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Work Activities and Short-Term Employment & Earnings among TANF Recipients

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Requiring welfare recipients to work is central to the Temporary Assistance for Needy Families (TANF) program. Indeed, one of the four purposes of TANF 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 of 1996, 2016). While there are some exceptions, most adult TANF recipients are considered work-eligible, meaning they must participate in work-related activities for 20 to 30 hours per week as a condition of receiving assistance.

Work-related activities, which are intended to improve recipients' labor market prospects, are typically either formal employment, short-term education or training, or unpaid work. Federal law defines 12 categories of work activities, nine of which are considered *core* and three of which are considered *non-core*. TANF recipients must engage in core work activities for at least 20 hours per week; if necessary, the non-core activities may be used to fill the remaining 10 hours per week.

Given a particular client's prior work experience and education level, any of these work activities could be appropriate. In the aggregate, though, some work activities may be associated with greater likelihood of employment or higher earnings. If that is true, states may want to steer TANF clients into work activities that are more likely to lead to self-sufficiency.

The evidence on the effectiveness of any particular work activity is mixed, however. Much of the research on work activities involves evaluations of welfare-to-work programs in the 1980s and 1990s, and meta-analyses of these evaluations provide little clarity on which work activities are most likely to lead to increased employment and earnings. For example, Greenberg, Cebulla, & Bouchet (2005) identify positive effects for job search, but Bloom, Hill, & Riccio (2003) find no effect. Recent research that draws on administrative data detects negative effects for job search, however (Davis, Lim, & Livermore, 2011).

In research that relies on evaluations of welfare-to-work programs, vocational education does not seem to affect employment or earnings (Greenberg et al., 2005; Bloom et al., 2003), but other research suggests that it simply takes years to manifest. Using administrative data and following clients for four years after exit, Dyke, Heinrich, Mueser, Troske, and Jeon (2006) found that work activities they deem *intensive training*,

Core Activities

- Unsubsidized employment
- Subsidized private sector employment
- Subsidized public sector employment
- Work experience
- On-the-job training
- Job search and job readiness assistance
- Community service programs
- Vocational educational training
- Providing childcare to individuals participating in a community service program

Non-Core Activities

- Job skills training directly related to employment
- Education directly related to employment
- Satisfactory attendance in secondary school or a GED program

Source: Personal Responsibility and Work Opportunity Reconciliation Act of 1996

which includes vocational education, have negative effects initially but are positive in the long term. Further research utilizing administrative data showed that vocational education can have positive effects on earnings, even in the short term (Davis et al., 2011).

Like job search and vocational education, it is hard to ascertain if work experience is associated with employment and earnings outcomes. Some research finds negative (Davis et al., 2011) or no impact on earnings (Greenberg et al., 2005), but work experience is part of the intensive training work activities that Dyke et al. (2006) argue eventually have positive effects.

There is surprisingly little research on how participation in unsubsidized employment may affect future outcomes. Davis et al. (2011) state that it has a significant positive effect on employment and earnings. In that research, only on-the-job training has a greater effect on earnings than unsubsidized employment.

Because the research on the association between particular work activities and employment and earnings after leaving cash assistance is ambiguous, it is difficult to determine which activities states should emphasize. To provide some clarity to Maryland policymakers and program managers, we explore the relationship between four work activities—job search, education and training, work experience, and employment—and employment and earnings in the year after case closure for TANF recipients in Maryland. We also examine how other factors, such as educational attainment and welfare history, may affect this relationship.

Data

Data comes from the Client Automated Resources and Eligibility System (CARES) and the Maryland Automated Benefits System (MABS), which are administrative data systems for TANF and Unemployment Insurance (UI), respectively. We also use data from WORKS, which the Maryland Department of Human Resources uses to document participation in work activities.

There are a variety of limitations to MABS data. MABS only reports data on a quarterly basis, which means that it is not possible to calculate weekly or monthly employment and earnings. Another limitation is that MABS does not contain data on informal employment, so earnings from under-the-table jobs are not included. Finally, MABS has no information on employment outside Maryland. Because out-of-state employment is common in Maryland,[1] we are likely understating employment and may be missing some earnings.

Data are based on the entire population of Maryland TANF cases that closed between October 2013 and September 2014, which is federal fiscal year (FFY) 2014. For cases that closed more than once, one closure was randomly selected. Cases that were work-exempt at the time of each closure during FFY 2014 were excluded. The adults on work-exempt cases, such as a grandmother caring for her grandchild or a mother who receives Supplemental Security Income (SSI), are not required to be enrolled in work-related activities.

[1] More than one in six (17.2%) Maryland residents works out of state, which is over four times greater than the national average (3.8%) (US Census Bureau).

At the time that the analysis was conducted, we were only able to obtain employment and earnings data through June 2015. This meant that we did not have one full year of employment and earnings outcomes for cases that closed between July 2014 and September 2014. Cases with those closure dates were excluded from all analyses.

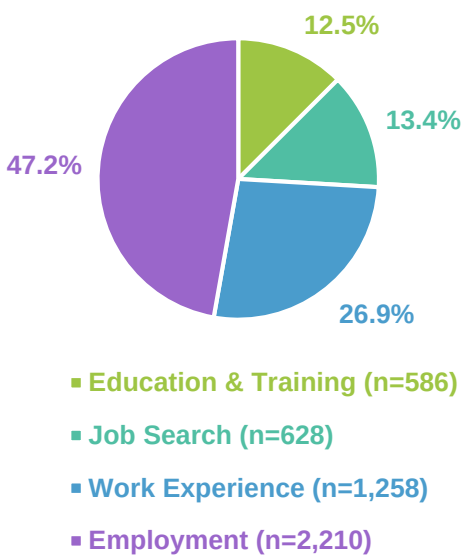
Because we are interested in how participation in particular work activities may be associated with employment and earnings outcomes, we focus on cases that were assigned to a work activity in at least one of two months: the month before case closure or the month of case closure. We are also interested in a minimum level of participation in each work activity that we examine, so the analyses only include cases in which an adult participated for at least 10 hours per week, on average, in one of the above months.

Comparing work activity participation in 12 different work activities is cumbersome, so we only include the four most common work activities in this analysis: education and training, job search, work experience, and unsubsidized employment. Education and training encompasses two different work activities, vocational education training and job skills training directly related to employment. We expected satisfactory attendance at secondary school or a GED program to have different effects on employment and earnings than these other activities, which is why it is not included. The other education-related work activity, education directly related to employment, is not used frequently in Maryland.

Job search excludes job readiness activities, such as substance abuse treatment and rehabilitation services. Only activities coded as job search are considered. Work experience and unsubsidized employment, referred to as *employment* throughout this brief, are the final work activities that we examine here.

Some recipients achieve a minimum level of participation in more than one work activity. Of the 6,353 cases that meet the above criteria, 1,671 (26.3%) have an adult recipient who averages 10 or more hours of participation in more than one of the four work activities we examine in either the month before case closure or the month that includes case closure. These cases are excluded because it is impossible to determine which of the four activities was most related to the employment and earnings outcomes we examine.

Figure 1. Distribution of Work Activities



The final number of cases included in the analysis is 4,682. Figure 1 shows how they are distributed across the four work activities we examine. Almost half (47.2%) of cases participated in employment for at least 10 hours per week, on average, and over one in four (26.9%) had the same level of participation in work experience. One in eight participated in education and training (12.5%), and a slightly higher percentage were in job search (13.4%).

Findings

In Maryland, local departments of social services determine the work activities to which TANF clients are assigned. The jurisdictions with the largest TANF populations—Baltimore City, Baltimore County, Prince George's County, Anne Arundel County, and Montgomery County—typically contract with outside vendors, who engage work-eligible clients in work activities and related services. Smaller jurisdictions may keep those services in-house, as the work-eligible population may be a dozen or fewer clients.

As a result of these differing practices, the distribution of work activities across jurisdictions varies substantially, as shown in Table 1. Washington County, for example, relies on education and training (21.1%) and employment (61.1%) more than most other jurisdictions. In contrast, Charles County tends to assign TANF clients to work experience (45.4%), and St. Mary's County uses job search (35.1%) at a rate far higher than the state as whole (13.4%).

Beyond the use of vendors, these distributions may reflect differences in how local departments deploy work activities. Baltimore County (3.8%) and Harford County (2.6%), for instance, may not encourage clients to engage in work experience. Furthermore, these distributions may represent the availability of local resources. Baltimore City's (16.8%) urban location may make it easier to provide education and training activities, while Cecil County (2.9%) may lack appropriate providers. Regardless, this shows that there are a multitude of approaches to work activity assignment, even within one state.

Table 1. Distribution of Work Activities in Larger Jurisdictions

Jurisdiction	Education & Training	Job Search	Work Experience	Employment
Anne Arundel County	8.7%	13.8%	19.6%	58.0%
Baltimore City	16.8%	3.2%	40.6%	39.4%
Baltimore County	10.6%	24.9%	3.8%	60.8%
Cecil County	2.9%	27.6%	34.3%	35.2%
Charles County	8.3%	18.5%	45.4%	27.8%
Frederick County	1.7%	18.3%	24.3%	55.7%
Harford County	10.5%	30.7%	2.6%	56.1%
Howard County	13.2%	4.6%	22.5%	59.6%
Montgomery County	9.2%	23.5%	7.6%	59.8%
Prince George's County	14.5%	20.7%	27.5%	37.4%
St. Mary's County	4.1%	35.1%	11.3%	49.5%
Washington County	21.1%	12.6%	5.3%	61.1%
Wicomico County	3.7%	20.6%	8.1%	67.6%

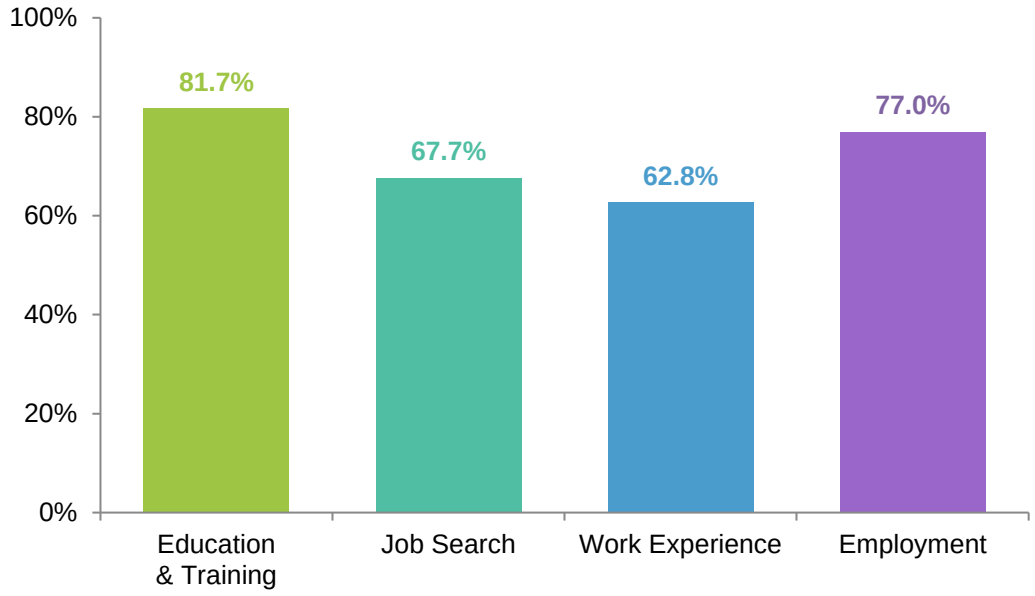
Note: Jurisdictions must have at least 95 TANF clients total among all four categories in order to be included in this table. This represents a natural break in the data, as six jurisdictions have 95-115 clients, and the largest excluded jurisdiction has 66 clients.

In addition to the jurisdictions in which they live, there are a variety of other factors that could affect both TANF clients' work activities assignments and their future employment and earnings. We begin by examining demographic characteristics that may differ by work activity assignment. Most demographic characteristics are fairly similar across work activities: clients are typically African American women who are about 30 years old and never married. The majority have one or two children, the youngest of whom is about five years old.

There are some differences in educational attainment, however. Figure 2 presents the percentage of clients with at least a high-school education by work activity. Over 80% of those in education and training have finished high school, and clients in employment are not far behind (77.0%). Those in job search and work experience are much less likely to have a high school diploma or GED. About two in three (67.7%) clients in job search finished high school, and just over two in five (62.8%) in work experience did the same.

According to previous research on work activities, having a high school diploma or GED has the greatest effect on earnings of any demographic characteristic other than gender (Davis et al., 2011). If clients in work activities with the highest percentages of high-school completion are also more likely to be employed or to earn more than other clients, then the work activities themselves may not be responsible for those employment and earnings outcomes.

Figure 2. Percentage with at Least High School Education



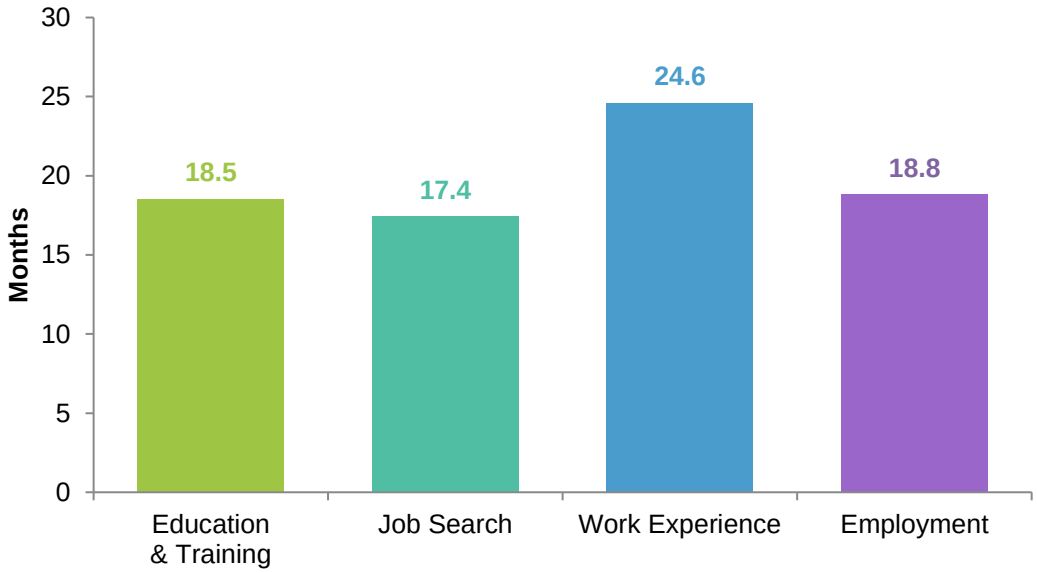
Note: Clients who earned General Education Development (GED) diplomas are included in the percentage who finished high school.

Another characteristic that may affect employment and earnings is the amount of time that clients have received cash assistance. For example, those with longer TANF histories typically earn less than TANF clients who only receive assistance for a short time (Michalopoulos, Schwartz, & Adams-Ciardullo, 2001). As Figure 3 shows, clients in three activities—education and training, job search, and employment—had very similar amounts of prior receipt. All three groups had 17 to 19 cumulative months of TANF receipt, on average, in the previous five years. In contrast, clients in work experience averaged 25 months of receipt in the same time frame. Clients in work experience, then, typically received TANF for six to eight more months than their counterparts in the other three work activities.

This is important because it may affect the relationship between participation in particular work activities and employment and earnings outcomes. If clients in work experience have lower earnings than clients in the other three work activities, that may reflect their lengthier histories of welfare receipt, not the effects of participating in work experience.

Finally, we turn to employment and earnings. We start with employment and earnings before the welfare spell[2] began, as we need to determine if there are any differences in prior employment and earnings by work activity. If these differences exist, they may affect employment and earnings by work activity after case closure. As Figure 4 shows, those who participated in employment as a work activity are particularly likely to have been employed in the year before spell entry: 65% of them worked, compared to 56% of those in education and training. Clients who participated in job search are close behind those in education and training at 53%.

Figure 3. Average Number of Months of TANF Receipt in Previous Five Years



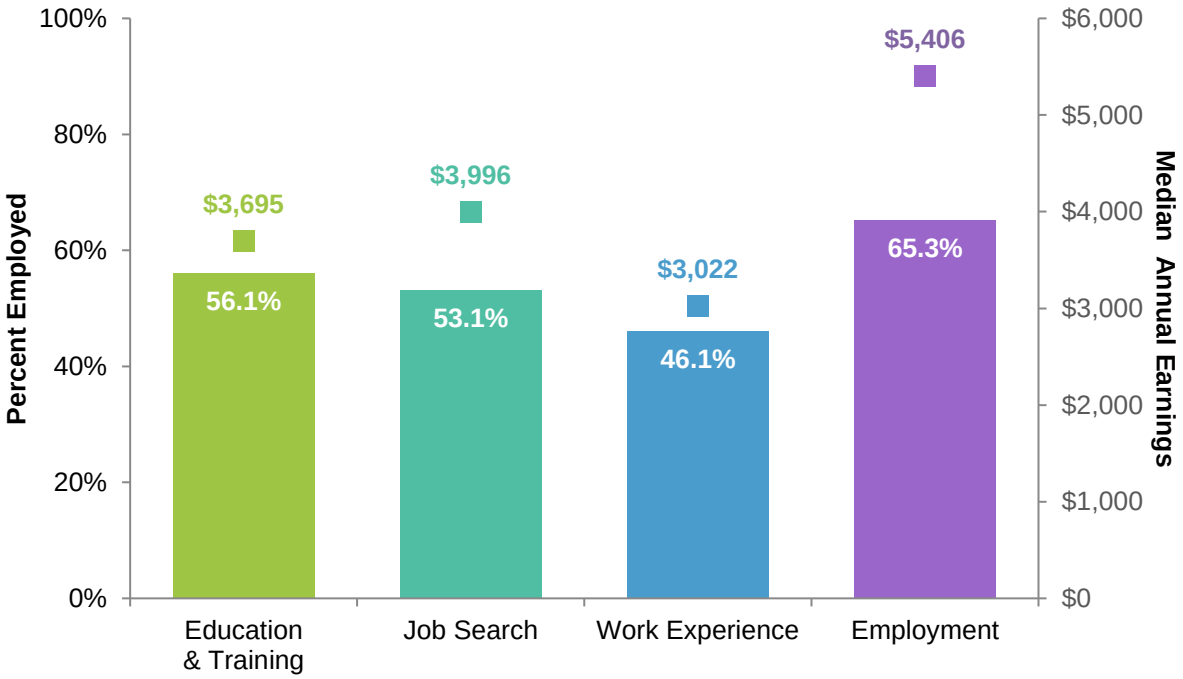
[2] A welfare spell is a period of consecutive months of TANF receipt. It begins with the last application date and ends when the case closes.

Work experience clients are the least likely to have been employed prior to spell entry at 46%, which is almost 20 percentage points lower than clients whose work activity was formal employment. Relatively low employment among those in work experience may be expected, however, given their assignment to that work activity. If clients had substantial work histories, they may not have been good candidates for work experience as a work activity.

Median earnings in the year before spell entry have a pattern similar to employment in that year. (The median is the middle value of the distribution; half of the values are lower, and half are higher.) Those in the employment work activity earned $5,406 in that year, about $1,500 more than clients in education and training ($3,695) and job search ($3,996). Clients who participated in work experience earned the least ($3,022).

There appear to be differences by work activity in employment and earnings in the year before spell entry, which may affect employment and earnings by work activity after case closure. Clients whose work activity was formal employment were the most likely to work and had the highest earnings, compared to clients in the other three work activities. Those in work experience were the opposite; they were the least likely to be employed, and they had the lowest earnings. These patterns may mean that clients who participated in employment as a work activity were already more likely to succeed after exiting TANF—and that work experience clients were more likely to have difficulty securing employment. When assessing the extent to which participation in a work activity contributed to employment and earnings after case closure, this is essential context.

Figure 4. Employment and Earnings in Year before Spell Entry



Note: Earnings standardized to 2015 dollars.

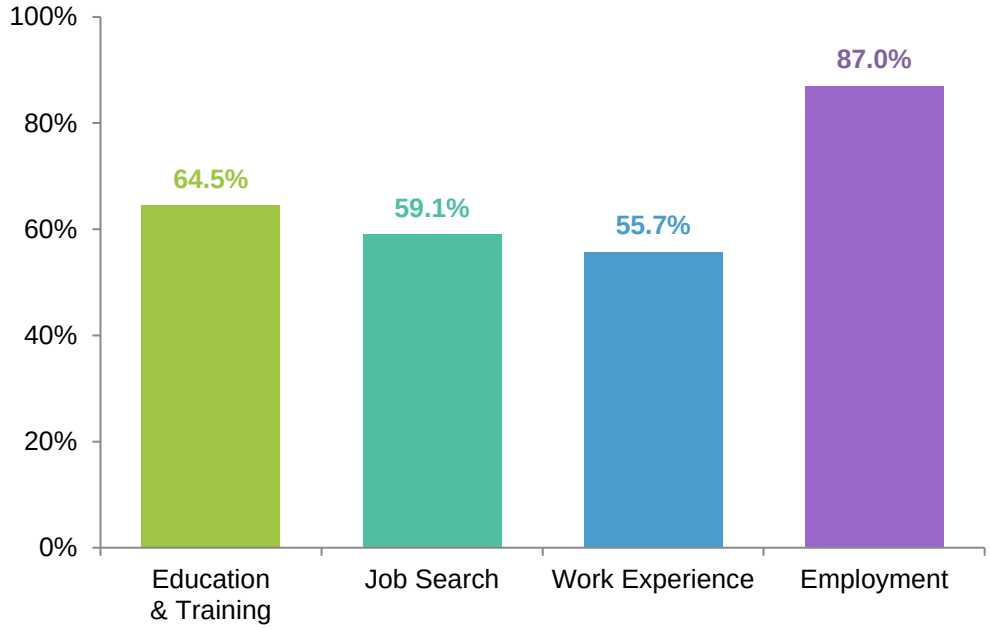
At this point, we know that clients systematically differ by work activity in four ways: educational attainment, prior welfare receipt, past employment, and past earnings. Are there systematic differences in employment and earnings after case closure as well? Figure 5 shows the percent of clients who were employed by work activity, and the pattern echoes what we saw in earlier analyses. Clients who were engaged in formal employment as a work activity were very likely to continue working after case closure. Almost nine in 10 (87.0%) worked at some point in the year after case closure, which is much higher than any other work activity group. Those in education and training had the next highest employment at 65%, over 20 percentage points lower than those in employment. The remaining two groups are not far behind clients in education and training. About 60% of those in job search and 56% of those in work experience are employed in the year after case closure.

With all of the advantages that clients in formal employment had, it is difficult to attribute their success in employment after case closure solely to the work activity in which they participated. Clients who participated in employment as a work activity were the most likely to be employed before spell entry, had the highest earnings prior to spell entry, and had the second-highest rate of high-school completion.

Similarly, clients in work experience had many factors that may have contributed to having the lowest percentage of clients employed in the year after case closure. Those in work experience had the lowest prior employment and earnings, the most previous TANF receipt, and they were the least likely to graduate from high school. The fact that they are less likely to be employed after case closure dovetails with everything else we know about this group.

However, there is one area in which work experience clients do well: improvement in percentage employed from the year before

Figure 5. Percentage Employed in Year after Case Closure

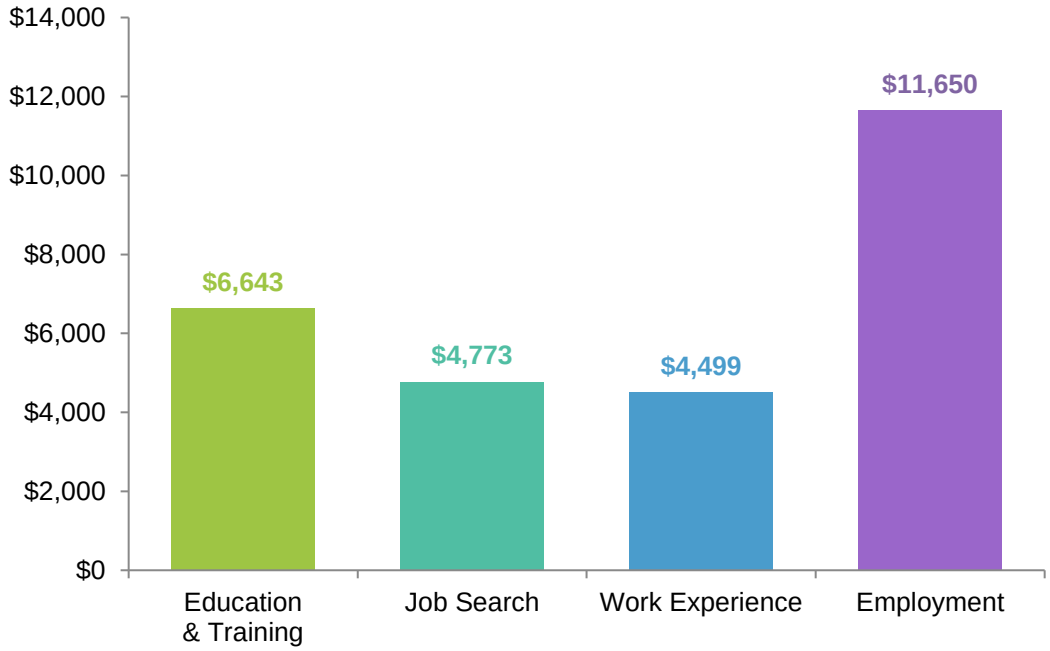


spell entry through the year after case closure. Those with employment as a work activity are far and away the winners here; there is an increase of over 20 percentage points in that time frame (from 65.3% to 87.0%). Those in work experience have the next highest increase, though, at about 10 percentage points (from 46.1% to 55.7%). Education and training clients' employment rises about eight percentage points, and job search clients' employment improves by six percentage points. Given work experience clients' backgrounds—and what the work experience activity is intended to accomplish—this may be the most appropriate metric to judge the success of that activity. On those terms, work experience looks more positive.

Median annual earnings after case closure, shown in Figure 6, are still low for clients in all work activities. Clients who participated in employment as a work activity had earnings that were far greater than clients in the other three activities, though. They earned $11,650, which is about 75% more than clients in education and training, who had the second-highest earnings ($6,643). Clients who participated in work experience earned the least ($4,499), but those in job search did not earn much more ($4,773).

The pattern for earnings after case closure resembles the pattern for employment after case closure. Clients engaged in employment as a work activity fare markedly better than clients in the other three work activities; clients in employment and training are well below those in employment but above those in job search and work experience. For earnings especially, education and training seems to be more advantageous than job search and work experience. In the year after case closure, clients in education and training earn 39% more than those in job search and 48% more than those in work experience.

Figure 6. Median Annual Earnings in Year after Case Closure



Note: Earnings standardized to 2015 dollars.

Another way to assess work activities is to examine how earnings increased from the year prior to spell entry to the year after case closure. Once again, clients who participated in employment as a work activity had the largest increase ($6,243). The increase that those in employment and training received ($2,948) is less than half of what those in employment obtained. However, it is also about double what clients in work experience received ($1,477) and over three times larger than what those in job search earned ($778).

Considering all of this information, job search does not seem to perform as well as the other work activities. It has the smallest increases in both employment and earnings from before spell entry to after case closure. Job search clients do not have the highest high-school graduation rates, and employment and earnings before spell entry are not particularly strong either, so there may be reasons for these outcomes that we have not examined here.

While employment clearly has the most positive short-term outcomes, it is important not to overlook education and training, in which positive outcomes may take some time to manifest. It may not be the best work activity for all clients—those in this activity are especially likely to have finished high school—but those who participated in education and training had particularly strong earnings gains. It may be beneficial to assign clients with a solid work history and a high-school education but very low earnings to this activity.

Conclusions

While there are distinct differences in employment and earnings after TANF receipt by work activity, it is difficult to say that work activities themselves contributed to those differences. Clients started their respective work activities with particular advantages and disadvantages that may be inherent to their work activity assignments. For instance, many education and training work activities may require participants to have finished high school. Similarly, clients may be assigned to work experience because they lack significant employment histories. Both of those characteristics are likely to affect employment and earnings after case closure, making it impossible to say if the outcomes reflect anything clients learned through participation in work activities. One way to deal with these problems would be to use more sophisticated analytic techniques that would control for differences in characteristics that may affect employment and earnings.

While the intent of this research is to help program managers make decisions as they set policies around work activity assignment, this research should not be a substitute for local expertise. For example, those who rely heavily on job search may want to investigate other options—or they may find that these statewide statistics do not convey how well job search performs in their jurisdictions. As local directors, caseworkers, and vendors consider how to provide the best assistance to their clients, this research simply provides another perspective to take into account.

Despite these issues, these analyses reveal some important aspects of the relationship between work activities and employment and earnings after case closure. By a wide margin, participating in employment as a work activity is associated with considerably higher short-term employment and earnings. However, those who participate in employment may have systematic

advantages that contributed to those employment and earnings outcomes. All things equal, these results suggest if caseworkers and vendors are able to help clients find jobs while they are receiving TANF, that is likely to lead to employment and greater earnings within the year that clients' TANF cases close.

On the other hand, job search does not seem to be associated with substantial gains in employment or earnings. In comparing employment and earnings before TANF receipt to employment and earnings after TANF receipt, clients in job search had the smallest increases in both employment and earnings. At the same time, those in job search were less likely to finish high school, so there may be some factors that we did not explore that contributed to those outcomes.

For clients in education and training, work activities may have had some benefit. Those in education and training were the most likely to have graduated from high school, and their prior work experience and earnings were stronger than those in some of the other activities. They did have substantial earnings gains, though, so education and training work activities may best serve those whose primary barrier to self-sufficiency is low earning potential. It is also important to note that we might expect education and training to have greater effects over a longer period of time. Based on other research (Dyke et al., 2006), one year is probably not enough time to see the full impact of greater educational attainment or skill development.

Compared to clients in the other work activities, clients in work experience seemed more disadvantaged. They were the least likely to finish high school, and they had the lowest prior employment and earnings. Their increases in employment and earnings from before TANF receipt to after case closure were not huge, but they were higher than the increases that those in job search had. Given where clients in work experience started, these increases may indicate that participation in work experience affected clients positively.

These results are particularly important as Maryland's welfare and workforce agencies enter a new partnership. With the federal Workforce Innovation and Opportunity Act naming TANF as a mandatory partner, TANF clients are poised to have new education and training opportunities. This research can help TANF policymakers and program managers begin to determine which clients are most likely to benefit from this partnership.

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