LIFE WITHOUT WELFARE:
COMPARING THE OUTCOMES OF DIVERTED CLIENTS & TCA EXITERS

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EXECUTIVE SUMMARY

In keeping with one of the stated purposes of the Temporary Assistance to Needy Families (TANF) program, to “end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage” (Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), P.L.104-193), many states offer welfare diversion programs. The most common form of diversion is a “welfare avoidance grant” (WAG) which provides one or more months of cash assistance in a lump sum for families to address short-term crises and avoid the need for ongoing assistance. The assumption of diversion programs is that the needs of some poor families may be better met in ways that differ from the normal mode of assistance and that monthly cash grants may never be necessary for them if other, more appropriate, services are made available. As London (2003) notes: “The main goal of diversion is welfare avoidance. It is hypothesized that, by averting an initial spell of welfare receipt, diversion could halt what might become a cycle of welfare dependence.” (p. 374)

Studies of diversion strategies such as lump sum grants and upfront employment assistance indicate that they have positive, or at least neutral, short-term outcomes (Barber, Daugherty, & McAdams, 2002; Goldsmith & Valvano, 2002; Hetling, Tracy, & Born, 2006; Lacey, Hetling-Wernyj, & Born, 2002; Richardson, Schoenfeld, & Jain, 2001; Schexnayder, Schroeder, Lein, Dominguez, Douglas, & Richards, 2002). However, little is known about their long-term outcomes and how those compare to families who enter the cash assistance rolls for a period of time and then exit.

The present study explores the possible durational effects of welfare and addresses the critical question of whether diverted customers avoid long-term dependence by comparing future cash assistance among diverted and exiting families. Our study expands the current literature in two important ways. First, it utilizes a longer follow-up period (36 months) than any of the other studies, both state and national. Second, it is the first to examine follow-up welfare receipt using multivariate analyses, a critical method considering the identified background differences between diverters and leavers. Specifically, we utilize event history analysis to examine if the likelihood of returning to welfare and the timing of such a return varies depending on the participants’ previous welfare experience.

Using Maryland State administrative data sources, we examine patterns of cash assistance receipt for the universe of cases diverted from Temporary Cash Assistance (TCA, Maryland’s version of TANF, Temporary Assistance for Needy Families) through the use of Welfare Avoidance Grants (WAG) from October 1998 to September 2000 (n = 1,992) compared to those of a sample of welfare leavers (n = 1,219). Our samples exclude child only cases (where the adult payee is not receiving assistance) because they are not eligible for a WAG. In addition, because few WAGs were issued in Baltimore City in the study period, we limit our sample to families who reside in one of Maryland’s 23 counties. The following bullets and paragraphs summarize our key findings:

- **WAG recipients differ from TANF leavers in terms of personal and family characteristics. On average, WAG recipients are older, are more likely to have married, are more likely to be Caucasian, and have older children than TANF leavers. Two adult cases are more common among diverted cases.**

Consistent with other studies, we find that WAG recipients differ from TANF leavers in a number of ways. Those who are diverted from cash assistance are, on average, 31.5 years, about one and one-half years older than leavers (30.0 years). While the majority of both groups are African-American females, the proportion of African Americans is much higher among leavers. About two-thirds (63.8%) of all leavers are African American, compared to only slightly more than half (53.6%) of diverted payees.

We also find great disparity in marital status between leavers and diverted payees. Seven out of ten (68.9%) leavers had never been married. In contrast, only about half (49.1%) of WAG cases are headed by an adult who has never been married. WAG cases are also more likely to include two adults, include significantly more children, and on average, have older children than exiting cases. Almost one-fifth (17.8%) of diverted cases include two adults. In contrast, only 4.7% of leaving cases have two adults. In terms of the number of children, WAG cases (mean = 2.1) have slightly more children than leaver cases (mean = 1.8). The youngest child in a diverted case is typically about five and one half years old. In contrast, the youngest children in leavers cases are, on average, less than five years old. This finding, combined with the greater prevalence of two adult cases among the diverted samples, suggests that, all else equal, leaver families may have more difficulties with child care in their welfare to work transitions.

- **Consistent with the design of diversion programs, we find that adults who receive a WAG have stronger attachments to employment. Diverted customers have worked more and earned more than their leaver counterparts.**

A considerable body of research indicates that recent employment experience is associated with quicker and more successful transitions from welfare to work (Loprest, 2002; Ovwigho, et al., 2006). In terms of diversion practices, most states consider an individual's attachment to the labor market when deciding if a WAG would be appropriate. Our data on employment in Maryland UI-covered jobs indicates that, as anticipated, diverted payees had more positive employment histories than leavers in every category. Over the eight quarters, or two years, before the diversion event, 89.0% of WAG recipients worked at some point. In contrast, only three-fourths (73.1%) of TANF leavers had any UI-covered employment in the two years before their welfare exit. Employment rates were lower in the quarter of the event (either diversion or welfare exit) for both groups. However, diverted customers were still significantly more likely to have employment, with three-quarters (75.6%) working, compared to a little more than half (54.3%) of TANF leavers.

Diverted customers also fare better in terms of the number of quarters worked and earnings. In the two years before receiving a WAG, employed diverted payees worked an average of 5.6 quarters, one and one-half quarters more than TANF leavers (mean = 4.0). WAG recipients also earned about twice as much as their leaver counterparts. On average, employed diverted payees earned $15,510 in the eight quarters before receiving a WAG, compared to only $7,577 earned by TANF leavers. In the quarter of the event, TANF leavers received $1,940 in UI-covered wages. WAG recipients earned about $600 more, with an average of $2,561.

- **WAG recipients typically have less experience with the welfare system than TANF leavers. In fact, two out of five diverted customers had not received cash assistance at all in the five years before receiving a WAG.**

As expected, we find that WAG recipients have shorter welfare histories than TANF leavers and a sizable minority has never received aid. On average, WAG recipients had received TCA for 14 of the previous 60 months. TANF leavers, however, had average welfare histories of 29 months. About two-fifths (38.2%) of diverted customers had not received TCA at all in the five years before receiving a WAG and an additional one-fifth (22.9%) received assistance for 1-12 months. Obviously, all leavers received at least one month of TCA with three out of ten (30.4%) having received TCA for a period of 1-12 months over the previous five years. Notably, one-quarter (24.6%) of TANF leavers were exiting after receiving TCA for more than four of the previous five years. In contrast, only 4.7% of diverted customers had welfare histories that long. These findings clearly indicate that at least in Maryland WAGs are primarily reaching customers who have typically had little to no involvement with the public welfare system.

- **Overall, WAG recipients had the most success in remaining off of the monthly cash assistance rolls during the 36-month follow-up period.**

The primary objective of diversion strategies, as stated previously, is to prevent individuals from needing monthly cash assistance by ameliorating a short-term crisis. The philosophy behind this objective, of course, is to use diversion to avoid having the family enter the welfare rolls and possibly a cycle of dependence. One way to evaluate whether or not diversion was successful is to look at the percentage of those who were diverted who subsequently received TCA and compare those numbers to the percentage of those who previously left TCA, the leavers, and returned in subsequent months. Our analyses reveal that WAG recipients are less likely to receive TANF in the three years after being diverted than are TANF leavers in the three years after their welfare exit. Only one out of five (20.3%) of those who received a WAG subsequently received TCA during the following 36 months. Leavers had a higher recidivism rate, with 30.2% returning to the rolls in the three-year period.

We also find that leavers tend to return to welfare more quickly than diverted customers. Almost one-tenth of leavers (8.4%) receive TCA within three months of exiting. In contrast, only 2.6% of diverted customers return to welfare in that period. About two-thirds (64.2%) of TCA returns that occur among TANF leavers happen in the first year, compared to about half (50.2%) of diverted customers' re-entries.

- **Our event history analyses predicting likelihood of receiving TANF in the follow up period reveal that the odds of returning are equivalent for diverted customers and TANF leavers, when differences in demographic characteristics, employment, and welfare histories are taken into account.**

- **Interestingly, and consistent with the durational effects hypothesis, we find that individuals with no previous TANF receipt are only half as likely to receive monthly cash assistance during the three-year follow-up period as those who have received welfare before.**

Because there are so many differences in the characteristics of diverted customers and welfare leavers, particularly on factors found to be correlated with welfare receipt, it is important to examine the odds of (re)entering the welfare rolls controlling for these differences. Our event history analysis reveal that if we look at WAG receipt alone, we find that the odds of a WAG recipient receiving TCA is about 60% of the odds of a TCA leaver receiving assistance in the follow-up period. In other words, WAG recipients are 40% less likely to enter the monthly welfare rolls than TANF leavers.

The picture changes, however, once we control for other factors. We find that six variables are statistically significant predictors of future welfare receipt: age; race; employment status in critical quarter; earnings in critical quarter; being new to TANF; and TANF history. Older and Caucasian payees are less likely to receive TCA than younger and minority payees.

Being employed during the quarter of the critical study date has a counter-intuitive positive effect on the likelihood of follow-up receipt. Employed individuals are 24% more likely to return to TCA than those who are not employed in the quarter of the event (exit or diversion). The effects of the final three variables are more logical. A negative relationship exists between earnings (in thousands of dollars) in the quarter of the critical study date and likelihood of follow-up receipt. For each additional $1000 in earnings, a person's odds of receiving TCA decrease by almost 12%.

Consistent with the hypothesis that welfare has durational effects, we find that individuals with no previous TANF receipt are only half as likely to receive monthly cash assistance during the three-year follow-up period as those who have received welfare before. Finally, the number of months of TANF receipt is also significant. For each additional month of welfare receipt in the five years before the event, a person's odds of returning to TCA decrease by 1%. Most importantly, the addition of these life experience variables renders the impact of a WAG in comparison to being a former TANF recipient statistically equivalent.

In sum, our study of welfare diversion provides both an assessment of WAGs as a strategy for avoiding future welfare dependence and a test of the durational effects of welfare receipt. As expected, WAG recipients differ from TCA leavers in a number of important aspects and, according to bivariate analyses, WAG recipients are significantly less likely to receive TCA during the 36-month follow-up period than TCA leavers.

The event history analyses reveal that, once demographic, employment, and welfare history variables are taken into account, diverted clients are at neither an increased nor a decreased risk of receiving future cash assistance. Notably, other background characteristics had statistically significant effects and appear to be more important in determining follow-up cash assistance receipt than the use of a WAG. In particular, earnings and consistent with the durational effects hypothesis, welfare history are strong predictors of returning to the welfare rolls.

Based on these findings, we conclude that diversion strategies seem to hold promise in assisting some at-risk families to become or remain self-sufficient or, at least, avoid becoming caught in ongoing, monthly TANF receipt. Welfare Avoidance Grants in Maryland seem to offer similar assistance in encouraging long-term financial self-sufficiency as the TANF program does. Our state's reformed welfare program is predicated on the notion that, for clients as well as for the 24 local Departments of Social Services, one size does not fit all. The findings from this study speak to the wisdom and appropriateness of that guiding principle.

Our findings and the continued potential of diversion suggest two policy and program recommendations. First, agency policy and frontline practice should continue to make use of diversion strategies for those clients struggling with short-term financial crises. In addition, it would benefit future research endeavors as well as the clients themselves to interview those diverted clients who return to the rolls regarding the reasons for their return and the perceived benefit provided by the WAG.

As with so many other research projects, the answers to these research questions have led to other important ones. The impact of jurisdiction could not be assessed in this project due to sample sizes and does merit further attention. Perhaps as diversion strategies become more popular or simply as time passes and thus more individuals receive WAGs, a project can be designed to address the role of place in diversion outcomes. Another important consideration for further research is subgroup analyses based on background differences. Diversion strategies were designed for and are targeted to individuals experiencing specific situations. Identified background differences in age, race, marital status, and welfare history beg the question of how participation in diversion programs as opposed to TCA affects different groups. While the effect of a WAG seems positive for the general group of recipients, perhaps it is possible to identify certain subgroups who benefit more or less from this strategy.

Finally, our findings do not support recent cautions against the use of diversion grants (Besharov & Germanis 2004). Diversion strategies, in our study state, do not appear to be targeted to applicants who are similar to individuals granted TANF, and we find no evidence that diversion has been used as a way to reduce the number of people required to work and thus increase the state's work participation rate through legerdemain. Moreover, although diversion strategies do not offer the same incentives such as time limits and work requirements as TANF does, findings do not support the fear that diverted clients are more dependent in the long term on public cash assistance than traditional welfare recipients. Rather, as implemented in Maryland, diversion grants appear to be used relatively sparingly and as a reasoned, appropriate alternative to immediate enrollment in ongoing, monthly cash assistance. This study and others we have done on the same topic all lead us to the same conclusion. That is, as the state and its 24 subdivisions begin to operate in the new and even more challenging environment of TANF II, welfare avoidance grants will continue to hold promise in certain types of situations. WAGs should remain a tool in local agencies' box of interventions.

Introduction

One of the stated purposes of the Temporary Assistance to Needy Families (TANF) program is to "end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage" (Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), P.L.104-193). This purpose of TANF and many of the program's provisions were in large part a reaction to the assumption that the old welfare program, Aid to Families with Dependent Children (AFDC), encouraged families to remain on the welfare rolls for years and discouraged them from making the transition from welfare to work. In fact, some theorists argued that AFDC had "durational effects", such that the longer a family received welfare, the more difficult it would be for them to leave (Moffitt, 1992; O'Neill, 1993).

Ten years after the creation of the TANF program many state and national studies demonstrate that welfare caseloads are smaller (National Conference of State Legislatures, 2005), most families exit the rolls after receiving benefits for a short period of time (U.S. Department of Health & Human Services, 2006), and the majority of families do not return to cash assistance (Ovwigho, Saunders, Head, Kolupanowich, & Born, 2006; Urban Institute, 2006).

In addition, one of the new strategies implemented as part of welfare reform, diversion programs, allows families to receive different forms of cash and non-cash assistance that more closely match their needs and avoid entering the traditional monthly cash rolls altogether. The assumption of diversion programs is that the needs of some poor families may be better met in ways that differ from the normal mode of assistance and that monthly grants may never be necessary for them if other, more appropriate, services are made available. Studies of diversion strategies such as lump sum grants and upfront employment assistance indicate that they have positive, or at least neutral, short-term outcomes (Barber, Daugherty, & McAdams, 2002; Goldsmith & Valvano, 2002; Hetling, Tracy, & Born, 2006; Lacey, Hetling-Wernyj, & Born, 2002; Richardson, Schoenfeld, & Jain, 2001; Schexnayder, Schroeder, Lein, Dominguez, Douglas, & Richards, 2002). However, little is known about their long-term outcomes and how those compare to families who enter the cash assistance rolls for a period and then exit.

The purpose of this report is to explore the possible durational effects of welfare by comparing future cash assistance among diverted and exiting families. Using Maryland State administrative data sources, we examine patterns of cash assistance receipt for the universe of cases diverted from Temporary Cash Assistance (TCA, Maryland's version of TANF, Temporary Assistance for Needy Families) through the use of Welfare Avoidance Grants from October 1998 to September 2000 (n = 1,992) compared to those of a sample of welfare leavers (n = 1,219). The rate of subsequent entrance into the monthly cash assistance rolls over a three-year follow-up period is compared to the recidivism rates for leavers. Event history analyses examine the outcomes of WAG recipients and welfare leavers controlling for a number of background characteristics and speak to both the effectiveness of diversion programs and the durational effects of cash assistance.

BACKGROUND

For as long as welfare programs have existed, there has been concern about the length of time families receive assistance. Debates about welfare policy frequently center on reducing "dependence," with the often unspoken assumption that the longer families receive cash assistance, the more dependent on that assistance they will become. For example, the Welfare Indicators Act of 1994 requires the Department of Health and Human Services to prepare annual reports to Congress on "indicators and predictors of welfare dependence" (U.S. Department of Health & Human Services, 2006). Similarly, one of the stated purposes of PRWORA and the TANF program is to reduce families' reliance on government benefits.

Welfare dependence can be viewed as a continuum. At one end are families whose resources are such that they never enter the welfare office to file an application for assistance. At the opposite end are families who receive cash assistance for long periods of time and perhaps even over two or more generations. In the middle are the majority of welfare recipients – those who receive assistance for a short period of time during a crisis or who cycle back and forth between welfare and work.

Although they are not typically described in this way, families who participate in formal welfare diversion programs are actually also part of the dependence continuum. For example, most states offer to families deemed most work ready a lump sum payment or welfare avoidance grant equal to one or more months of welfare benefits in lieu of their entering the regular monthly cash assistance rolls. In this case, the family has applied for benefits (and so they are not at the least dependent point on the continuum), but has chosen not to receive regular monthly benefits. As London (2003) notes: "The main goal of diversion is welfare avoidance. It is hypothesized that, by averting an initial spell of welfare receipt, diversion could halt what might become a cycle of welfare dependence." (p. 374)

Evaluations of diversion programs have focused on the extent to which diverted clients enter employment and (re)enter the welfare rolls. A national study utilized the 1999 National Survey of America's Families (NSAF) and, focused solely on recipients of lump sum payments, analyzed the outcomes of diverted clients in comparison to TANF leavers in terms of employment outcomes and Food Stamps and Medicaid receipt (London, 2003). According to the NSAF, diverted clients were less likely to be employed at the time of the survey, but more likely to be receiving Food Stamps. Diversion was not associated with Medicaid receipt (London, 2003). Several state studies, including ours in Maryland, find that those who receive lump sum cash diversion payments are less likely to return for subsequent cash assistance than traditional welfare leavers (Barber, et al., 2002; Goldsmith & Valvano, 2002; Lacey, Hetling-Wernyj, & Born, 2002; Richardson, et al., 2001; Schexnayder, et al., 2002).

Previous studies also indicate that diverted customers differ from welfare recipients and leavers in background characteristics. London (2003) found that diverted customers are more likely to be Caucasian and married than welfare leavers. Similar trends have been reported in Maryland. In addition, diverted customers in Maryland are less likely to reside in Baltimore City and have shorter welfare histories than TANF applicants.

The present study addresses the critical question of whether diverted customers avoid long-term dependence. In particular, we compare their outcomes to those of TANF leavers. Our study expands the current literature in two important ways. First, it utilizes a longer follow-up period (36 months) than any of the other studies, both state and national. Second, it is the first to examine follow-up welfare receipt using multivariate analyses, a critical method considering the identified background differences between diverters and leavers. Specifically, we utilize event history analysis to examine if the likelihood of returning to welfare and the timing of such a return varies depending on the participants' previous welfare experience.

Risk Factors for Welfare Receipt

In order to fairly compare outcomes of diverted customers to those of leavers and thus evaluate the impact of diversion programs, we need to consider risk factors that may affect welfare receipt. To date there has been a fair amount of research to identify the characteristics of those individuals most at risk for receiving welfare. While there are no hard and fast criteria that automatically predetermine welfare receipt, research has indicated a link between certain characteristics and future welfare receipt.

Individual Characteristics

First, several individual demographic characteristics seem to make a person more vulnerable to receiving welfare. Studies indicate that racial or ethnic minorities are at greater risk for participation in welfare programs than Caucasians (Smelser, Wilson, and Mitchell, 2001). Gender is another demographic variable associated with future welfare receipt. In fact, it has been found that single women in the United States are almost 100% more likely to live in poverty than single men (Christopher, England, Ross, Smeeding, & McLanahan, 2003). Age also appears to be a predictive factor for welfare receipt, as studies have found that the younger a woman is when she begins to receive welfare, the longer she will receive assistance (Blank, 1989).

Family Composition Risk Factors

There are many different factors related to family composition that can affect whether or not one is at risk for welfare receipt. One key determinant is non-marital childbearing, or single motherhood. It has been shown that the percentage of mothers who had a non-marital first birth and are receiving some form of public assistance is more than twice that of mothers who had a non-marital first birth and are not receiving public assistance (Dye, 2002). Data from a 1991 survey showed that post-adolescent unmarried mothers were almost eight times as likely as post-adolescent married mothers to receive AFDC (Hoffman and Foster, 1997).

Another aspect of family composition that seems to affect welfare receipt is the number of children in the household. One study found that mothers who received some sort of public assistance were one-and-a-half times more likely to have given birth to three or more children than mothers who were not receiving any form of public assistance (Dye, 2002). Another study also found that TANF recipients and TANF leavers were more likely to have more, younger children than low-income women who never received TANF (Moffitt and Cherlin, 2002).

Life Experience Risk Factors

Recent work experience is generally accepted as a prerequisite for finding a job and thus avoiding or exiting welfare. One study found that 43% of all TANF recipients had not worked in three or more years (Dye, 2002). Lack of work experience not only increases the likelihood for welfare receipt, but it also increases the likelihood of receiving welfare for a longer period of time. Another study found that 34% of those receiving welfare continuously for two or more years had not worked in three or more years, compared to only 20% of those who had been receiving welfare for less than two years (Loprest, 2002).

As mentioned previously, some have suggested that previous welfare receipt may be a leading cause for both recidivism and long-term welfare receipt. One study of 2,665 exiting families in Maryland found that lifetime welfare receipt as an adult was a significant predictor of recidivism (Born, Ovwigho, & Cordero, 2002). Another study of nearly 50,000 AFDC cases in Wisconsin found that payees that had received welfare for longer periods of time were least likely to leave welfare. When analyzing those defined as either “Short-termer”, “Long-termer”, or “Cycler” recipients, it was found that only 37.4% of the “Long-Termer” subgroup left welfare at some point during the follow-up period, compared to 61.1% of the “Short-termer” subgroup and 62.2% of the “Cycler” subgroup (Ver Ploeg, 2001).

Summary and the Present Study

In sum, concerns about families’ dependence on government assistance sparked much of the welfare reform efforts that characterized the late 1990’s. One strategy adopted in most states is to use lump sum payments or other services to prevent a family from entering the welfare rolls, and presumably avoid starting a cycle of dependence. Early studies of diversion programs suggest that their outcomes are at least as positive if not better than those for welfare leavers. However, they also indicate that customers who are diverted differ from those who enter the rolls in several ways. Many of these differences (e.g., race) have been found to predict welfare receipt in other studies.

The present study brings this literature together and expands our understanding of both diversion programs and the dependency debate by using survival analysis techniques to study welfare (re)entries among diverted customers and welfare leavers. By controlling for demographic characteristics and welfare and employment histories, we are able to truly answer the question of whether diversion avoids future dependence.

METHODS

This chapter presents a description of the methods used in this report. Included are a brief review of the procedures of sample selection and a short description of the data sources. The majority of the chapter describes the research design, and model construction of the multivariate analyses.

Sample

During the two-year period from April 1998 through March 2000, 1,992 cases were diverted from TANF through the use of Welfare Avoidance Grants in Maryland counties. In order to examine the effect of the receipt of a WAG, a random sample of TANF leavers (n = 1,219) during the same time period was taken from the University of Maryland's *Life After Welfare* study and used as the comparison group (Welfare and Child Support Research and Training Group, 1999, 2000). The samples are limited to county residents because very few Baltimore City residents received a WAG during the study period. Moreover, because differences in the programs, services, and clients in urban and non-urban settings have been well-documented and studied, the additional variability posed analytical difficulties given the small number of WAG recipients and the large number of TANF leavers from Baltimore City.

The samples are also limited to non-child-only cases. Child-only cases, or those in which the adult casehead is ineligible for TANF benefits do not qualify for WAGs and thus cases in the TANF leaver comparison group were limited to those with an adult recipient.

The first date of the 36-month outcome period is referred to as the critical study date. For TANF leavers, it is their exiting date or the last day of the last month they received an assistance check. Determining the date for WAG recipients was difficult. We decided that the most appropriate date was the day on which the recipient was again eligible for receipt of TANF as opposed to the date the individual received the WAG. This choice eliminates an endogeneity problem with WAG status and spell length; that is, without determining the number of months a WAG recipient is ineligible for public assistance, individuals with WAGs would have artificially longer spells off welfare than TANF leavers who are eligible to reapply for assistance immediately after leaving the rolls.

In approximately 10 percent of the WAG cases (n= 206/1992), the ineligibility end date could not be determined. Despite attempts to calculate this date based on the available case and financial information available, we were not confident enough in our estimations to use them. Instead, we used the median ineligibility period of four months and also included a dummy variable in the event history analyses indicating that this information was missing.

During our investigation into the missing dates, bivariate analyses of the two groups, those with ineligibility dates and those without them, were conducted. Two variables, marital status and number of adults in the assistance unit, were significantly different between the groups. However, practically speaking, the differences were very small. Just under half (49.4%) of all of those who received WAGs and had ineligibility end dates had never married, while 47.6% of those who received WAGs, but whose end date was indeterminable, had never married. The mean number of adults in a household for all WAG cases was 1.17. For the customers who had a discernible end date, the average was 1.16 adults while for those who did not have an end date it was 1.24.

Data Sources

The study utilizes administrative data retrieved from computerized management information systems maintained by the State of Maryland. Specifically, three automated systems were used to gather information about customer demographics, cash assistance program participation, and employment. The Client Information System (CIS) is the official system of record for program data relating to public welfare programs in Maryland including TANF, Food Stamps, and child support. The database has information on the universe of public assistance recipients and includes individual demographics, case composition information, and grant amount and type. The CIS replaced the Automated Information Management System/Automated Master File (AIMS/AMF) in 1998 when statewide conversion to the new system was complete. Although no longer active, the AIMS/AMF contains important historical benefit information and was used in this research to calculate variables measuring past cash assistance program participation.

The third database used in this study was the Maryland Automated Benefits System (MABS), the official system of record for all employers covered under the state's Unemployment Insurance (UI) law. Variables relating to employment history were calculated using these data. The database has some limitations for research purposes. First, the information is reported on a quarterly basis; thus, hourly or weekly wages are impossible to compute. Second, only employers within the state of Maryland are included in the system. Third, certain jobs such as federal government employees (civilian and military), self-employed persons with no staff, most religious organization employees, and farm workers are not tracked within the system. Given these last two limitations, employment variables most likely underestimate employment rates of our samples.

Research Design and Outcome Variable

The goal of the research was to compare the long-term outcomes of diverted clients to the outcomes of traditional cash assistance recipients who left the rolls. In order to understand pre-existing differences between the groups both for programmatic and statistical purposes, baseline descriptive findings are presented on background characteristics. Event history analyses compared (re)entrances to cash assistance between WAG recipients and TANF leavers, controlling for a number of background characteristics.

Model Construction

Models were based on the following equation:

$$\text{Probability of entering TANF} = \alpha + \beta_{\text{WAG}} + \beta_{\text{Demographics}} + \beta_{\text{Work/welfare history}} + \varepsilon$$

Because welfare entrances (and exits) are typically recorded on a monthly basis, we use discrete-time event history analysis. The dependent variable is a dichotomous variable indicating whether or not the individual returned to TANF in a particular month during the 36-month follow-up period. The analysis file consists of 100,854 person-month records, with each person contributing a record for each month from their critical date to their TANF (re)entrance or the end of the follow up period, whichever comes first. For example, a leaver who exited TANF in April 1998 and returned to cash assistance in August 1998 would contribute five person-month records.

Each person-month record contains a dichotomous outcome variable, coded as 0 if the person did not receive TANF in that month and 1 if the person did receive TANF. Logistic regression was used to analyze the relationship between the predictor variables and the outcome variable. As interpretation of the impact of the independent variables on the dependent or outcome variable is difficult with logit models, the odds ratio is presented in brackets in the results table in addition to the raw coefficient. This number is interpreted as the odds of individuals with the characteristic measured by the independent variable experiencing the outcome variable, in this case, the odds of receiving TANF during the follow-up period.

The main predictor variable of interest is the type of assistance: WAG versus TANF. Demographic control variables included age, gender (male = 0, female = 1), race (Caucasian = 0, minority = 1), marital status (ever married = 0, never married = 1), number of children on the case, and number of adults on the case (one adult = 0, two adults = 1). Work and welfare history variables included the number of calendar quarters worked in the previous two years, employment status in the critical quarter, earnings in the critical quarter, no TANF history, and number of months of TANF receipt over the past five years. A final predictor is a time-varying one, which indicates the number of months since the event (diversion or TANF exit) occurred.

In this chapter, we compare the characteristics of diverted customers and TANF leavers. We begin with a discussion of client and case characteristics. The chapter ends with presentation of data on customers' work and welfare histories.

Client and Case Demographics

Table 1, following this discussion, presents data on the individual and case characteristics of our two analytic groups, TCA leavers and WAG recipients. Consistent with other studies, we find statistically significant differences between diverted clients and TANF leavers on all eight variables examined.

As seen in the Table, WAG recipients (whose average age was 31.5 years) were about one and one-half years older than leavers (30.0 years). Although women make up the vast majority of payees in both groups, they are significantly more common among exiting cases (96.5%) than WAG cases (94.1%).

While the majority of adults in both groups were African American females, the proportion of African Americans was much higher among the leavers. About two-thirds (63.8%) of all leavers are African American, compared to only slightly more than half (53.6%) of diverted payees. More than two out of every five (44.2%) diverted cases were headed by a Caucasian adult, but only one-third of leavers (32.9%) were.

We also find great disparity in marital status between leavers and diverted payees. Seven out of ten (68.9%) leavers had never been married. In contrast, only about half (49.1%) of WAG cases are headed by an adult who has never been married. Women who received a WAG also began childbearing (mean = 22.1 years) slightly later than their exiting counterparts (mean = 21.6 years).

Considering case demographics, Table 1 shows that WAG cases are more likely to include two adults, include significantly more children, and on average, have older children than exiting cases. Almost one-fifth (17.8%) of diverted cases include two adults. In contrast, only 4.7% of leaving cases have two adults. In terms of the number of children, WAG cases (mean = 2.1) have slightly more children than leaver cases (mean = 1.8).

The final row of Table 1 presents information on the age of the youngest child included in each case. The age of a child is one important factor in determining a family's childcare possibilities and costs. We find that, on average, WAG cases include a child who is about five and one half years old. In contrast, the youngest children in leavers cases are, on average, less than five years old. This finding, combined with the greater prevalence of two adult cases among the diverted samples, suggests that, all else equal, leaver families may have more difficulties with child care in their welfare to work transitions.

Table 1. Payee and Case Demographics.

		WAG (n = 1,992)	Leavers (n = 1,219)
Payee Age* **	Mean	31.49	30.01
	Median	30.72	29.03
	Standard Deviation	7.50	7.62
	Range	17 to 64	15 to 68
Payee Gender**	Female	94.1%	96.5%
Payee Race***	Caucasian	44.2%	32.9%
	African American	53.6%	63.8%
	Other	2.1%	3.3%
Payee Marital Status***	Ever married	50.9%	31.1%
	Never married	49.1%	68.9%
Payee Age at First Birth**	Mean	22.14	21.61
	Median	20.85	20.20
	Standard Deviation	5.02	4.87
	Range	14 to 45	13 to 41
Number of Adults***	1	82.2%	95.3%
	2	17.8%	4.7%
Number of Children***	Mean	2.08	1.83
	Median	2	2
	Standard Deviation	1.2	1.1
	Range	0 to 11	0 to 8
Age of Youngest Child***	Mean	5.52	4.69
	Median	4.50	3.20
	Standard Deviation	4.52	4.26
	Range	<1 mo to 18 yrs	<1 mo to 18 yrs

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

Historical Employment & TCA Receipt

The previous analyses indicated that families diverted from the welfare rolls by a WAG differ from leaver families in a number of ways. In this section, we now consider payees' employment and welfare histories. A considerable body of research indicates that recent employment experience is associated with quicker and more successful transitions from welfare to work (Loprest, 2002; Ovwigho, et al., 2006). In terms of diversion practices, most states consider an individual's attachment to the labor market when deciding if a WAG would be appropriate.

Table 2, following this discussion, displays data on employment in Maryland UI-covered jobs among our two samples. As anticipated, diverted payees had more positive employment histories than leavers in every category. Over the eight quarters, or two years, before the diversion event, 89.0% of WAG recipients worked at some point. In contrast, only three-fourths (73.1%) of TANF leavers had any UI-covered employment in the two years before their welfare exit. Employment rates were lower in the quarter of the event (either diversion or welfare exit) for both groups. However, diverted customers were still significantly more likely to have employment, with three-quarters (75.6%) working, compared to a little more than half (54.3%) of TANF leavers.

Diverted customers also fare better in terms of the number of quarters worked and earnings. In the two years before receiving a WAG, employed diverted payees worked an average of 5.6 quarters, one and one-half quarters more than TANF leavers (mean = 4.0). WAG recipients also earned about twice as much as their leaver counterparts. On average, employed diverted payees earned $15,510 in the eight quarters before receiving a WAG, compared to only $7,577 earned by TANF leavers. In the quarter of the event, TANF leavers received $1,940 in UI-covered wages. WAG recipients earned about $600 more, with an average of $2,561.

The bottom part of Table 2 reveals marked differences in welfare receipt history between our two study groups. As expected, WAG recipients have shorter welfare histories than TANF leavers and a sizable minority had never received aid. On average, WAG recipients had received TCA for 14 of the previous 60 months. TANF leavers, however, had average welfare histories of 29 months, more than twice as long. About two-fifths (38.2%) of diverted customers had not received TCA at all in the five years before receiving a WAG and an additional one-fifth (22.9%) received assistance for 1-12 months. Obviously, all leavers received at least one month of TCA with three out of ten (30.4%) having received TCA for a period of 1-12 months over the previous five years.   Notably, one-quarter (24.6%) of TANF leavers were exiting after receiving TCA for more than four of the previous five years. In contrast, only 4.7% of diverted customers had welfare histories that long.

Table 2. Historical Employment & TCA Receipt

	WAG (n = 1,992)	Leavers (1,219)
Employment in the Eight Quarters Before Event		
% Employed***	89.0%	73.1%
Mean quarters employed***	5.61	3.95
Mean total earnings***	$15,510.07	$7,576.54
Mean quarterly earnings***	$2,478.77	$1,567.32
Employment in the Quarter of Event		
% Employed***	75.6%	54.3%
Quarterly earnings Mean*** (Median)	$2,560.90 ($2,133.38)	$1,939.53 ($1,599.33)
Number of Months of TCA Receipt in Previous 5 years* **		
0	38.2%	.0%
1-12	22.9%	30.4%
13-24	14.2%	17.3%
25-36	11.5%	14.5%
37-48	8.6%	13.2%
49-60	4.7%	24.6%
Mean*** (Median)	13.63 (6.00)	29.00 (27.00)
Standard deviation	16.45	19.78

Note: Quarters worked and earnings figures include only those working. *p<0.05, **p<0.01, ***p<0.001

Findings: Cash Assistance Outcomes

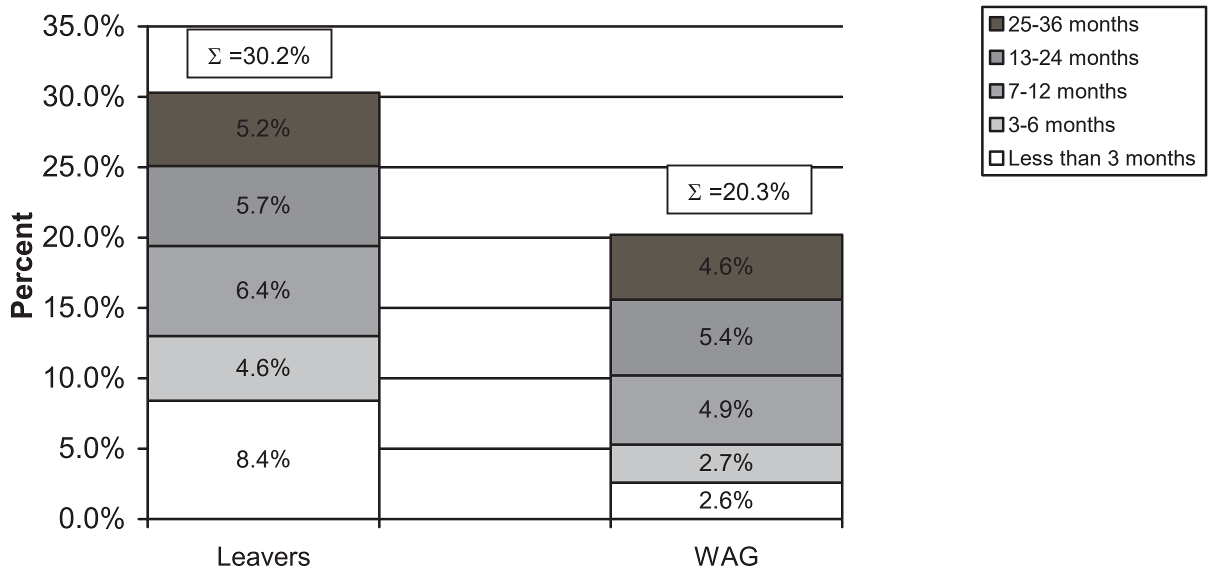
The primary objective of diversion strategies, as stated previously, is to prevent individuals from needing monthly cash assistance by ameliorating a short-term financial crisis. The philosophy behind this objective, of course, is to use diversion to avoid having the family enter the welfare rolls and possibly commence a cycle of dependence. Thus, one way to evaluate whether or not diversion was successful is to look at the percentage of those who were diverted who subsequently received TCA and compare those numbers to the percentage of those who previously left TCA, the leavers, and returned in subsequent months. We address this important question in this chapter. First, we present descriptive findings. The chapter ends with discussion of event history analyses predicting the likelihood of returning to TCA depending on diversion status, controlling for a variety of demographic, welfare history, and employment characteristics.

Descriptive Findings

The TCA receipt rates of each group in the 36 months following the critical study date are illustrated on the following page in Figure 1. Overall, WAG recipients had the most success in remaining off of the monthly cash assistance rolls during the 36-month follow-up period. Only 20.3% of those who received a WAG subsequently received TCA during the following 36 months. Leavers had a significantly higher recidivism rate, with 30.2% returning to the rolls in the three-year period.

Figure 1 also indicates that leavers tend to return to welfare more quickly than diverted customers. Almost one-tenth of leavers (8.4%) receive TCA within three months of exiting. In contrast, only 2.6% of diverted customers return to welfare in that period. About two-thirds (64.2%) of TCA returns that occur among TANF leavers happen in the first year, compared to about half (50.2%) of diverted customers' re-entries.

Figure 1. Returns to TCA in 36 Months After Event***



*p<0.05, **p<0.01, ***p<0.001

Multivariate Findings

Figure 1 clearly illustrates that diverted customers are significantly less likely to receive TCA in the first three years after a WAG than are TANF leavers in the first three years after a welfare exit. However, the previous chapter also demonstrated that WAG recipients differ from TANF leavers in terms of demographic characteristics, employment histories, and previous welfare receipt. It is quite possible that these differences, rather than receipt of a WAG, explain the differences in subsequent welfare receipt. In order to assess whether the likelihood of (re)entering the TANF rolls differs for diverted customers compared to welfare recipients, we conducted event history analyses. Event history analysis, also called survival analysis, is the most appropriate technique when studying the probability of an event (such as welfare entry) occuring over time. Table 3, following this discussion, presents the results of four models predicting the likelihood of receiving TCA in the follow up period. The models vary in terms of the number of predictor variables included. For ease of interpretation, odds ratios are presented in brackets beneath the standard errors.

Model (1) contains only one variable, WAG receipt, to examine whether or not participation in that program, in comparison to TCA, has a statistically significant impact on follow-up TCA receipt. According to the model, the odds of a WAG recipient receiving TCA are about 60% of the odds of a TCA leaver receiving assistance in the follow-up period. In other words, all else equal, WAG recipients are 40% less likely to enter the monthly welfare rolls than TANF leavers are to reenter.

In Model (2), two additional variables are added. The first is a time-varying predictor indicating the number of months since the TANF exit or end of the WAG ineligibility period. Essentially this variable tests if the likelihood of entering the TANF rolls changes over time. The second variable is a flag indicating if we could not determine the WAG ineligibility period end date. Both of these predictors are not statistically significant. The WAG variable, however, remains a significant predictor in Model 2.

In the third model, demographic characteristics are added. Four variables significantly predict likelihood of returning to TCA: age; gender; race; and WAG receipt. For each additional year older, an individual's odds of receiving TCA reduce by 0.7%. Women are 50% more likely to return to welfare than men. People from a minority race or ethnic background are 29% more likely to receive TCA in the follow up period than Caucasians. In addition, WAG recipients are 24% less likely to receive TCA than TANF leavers.

The final column in Table 3, Model (4), includes both demographic characteristics and employment and welfare history. In this model, six variables are statistically significant: age; race; employment status in critical quarter; earnings in critical quarter; being new to TANF; and TANF history. Older and Caucasian payees are less likely to receive TCA than younger and minority payees.

Being employed during the quarter of the critical study date has a counter-intuitive positive effect on the likelihood of follow-up welfare receipt. Employed individuals are 24% more likely to return to TCA than those who are not employed in the quarter of the event (exit or diversion). The effects of the final three variables are more logical. A negative relationship exists between earnings (in thousands of dollars) in the quarter of the critical study date and likelihood of follow-up receipt. For each additional $1000 in earnings, a person's odds of receiving TCA decrease by almost 12%.

Consistent with the hypothesis that welfare has durational effects, we find that individuals with no previous TANF receipt are only half as likely to receive monthly cash assistance during the three-year follow-up period as those who have received welfare before. Finally, the number of months of TANF receipt is also significant. For each additional month of welfare receipt in the five years before the event, a person's odds of returning to TCA increase by 1%. Most importantly, the addition of these life experience variables in Model (4) renders the impact of a WAG in comparison to being a former TANF recipient statistically equivalent.

Table 3. Event-History Regression Predicting Likelihood of TANF Receipt

Predictor	*Model (1)*	*Model (2)*	*Model (3)*	*Model (4)*
WAG recipient	-0.506*** (0.072) [0.603]	-0.353*** (0.105) [0.703]	-0.277** (0.108) [0.758]	0.107 (0.119) [1.113]
Months since TANF exit or end of WAG ineligibility period (time-varying)		-0.035 (0.020) [0.966]	-0.032 (0.020) [0.968]	-0.035 (0.020) [0.965]
Missing WAG ineligibility period date		-0.069 (0.169) [0.933]	-0.083 (0.170) [0.920]	-0.099 (0.170) [0.906]
Age			-0.017** (0.006) [0.983]	-0.020*** (0.006) [0.980]
Female			0.408* (0.202) [1.503]	0.170 (0.204) [1.185]
Minority			0.251** (0.082) [1.286]	0.246** (0.083) [1.280]
Never Married			0.119 (0.084) [1.126]	0.027 (0.084) [1.027]
Number of children			0.003 (0.033) [1.003]	-0.058 (0.034) [0.944]
More than 1 adult on case			0.075 (0.127) [1.078]	0.223 (0.130) [1.250]
Employment history				-0.010 (0.015) [0.990]
Employment status at critical study date				0.215* (0.101) [1.240]
Earnings in $1000s in quarter of critical study date				-0.115*** (0.030) [0.891]
No TANF history				-0.683*** (0.138) [0.505]
TANF history				0.010*** (0.002) [1.010]
-2 log likelihood	9013.110	8874.144	8646.531	8540.942

Notes: n = 100,854 person-month records. The above are probit models with standard errors shown in parenthesis and odds ratios in brackets. Standard errors have been corrected for heteroskedasticity. The dependent variable is binomial and equals one if the individual received a TANF payment during the three-year follow-up period.
*p<.05, **p<0.01, ***p<0.001

Conclusions and Implications

In sum, our study of welfare diversion provides both an assessment of WAGs as a strategy for avoiding future welfare dependence and a test of the durational effects of welfare receipt. As expected, WAG recipients differ from TCA leavers in a number of important aspects. On average, diverted customers are older, have more recent work experience, earn more, and have shorter welfare histories than their counterparts who are exiting the welfare rolls. Moreover, according to bivariate analyses, WAG recipients are significantly less likely to receive TCA during the 36-month follow-up period than TCA leavers.

The event history analyses reveal that, once demographic, employment, and welfare history variables are taken into account, diverted clients are at neither an increased nor a decreased risk of receiving future cash assistance. According to the event history analysis comparing the likelihood of future TANF receipt of WAG recipients and TANF leavers, WAG recipients had similar odds of returning to TANF as did leavers. Notably, other background characteristics had statistically significant effects and appear to be more important in determining follow-up cash assistance receipt than the use of a WAG. In particular, earnings and consistent with the durational effects hypothesis, welfare history are strong predictors of returning to the welfare rolls.

Based on these findings, we conclude that diversion strategies do hold promise in assisting some at-risk families to become or remain self-sufficient or, at least, avoid becoming caught in ongoing, monthly TANF receipt. Welfare Avoidance Grants in Maryland seem to offer similar assistance in encouraging long-term financial self-sufficiency as the TANF program does. Our state's reformed welfare program is predicated on the notion that, for clients as well as for the 24 local Departments of Social Services, one size does not fit all. The findings from this study speak to the wisdom and appropriateness of that guiding principle.

Of course, there are a number of unobservable or immeasurable characteristics that we were unable to include in the models, which may impact these findings. For example, perhaps WAG recipients perceive TCA negatively and thus are less likely to apply for assistance in the future than former TCA recipients. Similarly, perhaps WAG recipients are more motivated to stay off of assistance and continue working. Alternatively, perhaps WAG recipients have the perception that it is too difficult to qualify for monthly aid and are thus deterred from submitting another application.

Regardless of this degree of uncertainty, we feel sufficiently confident in the findings and continued potential of diversion to present two groups of recommendations. First, agency policy and frontline practice should continue to make use of diversion strategies for those clients struggling with short-term financial crises. In addition, it would benefit future research endeavors as well as the clients themselves to interview those diverted clients who return to the rolls regarding the reasons for their return and the perceived benefit provided by the WAG.

As with so many other research projects, the answers to these research questions have led to other important ones. The impact of jurisdiction could not be assessed in this project due to sample sizes and does merit further attention. Perhaps as diversion strategies become more popular or simply as time passes and thus more individuals receive WAGs, a project can be designed to address the role of place in diversion outcomes. Another important consideration for further research is subgroup analyses based on background differences. Diversion strategies were designed for and are targeted to individuals experiencing specific situations. Identified background differences in age, race, marital status, and welfare history beg the question of how participation in diversion programs as opposed to TCA affects different groups. While the effect of a WAG seems positive for the general group of recipients, perhaps it is possible to identify certain subgroups who benefit more or less from this strategy.

Finally, our findings do not support recent cautions against the use of diversion grants (Besharov & Germanis 2004). Diversion strategies, in our study state, do not appear to be targeted to applicants who are similar to individuals granted TANF, and we find no evidence that diversion has been used as a way to reduce the number of people required to work and thus increase the state's work participation rate through legerdemain. Moreover, although diversion strategies do not offer the same incentives such as time limits and work requirements as TANF does, findings do not support the fear that diverted clients are more dependent in the long term on public cash assistance than traditional welfare recipients. Rather, as implemented in Maryland, diversion grants appear to be used relatively sparingly and as a reasoned, appropriate alternative to immediate enrollment in ongoing, monthly cash assistance. This study and others we have done on the same topic all lead us to the same conclusion. That is, as the state and its 24 subdivisions begin to operate in the new and even more challenging environment of TANF II, welfare avoidance grants will continue to hold promise in certain types of situations. WAGs should remain a tool in local agencies' box of interventions.

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