

Full-Family Sanctions & Economic Recession

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POLICY CHANGE IN A STRONG ECONOMY

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) introduced sweeping change to the nation's welfare system in the mid-1990s, creating the Temporary Assistance for Needy Families (TANF) program. Amid a strong economy and historically low unemployment rates, PRWORA instituted work participation requirements for welfare recipients; the Deficit Reduction Act (DRA) in 2006 made these requirements even stricter. At the time of PRWORA's enactment, states were afforded the opportunity to adopt one of four sanctioning policies as a way to bring customers into compliance with program requirements.

ADOPTING A FULL-FAMILY SANCTION

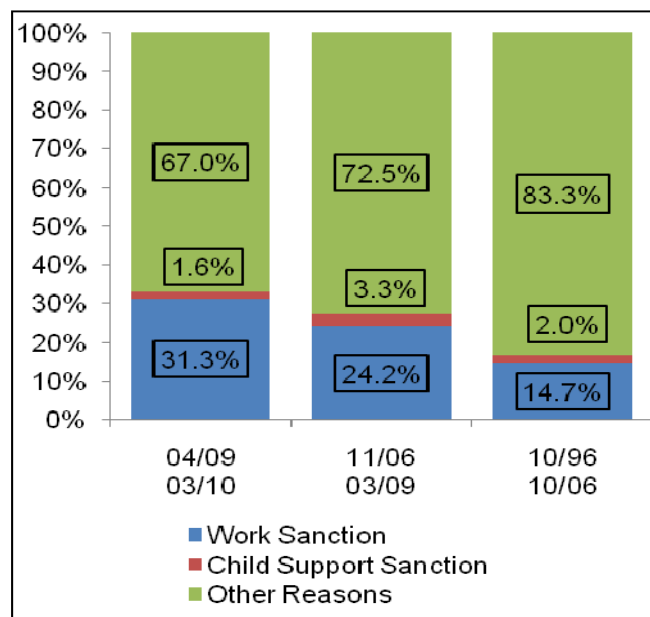
Maryland, along with 21 other states, currently employs a full-family sanction, which terminates the family's entire assistance payment upon the first instance of non-cooperation with work or child support requirements. Given the potentially severe consequences of a full-family sanction, this choice was the subject of intense debate: some raised concerns about the potentially harmful effects on families and children, while others argued that such severe penalties were necessary to get clients' attention and help them take the new rules of a reformed welfare program seriously.

In the years following PRWORA, research studies—including several in Maryland—focused on sanctioned families, asking who they were and how they fared after being sanctioned. Largely, researchers found that sanctioned caseheads belong to racial minority groups, have fewer years of education, have more barriers to employment, and have poorer initial employment outcomes, compared to other welfare leavers. In Maryland, at least, we have also found that sanctioned families return to welfare in higher numbers.

SANCTIONING IN A TOUGH ECONOMY

In the context of today's uncertain economy, welfare program staff face an even more challenging environment in which to attempt to meet federal work participation requirements and avoid fiscal penalties. Unlike the SNAP program, which loosened some of its eligibility requirements in the wake of the economic recession, federal TANF requirements have remained strict. Persistently high rates of unemployment and joblessness—undoubtedly higher among low-wage and low-skilled workers, many of whom are current or former welfare recipients—have translated into rising work sanctioning rates. In the years after PRWORA and before DRA, work sanctioning accounted for 14.7% of case closures; after DRA, that figure jumped to 24.2%. In those cases closing between April 2009 and March 2010, work sanctioning accounts for almost one-third—31.3%—of case closures. In Baltimore City, this trend is even more striking: among most recent closed cases in the city, 44% were sanctioned for failing to meet the work participation requirement.

Figure 1. Case Closure Reasons, 1996-2010



RESEARCH PURPOSE AND METHODS

In light of this trend, this brief describes the population of sanctioned families and what happens to them in the short- and long-term aftermath of their involuntary welfare case closure.

First, we investigated whether the trend of increasing work sanctions over time can be explained by an increase in certain *characteristics* of caseheads and their cases, or if the story behind the increase is more nuanced. Using the Client Automated Resources and Eligibility System (CARES) and the Child Support Enforcement System (CSES), we collected data for TANF clients whose cases closed between 2005 and 2009 due to a child support sanction, a work sanction, or voluntarily. Considering only the first case closure for each individual during this period, the final sample size for the Linear Probability and probit regression models was 11,138 Baltimore City cases.

Second, we investigated what outcomes sanctioned families in Maryland face in terms of employment and welfare receipt. Using CARES and CSES again, we collected data for TANF clients whose cases closed between April 1998 and March 2008 (n=15,259) due to a child support sanction (n=395), a work sanction (n=2,770), and voluntarily (n=12,094). We employed Chi-square and ANOVA methods where appropriate to test for differences among the three groups.

IS IT MORE THAN JUST MORE AT-RISK FAMILIES?

Considering the difficult economic conditions facing low-wage workers, our earlier research sought to determine whether the increase in work-sanctioned caseheads was just a result of an increased number of families with risk characteristics. Both regression models (Linear Probability and probit) indicated that being younger, having more and younger children, and having longer histories of TANF receipt are, indeed, predictors of a casehead being sanctioned for not meeting work requirements in Baltimore City. An increase in the number of caseheads that fit this profile might result in more sanctions.

However, when our regression models accounted for year as well, both showed that the year was the *strongest* predictor of a work sanction. That is, when we held all risk characteristics constant, caseheads were still more likely to be work sanctioned in 2009 than they were in 2005. The increase in work sanctioning rates, then, is not just in response to more at-risk caseheads.

Rather, the results show that all else equal, case workers are sanctioning caseheads more often as time goes on. More specifically, a casehead in 2009 was 30 percentage points more likely to face a work sanction than one who was similarly situated in 2005.

Now that we know that clients are facing work sanctions more often, it is important to understand who work sanctioned families are and what outcomes they face, compared to voluntary welfare leavers.

WHO ARE WORK SANCTIONED FAMILIES?

Using the statewide sample, we found that families who exit welfare because of a work sanction are typically headed by an African-American woman who is 30 years of age. She is three years younger than her peers who exited voluntarily, on average. She is more likely to be from Baltimore City, to have never been married, and have more children—who are younger, on average—than voluntary leavers are. The work sanctioned case is twice as likely to be part of the core, work-mandatory caseload and is much less likely to include a child under one year or a disabled casehead. On average, a work sanctioned casehead has had a shorter welfare spell immediately preceding her sanction, but a longer cumulative welfare history than her counterparts who leave TANF voluntarily. In the two years before exit, not only did sanctioned leavers work in fewer quarters, they also accumulated less in earnings than their counterparts whose cases closed for other reasons.

Table 1. Casehead and Case Characteristics

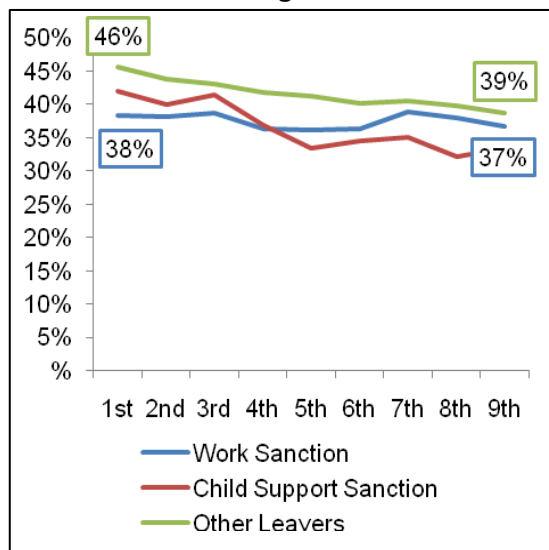
	Work Sanction	Child Support Sanction	Other Leavers
% Female	96.4%	97.0%	95.2%
% African American	83.0%	77.7%	74.7%
% Baltimore City	61.1%	45.2%	51.6%
% Never married	84.3%	80.4%	74.6%
Mean Age	30.56	31.27	33.94
Mean AU size	3.04	2.58	2.55
Youngest child	5.35	4.43	5.79
TANF exit spell	10.61	9.72	15.80
TANF history	30.97	21.93	28.07
Quarters employed	3.62	4.69	4.26
Total earnings	\$7,638	\$16,978	\$13,611

*All of these findings were statistically significant.

WHAT ARE THE OUTCOMES FOR WORK SANCTIONED FAMILIES?

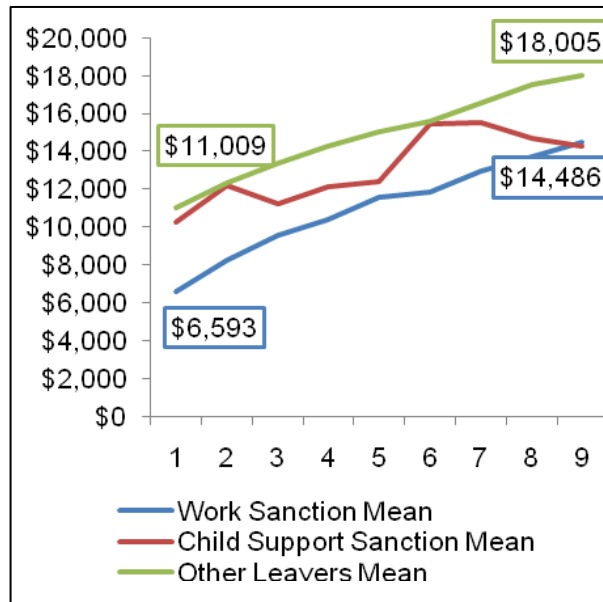
Critics of the full-family sanction have always been concerned that such a severe penalty could spell danger in terms of work and welfare outcomes. We find that work sanctioned families do, indeed, have employment outcomes that lag behind their peers who voluntarily left welfare. For example, the percentage of sanctioned caseheads who were working in a given year never exceeded 40% during our follow-up period. Also, as shown in Figure 2, the percentage of employed caseheads was higher among voluntary leavers than among sanctioned leavers at every measuring point. Sanctioned leavers appeared to “catch up” to voluntary leavers after six post-exit years, but this was largely because fewer voluntary leavers were working, not because more sanctioned leavers were.

Figure 2. Percent of Caseheads Employed in the Years Following a Sanction or Exit



Although the percentage of employed caseheads was similar by six years post-exit, work sanctioned caseheads never caught up to their voluntary-leaver counterparts in terms of earnings, as shown in Figure 3. Even though earnings for both groups increased at a similar rate over time, nine years after exit, work sanctioned leavers made an average of \$4,000 less annually, compared to other leavers.

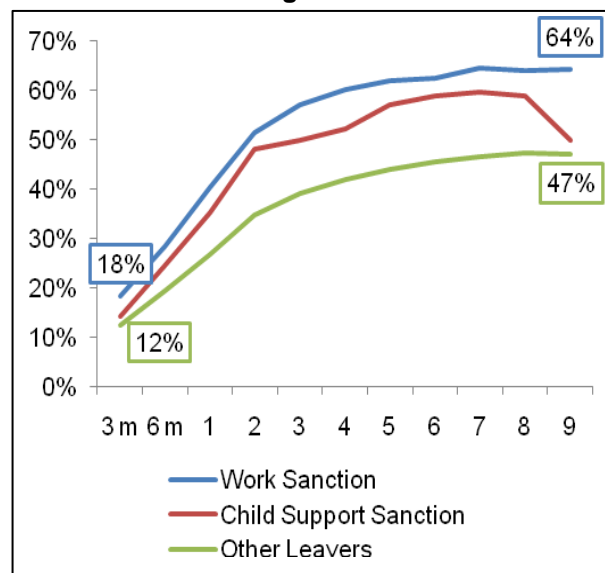
Figure 3. Total Average Annual Earnings in the Years after Exit



Sanctioned leavers were also much more likely to return to welfare in the years following an involuntary exit. Figure 4 shows that by the end of the ninth year after exit, more than three in five work sanctioned families had received at least one additional month of cash assistance, compared to less than half of voluntary welfare leavers.

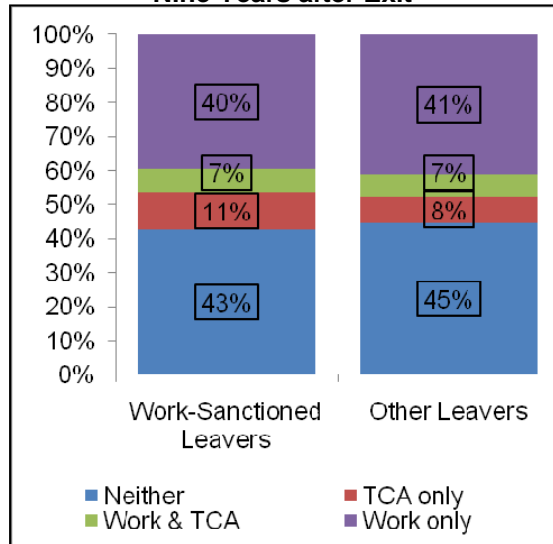
In the context of Maryland’s reformed cash assistance, this finding is positive—it indicates that, rather than disconnecting from both welfare and work, work sanctioned caseheads quickly come into compliance with program requirements.

Figure 4. Cumulative Returns to Welfare in the Years Following a Sanction or Exit



Considering work and welfare outcomes together, in the first post-exit year, the majority of work sanctioned caseheads are most likely to report a combination of work and welfare, while most voluntary leavers are working exclusively. By the ninth post-exit year, these groups are packaging work and welfare income similarly, as shown in Figure 5.

**Figure 5. Income Packaging
Nine Years after Exit**



CONCLUSIONS

The work sanctioned population has consistently been of concern to Maryland officials since the policy was first adopted. This concern is evidenced by the multiple state-commissioned empirical studies on the phenomenon.

In many ways, our findings confirm the trends evident in earlier studies and are cause both for optimism and some concern.

On one hand, that work sanctioned leavers have the lowest initial earnings and never quite catch up to their peers suggests they may lack the skill sets necessary for a successful transition to the workforce. On the other hand, the combined welfare and work outcomes paint a more encouraging picture of life after welfare for work sanctioned leavers. Over time, they tend to more closely resemble other leavers. Most importantly, they do not appear to be at greater risk of being disconnected from work and welfare than their non-sanctioned peers. As policy makers initially hoped would happen, our results show that work sanctioned leavers tend to comply with work requirements, return to TCA, and then go on to steadily increase their earnings over time.

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