



Work Requirements for Welfare Recipients in Tennessee

A Report to the Tennessee Department of Human Services

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Executive Summary

This report presents a detailed analysis of the incidence of work requirements, exemptions from work requirements, and sanctions for work requirement non-compliance among welfare recipients in Tennessee. We examine the demographic characteristics associated with the above, and also perform multivariate regression to more precisely identify the specific characteristics that are associated with being exempted from work requirements, being sanctioned, and returning to compliance following a sanction. The analysis utilizes both official administrative records and data from two waves of a survey of current and former *Families First* participants.

We summarize our most significant and interesting findings below:

- A large percentage of individuals are engaged in work activities.
- Individuals who are on the program participate specifically in actual employment, education, and job search activities to roughly the same degree. Training is a slightly less frequent activity among participants.
- A significant number of individuals have been tested for various conditions that may inhibit their ability to become self-sufficient.
- Welfare participants who are employed are generally working part-time jobs and have monthly earnings (at the assistance group level) of between \$300 and \$900.
- Survey data reveal that a large number of individuals report that they left the welfare rolls because they obtained a job, a better job, or a raise.
- In addition, we find that around 15 percent of the caseload to which work requirements would normally pertain are exempt from work requirements.
- A significant portion (close to one fourth) of exempt individuals report that they engage in work activities even though they are not required to do so.
- A very small share—less than one percent—of the total caseload receive a sanction each month.
- Around 44 percent of those who receive a sanction eventually return to the program.
- Individuals who received a sanction, returned to the program, and then gained employment generally achieve a level of earnings that is on par with those who have never been sanctioned.
- The demographic characteristics most strongly associated with exemptions are rural residency, lower earnings, and being married, White, or male.
- Living in rural areas and having less education are strong indicators of being sanctioned.

1. Introduction

The imposition of work requirements upon welfare recipients was among the fundamental changes to the U.S. welfare system in 1996. It was hoped that a work requirement would encourage workforce participation, increase self-sufficiency, reduce government expenditures on welfare, and ultimately lift needy families out of poverty. The new work requirement is enforced through a system of sanctions, where benefits are reduced or terminated if work requirements are not met. Ideally the threat of a sanction would be sufficient to promote compliance. If not, it is hoped that the sanction itself will achieve workforce participation. In addition, a desirable policy must ensure that only those welfare recipients who are able to fulfill a work requirement are required to do so. Therefore, various exemptions are included as a component of the welfare system to ensure that any recipient who is unable to work is not penalized.

This study contributes to our growing knowledge of these relatively new work requirement policies on welfare participants. We provide a detailed description of those welfare participants in Tennessee's *Families First* program who are subject to work requirements, those who are exempt from work requirements, and those who are sanctioned for non-compliance. Ideally the information herein will aid in answering the overarching question of whether or not public assistance, with the aid of work requirements, has enabled families who were formerly in poverty and/or dependence to become self-sufficient and prosperous. Additionally, we address the following:

- What activities specifically have been pursued to fulfill work requirements?
- How many and what types of individuals

are exempt from work requirements?

- For what reasons are individuals exempt from work requirements?
- How many individuals have been sanctioned for non-compliance?
- What characteristics make an individual more likely to be sanctioned?
- How many individuals returned to compliance after being sanctioned?

Tennessee's welfare program provides an excellent opportunity for analysis in that several of its policies closely mirror those proposed by the Bush administration for implementation at the national level. More specifically, both the Bush plan and Tennessee's program require immediate participation in a work requirement activity, but a diverse set of work activities—including liberal allowances for education and training—are permitted. Perhaps an understanding of Tennessee's program will aid in forecasting effects of the President's proposals.

We begin with a brief discussion of *Families First* work requirement policies and then compare them to policies in surrounding states. Next we provide a review of existing studies in this area. Then we quantitatively examine specific questions surrounding the incidence of work requirements, work requirement exemptions, and sanctions for non-compliance. We also provide a detailed description of the characteristics of both exempt and non-exempt individuals who engage in work activities (highlighting specific work activities where appropriate), those who are exempt, those who receive a sanction, and those who return to compliance following a sanction. Finally, we develop a statistical model that predicts an individual's likelihood of receiving an exemption

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and a sanction. This allows for better identification of the characteristics that lead to sanctions so caseworkers can better assist these individuals in avoiding penalties.

In our analysis we exploit not only administrative data but also information from a longitudinal survey of current and past participants in *Families First*. The administrative data include information for every individual on the program at any time from its inception in 1996 through April 2001. We supplement this rich source of administrative data with survey data

from the *Families First Longitudinal Survey*, which was conducted jointly by several research organizations across Tennessee. The survey data have value both in comparison to the administrative data as well as in providing information about those who have left public assistance. We make use of the first two waves of data from the longitudinal survey, which continues to track over 2,500 families. The survey will continue to provide insight into leavers' work activities as later waves become available and more individuals leave the program.

2. Policy Overview

In 1996, the Temporary Assistance to Needy Families (TANF) program brought about sweeping changes to the welfare system in the United States. TANF replaced the previous program, Aid to Families with Dependent Children (AFDC), via the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). Under TANF, the federal government provides block grants to states. TANF sets basic guidelines for the administration of state welfare programs, while states retain some flexibility to modify the general guidelines.

A major component of the general TANF guidelines is a requirement that the head of every recipient household must engage in workforce participation within 24 months of entry into the program. In addition to employment, work activities may include job training, education, community service, and job search activities for limited time periods. The federal government mandates that states maintain a minimum work participation rate among welfare recipients. The minimum work participation rate was originally 25 percent in 1997 and was gradually increased to 50 percent by 2002. This figure remains steady after 2002. However, this number may be reduced based upon a state's caseload reduction in the prior year. Recipients may be exempted from the work requirement for various reasons to be chosen by the states. Among the exemptions is relief for those parents with children under age one. Federal guidelines limit exemptions to 20 percent of the caseload. If non-exempt recipients fail to comply with the work requirement, they must receive at least a partial sanction.

Families First, Tennessee's program to distribute TANF grants, was created in 1996 before PRWORA had been passed; therefore, it was necessary for Tennessee to obtain a waiver from the federal government to exercise flexibility in its welfare structure. Tennessee still operates under this waiver but it remains to be seen whether or not it will be extended. One element of the flexibility provided by this waiver is that Tennessee is able to count more hours from educational, training, job search, and community service activities toward fulfillment of the work requirement.

The *Families First* program includes a work requirement that is a slight modification of the general TANF guidelines. In order to further enhance work incentives, Tennessee has imposed guidelines that are somewhat more stringent than basic TANF rules. Tennessee requires that all eligible parents and caretaker relatives in an assistance group (AG) participate in work activities for 40 hours per week. Individuals must begin participation in this activity immediately upon entry into the *Families First* program. Furthermore, to be fully considered of individuals who lack the necessary job skills to excel, Tennessee considers a broad array of activities, in addition to full- or part-time employment, as countable toward the fulfillment of a work requirement. These additional countable activities include job search, community service, education, and job training. Job search is limited to eight weeks as a full-time activity but can continue indefinitely as a part-time activity. Individuals who function below the 9th grade level in reading or math are per-

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mitted to count Adult Basic Education (ABE) classes as their work activity until they correct this deficiency. In this case 20 hours per week participation in ABE will fulfill the work requirement.

Various exemptions are permitted in the *Families First* program to ensure that only those who are able to work are required to do so. The caretaker or caretaker relative may be given an exemption if he/she is disabled, over 60 years old, incapacitated, or providing full-time care for a disabled relative that lives in the house. Also, a caretaker who is not a parent but is a relative to the child, and who is not included in the AG, is exempt. Exemptions may also be granted to the caretaker on the basis of good cause, for reasons such as these:

- caring for a child less than 16 weeks old (for a limited time),
- lack of availability of child care,
- lack of availability of transportation,
- individual is a victim of domestic violence,
- health or safety is at risk, or
- the individual has a drug or alcohol addiction or a mental health diagnosis.

To further illustrate, it will be deemed a good cause reason to voluntarily quit a job if an employer does not pay minimum wage. Therefore, an individual will not be sanctioned if he or she quits a job in this case. Exemptions may last for an indefinite period of time but are re-examined periodically to verify their continued legitimacy. Child only cases, by definition, include no eligible adult and are therefore not subject to work requirements.

Under *Families First* guidelines, if a non-exempt individual fails to comply with the program requirements, he or she will receive at least a partial sanction. Full sanctions are applied for the following specific reasons: failure to cooperate with a work requirement activity, voluntary termination of employment, and failure to cooperate with child support. Initially, partial sanctions are applied for failure of an unmarried minor parent to attend school, failure of AG children to attend school, and failure of AG children to have immunizations or health checks. These may also result in full sanctions if the problem persists for a certain period of time. *Families First* caseworkers make every effort to avoid sanctions by scheduling meetings to ensure that individuals have complete knowledge as to what is required of them, the consequences of non-compliance, what can be done to correct any deficiencies, etc.

As stated above, for non-compliance with a work requirement activity, an AG receives a full reduction in benefits. For the first infringement, benefits are not reinstated until the individuals have returned to compliance for at least two weeks. For any subsequent infringement, benefits are not re-instated until at least three months have passed, or until the individual has returned to compliance for two weeks, whichever is greater. Upon voluntary termination of employment, AGs receive a full sanction; benefits are not re-instated until three months have passed or the individual has regained employment, whichever is greater. Sanctions for other policy non-compliance, such as failure of children to attend school, carry only partial reductions in benefits and last until the AG returns to compliance.¹

¹ For more detail on Families First policies, see Center for Business and Economic Research (2000).

3. Brief Comparison of Tennessee and Surrounding States

Tennessee is somewhat more stringent regarding work requirements compared to surrounding states. Along with Virginia, Arkansas, and Alabama, Tennessee requires immediate participation in a work requirement activity. In addition, Tennessee's requirement of 40 hours per week of activity is more than any surrounding state. However, Tennessee allows the greatest number of education and training hours to count toward the work requirement among surrounding states.

Tennessee's exemption policy is generally in line with surrounding states but is possibly more stringent regarding pregnancy and infant care. The *Families First* sanction policy for violation of work requirements is more severe than many surrounding states in that Tennessee imposes a full sanction for the first offense as well as subsequent offenses. However, *Families First* is somewhat more lenient with removing sanctions. Also, *Families First* provides for a more exhaustive set of support services to help participants find and keep jobs.²

4. Prior Studies of Work Requirements

Below we review previous research dealing with work requirements and sanctions for non-compliance. A limited amount of research has been produced that focuses on these topics. This is due in part to the relative youth of TANF as well as a lack of widely available administrative and survey data. No studies exist, to our knowledge, that use microdata to address exemptions from work requirements.

States are required to report certain data from their TANF programs to the United States Department of Health and Human Services (DHHS). From these data, DHHS (2002) reported that the national average work participation rate for TANF participants was 34 percent for fiscal year 2000. This was down from 38.3 percent the previous year. State work

participation rates for fiscal year 2000 ranged from 6.3 percent to 77.4 percent. Tennessee's work participation rate was 35.4 percent, just above the national average.

The Illinois Department of Human Services (2002) reported that 23,830 individuals, 48.5 percent of a total caseload of 49,178, were available to work as of July 2002. They went on to report that, among the total caseload that was available to work, 36 percent was employed. Lewis, et al. (2000) found, using survey data of around 1,350 current and former TANF recipients in Illinois, that 53 percent of respondents were working at the time of the survey. More specifically, they reported that 65 and 43 percent of those off and on TANF respectively were working as of the survey. Interestingly, they noted

² For more details regarding policies in surrounding states, see Center for Business and Economic Research (2001).

4. Prior Studies of Work Requirements

that among those who were working, 86 percent were in permanent jobs (either full- or part-time), as opposed to temporary or seasonal jobs.

The Illinois Department of Human Services (2002) also found that among those cases that have been cancelled due to employment within the last year, 90.5 percent have not returned to assistance. A Rhode Island Department of Human Services (2001) report noted that, as of April 2000, 58.3 percent of case closures were due to employment. They also stated that, among those individuals who left due to employment, fewer were returning and the reentry rate within six months of closure for those individuals was down to 7.6 percent in April 2000.

Westra and Routley (2000) studied a survey of all welfare leavers in Arizona during the first three months of 1998. They found that the predominant reason for leaving welfare rolls (for 54 percent of all leavers) was that they obtained a job or realized increased earnings. Interestingly, they reported that 45 percent of the respondents who were employed at the time of the survey attributed their progress to individual effort and/or a desire to work. Additionally, 25 percent said that education and training had enabled them to leave welfare rolls. They also found that among those who returned to cash assistance within one year of leaving the program, 54 percent attributed reentry to a loss of employment or decreased wages. Lastly, they noted that unemployed respondents primarily cited health issues, a lack of available childcare, and insufficient education and training as the causes of their unemployment.

Fraker and Jacobson (2000) studied an experiment in Iowa from 1993 to 1997. Iowa

obtained a waiver under AFDC to adjust their welfare policy and, among other things, created a program that imposed a work requirement and a lower “tax” on earnings. In other words, under the new program, benefits were not reduced as significantly when earnings grew, as compared to AFDC. Families were randomly assigned to the new program while some stayed on the old AFDC program. Fraker and Jacobson found weak evidence that the new program encouraged employment and increased average earnings. However, they were not able to differentiate between the different effects of the work requirement and the lower “tax” on earnings.

Table 1 summarizes the findings of previous research on sanctions. Sanction rates appear to vary somewhat across reports. Westra and Routley (2000) used administrative data to examine all case closures in Arizona during the first three months of 1998. They found that 20 percent of all case closures were due to sanctions. In addition, they found that sanctioned individuals were less likely to have completed high school and more likely to (a) have reached a time limit, (b) have never been married, and (c) be of African American or Hispanic origin. They also reported that, among those sanctioned, 40 percent returned to the welfare rolls within one year. Goldberg and Schott (2000) referred to state reports that found 28 percent of case closures were due to sanctions in South Carolina and 31 percent in Kansas over the specific time periods covered in each study. They also referred to administrative data, which showed that sanctions represented at least 20 percent of case closures in seven other states in 1999.

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Fein and Lee (1999) showed that Delaware has one of the highest sanction rates yet reported. According to their study, 43 percent of all families who enrolled in Delaware's current welfare program had received at least one sanction by June 1998. In addition, among those recipients who had enrolled in the program earlier (by December 1996), 60 percent had received at least one sanction. Delaware begins with partial sanctions and progressively increases the penalty until compliance is attained. Perhaps more surprisingly, less than one-third (32 percent) of those families who received a sanction ever came back into compliance. Lewis, et al. (2000) found from a series of interviews with Illinois welfare recipients that an estimated 28 percent of respondents lost welfare benefits because of various rule violations, including failure to meet work requirements. Cherlin, et al. (2000) found that 17 percent of welfare recipients had been sanctioned at some point in the past two years

in a sample from three major cities (Boston, Chicago, and San Antonio). Koralek (2000) reported that 19 and 16.4 percent of the caseload in South Carolina received a full sanction in 1998 and 1999 respectively.

Several studies have indicated that personal and family characteristics associated with those individuals who receive a sanction often create difficulty in meeting work requirements. Goldberg and Schott (2000, p. 2) assert that "evidence after four years of TANF... indicates that families sanctioned for noncompliance with work requirements are not primarily those that refuse work, but rather those that face substantial barriers to employment." They went on to describe sanctioned families as those characterized by health problems, low educational attainment, and those who lack transportation and childcare. Cherlin, et al. (2000) and Fein and Lee (1999) also reflect these sentiments.

Table 1: Previous Research Relating to Sanctions

Author	Timeframe of Data	Location of Study	Type of Data	Cases Sanctioned (%)	Closures due to Sanctions (%)
Westra and Routley	January-March, 1998	Arizona	Administrative and Survey	N/A	20
Goldberg and Schott	Various	Various	Administrative	N/A	31 (Kansas), 28 (South Carolina)
Fein and Lee	Inception-June 1998	Delaware	Administrative	43	N/A
Lewis, et al.	Nov. 1999-Sept. 2000	Illinois	Survey	28	N/A
Cherlin, et al.	March-November, 1999	Boston, Chicago, San Antonio	Survey	17	N/A
Koralek	FY 1998 and 1999	South Carolina	Administrative	19 and 16.4	N/A

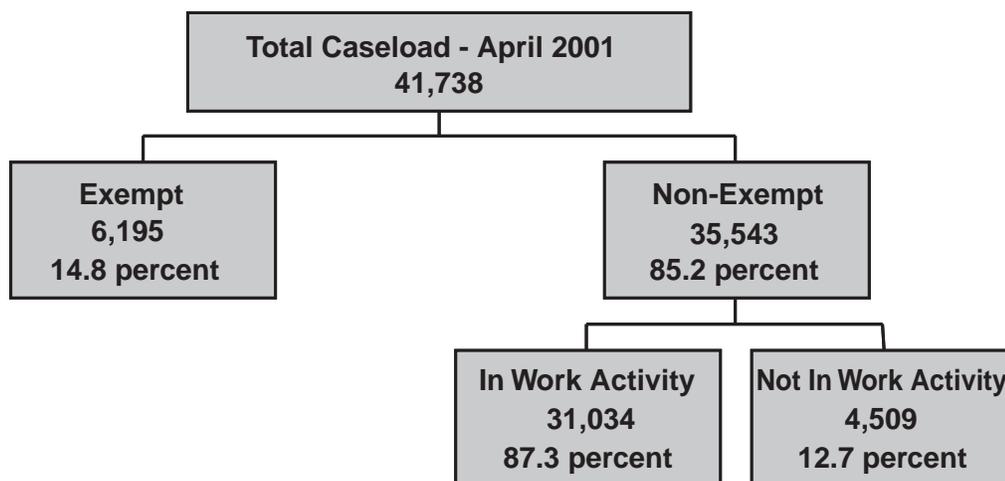
5. Who Is Required to Participate in a Work Activity?

We begin with a detailed analysis of those individuals who are subject to a work requirement under *Families First*.³ Figure 1 presents an overview of work activity as of the last month of our data, April 2001.⁴ As of this time, 85.2 percent of the relevant caseload was under a work requirement.⁵ Among these non-exempt individuals, 87.3 percent were engaged in a work activity. The remaining 12.7 percent of the non-exempt individuals, those who were not pursuing a work activity, should theoretically receive a sanction. However, it is possible that some in this group had just entered the program and had not been properly recorded as having begun a work activity. Other data imperfections are also possible, i.e., individuals may not have been properly recorded as being exempt. It is

impossible to assess from administrative data how many of the exempt individuals were engaged in a work activity even though they were not required to do so. However, this point is discussed below in the context of survey data. The share of the non-exempt caseload that was engaged in work activities has remained fairly stable since early 1997.

We also explore work activity using the *Families First Longitudinal Survey (FFLS)*. The FFLS was composed of a non-random sample of non-child only cases that were active on January 2001. The non-randomness is because individuals that have been referred to Family Services Counseling or Adult Basic Education were over represented in the sample. However,

Figure 1: Work Activity



Source: Admiral

³ Henceforth, the sources for our calculations are either the CBER Admiral database of administrative records (Admiral), or the Families First Longitudinal Survey data (FFLS).

⁴ Our use of April 2001 data certainly raises the possibility that our findings might not be representative of the longer history of Families First. However, as many of our series exhibit remarkable stability over time, we are confident that the April 2001 results can be interpreted as broadly representative.

⁵ We do not include child only cases or adults who are included in an AG but who do not receive benefits in our calculations.

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all of the statistics presented below have been weighted to account for this non-randomness.⁶ Table 2 shows the percentage of individuals from various groups who were participating in any work activity and in employment specifically when the first two waves of the survey were administered.⁷ Around 63 percent of respondents overall were reportedly engaged in a work activity as of the first wave of the survey. That figure declines somewhat noticeably to 46.4 percent by the second wave. For most of these respondents, their work activity was actual employment, which is reported in the final two columns of Table 2. The percentage of those who were employed also declined between survey waves one and two. Breaking these data down by program and exemption status, we find that non-exempt individuals were more likely to have been participating in any work activity, but that those off the program were more likely to have been employed. It is interesting to note that 27.0 and 29.2 percent of individuals in the exempt/on program group participated in a work activity, as of waves one and two respectively, even though they were not required to do so. Work activity of exempt individuals is discussed

in more detail below. The work activity and employment rates fell between the two waves for respondents overall and every sub-group reported but grew slightly for those on the program and exempt. Nearly all respondents (e.g., over 95 percent) reported that they had participated in a work activity at some time while on the program.

To contrast the survey with the administrative data findings, survey respondents report slightly less overall work activity than what is reflected in administrative data (for those on the program and non-exempt). Administrative records reflect the activity to which an individual is assigned and, correspondingly, the activity that they report to a caseworker. However, if a caseworker cannot perfectly monitor the work activity of the recipient then the recipient might not actually be engaged in their assigned work activity. If this were the case, we would expect a lower participation rate in the survey data assuming that work activity is accurately reported on the survey. Presumably recipients have no incentive to misreport work activity on the survey.

Table 2: Work Participation Rates from Survey Data

Group	Percent In Work Activity	Percent In Work Activity	Percent Employed	Percent Employed
	Wave 1	Wave 2	Wave 1	Wave 2
All individuals	63.0	51.2	46.4	30.5
Off program	72.2	54.0	66.0	48.8
On program - non-exempt	73.3	57.0	45.7	21.9
On program - exempt	27.0	29.2	17.8	16.2

Source: FFLS

⁶ The weighted results do not vary significantly from non-weighted results (not reported). We conclude that the non-randomness is of minor importance.

⁷ The first and second waves were taken during mid- to late-2001 and early-2002 respectively.

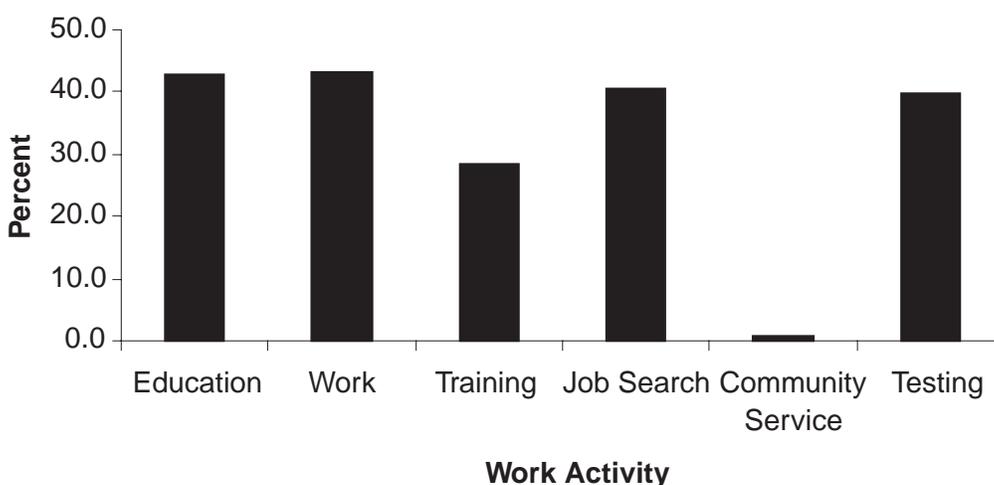
5. Who Is Required to Participate in a Work Activity?

Figure 2 presents the specific work activities that non-exempt individuals participated in during April 2001. Only 43.2 percent (13,413) of those non-exempt individuals who were in a work activity were employed. Around the same percentage were in an educational activity. In addition, 40.5 percent were searching for a job. Just under 30 percent of non-exempt individuals who were pursuing a work activity were engaged in a training activity at that time. Very few individuals were participating in a community service activity.⁸ In addition, 39.8 percent of this group was engaged in some type of testing activity. That is, a caseworker referred an individual to testing out of a concern for a lack of job skills, domestic violence, substance abuse, etc. The sum of the above percentages exceeds 100 percent because individuals can, and often do, participate in two or more work activities simultaneously. In fact, we find that around 45 percent of the above individuals who were engaged in at least one work activity were

recorded as being active in two or more work activities simultaneously in April 2001. The distribution of specific work activities has also remained fairly stable over time. Survey respondents who were on the program display roughly the same distribution of activity.

Survey data also enable us to examine the work activity of those who have left the program. Figure 3 reports this information for the first wave of the survey. We find that, among leavers, a rather large 72.2 percent reported that they were engaged in a work activity as of the first wave of the survey (as reported in Table 2). Out of this group, 65.2 percent reported that they were employed. The majority of the remainder reported that they were going to school. A significant percentage, 12.7 percent, were searching for a job. Almost none were in training or community service activities. In general, these findings support the ideal that individuals become prepared for work participation while

Figure 2: What Work Activities Were Pursued in April 2001?



Source: Admiral

⁸ Note that community service is countable toward work requirements only if other options are unavailable and there are very few sites that meet the necessary standards to qualify for Families First participation.

5. Who Is Required to Participate in a Work Activity?

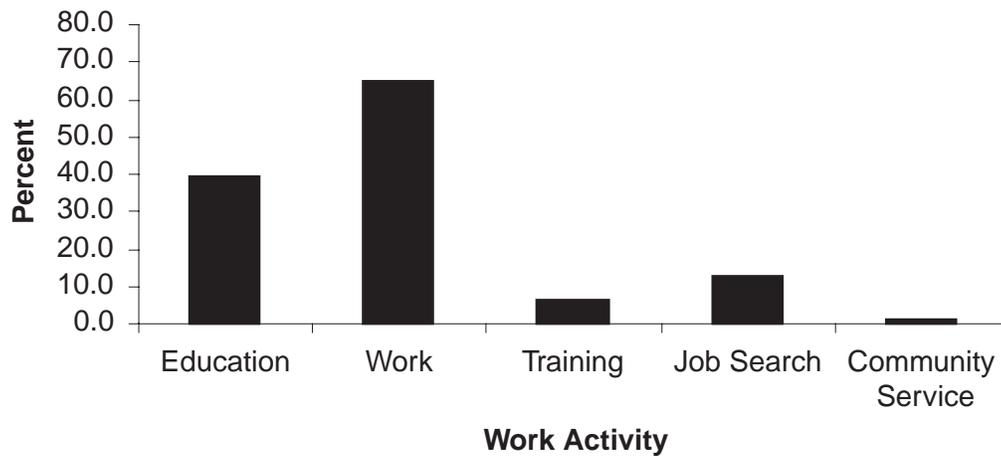
under the aid of welfare, and therefore are enabled to work for pay upon exit. The finding is furthered by the second wave of the survey, which shows that an even larger share of leavers who were engaged in a work activity, nearly 90 percent, were employed.

Data taken from Admiral show that around 31 percent of those non-exempt individuals who were employed were working roughly full-time (40 hours/week) in April 2001. A smaller portion (22 percent) of exempt individuals who were employed were working full time. It appears that exempt participants are more likely to engage in part-time employment. Perhaps they are more likely to encounter difficulties in working, thus causing their exemption.

As established above, many welfare participants have been employed but the question remains as to whether their jobs provide sufficient incomes. While we do not address

what sufficiency is, the average, standard deviation, and distribution of monthly earned income at the assistance group level for individuals who were working as of April 2001 are presented in Figure 4. Those who were not working are excluded from this table. While the main focus is on those individuals who were under a work requirement, the income distribution of the AGs of exempt individuals is also presented for comparison. Since some exempt AGs report positive earnings we can deduce that they were employed even though work activity data of exempt individuals are not recorded in Admiral. Around 45.3 percent of non-exempt individuals and 66.9 percent of exempt individuals reported no earned income in April 2001 and are also excluded from Figure 4. The figure refers to the percentage of individuals that lie within certain income categories. The income distribution for non-exempt individuals is slightly higher, with nearly 18 percent lying in the \$901-1200 range and 43.5 percent in the \$601-900

Figure 3: What Activities Are Being Pursued by Leavers?



Source: FFLS

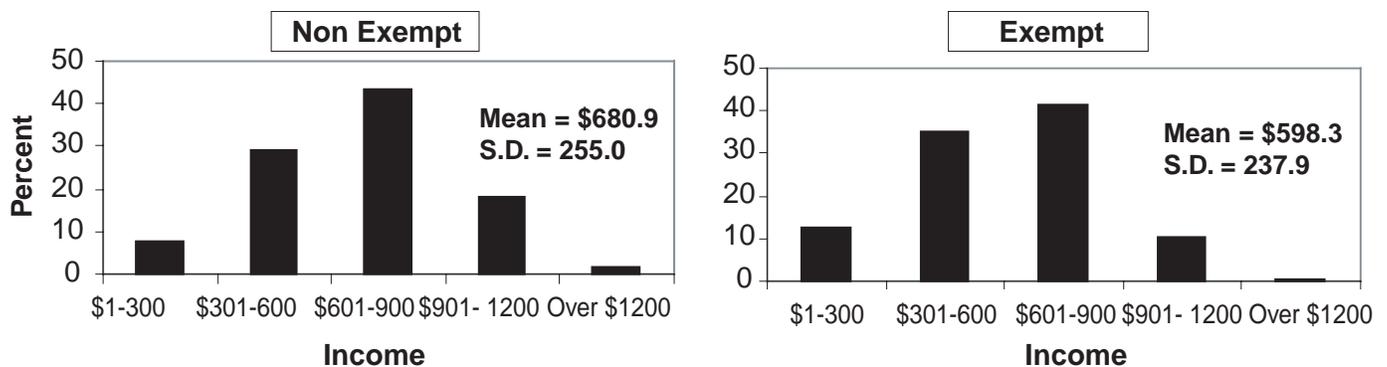
5. Who Is Required to Participate in a Work Activity?

range. Of course, this corresponds with the fact that non-exempt individuals are more likely to be employed full-time as reported above. A larger percentage of exempt individuals lie within the lower ranges of \$301–600 and \$1-300 as compared to non-exempt individuals. Very few AGs have monthly earned incomes that exceed \$1,200. Of course, as policy stipulates, clients

cannot have incomes that exceed a certain level.

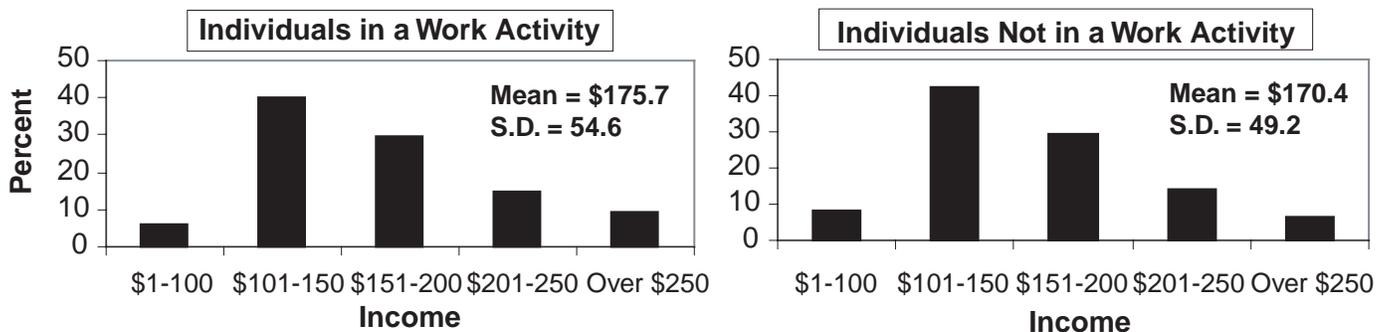
Figure 5 reports the mean, standard deviation, and distribution of *Families First* benefits for AGs by work activity for those who were under a work requirement as of April 2001. *Families First* benefits of exempt AGs are explored below. These figures reflect only those individuals who

Figure 4: AG Earned Income for Those Who Were Employed, April 2001



Source: Admiral

Figure 5: AG Families First Benefits (Non-Exempt), April 2001



Source: Admiral

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were recorded as having a non-zero benefit amount. The percentage in each group who were recorded as having zero benefits is negligible, less than one percent in each category. Individuals who are working have a slightly higher benefit distribution. Nearly 40 percent of this group have benefit levels in the \$101 – 150 range, slightly less than those who are not in a work activity. Individuals who are not working and are not exempt have a slightly lower distribution of benefits. These individuals should receive a sanction since they are seemingly in violation of their work requirement and thus receive zero benefits. However, there are 4,452 individuals in this category. As before, many of these individuals could have just entered the program and could have been mistakenly recorded as not pursuing a work activity. In addition, these cases may be waiting to have their work plan re-negotiated or they may be cases where the individual has basically left welfare but is waiting for authorization to close formally. Other data imperfections might also be responsible for this finding.

Next we view exit and reentry rates among those individuals who have ever pursued a work activity and those who have not. Here we depart

from a focus on the last month of data and concentrate instead on work status over the course of one's total experience on *Families First* in order to be consistent with the long-term nature of exit and reentry. From Table 3 we observe that exit rates are somewhat high among all groups. Slightly over 81 percent of those never-exempt individuals who have engaged in a work activity to fulfill a work requirement have left the program at least once. Almost every never-exempt individual (92.3 percent) who has never pursued a work activity has left the program at least once. This is probably at least partially due to sanctions; we examine this below. The exit rate for ever-exempt individuals who have ever been in a work activity (76.6 percent) is also high but is somewhat smaller than the 81 percent of never-exempt individuals. In addition, we find that ever-exempt individuals who have never been in a work activity are the most likely to exit (aside from never exempt/never worked). This is a seemingly counter-intuitive result. That is, one might imagine that those individuals who have engaged in a work activity have become better equipped to enter the workforce and are therefore more likely to leave assistance. We offer an alternative explanation. Assume that

Table 3: Exit and Reentry

		Never Exempt		Ever Exempt	
		Ever in Work Activity	Never in Work Activity	Ever in Work Activity	Never in Work Activity
Left at least once	N	57,302	20,133	12,533	8,034
	%	(81.1)	(92.3)	(76.6)	(81.6)
Returned	N	23,183	949	7,685	1,081
	%	(40.5)	(4.7)	(61.3)	(13.5)

Source: Admiral

5. Who Is Required to Participate in a Work Activity?

many of those exempt individuals were exempt for temporary reasons and were on welfare for the same reason as their exemption. It may be possible that when that factor disappeared they were immediately able to reenter the workforce and regain self-sufficiency.

Reentry rates following exit are higher for those who have worked than for those who have never worked;⁹ among never-exempt individuals, 40.5 percent of those who have ever worked have reentered versus only 4.7 percent of those who have never worked. This is intuitive: those who were not exempt and did not participate in a work activity were likely to be unwilling to cooperate with work requirements and therefore did not reenter. Reentry rates are higher for those who have ever worked versus those who have never worked among ever-exempt individuals as well, 61.3 percent versus 13.5 percent respectively. The above explanation relating to those with temporary causes for the need of assistance and exemption can also help explain this finding.

Survey data also enable us to study leavers and, more interestingly, why they left. We find that 31.9 percent of all respondents (just over 800 of the 2,548 individuals) in the first wave of

the survey reported that they had left *Families First* at least one time because they obtained either a job, a better job, or a raise. This amounts to 82.5 percent of those who left the program voluntarily. Among those 800 individuals who left the program because of a job, a better job, or a raise, 45.4 percent were without employment as of the first survey wave. Furthermore, we find that the overwhelming majority (around 99 percent) of survey respondents who left due to a job, a better job, or a raise had previously engaged in some type of educational activity while on *Families First*. Not nearly as many (21 percent) had participated in a training activity.

Table 4 explores the extent to which different groups have reached 18-month time limits. Only 7.7 percent of those never-exempt individuals who have ever been active in a work activity reached a time limit. We would expect that never-exempt individuals who have never been active in a work activity would be sanctioned before they reach a time limit. However, our data show that 0.2 percent of never-exempt individuals who have never worked reached a time limit. In all likelihood data imperfections have caused this statistic; this involves only 53 persons. The time limit rate is slightly higher for those ever-exempt individuals who have pursued a work activity.

Table 4: Time Limits

		Never Exempt		Ever Exempt	
		Ever in Work Activity	Never in Work Activity	Ever in Work Activity	Never in Work Activity
Reached 18-month Time Limit	N	5,443	53	1,319	31
	%	(7.7)	(0.2)	(8.1)	(0.3)

Source: Admiral

⁹ We define “never worked” as those who were never recorded as being engaged in a work activity within the timeframe of our data.

5. Who Is Required to Participate in a Work Activity?

The qualitative difference here is puzzling, but the magnitude is very small. One would imagine that the percentage of individuals who have reached a time limit would be low among individuals who are exempt from work requirements because most of them are also

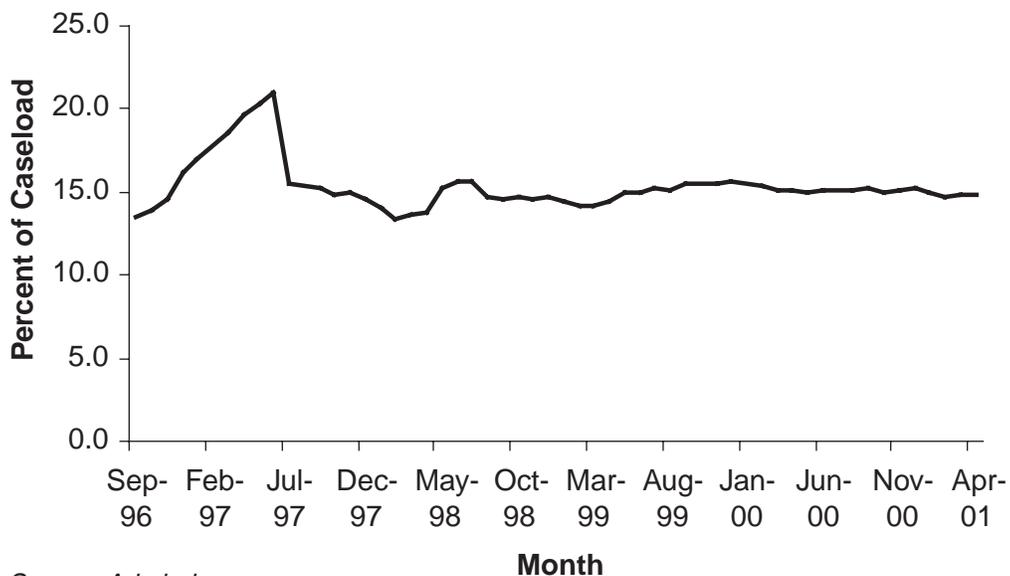
exempt from time limits. Perhaps many of these individuals reached a time limit before they were designated as exempt. No individuals reached a lifetime time limit within the timeframe of this data set.

6. Who Is Exempt from Work Requirements?

As of April 2001, 6,195 individuals were exempt from work requirements. This represents 14.8 percent of the total *Families First* population to which work requirements would normally pertain.¹⁰ Figure 6 plots how this percentage has changed over time. We observe that the number rose steadily during the first year of *Families First* (as individuals were being transferred from AFDC) but then dropped to around 15 percent and has since remained fairly

steady. A cumulative total of 39,803 individuals have ever been exempt from work requirements for at least one month while on the program. This represents 30.1 percent of the total cumulative caseload to which work requirements would normally pertain. The number of cases that are exempt in a particular month is necessarily smaller than the number that is ever exempt since the exempt cases in a particular month are included in the ever exempt number. The

Figure 6: Exemptions from Work Requirements



Source: Admiral

¹⁰ This does not include caretakers in child only cases, or ineligible individuals in the administrative data files.

6. Who Is Exempt from Work Requirements?

percentage that are exempt in a particular month may be either greater than or less than the total percentage that have ever been exempt.

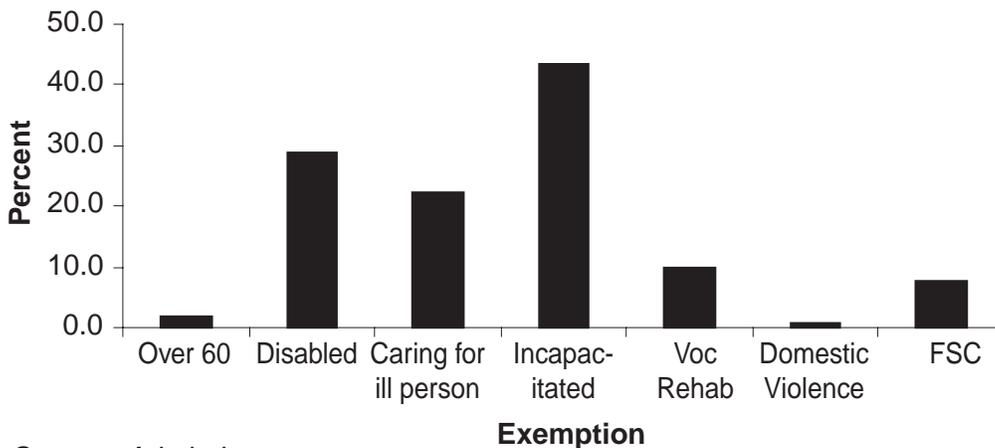
The predominant reason for exemptions from work requirements is incapacitation. Figure 7 shows that 43.6 percent (2,703 individuals) of work requirement exemptions were for this reason as of April 2001. A large number (28.8 percent) of individuals were exempt because they were disabled and a significant portion (22.2 percent) were exempt because they were caring for an ill person. It should be noted that an individual may be exempt for more than one reason over time or simultaneously.

Figure 8 reports mean, standard deviation, and distribution of *Families First* benefits of AGs to which exempt and non-exempt individuals belong, also for April 2001. As expected, the benefit distribution for exempt individuals is slightly higher than for non-exempt individuals. It is more likely that non-exempt individuals are

employed, thus their benefits are more likely to be reduced given their earned income. Just over 32 percent of exempt individuals fall into the \$101-150 benefit level category while the largest percentage (40.2 percent) of non-exempt individuals fall into the \$101-150 category. On the other hand, 32.0 percent of exempt individuals have benefit levels that are in the \$151-200 range while 29.6 percent of non-exempt individuals are in this range. Overall, the average benefit levels of exempt individuals are around \$7 higher than their non-exempt counterparts, \$182.2 compared to \$175.0. As above, this figure ignores those who report zero benefits.

Table 5 presents the exit and reentry rates of ever-exempt and never-exempt individuals. Again, here we focus on “ever” and “never exempt” instead of looking at a specific point in time. This table is identical to Table 3 with the exception that work activity is omitted. From Table 5 we find that exit rates are higher and

Figure 7: Work Requirement Exemptions by Reason

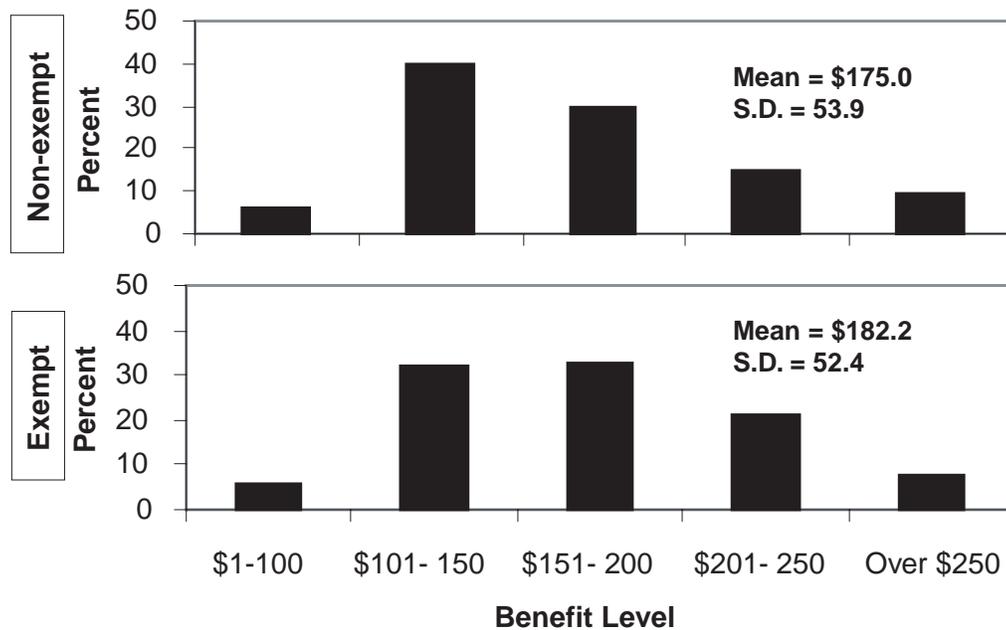


6. Who Is Exempt from Work Requirements?

reentry rates lower for never-exempt individuals. This is perhaps unsurprising since never-exempt individuals could be more likely to attain self-sufficiency since they have been required to work and acquire skills. However, over three-fourths of individuals who were ever exempt from work requirements have left the program at least once. Ever-exempt individuals have higher reentry

rates than do never-exempt individuals. We also examine the rates at which ever- and never-exempt individuals have reached short-term time limits and find no remarkable difference between the two groups. Just over 5 percent of ever-exempt individuals have reached a time limit while 5.9 percent of those who were never exempt have done so.

Figure 8: AG Families First Benefits by Exemption, April 2001



Source: Admiral

Table 5: Exit and Reentry

		Ever Exempt	Never Exempt
Left at least once	N	20,567	77,435
	%	(78.5)	(83.7)
Returned	N	8,766	24,132
	%	(42.6)	(31.2)

Source: Admiral

6. Who Is Exempt from Work Requirements?

It would be interesting to address the issue of work activity of exempt individuals. It is likely that some exempt individuals engage in work activities even though they are not required to do so. However, caseworkers do not record these types of voluntary activities for our records. Therefore, we have no way of addressing this question from the administrative database. However, we can study the work activity of exempt individuals using survey data. As reported in Table 2, among respondents who reported that they were on the program and exempt from work requirements, 27.0 percent said that they were engaged in some type of work activity. This number grows slightly to 29.2 percent by the second wave of the survey. Among this same group, 17.8 percent said they were employed specifically as of the first wave. This number decreases slightly to 16.2 percent as of the second wave. In comparing the distribution of work activity of exempt to non-exempt individuals (both on program), we find

that, among those that are in some work activity, significantly more exempt individuals engage in actual employment specifically. Around 60 percent of exempt respondents are in work specifically as compared to around 43 percent of their non-exempt counterparts (among those in any work activity). However, a large share of this group (around 75 percent) works only part time. In addition, 30 percent of exempt individuals who are in a work activity are in an education specifically; they are slightly less likely to pursue an educational activity than their non-exempt counterparts. Ten percent of exempt respondents, who were in a work activity, reported that they were searching for a job. The exempt group does not pursue training and community service activities to a significant degree. One should read these numbers with caution because there is only a small sample size when dealing with the specific work activity of exempt individuals who are on the program in the survey data context.

7. Who is Sanctioned for Non-Compliance?

Our administrative data indicate that 18,908 distinct individuals received a sanction for non-compliance with work requirements during our period of analysis. This represents 14.3 percent of the total cumulative caseload during this same period of time. Figure 9 shows the number of sanctions that have been issued each month over the course of *Families First*. The number of sanctions was relatively high during the first year of the program but then declined sharply and has hovered roughly between 200 and 400 sanctions per month since. This amounts to less than one percent of the total caseload per month. Slightly over 89 percent of all individuals who

ever received a sanction received only one. Most individuals who received a sanction did so in their first spell. Among those individuals, 43.7 percent eventually returned to *Families First*.

Alternatively, we can view sanctions using survey data. As previously mentioned, many of the individuals who participated in the first two waves of the survey had never left the program, and only a very small number left because of a sanction. Thus, there are very few individuals in the survey data who enable us to study sanctions. However, as future waves become available, we should be able to better assess

7. Who is Sanctioned for Non-Compliance?

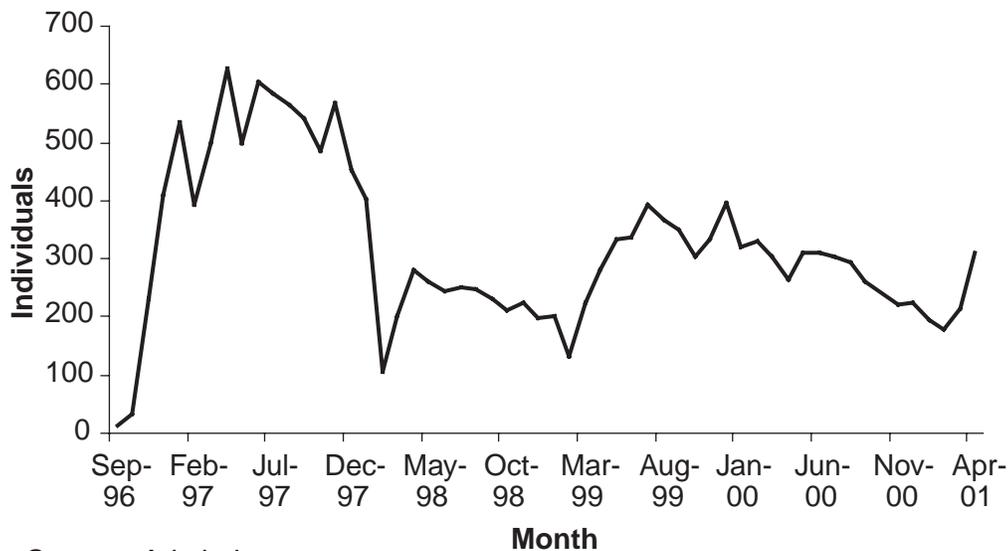
the effects of sanctions.

More specifically, we find from the first wave of the survey that only 1.3 percent (33 individuals) of all respondents reported that their benefits were stopped because they received a sanction. This amounts to 5.3 percent of those who reported that their benefits had been stopped at least once by DHS as of the time of the survey. This statistic is slightly lower than our findings from the administrative data as discussed above. It may be possible that individuals did not wish to report that they were sanctioned or they were unfamiliar with the terminology. Among those 33 individuals who reported that they had been sanctioned, 22 (66.7 percent) were already receiving benefits again by the time of the survey. Also, among those 33 individuals, 30.3 percent reported that they were employed and 27.3 percent reported that they were engaged in some type of educational activity. Employment rates were 21.1 percent

for those who had returned to the program and 42.9 percent for those who had not returned. Furthermore, among those who had returned to welfare receipt, 52.6 percent reported that they were pursuing some type of work activity as of the survey.¹¹ We find that work activity and program participation did not change significantly from the first to the second wave of the survey for those original 33 who were reportedly sanctioned. The two waves were administered only six months apart.

Findings from the second wave of the survey are similar regarding sanctions. However, an even smaller number, 23 individuals, reported that they were removed from welfare receipt because of a sanction. Interestingly, only one of those 23 was among the 33 individuals who reported a sanction on the first wave of the survey. Of course, this could be a result of the misreporting of sanction information. If one reported that they had received a sanction on

Figure 9: Sanctions for Work Requirement Non-Compliance



¹¹ The preceding six statistics are derived from a sample size of 33.

7. Who is Sanctioned for Non-Compliance?

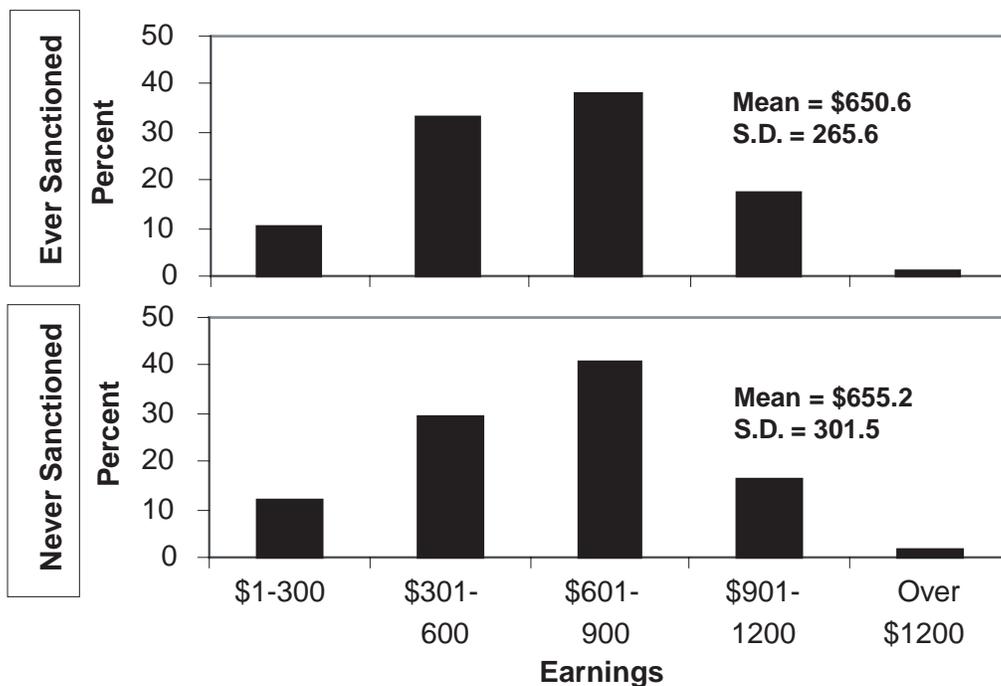
the first wave then they would also report that they had been sanctioned on the second wave, unless they did not respond to the second wave at all.

We return to administrative data to examine the following. Figure 10 reports the earned income of the AGs to which ever-sanctioned and never-sanctioned individuals belong, as of April 2001. The figure pertains to sanctioned individuals who returned after a sanction and were on the program as of April 2001. Roughly the same percentage of ever- and never-sanctioned individuals fall into the \$901-1200 and over \$1,200 categories. However, a slightly smaller percentage of ever-sanctioned individuals falls into the \$601-900 category, 37.9 percent of ever- versus 40.5 percent of never-

sanctioned individuals. Therefore, never-sanctioned individuals have a slightly higher distribution of earned income, but there is no overwhelming difference. The mean earned income is around \$5 higher for never-sanctioned individuals. By and large, it appears that those who receive a sanction and are able to return to compliance also return to normal income patterns.

The mean, standard deviation, and distribution of benefit amounts, conversely, are more noticeably higher for ever-sanctioned individuals, as reported in Figure 11 for April 2001. A larger percentage of ever-sanctioned individuals falls into the upper three categories, rendering the overall distribution higher for ever-sanctioned individuals. A sufficient sample size

Figure 10: AG Earned Income by Sanction, April 2001



Source: Admiral

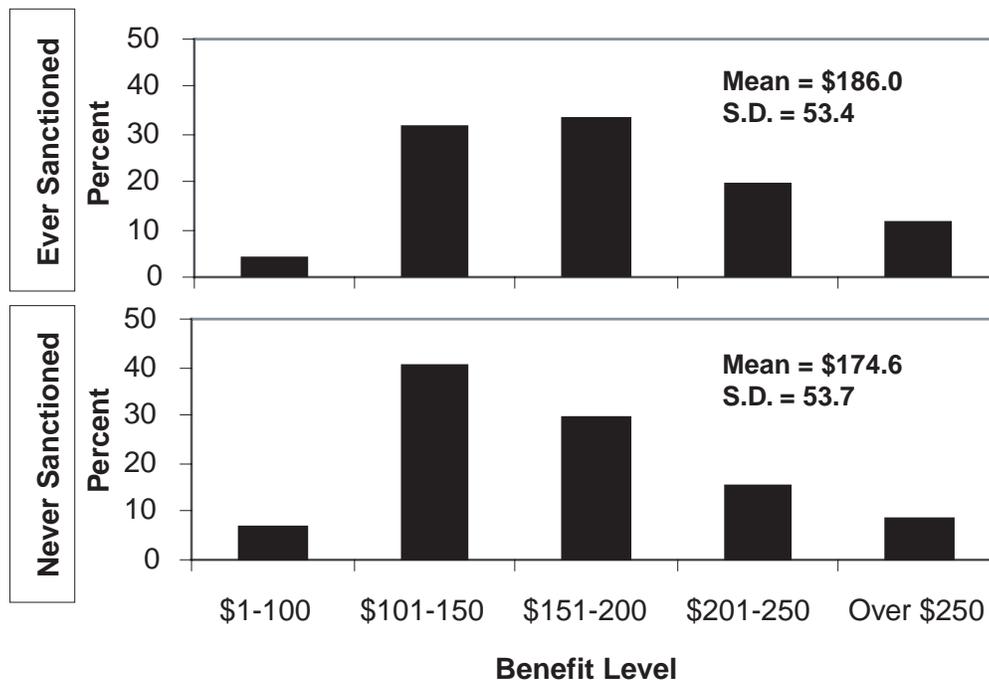
7. Who is Sanctioned for Non-Compliance?

does not exist to study the earnings of sanctioned individuals who have not returned to compliance in the survey data (recall that there were only 11 individuals who reportedly left due to a sanction and had not returned in the first wave).

Caseworkers normally inform individuals with the threat of a sanction if they appear to be in danger of receiving a sanction. However, data reveal that only 2,029 individuals were recorded

as having been formally informed of an impending sanction. Perhaps not all of the actual threats were properly recorded in the administrative data. Nonetheless, administrative data show that only 26.9 percent (546 individuals) of those who were threatened with a sanction actually received one. Unfortunately, a corresponding statistic does not exist to examine if formal threats are successful in encouraging work activity participation.

Figure 11: AG Families First Benefits by Sanction, April 2001



Source: Admiral

8. Demographic Characteristics by Work, Exemption, and Sanction Status

Tables 6 through 11 detail a number of demographic characteristics for the various groupings discussed above. Table 6 presents statistics regarding race, marital status, and education, as of April 2001. Among those who were pursuing a work activity and were not exempt in April 2001, 70.4 percent were Black, 28.3 percent were White, etc. A much larger share of those who were not working were White. Those who were exempt or ever received a sanction, however, were more likely to be white. Also, those who did not return from a sanction were more likely to be white. Members of other races make up only a very small part of all of these groups. We do not explore the demo-

graphics of those who are/are not in a work activity among the exempt individuals because, as previously stated, we are restricted to survey data. The survey data contains insufficient sample sizes in this area to accurately explore information of this detail.

It is interesting to note how marital status differs across these various groupings. Those who were working were more likely to be single. However, those who were exempt were more likely to have been married than those who were not exempt. The distribution of marital status does not appear to differ across ever-sanctioned versus never-sanctioned individuals. However,

Table 6: Demographic Characteristics

	In Work Activity	Not in Work Activity			Ever	Never	Returned	Did Not Return
	(non exempt)	(non exempt)	Exempt	Non-Exempt	Sanctioned	Sanctioned	from Sanction	from Sanction
Race	Black	41.9	33.4	66.8	45.0	50.2	52.0	34.9
	White	28.3	65.3	31.5	54.1	47.9	47.4	64.0
	Hispanic	0.8	0.6	1.1	0.5	1.2	0.4	0.6
	Other	0.5	0.8	0.6	0.4	0.8	0.2	0.5
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	N=31,034	N=4,509	N=6,195	N=35,543	N=18,908	N=113,362	N=6,257	N=7,984
Marital Status	Married	12.2	24.4	7.4	11.5	15.5	10.1	13.9
	Single	68.5	34.1	66.9	52.0	51.2	57.0	46.7
	Divorced	9.2	21.4	9.7	15.7	14.8	12.7	17.4
	Separated	15.1	18.6	15.5	20.2	17.6	18.6	21.2
	Widowed	0.5	1.6	0.5	0.7	0.8	0.6	0.8
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	N=31,034	N=4,509	N=6,195	N=35,543	N=18,908	N=113,361	N=6,257	N=7,984
Education	< High School	43.6	40.3	44.2	54.0	36.2	58.2	54.3
	High School	44.2	49.7	44.6	39.9	50.2	36.8	39.0
	Some College	11.2	9.4	10.9	5.8	12.8	4.8	6.2
	Bachelor/Master	0.3	0.6	0.3	0.3	0.8	0.2	0.5
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	N=30,768	N=4,424	N=5,987	N=35,192	N=17,052	N=97,652	N=4,184	N=6,247

Note: Work activity and exemption status pertain to April 2001.

Source: Admiral

8. Demographic Characteristics by Work, Exemption, and Sanction Status

those who returned from a sanction appear to be more likely to be single. The distribution of educational attainment is fairly consistent across the groups, although non-exempt individuals were more likely to have had some college education and those ever sanctioned tended to have much less education. Those who returned from a sanction had even less education.

Table 7 presents information regarding gender, urban/rural residence, and age. Over 97 percent of those who pursued a work activity were female in April 2001. We find very interesting results regarding whether one lives

in an urban or rural area. Those who were exempt or ever sanctioned also tended to be more likely to live in a rural area (64.5 percent and 62.6 percent, respectively). Also, those rural residents who are sanctioned appear to be much more likely to never return from the sanction. It appears that urban/rural residency is a strong determinant of whether or not one is successful in gaining employment and possibly gaining self-sufficiency and is worthy of further consideration in future research. Those who were exempt also tended to be older, with an average age of 34.5 years. This is likely a result of the fact that being over age 60 can qualify one for an exemption.

Table 7: Gender, Urban/Rural, Age

		In Work Activity (non exempt)	Not in Work Activity (non exempt)	Exempt	Non-Exempt	Ever Sanctioned	Never Sanctioned	Returned from Sanction	Did Not Return from Sanction
Gender	Male	2.6	3.9	13.1	2.8	4.5	7.7	3.0	7.1
	Female	97.4	96.1	86.9	97.2	95.5	92.3	97.0	92.9
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Urban or Rural	Urban	74.2	42.1	35.5	70.1	37.4	55.0	40.4	29.8
	Rural	25.8	57.9	64.5	29.9	62.6	45.0	59.6	70.2
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Age	Average Age	28.1	28.3	34.5	28.1	28.9	30.0	27.2	28.8

Note: Work activity and exemption status pertain to April 2001.

Source: Admiral

8. Demographic Characteristics by Work, Exemption, and Sanction Status

Table 8 presents the same general type of information as Table 6 with a focus on those individuals who were employed or engaged in educational activities¹² specifically as of April 2001. We find that those who were employed or in school were more likely to be Black. Those who were not employed and those who were not in school were relatively more likely to be White. A similar relationship holds between single and married individuals, i.e., those employed or in an educational activity were more likely to be single while married individuals were

relatively more prevalent among those not in either activity. As would be expected, those who were in an educational activity were much more likely to have less than a high school education, thus the need for them to be in school. Those who were employed and those not in education tended to have more education.

Table 9 presents statistics regarding the gender, urban/rural residency, and age of those individuals who were employed and those who were in an educational activity during April 2001.

Table 8: Demographic Characteristics

	Employed	Not Employed	In Education	Not in Education	
Race	Black	74.2	55.6	74.1	55.7
	White	24.7	42.5	24.5	42.5
	Hispanic	0.6	1.3	0.8	1.2
	Other	0.5	0.6	0.7	0.5
	Total	100.0	100.0	100.0	100.0
	N=14,119	N=27,619	N=13,939	N=27,799	
Marital Status	Married	5.8	12.0	5.9	11.9
	Single	69.1	58.4	73.2	56.4
	Divorced	9.3	12.5	7.6	13.4
	Separated	15.4	16.3	12.9	17.6
	Widowed	0.5	0.8	0.5	0.8
	Total	100.0	100.0	100.0	100.0
	N=14,119	N=27,619	N=13,939	N=27,799	
Education	< High School	37.3	47.0	60.3	35.3
	High School	48.8	43.5	27.3	54.4
	Some College	13.6	9.1	12.2	9.8
	Bachelor/Master	0.3	0.4	0.2	0.5
	Total	100.0	100.0	100.0	100.0
	N=14,008	N=27,171	N=13,825	N=27,354	

Note: Employment and education pertain to April 2001.

Source: Admiral

¹² Here educational activity is defined to include vocational, post-secondary, or adult education.

8. Demographic Characteristics by Work, Exemption, and Sanction Status

We find that males were relatively more predominant among the unemployed and those who were not in school. Likewise, those who lived in rural areas were also more prevalent among the unemployed and those not in school. This corresponds with the common theme that is beginning to develop: males and rural residents on *Families First* evidently encounter more difficulty in joining the workforce. However, here it is important to keep in mind that males on the program are likely on the program because of unemployment or incapacity. In addition, individuals who live in rural areas are the most likely to encounter high unemployment rates and difficulties in obtaining transportation. Furthermore, individuals who are employed or in education generally tend to be younger than those who are not.

Table 10 reports work activity participation rates (for non-exempt individuals), exemption rates, and sanction rates for a number of participant categories. As above, information regarding work activity and exemptions relate

to April 2001. Sanction rates refer to any time over the course of one's time on the program. To interpret the entries in this table, consider the first row. Among non-exempt males, 82.3 percent pursued a work activity in April 2001. Those in urban areas were more likely to have been in a work activity than were rural residents. Black recipients were most likely to have been working. Married recipients were least likely to have been working. Work participation rates were fairly stable across the four listed education categories, but those with some college education were slightly more likely to have been working.

Turning to the remaining columns in Table 10, just over 45 percent of all males on the program were exempt in April 2001, and 8.9 percent have ever been sanctioned. For females, the corresponding exemption and sanction rates are 13.5 and 14.7 percent, respectively. Rural and White recipients were more likely to have been exempt or to have ever received a sanction. Note that rural residents have an enormously

Table 9: Gender, Urban/Rural, Age

		Employed	Not Employed	In Education	Not in Education
Gender	Male	1.9	5.6	1.9	5.5
	Female	98.1	94.5	98.1	94.5
	Total	100.0	100.0	100.0	100.0
Urban or Rural	Urban	77.8	58.4	77.4	58.7
	Rural	22.2	41.6	22.6	41.3
	Total	100.0	100.0	100.0	100.0
Age	Average Age	28.7	29.3	26.9	30.2

Note: Employment and Education pertain to April 2001.

Source: *Admiral*

8. Demographic Characteristics by Work, Exemption, and Sanction Status

Table 10: Work Participation, Exemption, and Sanction Rates

	In Work Activity (Non-Exempt)	Exempt	Ever Sanctioned
Male	82.3%	45.3%	8.9%
Female	87.5%	13.5%	14.7%
Urban	92.4%	8.1%	37.4%
Rural	75.4%	27.4%	62.6%
Black	92.0%	8.0%	13.0%
White	78.3%	26.5%	15.9%
Hispanic	60.3%	7.8%	6.6%
Married	79.1%	36.6%	11.0%
Single	89.5%	8.2%	14.5%
Divorced	82.8%	27.7%	15.0%
Separated	84.6%	17.3%	16.0%
<High School	87.6%	13.4%	20.7%
High School	86.7%	16.0%	12.2%
Some College	89.8%	12.8%	7.3%
Bachelor/ Master	82.4%	22.7%	6.1%

Source: Admiral

Table 11: Participation in Specific Work Activities among Active (Non-Exempt) Individuals, April 2001

	Employment	Education	Job Search	Training	Community Service	Testing
Sex	Male	30.4	28.9	40.7	20.4	33.6
	Female	43.6	43.3	40.5	28.6	40.0
Urban or Rural	Urban	45.7	45.1	43.0	34.1	47.7
	Rural	36.1	36.7	33.2	12.1	17.2
Race	Black	46.0	45.4	44.1	32.9	46.0
	White	36.7	36.5	31.8	17.6	25.0
	Hispanic	32.9	42.0	33.3	22.6	25.9
Marital Status	Married	36.2	37.2	35.7	20.0	29.3
	Single	44.1	46.3	41.4	30.6	42.9
	Divorced	42.1	34.1	37.1	21.8	27.4
	Separated	43.1	35.8	40.4	26.5	37.9
Education	< High School	36.6	58.5	34.0	20.9	45.1
	High School	47.6	26.5	47.0	35.2	36.3
	Some College	52.7	46.8	40.2	31.9	33.8
	Bachelor/Master	41.8	26.5	61.2	16.3	27.6

Source: Admiral

8. Demographic Characteristics by Work, Exemption, and Sanction Status

high sanction rate, nearly 63 percent. Married participants were most likely to have been exempt and least likely to ever be sanctioned. Finally, having more education was roughly correlated with higher exemption and lower sanction rates.

Table 11 is an expansion of column 1 of Table 10. It presents participation rates in specific activities for the various groupings. To interpret this table, consider the first row. Among non-exempt males who were engaged in a work activity in April 2001, 30.4 percent were employed, 28.9 percent were in an educational activity, etc. The fact that all of these rows sum to over 100 percent (not shown) reinforces our earlier finding that many individuals participate in more than one activity at a time. From these findings, females appear more likely to engage in most of the various activities more than males, indicating that females tend to participate in more than one activity more frequently. The exception is job search and community service, where participation rates are similar between males and females. Similarly, urban residents appear more likely to engage in each specific activity more than their rural counterparts. This likely follows in part from the same logic as earlier, there are more activities and transportation available in urban areas, thus city dwellers are engaged in more activities. Also, urban individuals are almost equally as likely to participate in

employment, education, and job search. Interestingly, Blacks are also more likely to participate in each activity more than other races. Participation rates in all activities are highest among single individuals. As would be expected, those with less than a high school diploma are the most likely to participate in an educational activity. Individuals with a high school diploma are more likely to be employed or be searching for a job. Individuals with some college are most likely to be employed but a large percentage is engaged in education. Individuals with a college degree are most likely to be searching for a job.

A very small percentage of individuals are engaged in community service activities (as discussed above). It is important to note the significant percentage of individuals in all groups that are engaged in some form of testing. This figure ranges from just over 17 percent for rural individuals to nearly 48 percent for those who live in urban areas, and is generally high across the spectrum. This could potentially be perceived as a positive sign: caseworkers want to ensure that individuals are fully tested so that any problems or concerns are addressed appropriately. It should be noted that rural residents have the lowest testing participation rate of any grouping that we present. This suggests that rural caseworkers are slow to refer rural individuals to testing for inability to participate in work activities.

9. Multivariate Econometric Analysis

The above demographic analysis sheds much light on different groups' likelihood of being exempt or having ever received a sanction but has the potential to mislead if interpreted incorrectly. For example, we find that people who live in rural areas are much more likely to have ever received a sanction. However, we cannot say with certainty that living in a rural area, in and of itself, increases the probability of receiving a sanction. Perhaps people with less education are more likely to live in rural areas, and that in turn leads to more sanctions. The simple cross-tabulations above cannot answer this question. To address this more precisely we perform a multivariate econometric analysis to isolate the independent effects that each factor has on:

1. the probability that an individual was exempt from work requirements as of April 2001;
2. the probability that an individual had ever received a sanction for noncompliance, given that she was subject to a work requirement; and
3. the probability that an individual returned to compliance following a sanction for noncompliance.

Specifically, we use probit analyses to estimate the effects of a broad set of characteristics on each of these three probabilities. The probit technique allows us to estimate the change in each probability given a small change in each of the explanatory variables individually (or for a discrete change for a dichotomous variable) holding everything else in the model constant. This allows us to gain a more definite picture of the associations

of exemptions and sanctions with the socioeconomic characteristics included in the model. The sanction analysis only examines non-exempt individuals.

Table 12 reports marginal effects coefficients and Z-statistics from the probit estimations. The marginal effects coefficients represent the percentage point change in that particular probability given a small change in the row variable. The Z-statistics determine whether or not that change in probability is statistically distinguishable from zero. In all but three cases, the marginal effects are estimated with sufficient statistical precision. Baseline probabilities are also included for reference.

Beginning with the first two columns of results, we find that individuals who had a high school diploma were 1.2 percentage points more likely to have been exempt as of April 2001 than were those without a high school diploma. Additionally, rural residents, males, and those who were White, older, or married were all more likely to be exempt from work requirements. Conversely, those who earned more, worked more hours, or had ever reached a short-term time limit were less likely to have been exempt. The largest effect is associated with rural residence; those in rural counties were 9.8 percentage points more likely to have been exempt from work requirements than their urban counterparts, after holding everything else in the model constant. To place this finding in perspective, note that the overall probability that one is exempt in April 2001 is 15 percent. Therefore, the change in the probability of exemption resulting from living in a rural area is equal to two-thirds of the overall probability of exemption, a large effect. This marginal effect

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is actually less than commensurate with the dramatic difference we observe between urban and rural upon a simple examination of cross-tabulations in the preceding analysis but is still a very important difference.¹³ Recall from Table 9 that 8.1 percent of urban individuals were exempt compared to 27.4 percent of rural residents.

The analysis of sanction probabilities shows that high school graduates, those with more than a high school education, males, and White or married individuals were less likely to have ever received a sanction. In addition, people with higher earnings and those who worked more hours were less likely to have ever received a sanction. Conversely, rural residents, older individuals, and those who had ever reached a time limit were more likely to have ever been sanctioned. Again, rural residence has the largest effect on one's probability of receiving a sanction. Those in rural counties were 13.9 percentage points more likely to have ever

received a sanction than were those in urban areas, even after controlling for the other factors in the model.

To illustrate the importance of using a multivariate econometric analysis to isolate individual demographics, consider the effect of race on sanction probabilities. When viewing simple cross-tabulations, we find that 13 percent of Blacks have ever been sanctioned compared with 15.9 percent of Whites. It appears as if Whites were *more* likely to have ever received a sanction. However, when we isolate the effects of race from the other variables in Table 12, we find that Whites are actually 1.1 percentage points *less* likely to have ever received a sanction.

Every one of the variables included in the model decrease the probability of returning from a sanction except earnings and hours worked.¹⁴ In other words, the probability of returning to compliance following a sanction was highest for

Table 12: Multivariate Regression Analysis of Administrative Data

	Probit on exemption		Probit on sanction		Probit on return from sanction	
	Marginal effect	Z-statistic	Marginal effect	Z-statistic	Marginal effect	Z-statistic
High School Diploma	0.012	3.9	-0.066	-28.7	-0.040	-3.7
More Than High School	-0.007	-1.3	-0.101	-31.7	-0.097	-4.5
Urban/Rural (1=rural)	0.098	24.5	0.139	49.5	-0.065	-5.6
Gender (1=male)	0.040	5.8	-0.037	-7.0	-0.141	-5.3
Race (1=white)	0.055	14.4	-0.011	-4.3	-0.139	-12.0
Age	0.008	46.2	0.001	3.4	-0.007	-9.1
Marital Status (1=married)	0.059	11.6	-0.039	-11.4	-0.003	-0.2
Earnings (in hundreds)	-0.098	-10.5	-0.081	-23.2	0.011	5.3
Hours Worked	-0.001	-13.4	-0.001	-15.4	0.012	0.9
Time Limits (1=ever reached time limit)	-0.052	-15.2	0.051	16.9	-	-
	N=41,738 probability=0.15		N=98,847 probability=0.14		N=9,287 probability=0.44	

Note: **Bold** indicates statistical significance at the 5 percent level.

Note: Exemption is derived from April 2001. Sanction and Return from Sanction are derived from the entire time span of the data (September 1996 to April 2001).

Source: Admiral

¹³ Recall that the difference in the preceding section may be driven in part by other factors. This illustrates the importance of the multivariate analysis to isolate all of the influences included in the model.

¹⁴ Note that the indicator for time limits has been omitted from this specification, due to a prohibitively small sample size of sanctioned individuals who had met a time limit.

9. Multivariate Econometric Analysis

those with less than a high school diploma, urban residents, females, non-Whites, younger, or non-married recipients. The strongest effects come from gender and race; being male or being White decreased one's probability of returning to compliance by around 14 percentage points each. It is important to note that it is difficult to

determine whether or not returning to the program is a desirable outcome. On one hand, re-entry could indicate a return to compliance for a client and would be considered a positive action. However, if a client does not re-enter, it could also mean that the client has achieved self-sufficiency, the goal of *Families First*.

10. Conclusion

This report presents a detailed analysis of the incidence of work requirements, exemptions from work requirements, and sanctions for work requirement non-compliance. We also include an examination of the demographic characteristics associated with each of the above. Analysis of administrative and survey data reveal that significant numbers of welfare participants are engaged in work activities - compliance with work requirements seems to be high. Additionally, survey data show that over one-fourth of exempt individuals are engaged in work activities even though they are not required to do so. Employment, education, and training were all popular among those who participated in work activities.

From survey data, we find that just under one-half of program leavers were reportedly engaged in work activities, but among those who were, most were employed. Most of those who worked were in part-time jobs and had AG earnings that were generally between \$300-900 per month. Turning back to administrative records, data show that usually around 15 percent of the total caseload were exempt from work requirements and most exemptions were due to incapacitation, disability, and providing care for an ill person. We find generally that those who were not exempt from work requirements were slightly more likely to exit the program and less likely to reenter. Administrative data also show that less than one percent of the monthly caseload received a sanction each month. Slightly less than half of those who were sanctioned eventually returned to the program within our time frame. Almost no one received more than one sanction. Those who were sanctioned, returned to the program, and became employed generally achieved earned

incomes that were roughly on par with their never-sanctioned counterparts.

We also provide a thorough examination of the demographic characteristics associated with individuals who fall into various groupings. Using probit analyses on administrative data, we find that the factors that are most strongly associated with exemptions are rural residency, lower earnings, and being married, White, or male. Living in a rural county and having less education are associated with a higher probability of being sanctioned for noncompliance. In fact, we find that rural residents make up over 60 percent of sanctions while they only account for just above one-fourth of the caseload. We believe that the high rural sanction rates is one of the most deserving areas of future research. We need to understand what it is about rural areas that lead to unusually high sanction rates. Future research should incorporate factors such as local unemployment rates, transportation availability, child care availability, etc. It will also be interesting to further explore the low rate at which rural residents are tested for barriers to successfully participating in work activities.

These results help us understand the incidence of work requirements, exemptions, and sanctions under *Families First*. However, much remains to be learned before we can fully understand to what extent work requirements have aided in encouraging workforce participation and, ultimately if they have aided needy families in achieving self-sufficiency. Future research will allow us to address this important issue. We also hope to investigate the experiences of individuals who left the program because of a sanction but did not return to compliance.

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