.5% (200)
More than 60 mos.	31.5% (122)	41.0% (57)	29.0% (620)	30.0% (799)
Mean	49.17	57.11	46.41	47.37
Median	37.66	45.81	32.80	34.67
Std. Dev.	39.52	42.89	43.89	43.29
Range	5 to 294	2 to 240	<1 to 285	<1 to 294
Percent with a Pre-Exit Wage History***	58.9% (228)	67.6% (94)	69.8% (1,494)	68.1% (1,816)
Percent Working in the Quarter They Exited TCA***	33.1% (128)	48.2% (67)	54.9% (1,175)	51.4% (1,370)
Percent Working in the Quarter After They Exited TCA***	34.4% (133)	43.2% (60)	55.3% (1,183)	51.6% (1,376)

Notes: Valid percent is used. Due to missing or unavailable data, n may not always sum to 2,665. An independent samples t-test was used to determine whether there were differences in means between recidivists and non-recidivists. The Chi-square statistic was used to test categorical data including region and racial/ethnic group. *p<.05 **p<.01 ***p<.001

Of nine demographic characteristics and three work-related variables, only three of the former, but all three of the latter are significantly associated with recidivism in the first few months after exit. Demographic variables that seem to matter are: region of residence; length of the welfare spell that resulted in the exit; and lifetime welfare use.

In terms of place of residence, the data show that, for people leaving welfare in the first 15 months (10/96 - 12/97), the risk of recidivism in the first 90 days post-exit was greatest for clients living in Prince George s and Baltimore Counties and, to lesser extent, those who reside on the Eastern Shore. Prince George s County, to illustrate, accounted for 18.4% of all sample exiting cases, but for 37.2% of those who returned to welfare in 30 days or less. Baltimore County, accounting for 12.9% of all sampled cases, accounted for 20.4% of those returning in 30 days or less and 18.0% of those who came back between the 31st and 90th days post-exit. In contrast, Baltimore City and Southern Maryland (Calvert, Charles and St. Mary s Counties) account for fewer recidivists of both types than would have been expected.

The relationship between recidivism and length of current welfare spell (the spell which led to the exit) is also statistically significant. Contrary to expectations, churners appear to have shorter current welfare spells than do recidivists and non-recidivists; 63.8% of churners, those whose cases closed, but reopened in one month or less, were exiting from a spell of less than 12 months duration. In contrast, only 53% of recidivists and non-recidivists were exiting from spells that were this short. Interestingly, too, median exit spell length was longest (11.2 months) among those who did not return to welfare in the first 90 days.

This particular finding of statistical significance notwithstanding, we remain convinced that exit spell length, by itself, is not a useful indicator of recidivism risk. As we and other researchers have documented, current spell data, alone, simply do not tell us enough about a family s past (or likely future) involvement with cash assistance; as such, the picture painted by current spell data may often be misleading. This point is illustrated by the data in Table 19 which express the relationship between recidivism and total time on welfare (i.e., lifetime welfare use).[38]

Table 19 shows that, when lifetime welfare use is considered, a very different picture emerges. Considering **all** cash assistance receipt (as an adult) by exiting adults, there are proportionately more non-recidivists (25.1%) than churners (14.5%) or true recidivists (13.7%) who have less than 12 months of total, lifetime welfare receipt. In our view, the most notable aspect of these lifetime use data is their very clear suggestion that, on this dimension, true recidivists very likely do differ from non-recidivists and from churners. That is, true recidivists have median lifetime use of 45.8 months or almost four years. Non-recidivists and churners, on the other hand, have median lifetime use that is closer to three years (37.6 months and 32.8 months, respectively). Likewise, while about three of every 10 non-recidivists (29.0%) and churners (31.5%) have accumulated more than five years of total welfare use, the proportion among true recidivists is considerably higher (41.0%).

The final observation from Table 19 is that work does seem to matter insofar as returns to welfare after an exit are concerned. In brief, the results may be somewhat surprising: both churners and recidivists are less likely than non-recidivists to work in UI-covered employment at the time of and after their exits from welfare. However, recidivists are just as likely as non-recidivists to have worked before their TCA exit.

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[38]Lifetime use includes current spell.

The last several pages have presented a large amount of sometimes complicated data deriving from several different analyses of recidivism under Maryland s new welfare program. Because recidivism prevention is critical to the ultimate success of welfare reform - both for individual clients and for the state as a whole - readers are encouraged to study these rather detailed data and think creatively about what they might suggest in the way of prevention strategies that might be worth trying. To summarize our view of key findings from this multi-page exposition, however, we offer the following:

The vast majority of families who leave welfare are able to remain off the rolls; so far, it appears that recidivism under the new system in Maryland is less than it was under the old AFDC system.

Most returns to welfare are happening quite quickly; indeed, the bulk of recidivism in the first year and one-half of reform is caused by administrative churning, cases which close, but then reopen within 30 days or less.

There appear to be two distinct types of recidivism - that which happens in the first 30 days after case closing and that which happens in the 31st to 90th days after exit. These appear to be very different phenomena, involving different types of individuals/cases and, most likely, requiring different preventive strategies.

Some cases do appear to be at greater risk of experiencing an early return to welfare than others; in particular, but as anticipated, cases closed for non-compliance with work requirements have the highest rate of early returns to cash assistance.

Work does seem to matter, but the relationship between work experience and recidivism may be more complicated than previous research suggests. Customers who did not work at the time of exit and those who did not work right after leaving welfare are more likely to come back on welfare in the first three months than are clients who did work at either of these points in time. However, having a pre-exit history of UI-covered employment appears to be a useful indicator of risk of churning, but not risk of true recidivism. These results suggest that program managers may need to consider different prevention strategies for the two types of recidivism identified by this report.

Conclusions

The overarching conclusion from this third interim report on our large-scale, longitudinal study, *Life After Welfare,* is the same as that reached in our first two reports: Maryland s bi-partisan, empirically-grounded, locally-driven welfare system continues to work well. Using an expanded database on some 3,171 families who left the state s cash assistance rolls during the first 18 months of reform, today s report, like its predecessors, finds that the vast majority of families continue to exit welfare voluntarily, not because they have been sanctioned; payees in exiting cases are able to find employment; their work efforts persist over time; their employment in UI-covered jobs tends to be steady and very few of them come back on welfare. The report also shows there has been little change in the profile of welfare leavers over time.

Based on these data, it would not appear there is any need or reason to make substantive changes to the state s overall legislative and program policy approach to welfare reform. However, there are a few findings to which managers should probably give consideration in the strategic planning efforts for the next few years of welfare reform. One of these areas, certainly, is that of recidivism or returns to the welfare rolls. So far recidivism, in the true sense, has been quite low, but it can only increase with the passage of time. Given federal time limits, preventing returns to welfare among those who have exited is of tremendous importance. Now, while our state does not have a major recidivism problem, would seem to be the best time to take proactive steps to insure, insofar as we can, that recidivism does not become a problem in the future.

Related to this, some thought should probably also be given to what the practical implications might be of the finding that there are two types of returns to welfare: churning (cases close, but reopen in 30 days or less) and recidivism, where the client remains off welfare for at least one month, but does, eventually, return. Our data suggest that churning and recidivism may well be quite different phenomena, involving different types of clients/cases and, most likely, requiring the design and use of different strategies or techniques to reduce or prevent their occurrence.

Another program area to which managers should continue to pay close attention, of course, is the use of full family sanctions, especially those for non-compliance with work requirements. Compared to pundits predictions and early experiences in some other states which have adopted this penalty, Maryland has made sparing use of full family work sanctions. At the 18 month measuring point of our study, it remains true that fewer than one in 10 case closures (7.3%) have been work-related sanctions. However, our data do show that the use of this penalty has increased over time, such that - while the numbers remain small - the proportion of work-sanctioned cases in our exiting sample is considerably greater in the 13th through 18th months of reform (9.5%) than in the 1st through 6th months of the new program (3.6%).

This trend is consistent with what policy observers at the national level predicted would happen as these programs matured and, at the moment, the magnitude of work sanctions in our state is still fairly small. Moreover, as our study documents, many of these families return to welfare very quickly, suggesting that, in many cases, work sanctions have been effective in securing clients cooperation with the new work rules. As we move forward, however, particularly as more families reach the 24 month threshold after which work is mandatory for continued TCA receipt, it will be important to monitor these numbers at the state, local, and district office levels.

In two other important areas today s report provides empirical evidence in support of work that is already underway and, in both instances, indicates that current efforts should continue. The first of these is the Medical Assistance enrollment/outreach project. Our data indicate that far more clients are leaving welfare for work than are known to the agency as doing so. Given the undisputed importance of health care coverage as a recidivism prevention tool and the availability of Transitional Medical Assistance in cases which leave welfare for work, our data strongly support the efforts currently underway to educate agency customers as well as front-line staff about the importance and benefits of focusing on work at the time of case closing. We would only offer a friendly amendment that community service providers and advocacy groups also make their own independent, wholesale efforts to inform clients about the very real potential benefits of reporting employment to their welfare case managers. In our view, the importance of health coverage in enabling families to remain free of welfare can not be overstated. For that reason, it would seem to be in everyone s best interest to have the message about work-related Medical Assistance conveyed through as many different channels as possible.

The second area where our research findings speak loudly in support of current welfare policy and practice relates to the importance of work. Since the beginning of welfare reform in Maryland it has been standard practice to engage clients in work activities, if not help them immediately secure independent employment, as soon as possible. That is, the state has recognized from the outset that waiting to focus on work until the 24th month (after which work is a mandatory condition of continued welfare receipt) was simply not the most appropriate or effective approach. Today s findings, particularly those which show the relationship between work experience and returning to welfare after an exit, confirm the wisdom of Maryland s early engagement strategy. As front-line welfare managers know all too well and as our data also suggest, however, the relationship between work and welfare recidivism is complex.

The final important conclusion the authors draw from today s third interim, *Life After Welfare,* report is identical to the final statements made in our second interim report: it appears that Maryland s welfare reform program remains on target, but that its greatest challenges lie ahead . Today s report, hopefully, has provided some additional information about certain of these challenges, while continuing to provide policy-makers with much-needed, empirical data describing the facts about life after welfare in our state.

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Appendix A.
Glossary of Commonly Used Terms and Acronyms

AFDC - Aid to Families with Dependent Children - Entitlement program providing cash assistance to needy children (and their caretaker relatives, usually mothers) who are deprived of parental support because of parental absence, death, incapacitation, or unemployment. This program was eliminated by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (see **PRWORA** and **TANF**).

AIMS/AMF - Automated Information Management System / Automated Master File - Maryland s statewide client information database containing data about client characteristics and participation in cash assistance, food stamps, medical assistance and social services programs. This system has been replaced by CIS/CARES in all jurisdictions.

Caretaker Relative - A grandparent or other non-parent relative who cares for a dependent child.

Caretaker Relative Case - A Temporary Cash Assistance (see **TCA**) case consisting of one or more children and their caretaker relative who all receive cash assistance.

CIS/CARES - Client Information System / Client Automated Resource and Eligibility System - Maryland s statewide client information database containing data about client characteristics and participation in cash assistance, food stamps, medical assistance and social services programs. This system replaced AIMS/AMF in all jurisdictions.

Child-Only Case - In Maryland, a TCA case where cash assistance is provided for the child(ren) only, and the parent or other caretaker does not receive TCA.

DHMH - Maryland Department of Health & Mental Hygiene - regulates health care providers, facilities, and organizations. It also maintains vital records on births, deaths, marriages, divorces, adoptions, and legitimization records in Maryland and handles some professional licensing functions.

DHR - Maryland Department of Human Resources - Maryland s cabinet-level human services agency. It serves families and individuals who are in need of temporary economic assistance and vulnerable children and adults seeking protection from abuse or neglect. DHR includes five administrations: Child Care, Social Services, Family Investment, Child Support Enforcement, and Community Services and 24 local Departments of Social Services (**DSS**) one in each of the state s 23 counties and the separate, incorporated, City of Baltimore.

DHR-FIA - Department of Human Resources - Family Investment Administration - FIA implements programs to assist families to become financially independent through work, personal and family responsibility and community involvement. It is composed of several areas, including: Food Stamp Benefits / Electronic Benefits Transfer System (EBTS), Medicaid, Public Assistance and Office of Work Opportunities.

DLLR - Department of Labor, Licensing & Regulation - Cabinet-level agency responsible for administration of Unemployment Insurance (see **UI**), Maryland Job Service as well as regulation of banks, horse racing, labor and industry and some occupational and professional licensing.

DSS - Department(s) of Social Services - Local offices which deliver DHR s services to the public. There are a total of 24 local DSS, one in each of Maryland s 24 local subdivisions.

EBT or **EBTS** - Electronic Benefits Transfer or Electronic Benefits Transfer System - A system allowing cash assistance and food stamp benefits to be accessed electronically, using a debit card at point-of-sale devices at retail stores and at automated teller machines. The EBTS replaces food stamp coupons and cash benefit checks.

FIA - Family Investment Administration (see **DHR-FIA**).

FIP - Family Investment Program - Maryland s TANF program. Elements of the program include: an up-front job search for all able-bodied applicants, full family sanctions for non-cooperation with work and child support requirements, an earned income disregard of 26% of non-self-employment income or 50% of self-employment income, the ability to work more than 100 hours per month and retain eligibility, partial sanctions of $25 per child for non-compliance with school attendance and preventive health requirements, and the availability of Welfare Avoidance Grants (see **WAG**). Adult TCA recipients are required to be working within 24 months of entry, and are limited to 60 months of lifetime cash assistance receipt.

FS - Food Stamps - The Food Stamp Program helps low-income families buy the food they need. Gives households who meet income and resource standards food coupons to buy food in approved food stores. In some states, including Maryland, food stamp users receive a debit card, which allows them to spend their benefits on food in approved food stores through an electronic benefit transfer (EBT).

Full Family Sanction - Penalty where the entire family s cash assistance grant is terminated. Full family sanctions are imposed in Maryland for non-compliance with work, or with child support requirements. This follows a 30 day conciliation period where there is an opportunity to comply. There is also the opportunity for a restoration of benefits after a sanction is imposed. This restoration is immediate for any requirement except one involving a work activity. For a work activity, the restoration is immediate the first time, after 10 days of compliance the second time, and after 30 days of compliance for any time after that.

MA - Medical Assistance - Medicaid, a joint program of DHR and the Department of Health and Mental Hygiene (see **DHMH**), provides health benefits for low-income people. DHMH establishes policy and pays the provider. DHR determines eligibility through each local department of social services.

MABS - Maryland Automated Benefits System - contains information relating to employment history, wages (earnings by calendar quarter), and unemployment benefits. The system is managed by the Maryland Department of Labor, Licensing, & Regulation (**DLLR**) and includes all employers covered by the State Unemployment Insurance law--approximately 93% of Maryland's workforce. Employment categories that are not covered by MABS include: Independent contractors, commission-only sales, some agricultural workers, federal employees (civilian and military), some student interns, most religious organization employees, and individuals who are self-employed and do not have paid employees.

POC -Purchase of Child Care - DHR - Child Care Administration program which issues vouchers to eligible families to help them pay their child care costs.

PRWORA - Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) - federal welfare reform law which abolished AFDC, ending the federal entitlement to assistance and created in its place a block grant system in which states and territories operate their own cash assistance programs (see **TANF** and **FIP**).

Recidivism - Returning to the welfare rolls after an exit.

Recert or Redet - Recertification or Redetermination - the time when a family must reestablish their eligibility to receive aid.

Sanction - A penalty for non-compliance with program requirements. These can be partial grant reductions as in the case of sanctions for school age children not attending school and pre-school children not receiving preventive health care, or total grant termination (see full family sanctions) as in the case of non-compliance with work or child support requirements.

SIC - Standard Industrial Classification - the U.S. Government's standardized codes used to classify businesses by type of activity in which they are engaged.

SSA - Social Security Administration - The federal agency which oversees the Social Security Program, including survivors, disability, retirement, Medicare, and SSI.

SSI - Supplemental Security Income - pays benefits to individuals with little or no income or assets, who are 65 or older, children or adults who are blind, or have a disability expected to last more than 12 months. A basic rate is paid by the federal government and some states may add to the payments.

TANF - Temporary Assistance to Needy Families - The block grant welfare system that replaced AFDC. States are free to design their own TANF programs as long as federal work, time limit, and maintenance of effort requirements are met. PRWORA imposes a 5 year cumulative lifetime limit on federally-subsidized cash assistance receipt (in contrast, AFDC had no limits on cash assistance receipt). Work provisions require that most recipients must work after 24 months of assistance. For a more detailed overview of TANF, see http://www.acf.dhhs.gov/programs/opa/facts/tanf.htm.

TCA - Temporary Cash Assistance - Maryland s cash assistance program which replaced AFDC and is administered by **DHR-FIA** and local Departments of Social Services. For a more detailed overview of TCA, see, http://dhr.state.md.us/fip.htm.

UI - Unemployment Insurance - provides temporary, partial wage replacement to individuals who have become unemployed through no fault of their own and who are able, available and actively seeking work.