

INDUSTRIES AMONG EMPLOYED WELFARE LEAVERS

LISA THIEBAUD NICOLI, PH.D. · LETITIA LOGAN PASSARELLA, MPP ·
CATHERINE E. BORN, PH.D.

Helping clients find and retain well-paying jobs is one of the most important aspects of the Temporary Cash Assistance (TCA) program. Our previous research shows that most clients have work experience before receiving cash assistance, so they are familiar with the world of work (Nicoli, Passarella, & Born, 2013a). The jobs they have had in the past may have been substandard, though, with low pay and irregular hours, or in an industry with high job loss due to the recession. By breaking the cycle of tenuous employment, program managers and caseworkers can help families achieve real self-sufficiency.

Getting clients into family-sustaining employment is not easy, however. One strategy for helping clients find good jobs is to steer them into industries that have proven to be successful for clients who have left welfare previously. Research on how welfare leavers' earnings vary by industry shows that some industries, such as retail trade and restaurants, employ many former welfare recipients but provide below-average wages (Bartik, 1997; Foster-Bey & Rawlings, 2002). Other industries, such as health services, professional/social/educational services, manufacturing, and construction/transportation, may not employ as many former welfare recipients, but wages are higher in those industries (Bartik, 1997; Foster-Bey & Rawlings, 2002).

This strategy dovetails with *Employment Advancement Right Now (EARN) Maryland*, which is designed to bridge the gap between workers who need jobs and employers who are unable to find qualified

individuals for their job openings. Through the funding of training programs in industries and occupations that Maryland employers have identified as in-demand, EARN Maryland benefits both workers and employers.

This brief details outcomes for leavers in ten industries, the five most common industries for welfare leavers and five promising industries. By demonstrating that some industries lead to higher earnings and decreased likelihood of returning to TCA, we show that targeting particular industries has the potential to improve outcomes for welfare leavers throughout Maryland.

Research Methods

We use a 5% random sample of all families who left TCA in each month from December 2007 through December 2012 (n=4,962). The analyses presented here use a subsample that only includes families in which the payee was employed in a job covered by the Maryland Unemployment Insurance (UI) system during the quarter in which the family exited TCA (n=2,072).

Data comes from the Client Automated Resources and Eligibility System (CARES) and the Maryland Automated Benefits System (MABS), which are the administrative data systems for TCA and UI, respectively.

Industries are identified using three-digit North American Industry Classification System (NAICS) codes for the employer listed in MABS. If the leaver has more than one employer in the exit quarter, the highest-earning place of employment is selected.

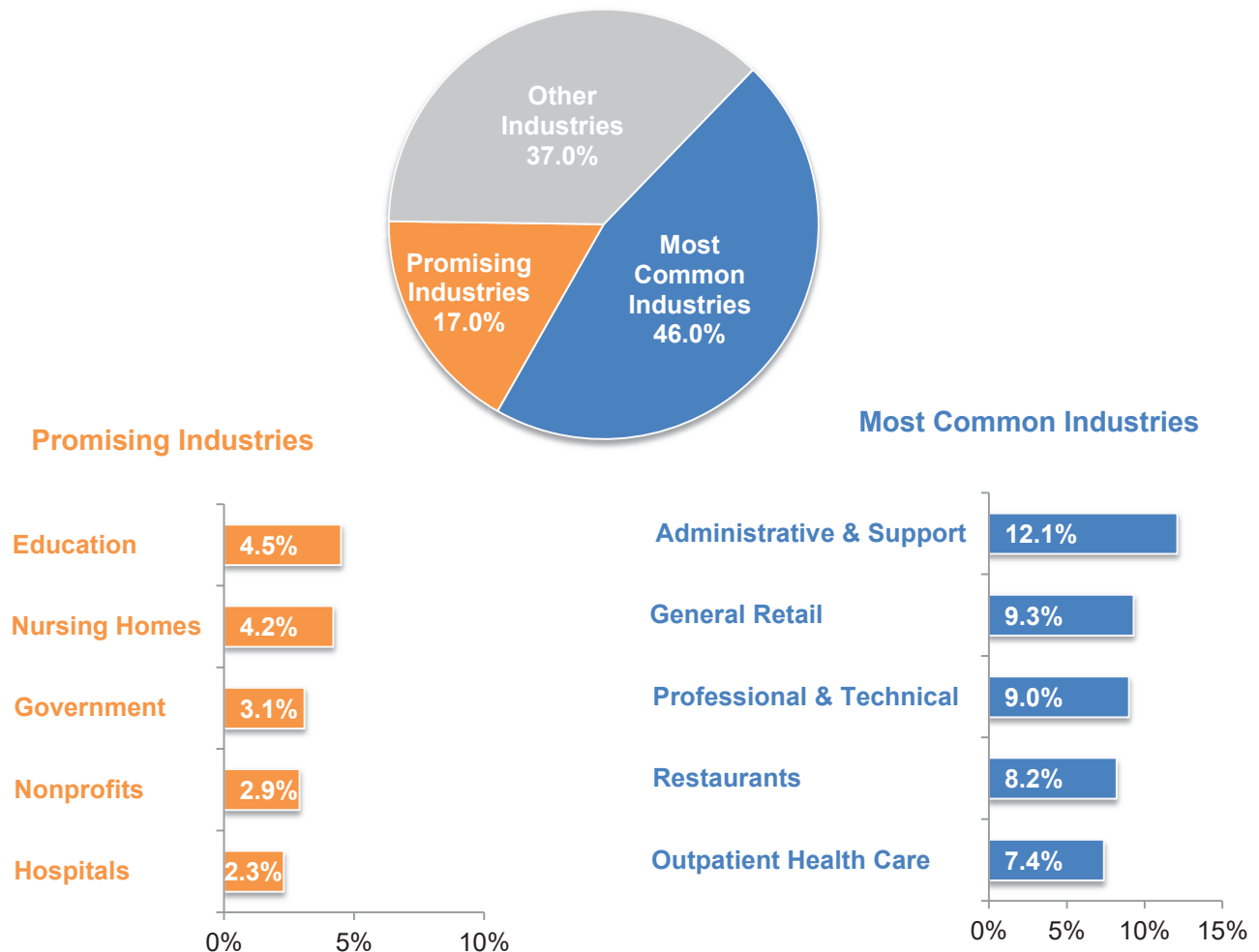
Common and Promising Industries

In this brief, we focus on ten industries. Five industries—administrative & support services, general retail, professional & technical services, restaurants, and outpatient health care—are the five most common industries among Maryland welfare leavers. The other five industries—education, nursing homes, government, nonprofits, and hospitals—are among the sixth to twelfth most common. We call these industries “promising” because leavers working in those industries earn more, on average, and are less likely to return to TCA. Steering clients into these industries may help leavers make a successful transition to self-sufficiency.

One advantage of targeting industries is that most industries include people who work in a variety of occupations. For example, a client could perform clerical work in a lawyer’s office or hospital. If hospitals generally pay better than lawyers’ offices, then pointing clients toward hospitals may be a way to help clients maximize their earning power.

Figure 1 shows the distribution of the most common and promising industries, along with other industries among leavers who worked in a job covered by Maryland Unemployment Insurance in the quarter that they exited TCA. The five most common industries account for just under half (46.0%) of all working leavers while less than one-fifth (17.0%) of working leavers are in the five promising industries.

Figure 1. Common and Promising Industries among Leavers Working in the Exit Quarter



Common Industries

Administrative & Support (NAICS 561)

Organizations that support day-to-day operations such as clerical and cleaning activities as well as general management activities and temporary employment services.

General Retail (NAICS 452)

Department stores and other general merchandise stores.

Professional & Technical (NAICS 541)

Organizations specializing in legal advice, book-keeping, computer services, or consulting services among others.

Restaurants (NAICS 722)

Restaurants including full-service and fast food places as well as caterers and mobile food services.

Outpatient Health Care (NAICS 621)

Organizations that provide outpatient health care as well as medical and diagnostic laboratories and home health care services.

NOTE: Employment in these industries does not necessarily indicate that the job is germane to that industry. For example, those working in outpatient health care could be lab technicians, receptionists, or janitors.

Looking more closely at each industry, we find that administrative & support services has the largest share of leavers for any industry, with 12.1% of leavers who worked in the exit quarter. General retail and professional & technical services each have about 9% of all working leavers, and about 8% of leavers work in restaurants, which includes fast-food establishments as well as places with tipped workers. Outpatient health care, which is the fifth most common industry, includes 7.4% of leavers.

Promising industries have a much smaller share of working leavers. For instance, education has the largest share of leavers among promising industries at 4.5%. Nursing homes are close behind, comprising about 4% of working leavers. Government and nonprofits each have about 3% of working leavers. Hospitals, employing 2.3% of working leavers, is the promising industry with the smallest share of leavers.

Examining industries at this fine-grained level means that many industries have been left out. A sizable minority of leavers working in the quarter of their exit from TCA worked in an industry that is not among the ten we examine in this brief. Looking at these industries in a separate analysis may provide some insights into other industries that are promising or that should be avoided.

Six-Month Industry Retention and Earnings

Nationally, the fastest-growing industries include nursing homes and education, which are promising industries (BLS, 2014). Hence, we anticipate desirable outcomes among promising industries, but how do the most common industries compare? We begin by examining some employment and earnings outcomes for each of these industries. Table 1 presents the percentage of leavers who retained a job in the same industry for six months, which we define as working in the same industry in the exit quarter and the first two quarters after exit from TCA. Table 1 also includes average earnings for the first six months, or two quarters, after exit for those who retained jobs in the same industry.

On average, the industry retention rate among the most common industries is 50.0%, compared to 72.6% for promising industries. However, the outpatient health care industry—a common industry—has an industry retention rate of 65.4%, near that of promising industries.

At 38.0%, administrative & support services, the most common industry overall, has the lowest retention rate by far. Most likely, this is because that industry includes temporary employment agencies. If temporary agencies, where employment is not intended to be permanent, were removed, perhaps that industry would have higher retention rates. The other three common industries—general retail, professional & technical services, and restaurants—have industry retention rates around 50%. This is close to the average for all industries (53.5%), which includes common, promising, and other industries.

All of the promising industries have industry retention rates of at least 60%. Nursing homes and education, specifically, have a retention rate near 65%, similar to outpatient health care, which is one of the common industries. The other three promising industries—government, nonprofits, and hospitals—have even higher industry retention rates, between 75% and 85%.

In addition to lower retention rates, leavers who maintain jobs in the most common industries earn less in the first six months after exit than leavers who retain jobs in promising industries. Average six-month earnings for leavers in the most common industries are \$8,919, compared to \$13,860 for promising industries. When examining leavers who have six-month retention in all industries, average six-month earnings fall between the most common and promising industries—\$10,639.

At \$6,221, restaurants have the lowest six-month average earnings. Because that industry includes tipped workers who make

half of the minimum wage, that figure may not reflect what some leavers in the restaurant industry actually take home. Leavers in general retail establishments (\$7,157) do not earn much more, though. Leavers in administrative & support services (\$9,138) and professional & technical services (\$10,240) also have earnings below the average for leavers in all industries (\$10,639).

On the other hand, industry retention in outpatient health care, a common industry, results in average six-month earnings of \$11,574, which is very close to the average for promising industries. Specifically, the lowest-earning promising industry, nonprofits (\$11,600), has average earnings almost identical to the outpatient health care industry. Nursing homes are the next highest-earning industry at \$12,650, followed by education (\$13,958). Hospitals (\$15,163) and government (\$16,010) have the highest average earnings for leavers with six-month retention.

Table 1. Six-Month Industry Retention & Average Earnings

| | <i>Percent who worked in same industry for six months after exit</i> | <i>Average earnings in six months after exit</i> |
|-------------------------------|--|--|
| Most Common Industries | 50.0% (476) | \$8,919 |
| Administrative & Support | 38.0% (95) | \$9,138 |
| General Retail | 49.7% (96) | \$7,157 |
| Professional & Technical | 50.8% (95) | \$10,240 |
| Restaurants | 53.3% (90) | \$6,221 |
| Outpatient Health Care | 65.4% (100) | \$11,574 |
| Promising Industries | 72.6% (257) | \$13,860 |
| Nursing Homes | 63.6% (56) | \$12,650 |
| Education | 66.7% (62) | \$13,958 |
| Nonprofits | 76.7% (46) | \$11,600 |
| Hospitals | 81.3% (39) | \$15,163 |
| Government | 83.1% (54) | \$16,010 |
| All Industries | 53.5% (1,109) | \$10,639 |

Note: Valid percentages are reported.

Educational Attainment by Industry

Leavers who retain jobs in the same industry may be quite different from other leavers. To explore that possibility, we compared leavers who retained jobs in the same industry for six months with leavers who worked for six months but in different industries during that time. We found no differences in educational attainment, marital status, work experience, and the age of the youngest child. On the other hand, we did find that those who retained jobs in the same industry are about four years older, on average (29 vs. 33 years), and they had two more months of TCA receipt in the previous five years, on average (14 vs. 16 months).

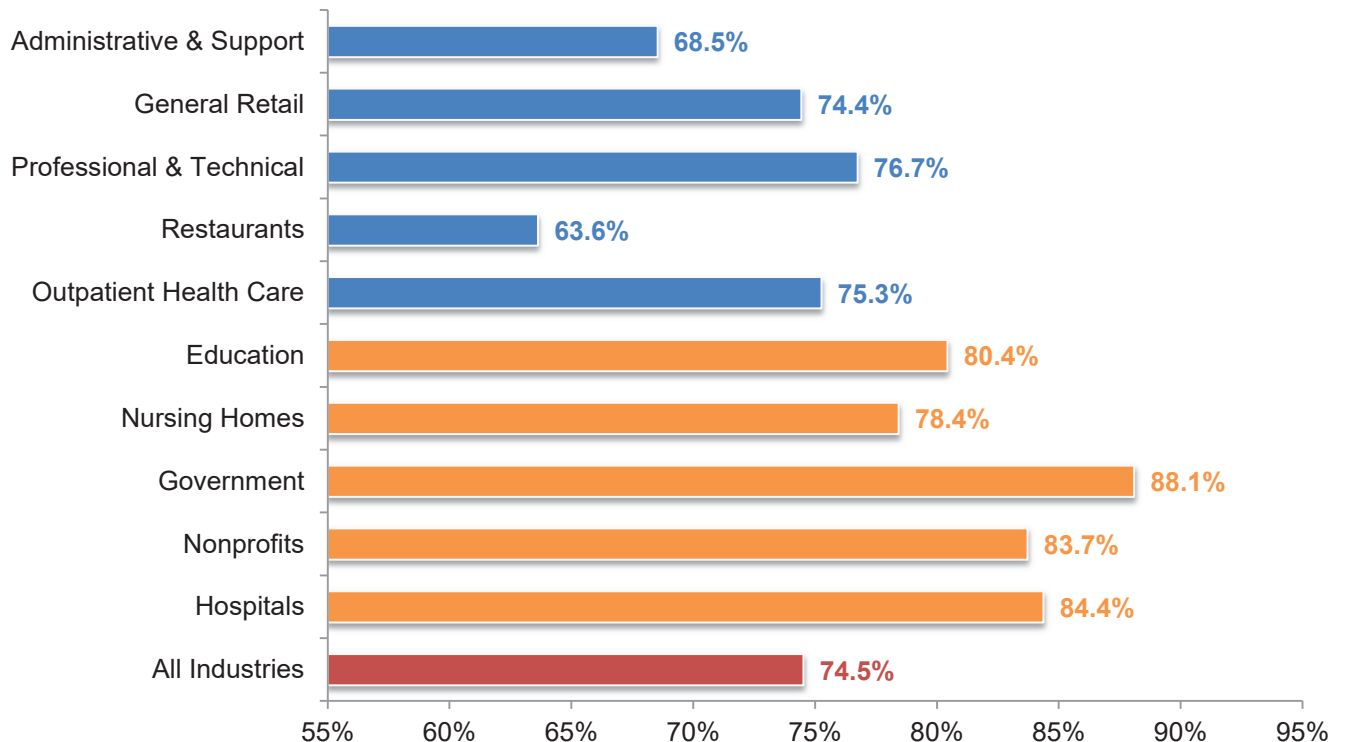
While leavers who retained jobs in the same industry were similar to those who worked for the same period of time in different industries, it is possible that characteristics of leavers may differ *among* industries. We

found no differences in work experience, marital status, and TCA receipt by industry. There were significant differences in the payee's age, the age of the youngest child, and educational attainment, however. In general, leavers in promising industries tended to be older, to have older children, and to be better educated than leavers in the most common industries.

To highlight the differences in educational attainment, we present the percent of leavers who earned a high school diploma in Figure 2. As the red bar shows, on average, three in four (74.5%) leavers who held jobs in the same industry for at least six months finished high school. There are substantial differences between leavers in common and promising industries, though. Leavers in common industries have average or below-average educational attainment. In contrast, leavers in promising industries have above-average educational attainment.

Figure 2. Percent with High School Diploma by Industry

Leavers with Six-Month Industry Retention



Promising Industries

Education (NAICS 611)

Instruction or training services such as K-12 schools, community colleges, universities, and training centers.

Nursing Homes (NAICS 623)

Organizations that provide health and social services such as nursing homes, substance abuse facilities, or residential care for the mentally ill.

Government (NAICS 921)

Offices of government executives, legislative bodies, public finance, and general government support.

Nonprofits (NAICS 813)

Organizations promoting social advocacy or political ideology as well as grant-making or religious organizations.

Hospitals (NAICS 622)

Inpatient health services at general and surgical hospitals, psychiatric and substance abuse hospitals, and specialty hospitals.

NOTE: Employment in these industries does not necessarily indicate that the job is germane to that industry. For example, those working in education could be teacher's aides, bus drivers, or school security officers.

Within these categories, there is considerable variation. General retail, professional & technical services, and outpatient health care are all quite close to the average of 74.5%, but administrative & support services and, especially, restaurants are much lower. Similarly, among promising industries, nursing homes are near the average, but education, nonprofits, and hospitals are substantially above the average. At 88.1%, government has the highest percentage of leavers with high school diplomas, with over 10 percentage points separating that industry from the average (74.5%) and almost 25 percentage points separating it from the industry with the lowest percentage of high school-educated leavers (restaurants, 63.6%).

Also, there is some evidence that leavers with six-month industry retention are more likely to have completed high school. That is, the average for leavers who work in the same industry for six months (74.5%) is higher than what we have found among recipients and those who left TCA recently. Three in five (61.8%) payees in October 2011 finished high school, and two-thirds (67.1%) of leavers from December 2007 to March 2012 completed high school (Nicoli, Passarella, & Born, 2012; Nicoli et al., 2013a). This suggests that some leavers may not have the education, training, or skills needed to work in a promising industry.

Annual Earnings by Industry

Up to this point, we have discussed short-term outcomes such as six-month employment and earnings. In those instances, we know the industry in which leavers are working. However, the industry in which welfare leavers work when they exit may also affect employment and earnings well into the future, even if leavers change industries over time.

Toward that end, Table 2 presents additional information on employment and earnings by industry for leavers who retained jobs in that industry for at least six months and then continued to work for an additional six months. After the initial six months, leavers may work in a different industry, which means that the employment and earnings numbers reported in Table 2 do not necessarily reflect employment in the listed industry.

Of those who retained jobs in the same industry for at least six months, the vast majority (81.3%) continued to work through the first year after exit. Among leavers in the most common industries, over three in four (78.3%) worked in each quarter during the first year after exit; impressively, nine in ten (90.6%) leavers in promising industries did the same. Even the lowest rate of full-year employment, 74.7% for professional & technical services, is relatively high. Remarkably, leavers in two industries, education and government, have full-year employment rates of 98.1%, indicating that almost everyone who worked for six months in those industries continued to work for an additional six months, even if in a different industry for the latter six months.

Earnings for those who work a full year can be quite good: the average leaver who stays in an industry for six months and remains employed for the following six months, even if in a different industry, earns \$23,446 in the first year after exit. Leavers in the common industries with a full year of work average \$19,701 in annual earnings. That varies considerably by industry, however. The average leaver in restaurants earns \$13,272, but some of these workers earn half of the minimum wage and receive tips (tips are not included in this figure). Leavers in outpatient health care, in contrast, earn \$25,205, on average. Those who work in general retail (\$15,697), like leavers in restaurants, are below the average for the common industries (\$19,701). Administrative & support services (\$20,399) and professional & technical services (\$22,452) are above the average for common industries but below the average for all industries (\$23,446).

Average annual earnings in promising industries (\$29,071) are almost 50% higher than earnings in common industries (\$19,701). This suggests that encouraging clients to pursue jobs in promising industries—or preparing them for these jobs

through EARN—could make a big difference in clients’ abilities to make ends meet. Leavers in the lowest-paying promising industry, nonprofits (\$25,523), earn about the same as leavers in the highest-paying common industry, outpatient health care (\$25,205). In the highest-paying promising industry, government, leavers average \$31,978 in the first year after exit. Leavers who worked in education (\$28,430), nursing homes (\$28,565), and hospitals (\$29,950) earn about \$2,000 to \$3,500 less than those in government, on average.

These earnings figures compare favorably to what leavers typically earn. Clients who left welfare for a job paying at least \$10 per hour earned \$17,423, on average, in the year after finding that job (Nicoli et al., 2013b). In our most recent annual report on welfare leavers, we found that average total earnings in the *two* years after leaving TCA are \$22,199 for those who exited between December 2007 and March 2012 (Nicoli et al., 2013a). Leavers who retained jobs in some of the common industries, and all of the promising industries, earned much more than both of these other groups.

Table 2. Full-Year Employment & Earnings for Leavers with Six-Month Industry Retention

| | <i>Percent with full-year employment after exit</i> | <i>Average full-year earnings after exit</i> |
|-------------------------------|---|--|
| Most Common Industries | 78.3% (321) | \$19,701 |
| Professional & Technical | 74.7% (62) | \$22,452 |
| Administrative & Support | 75.9% (60) | \$20,399 |
| Restaurants | 78.1% (57) | \$13,272 |
| General Retail | 79.5% (66) | \$15,697 |
| Outpatient Health Care | 82.6% (76) | \$25,205 |
| Promising Industries | 90.6% (213) | \$29,071 |
| Nursing Homes | 78.8% (41) | \$28,565 |
| Nonprofits | 87.5% (35) | \$25,523 |
| Hospitals | 89.5% (34) | \$29,950 |
| Education | 98.1% (52) | \$28,430 |
| Government | 98.1% (51) | \$31,978 |
| All Industries | 81.3% (796) | \$23,446 |

Note: Valid percentages are reported.

Returns to Welfare by Industry

In addition to employment and earnings, another important outcome is the percent of leavers who returned to TCA within one year of exit. Some leavers who retained jobs in the same industry for six months did not keep working, at least for a Maryland employer covered by Unemployment Insurance. Furthermore, some jobs that leavers are retaining could be part-time, and families may need additional support while parents search for full-time work. By exploring whether returns to TCA vary by industry, we can obtain a more complete understanding of how industry relates to leavers' self-sufficiency.

Figure 3 shows the percent of leavers in each of the most common and promising industries who returned to TCA within the first year after exit. Returning to TCA is relatively rare for all leavers who retained a job in the same industry for at least six months. Only 15.6% returned to TCA within

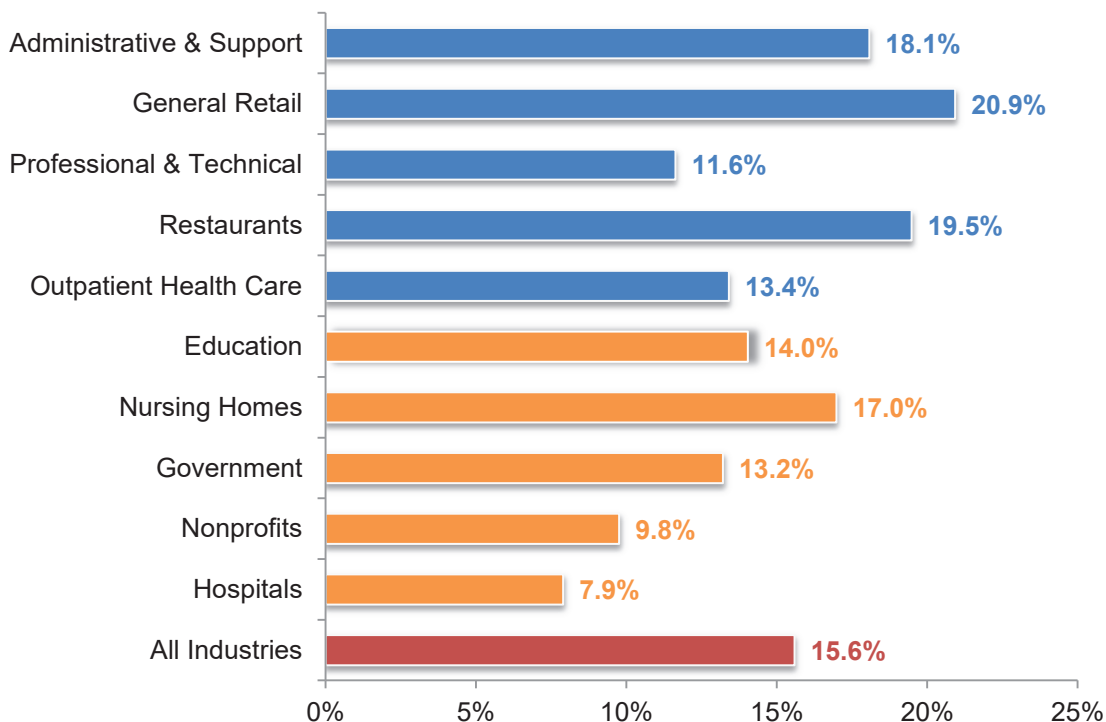
one year, compared to 29.1% of all families that exited TCA (Nicoli et al., 2013a). However, those in promising industries are less likely to return than those in the most common industries. Only one promising industry, nursing homes (17.0%), has an above-average recidivism rate. In contrast, three common industries—administrative & support services (18.1%), general retail (20.9%), and restaurants (19.5%)—have above-average recidivism rates.

A few industries are slightly below the average recidivism rate. Education (14.0%), outpatient health care (13.4%), and government (13.2%) are all one to three percentage points below the average recidivism rate (15.6%), and professional & technical services is four percentage points below average.

Two industries have recidivism rates of less than 10%. Nonprofits and hospitals, both promising industries, have truly low rates of return, at 9.8% and 7.9% respectively.

Figure 3. Percent Returned to TCA within One Year by Industry

Leavers with Six-Month Industry Retention



Conclusions

The industries in which leavers work are clearly an important aspect of how families fare after exiting TCA. The percent of leavers who remain employed, how much employed leavers earn, and the likelihood of returning to cash assistance all vary substantially depending on the industry in which leavers work.

However, the industries in which welfare leavers most commonly work do not have the best outcomes. The most common industry, administrative & support services, has the lowest percent of leavers who retain a job in that industry for at least six months. The second most common industry, general retail, has very low average annual earnings. These two industries—along with the fourth most common industry, restaurants—also have the highest percentages of leavers returning to TCA. The exception to these mediocre outcomes is outpatient health care, which is the fifth most common industry but has outcomes similar to some promising industries.

In contrast, the promising industries we highlight have much better outcomes for leavers. Close to three in four leavers who work in a promising industry in the exit quarter continue to work in that industry for the next six months. After working in that industry for six months, *almost all*—9 in 10—remain employed for the rest of the first year after exit. These are impressive results, especially because the large majority of these leavers are single mothers with at

least one child at home. Furthermore, average earnings for the first year after exit in promising industries are almost \$10,000 higher than those in the most common industries.

In particular, government, hospitals, and education are industries that single mothers leaving welfare should consider—and industries that EARN should help them enter. These industries have the highest average earnings in the first year after exit: leavers can earn between \$28,000 and \$32,000, on average, when they work in each quarter. Moreover, virtually everyone who works at least six months after exit in education or government works for the entire first year after exit, and hospitals have the lowest rates of recidivism.

What may be keeping some leavers from promising industries is a lack of education, skills, or training. At least 80% of leavers in education, government, nonprofits, and hospitals finished high school, compared to less than 70% of leavers in administrative & support services and restaurants.

Filling in these gaps is precisely what EARN is meant to do, and this research offers additional guidance in helping clients move into jobs that provide family-sustaining wages. A strategy based on encouraging leavers to pursue jobs in certain industries has the potential to improve outcomes for clients and for the TCA program as a whole. Through helping clients find employment that will lead to self-sufficiency, policymakers and program managers can ensure a brighter future for Maryland's families.

References

- Bartik, T.J. (1997). *Short-run employment persistence for welfare recipients: The 'effects' of wages, industry, occupation, and firm size*. Retrieved from W.E. Upjohn Institute for Employment Research website: <http://research.upjohn.org/cgi/viewcontent.cgi?article=1145&context=reports>
- Bureau of Labor Statistics (BLS). (2013, December 19). *Industries with the fastest growing and most rapidly declining wage and salary employment*. Retrieved from http://www.bls.gov/emp/ep_table_203.htm
- Foster-Bey, J., & Rawlings, L. (2002). *Can targeting industries improve earnings for welfare recipients moving from welfare-to-work? Preliminary findings*. Retrieved from the Urban Institute website: http://www.urban.org/UploadedPDF/410537_PrelimFindings.pdf
- Nicoli, L.T., Passarella, L.L., & Born, C.E. (2012). *Life on welfare: Characteristics of Maryland's TCA caseload since the Great Recession*. Retrieved from University of Maryland, Family Welfare Research & Training Group website: <http://www.familywelfare.umaryland.edu/reports1/activecaseload11.pdf>
- Nicoli, L.T., Passarella, L.L., & Born, C.E. (2013a). *Life after welfare: Annual update*. Retrieved from University of Maryland, Family Welfare Research & Training Group website: <http://www.familywelfare.umaryland.edu/reports1/life18.pdf>
- Nicoli, L.T., Passarella, L.L., & Born, C.E. (2013b). *Welfare recipients who find good jobs: Who are they, and what are their outcomes?* Retrieved from University of Maryland, Family Welfare Research & Training Group website: <http://www.familywelfare.umaryland.edu/reports1/goodjobs.pdf>

ACKNOWLEDGEMENTS

The authors would like to thank Jamie Haskel, Somlak Suvanasorn, and Tamiko Myles for their assistance in the collection and processing of data for this research brief as well as Lauren Hall, Kari O'Donnell, and Elizabeth Gleason for their assistance with editing. This brief was prepared by the Family Welfare Research and Training Group with support from its long time research partner, the Maryland Department of Human Resources.

For additional information about this research brief, please contact Dr. Lisa Thiebaud Nicoli (410-706-2763; lnicoli@ssw.umaryland.edu) or Letitia Logan Passarella (410-706-2479; llogan@ssw.umaryland.edu) at the School of Social Work.

Please visit our website, www.familywelfare.umaryland.edu, for additional copies of this brief and other reports.



UNIVERSITY *of* MARYLAND
SCHOOL OF SOCIAL WORK