



# DOES SHORT-TERM EMPLOYMENT RETENTION AFFECT SUBSEQUENT EMPLOYMENT & EARNINGS?

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For most adult recipients, obtaining employment is an essential component of transitioning off Temporary Cash Assistance (TCA), Maryland's version of the federal Temporary Assistance for Needy Families (TANF) program. Typically, adult recipients are required to participate in work activities that are intended to help them find jobs, and they usually leave the cash assistance program if they start working.

Because employment is so crucial to a family's ability to leave TCA, job placement is an important metric in judging the success of the program. In federal fiscal 2016, the Department of Human Services (DHS) counted over 13,000 job placements for the second year in a row among individuals receiving services across its three agencies (Maryland Department of Legislative Services, 2017). This was the highest number in over 15 years, although it should be noted that one individual may have multiple job placements. Because the record number of job placements occurred during a decrease in the number of families receiving assistance, job placements as a percentage of the caseload were higher as well, approaching 60% (Maryland Department of Legislative Services, 2017).

Finding a job is not enough to maintain families' self-sufficiency, however. Adults need to remain employed with decent wages in order to avoid returning to TCA. Working for at least three of four quarters in each year after exit was associated with substantially reducing the likelihood of returning to TCA (Nicoli, 2015). Similarly, adults who earned wages above the federal poverty threshold in each year after exit were far less likely to return (Nicoli, 2015).

Thus, retaining employment is integral to families' abilities to remain off TCA. DHS recognizes this and tracks the

## KEY FINDINGS

- ❖ Work-eligible adult recipients who *retained employment* for three months and those who *did not retain employment* had similar demographic characteristics and comparable histories of TCA receipt.
- ❖ Those in the *retained employment* group were more likely to have worked in the year before receiving TCA, and they earned substantially more in that year than those who did not retain employment.
- ❖ In the second and third years after case closure, 80% of the *retained employment* group worked, compared to 70% of the *did not retain employment* group.
- ❖ In the third year after case closure, the *retained employment* group earned almost \$15,000, compared to about \$9,500 among those who did not retain employment.
- ❖ More than half of those who retained employment worked all four quarters in the third year after case closure, but only 35% of the *did not retain employment* group worked all four quarters in that year.
- ❖ Even among those who worked all four quarters, earnings were still higher for the *retained employment* group.

percentage of individuals who remained employed one quarter after they began working. For over 15 years, between 70% and 80% of individuals who started working in one quarter were still working in the following quarter (Maryland Department of Legislative Services, 2017). This is slightly lower than what we find among adult recipients who left TCA; over 80% of those individuals retained jobs for three months, or one quarter (Passarella, Nicoli, & Hall, 2016). These percentages are relatively high, which may be explained by research indicating that welfare recipients are actually more likely to retain their jobs than similar workers who did not receive welfare (Gooden & Bailey, 2001). Other research suggests that job retention among welfare recipients is comparable to other workers (Holzer, Stoll & Wissoker, 2004). Regardless, these numbers indicate that the vast majority of adult recipients who begin working in one quarter continue to be employed in the following quarter.

These aggregate percentages leave a number of questions unanswered, though. For instance, there has been little research on which individuals are most likely to retain their jobs, particularly among those who left welfare programs for work. While there is some evidence that the characteristics of jobs matter for the retention of former welfare recipients—jobs that offer higher wages and good benefits are associated with job retention (Deckop, Konrad, Perlmutter, & Freely, 2006)—there is not much evidence about characteristics of former welfare recipients themselves. For example, Holzer, Stoll, and Wissoker (2004) examined characteristics associated with retention and found that race, education, and general work experience did not predict retention.

Additionally, there has been a dearth of work examining how short-term measures such as retaining employment for one quarter affect long-term earnings and employment. If short-term employment retention is not strongly related to future employment and earnings, then other measures may need to be explored. Conversely, if there is a solid connection between retaining employment for one quarter and employment and earnings in the long run, then that means retention is an even more important metric to track.

In order to shed some light on these questions, we investigate the relationship between short-term employment retention and long-term employment and earnings. We discuss differences between those who retained employment and those who did not before examining their employment and earnings for three years after TCA case closure.

## **Data and Study Population**

Data comes from the Client Automated Resources and Eligibility System (CARES) and the Maryland Automated Benefits System (MABS), which are administrative data systems for TCA and Unemployment Insurance (UI), respectively. MABS data, in particular, has a variety of limitations. Data is reported 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,<sup>1</sup> we are likely understating employment and may be missing some earnings.

Analyses are based on the entire population of TCA cases that closed between October 2012 and September 2013, which is federal fiscal year (FFY) 2013. For cases that closed more than once, one closure was randomly selected. Cases that were work-exempt<sup>2</sup> at the time of the randomly selected closure during FFY 2013 were excluded. Analyses were conducted at the individual level,<sup>3</sup> so both adults on cases with two adult recipients are included.

This brief divides work-eligible adult recipients into two groups based on their work experiences at the time of case closure. The *retained employment* group consists of those who worked in both the quarter their cases closed and the following quarter. Those in the *did not retain employment* group either (a) worked in the quarter their cases closed but did not work in the following quarter, or (b) did not work in the quarter their cases closed but did work in the following quarter. Of the 17,799 work-eligible adult recipients in FFY 2013, 6,025 retained employment, and 2,810 did not retain employment. This means that the final number of individuals included in analyses is 8,835.

The remaining 8,964 adult recipients, or 50.4% of the total number of work-eligible adult recipients, did not fit into the *retained employment* group or the *did not retain employment* group. The fact that the

individuals in this group were not employed in either the quarter their cases closed or the following quarter may signal that these individuals have additional issues that are not captured in the available data. For example, some of them may not have intended for their cases to close and may have returned quickly to TCA. Others may have barriers to employment, such as health problems, that make finding and retaining employment difficult. As a result, these recipients were excluded from all analyses.

## Findings

Other work, including what the Department of Human Services (DHS) reports and research by the University of Maryland School of Social Work, finds that the vast majority of employed adult recipients maintain employment for one quarter, or three months. Figure 1 shows that a somewhat lower percentage of work-eligible adult recipients are in the *retained employment* group: just over two thirds (68.2%) of adult recipients are in this group. This is entirely the result of how we constructed the population, however. By adding in adult recipients who were not employed in the quarter the case closed but who were employed in the following quarter, we were able to increase the size of the *did not retain employment* group. This was important in ensuring that this group was not too small for analytical purposes. If we only examine adult recipients who worked in the quarter their cases closed, over 80% (82.9%) continued to be employed in next

are not expected to find employment. The adults on work-eligible cases are required to participate in work-related activities in order to help them obtain jobs and eventually leave TCA.

<sup>3</sup> The sole exception is Figure 3, which is case level.

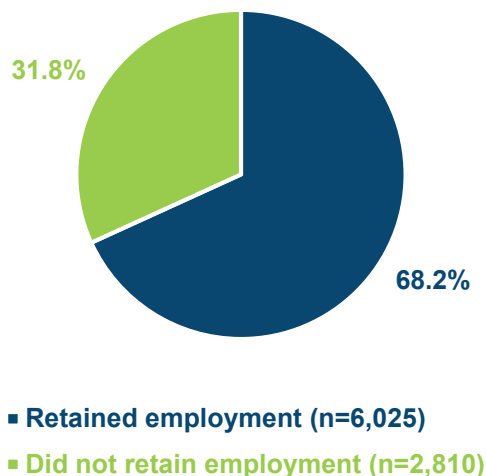
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<sup>1</sup> More than one in six (16.9%) Maryland residents works out of state, which is over four times greater than the national average (3.7%) (U.S. Census Bureau, 2018).

<sup>2</sup> The adults on work-exempt cases, such as a grandmother caring for her grandchild or a mother who receives Supplemental Security Income (SSI),

quarter. This percentage is in line with what we have reported in the past (Passarella et al., 2016) and higher than what DHS typically finds (Maryland Department of Legislative Services, 2017).

**Figure 1. Percentage of Work-Eligible Adult Recipients Retaining Employment for Three Months**

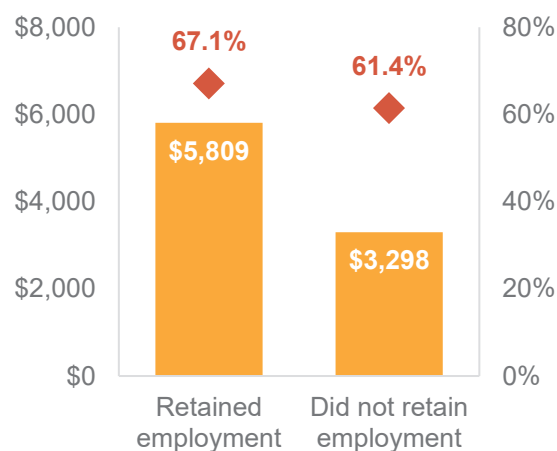


In trying to determine what differentiates individuals who retained employment from those who did not, we examined demographic and case characteristics as well as families' histories of cash assistance receipt. We found very few differences, as other research has suggested may be the case (Holzer et al., 2004). Those who retained employment were slightly more likely to have finished high school or to have education beyond high school. The differences were relatively small; 31% of the *did not retain employment* group did not finish high school, compared to 27% of those who retained employment. Similarly, individuals in the *retained employment* group had about one fewer month of TCA receipt in the previous five years than those who did not retain employment, on average (17.7 months vs. 19.0 months). Thus, there appear to be only minor differences

between the two groups on these characteristics.

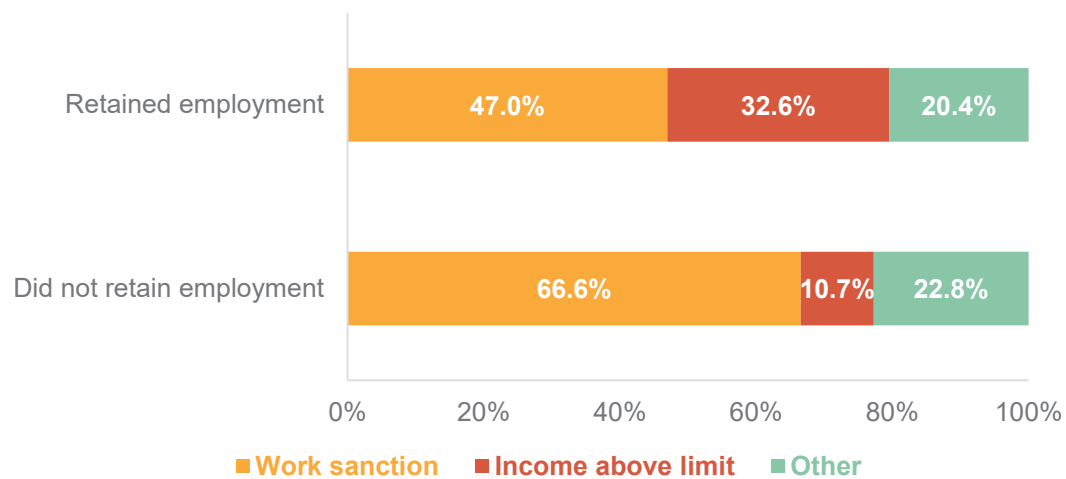
However, we did find that previous employment and earnings experiences varied between those who retained employment and those who did not. Two thirds (67.1%) of the *retained employment* group worked in the year before receiving TCA while just over 60% of those who did not retain employment worked in that year, as displayed in Figure 2. Earnings among those who retained employment were substantially higher as well; they earned about \$5,800 in the year before receiving TCA, but those who did not retain employment earned about \$3,300. Individuals who retained employment earned about 75% more than those who did not, which indicates there might be something about their prior work experiences that contributed to working in two consecutive quarters.

**Figure 2. Percent Employed and Median Total Earnings Year before TCA Receipt**



In addition to previous employment and earnings, the reasons that adult recipients' cases close may provide some insight into why some former recipients are able to retain employment and others are not.

**Figure 3. Case Closure Reasons**



**Note:** Case closure reasons are a case-level variable, and the analysis conducted here uses cases (n=8,422) rather than adult recipients (n=8,835). Some cases have two adult recipients.

Figure 3 shows that, among those who retained employment, one in three (32.6%) case closures resulted from reporting income, most commonly from employment, that was above the limit for continued eligibility. In contrast, among those who did not retain employment, one in 10 (10.7%) cases closed for that reason. Similarly, fully two thirds (66.6%) of the *did not retain employment* group's cases closed due to a work sanction<sup>4</sup> while less than half (47.0%) of the *retained employment* group's cases received a work sanction. These differences in case closure reasons suggest that individuals who retained employment were more likely to close their cases intentionally after finding employment, which may have aided employment retention.

Aside from earnings before receiving TCA and case closure reasons, those who retained employment are not substantially different from those who did not. However, employment and earnings in the three years

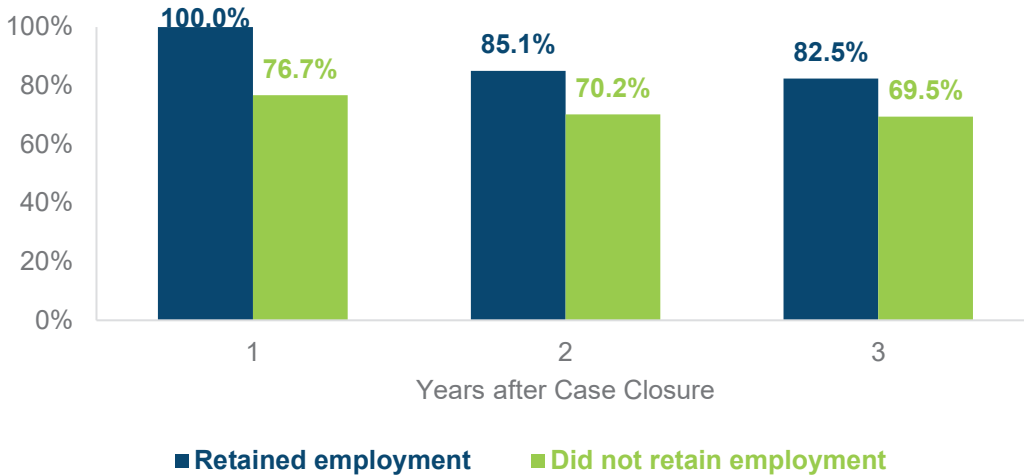
after case closure, shown in Figures 4 and 5, reveal disparate post-TCA experiences. Due to the construction of the *retained employment* group, every individual in that group was employed in the first year after case closure, compared to just over three in four (76.7%) former adult recipients in the *did not retain employment* group. The gap between the groups shrank to 15 percentage points in the second year after case closure, though. In that year, 85% of those who retained employment for three months worked, compared to 70% of those who did not retain employment for three months. Those percentages did not drop much further in the following year, and the employment participation gap between the groups remained over 10 percentage points.

As with employment, earnings in the three years after case closure are quite different depending on whether or not individuals retained employment. In the first year after case closure, those who retained

<sup>4</sup> Work sanctions are financial penalties for noncompliance with the work requirement. In

Maryland, a work sanction closes the case; complying with the work requirement can reopen the case.

**Figure 4. Percent Employed in Each Year after Case Closure**

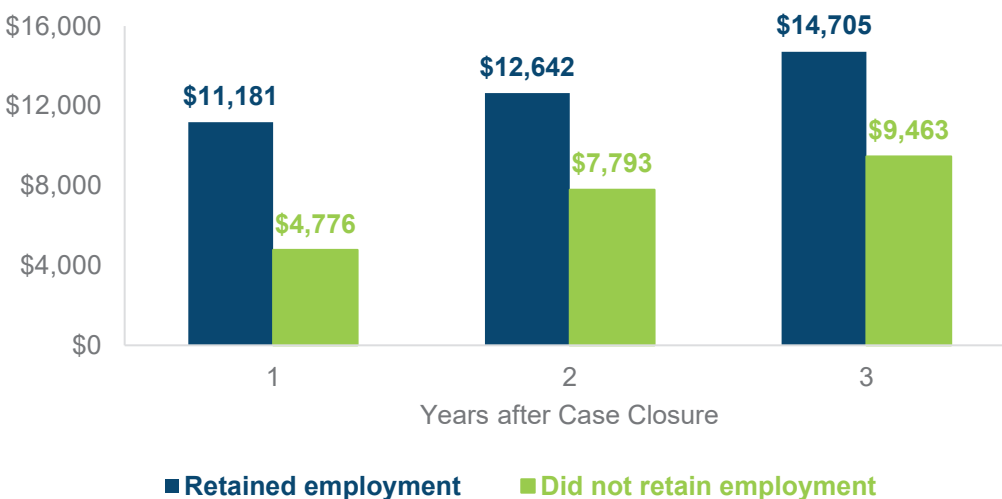


employment earned a little over \$11,000, compared to less than \$5,000 among those who did not retain employment. The gap between the groups narrows considerably in the second year after case closure; earnings among those who did not retain employment rose to almost \$7,800 while earnings among those who retained employment are over \$12,600. Earnings for both groups continued to increase in the third year after case closure. Those who retained employment brought home about \$14,700, and those in the *did not retain employment* group made close to \$9,500.

Earnings for both groups grew over time, but those who did not retain employment started very low and had much further to rise. Their earnings almost doubled from the first to the third year after case closure, compared to a 30% increase in earnings for those who retained employment. Despite the rapid earnings growth among the *did not retain employment* group, they still earned over \$5,000 less than the *retained employment* group in the third year after case closure.

Although it is likely that retaining employment contributed to more positive

**Figure 5. Median Total Earnings in Each Year after Case Closure**



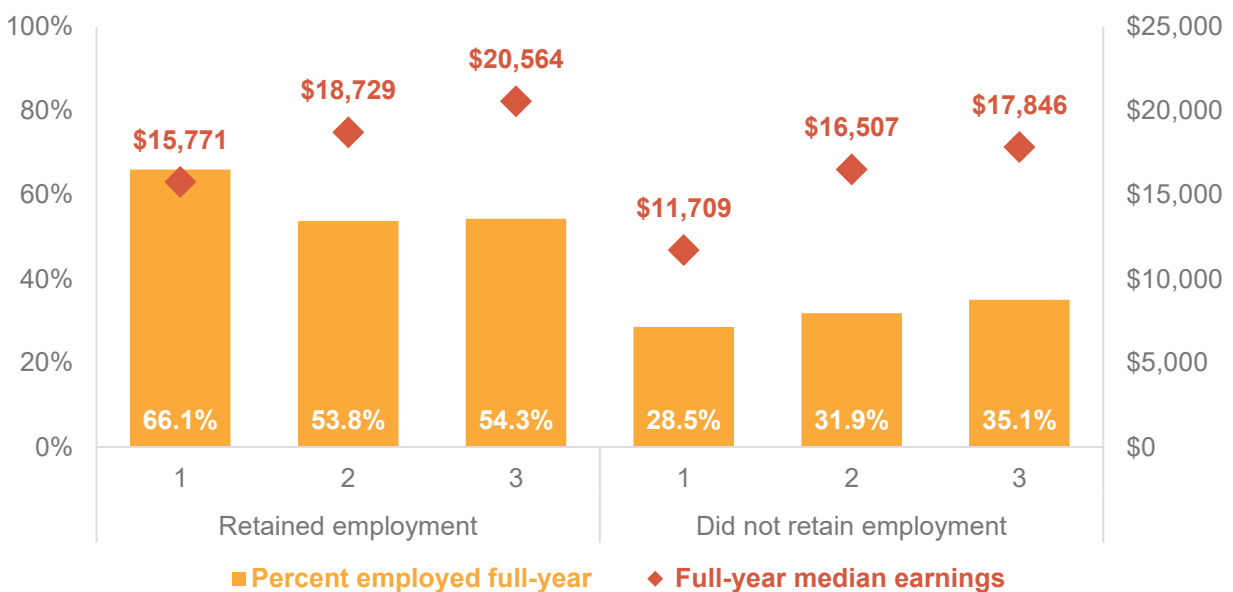
outcomes for individuals in that group, there are other factors that could have affected employment and earnings. For example, as Figure 6 shows, those who retained employment were also more likely to have worked all four quarters in each year after case closure. In the first year after case closure, two thirds (66.1%) of the *retained employment* group worked all four quarters, compared to less than 30% (28.5%) of the *did not retain employment* group. This difference accounts for much of the earnings gap in the first year after case closure that Figure 5 shows. In Figure 5, those who retained employment earned more than twice what those who did not retain employment earned in that year. Figure 6 shows that, among those who worked all four quarters in the first year after case closure, the *did not retain employment* group earned a median of about \$12,000, which is much closer to the \$16,000 that the *retained employment* group earned.

The percentage of individuals who worked a full year—that is, all four quarters—is substantially higher among the *retained*

*employment* group in each year after case closure. While the distance between the groups narrows over the years, declining from over 35 percentage points in the first year after case closure to less than 20 percentage points in the third year after case closure, it is still considerable. In the third year after case closure, slightly more than one in three (35.1%) who did not retain employment worked the full year, but over half (54.3%) of those who retained employment worked four quarters. This may indicate that those in the *retained employment* group have higher earnings due to more consistent employment.

However, even among individuals who worked a full year, earnings are greater for those who retained employment. Although the difference between the groups is much smaller than in Figure 5, in which individuals worked anywhere from one to four quarters in a year, it persists throughout each year after case closure. The largest difference is in the first year after case closure, when those who retained employment earned about 35% more than those who did not

**Figure 6. Full-Year Employment and Median Earnings for Each Year after Case Closure**



## INDUSTRY DESCRIPTIONS

### Administrative & Support (NAICS 561)

Organizations that support day-to-day operations—clerical, cleaning, and general management activities—and temporary employment services.

### General Retail (NAICS 452)

Department stores and other general merchandise stores.

### Restaurants (NAICS 722)

Full-service or fast food restaurants as well as caterers and mobile food services.

### Outpatient Health Care (NAICS 621)

Outpatient healthcare facilities, medical and diagnostic laboratories, and home health care services.

### 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.

### Hospitals (NAICS 622)

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

### Education (NAICS 611)

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

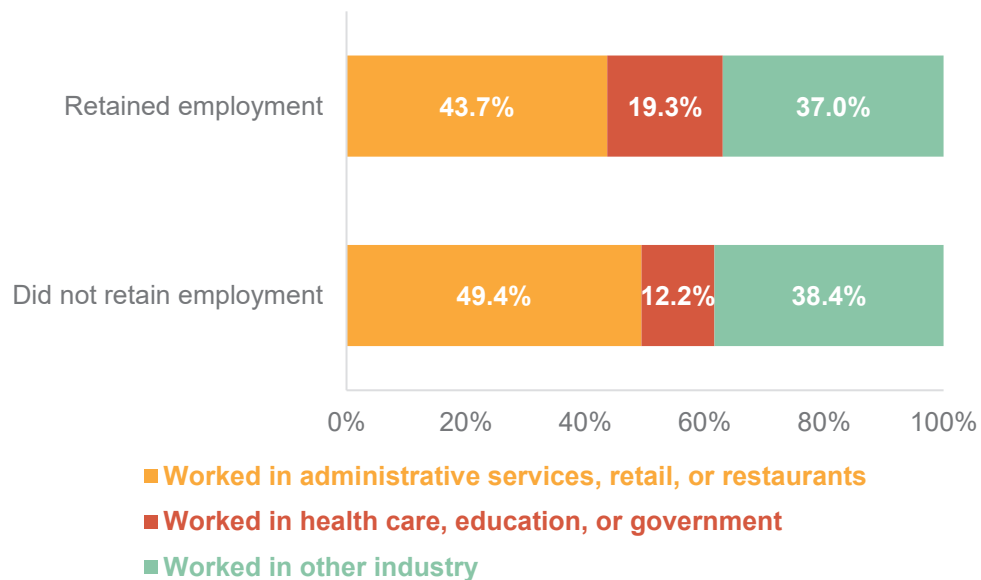
### Government (NAICS=921)

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

retain employment. In the second year after case closure, earnings in the *retained employment* group are only 13% higher, but the gap increases incrementally in the third year after case closure to 15%. Thus, those who retain employment appear to earn somewhat more than those who do not retain employment, even when controlling for the number of quarters worked.

One aspect of individuals' work experiences that could explain higher wages for those who retained employment is the industries in which they work. In previous research, we found that individuals who leave TCA and work in certain industries, such as health care, education, and government, earn more and are more likely to remain off TCA than those who work in some of the most common industries, such as administrative services, retail, and restaurants (Nicoli, Passarella, & Born, 2014). Figure 7 places individuals into one of three different groups based on three-digit North American Industry Classification System (NAICS) codes (described in the sidebar). The administrative services, retail, and restaurants category captured nearly half (49.4%) of those who did not retain employment, although those who retained employment were not far behind at 44%. Those in the *retained employment* group were more likely to work in the higher-paying industries—health care, education, and government—than those in the *did not retain employment* group, but the difference was only seven percentage points (19.3% vs. 12.2%). Roughly the same percentage of individuals in both groups were employed in other industries. This suggests that some of the increased earnings among those who retained employment may stem from working in industries that pay more.

**Figure 7. Industry in First Quarter Worked after Case Closure**





## Conclusions

In order to make lasting exits from Temporary Cash Assistance (TCA), most adult recipients must maintain consistent employment. Because continued employment is so important, the Department of Human Services (DHS) tracks the percentage of adult recipients who started working in one quarter and remained employed in the following quarter. Typically, between 70% and 80% of adult recipients retain employment (Maryland Department of Legislative Services, 2017), which indicates that most individuals have some early success in maintaining employment.

What is not known, however, is whether retaining employment for one quarter makes a difference in employment and earnings outcomes in the long term. If employment retention is associated with earning higher wages in subsequent years, then this metric indicates meaningful progress toward self-sufficiency. If employment retention makes little difference in future employment and earnings, though, it may be worth treating it with some skepticism.

To explore this potential connection, we investigated employment and earnings for three years after case closure for two groups: those who *retained employment*, working in the quarter their cases closed and the following quarter, and those who *did not retain employment*. The latter group either (a) worked in the quarter their cases closed but did not work in the following quarter, or (b) did not work in the quarter their cases closed but did work in the following quarter. Demographically, these groups are quite similar, and they had comparable histories of TCA receipt. Those in the *retained employment* group were

more likely to have worked in the year before receiving TCA, though, and they earned substantially more in that year than those who did not retain employment. Additionally, the *did not retain employment* group was much more likely to have their cases closed due to a work sanction.

The two groups have considerably different employment and earnings outcomes in each year after case closure. In both the second and third years after case closure, 70% of the *did not retain employment* group worked in a job covered by the Maryland Unemployment Insurance system, but over 80% of those who retained employment worked in such jobs. The *retained employment* group earned much more as well. In the third year after case closure, they earned almost \$15,000, compared to about \$9,500 among those who did not retain employment.

Some of these differences may be attributable to factors other than early employment retention. For example, those who retained employment were far more likely to work all four quarters in any of the three years after case closure. Even when comparing earnings among those in both groups who worked all four quarters, though, the *retained employment* group earned more than their counterparts who did not. Similarly, those who retained employment were somewhat more likely to work in industries that pay better, such as health care, education, and government.

While it is clear those who retained employment had more positive employment and earnings outcomes, simply maintaining employment for one quarter after case closure is almost certainly not the sole cause of these differential outcomes. For example, the *retained employment* group

had stronger work histories as well as the ability to plan their exits from TCA, and this contributed to both retaining employment for one quarter and subsequently remaining employed with higher earnings for years after case closure. These findings do

suggest that those who retained employment are more likely to keep working and to earn more for years into the future. This insight may be helpful as DHS helps adult recipients find jobs and permanently leave the TCA program.

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