



WorkFirst Wage Progression and Returns Report: Through First Quarter 2011

Introduction

The 2009-2011 Biennial Operating Budget (Section 207(1)(b) of ESHB 1244) mandates a quarterly report on performance measures of WorkFirst clients 12, 24 and 36 months after leaving the program. Performance measures reported under this requirement are:

1. Percentage increase in earnings and hourly wage
2. Percentage with earnings above 100 and 200 percent of federal poverty guidelines
3. Comparison group of similar workers who did not participate in WorkFirst
4. Percentage of WorkFirst returns.

Statutory Requirement

Section 207(1)(b) of ESHB 1244 requires the Department of Social and Health Services to do the following:

Continue to implement WorkFirst program improvements that are designed to achieve progress against outcome measures specified in RCW 74.08A.410. Outcome data regarding job retention and wage progression shall be reported quarterly to appropriate fiscal and policy committees of the legislature for families who leave assistance, measured after 12 months, 24 months and 36 months. The department shall also report the percentage of families who have returned to temporary assistance for needy families after 12 months, 24 months and 36 months.

Performance Report

WorkFirst Exiters

The quarterly WorkFirst performance report provides follow-up data for three groups (cohorts) of TANF exiters. This report uses first quarter 2011 (2011Q1) Unemployment Insurance wage data to provide updates on clients who exited TANF in 2008Q1, 2009Q1 and 2010Q1. For purposes of this report, exiters are defined as TANF clients who:

- Received a TANF grant at least one month during October, November and December (during Quarter 4)

- Did not receive a TANF grant at any time during January, February or March of the following quarter (Quarter 1)

An exiter is defined as having been off TANF all three months of a quarter, compared to the previous report definition that required only one month off TANF. The three-month requirement more clearly identifies true TANF exiters by minimizing instances in which a client cycles off TANF for a single month due to circumstances such as late reporting or one-time changes to monthly income. Information on TANF receipt is obtained from Office of Financial Management's AFARRAYS file.

WorkFirst Performance Report -- TANF Cohorts		
Received TANF at Least Once During	No TANF All Three Months (Exit Quarter)	Cohort Name
Oct-Nov-Dec 2007	Jan-Feb-Mar 2008	2008Q1
Oct-Nov-Dec 2008	Jan-Feb-Mar 2009	2009Q1
Oct-Nov-Dec 2009	Jan-Feb-Mar 2010	2010Q1

Comparison Group

The ideal comparison group for WorkFirst recipients would be a sample of poor families, identical in all respects to WorkFirst recipients, *except that they did not receive TANF grants*. It is unlikely that such an ideal comparison group of poor families can be clearly identified. WorkFirst clients, viewed as a statistical population, are different from other state residents in many ways not captured by state data. The 2001 WorkFirst Study describing Washington state TANF recipients found that WorkFirst recipients have less work experience and lower educational attainment than the general state population. In addition to being overwhelmingly female and less likely to be married than women in the general state population, WorkFirst recipients also face other difficulties such as abuse and work-limiting physical and emotional conditions.

The comparison group for WorkFirst exiters used in this report, while less than ideal, is built upon a reasonable set of assumptions. It is based on the hypothesis that low-wage workers in comparable industry groups are similar in their labor market behavior. Because most WorkFirst clients tend to work in certain industries, the following methods were used to simulate the economic characteristics of WorkFirst exiters:

- From the *WorkFirst Study of 3000 Washington Families (WFS)*, employment industries reported by survey respondents were coded into two-digit Standard Industry Code (SIC) classifications.
- From the Unemployment Insurance employer and wage data, records were extracted for all individuals in the state who worked in these SIC codes in the exit quarter. Earnings for any TANF exiter were then removed.
- The bottom 50 percent of earners in the exit quarter's data set were selected as most likely to represent an accurate comparison group for WorkFirst exiters.

Median Quarterly Earnings and Percentage Increase in Earnings

Table 1 shows *real*, or inflation-adjusted, median quarterly earnings for exiters and the comparison group. Earnings progressions are shown in Table 2. Earnings progression is measured as change in total quarterly earnings over one, two or three years. Earnings are a more accurate reflection of true progression than are hourly wages because quarterly earnings reflect both an individual's hourly wage and any changes between part- and full-time work. Not all TANF exiters will have reported earnings in the exit and follow-up quarters. These individuals may not have worked during the quarter or may have worked in a job not covered by Unemployment Insurance. Both exiters and comparison individuals, who had missing, zero or negative earnings were excluded from the calculations.

TANF Cohort ¹	Number Exiting TANF in Cohort Qtr	Quarter of Exit		After 12 Months		After 24 Months		After 36 Months	
		Exiters ²	Comparison	Exiters	Comparison	Exiters	Comparison	Exiters	Comparison
2008Q1	10,121	\$3,311 n=5,111	\$3,791	\$3,675 n=4,034	\$4,646	\$3,736 n=3,495	\$4,788	\$3,892 n=3,369	\$5,016
2009Q1	9,902	\$3,218 n=4,280	\$3,801	\$3,457 n=3,539	\$4,525	\$3,735 n=3,377	\$4,818	n/a	n/a
2010Q1	11,865	\$3,155 n=4,455	\$3,723	\$3,401 n=4,269	\$4,549	n/a	n/a	n/a	n/a

1 The 2008Q1 TANF cohort is defined as those on TANF at least one month during 2007Q4 and off TANF all three months of 2008Q1.
2 The number of TANF exiters who had earnings from covered employment during the quarter is shown as "n".

TANF Cohort	After 12 Months		After 24 Months		After 36 Months		Latest Quarter Compared to Exit Quarter	
	Exiters	Comparison	Exiters	Comparison	Exiters	Comparison	Exiters	Comparison
2008Q1	11.0%	22.5%	1.7%	3.0%	4.2%	4.7%	17.5%	32.2%
2009Q1	7.4%	18.9%	8.0%	6.4%	n/a	n/a	16.1%	26.6%
2010Q1	7.8%	22.2%	n/a	n/a	n/a	n/a	7.8%	22.2%

Median Hourly Wage Rates

The hourly wage rate was obtained by dividing quarterly earnings by hours worked in the quarter. While employers report both quarterly earnings and hours worked to the Unemployment Insurance program, the hours data are incomplete or, in some cases, inaccurate. Records with missing hours were deleted from the calculations. Hourly wage rates greater than \$50 per hour or less than \$5 per hour were dropped because these rates most likely reflected employer reporting errors. Table 3 displays *real*, or inflation-adjusted, median hourly wage rates for exiters and the comparison group.

TANF Cohort	Number Exiting TANF in Cohort Qtr	Quarter of Exit		After 12 Months		After 24 Months		After 36 Months	
		Exiters	Comparison	Exiters	Comparison	Exiters	Comparison	Exiters	Comparison
2008Q1	10,121	\$10.08	\$11.48	\$10.95	\$12.68	\$10.71	\$12.78	\$10.64	\$13.01
2009Q1	9,902	\$10.26	\$12.02	\$10.33	\$12.41	\$10.55	\$12.76	n/a	n/a
2010Q1	11,865	\$10.03	\$11.71	\$10.30	\$12.27	n/a	n/a	n/a	n/a

Earnings and the Federal Poverty Guideline

This report uses the WorkFirst assistance unit to estimate family size in determining the federal poverty guidelines for the WorkFirst group. Because family size information for the comparison group is not available, federal poverty guidelines for a family of three is used, based on the 2010 Census Washington State average family size of three.

This performance measure likely understates the progress of WorkFirst exiters (and the comparison group members) in leaving poverty. For many families, one adult's earnings may comprise only a portion of total household income. WorkFirst Study households, for example, also reported income from the Earned Income Tax Credit as well as income from other sources.

Tables 4 and 5 examine the WorkFirst exiter and comparison group earnings against the federal poverty guidelines. For a family of three, the 2011 federal poverty guideline is \$18,530 per year (<http://aspe.hhs.gov/poverty/index.shtml>). This represents price data collected in 2010 and issued in January 2011.

TANF Cohort	Exit Quarter		After 12 Months		After 24 Months		After 36 Months	
	Exiters	Comparison	Exiters	Comparison	Exiters	Comparison	Exiters	Comparison
2008Q1	30.0%	39.0%	37.2%	50.2%	38.0%	52.1%	40.2%	55.0%
2009Q1	28.2%	38.9%	33.3%	48.5%	37.6%	52.6%	n/a	n/a
2010Q1	26.6%	37.1%	32.6%	48.8%	n/a	n/a	n/a	n/a

¹ TANF calculation uses actual family size, Comparison group calculation uses 2010 Census Washington State average family size of three. Median TANF exiter family size is three.

TANF Cohort	Exit Quarter		After 12 Months		After 24 Months		After 36 Months	
	Exiters	Comparison	Exiters	Comparison	Exiters	Comparison	Exiters	Comparison
2008Q1	3.5%	0.0%	6.6%	5.8%	6.0%	7.3%	7.2%	10.0%
2009Q1	3.2%	0.0%	5.0%	4.7%	6.6%	7.6%	n/a	n/a
2010Q1	2.8%	0.0%	5.2%	5.2%	n/a	n/a	n/a	n/a

WorkFirst Return Rate

Table 6 shows the return rate of exiters 12, 24 and 36 months after leaving WorkFirst.

TANF Cohort	Number with No TANF in Cohort Quarter	12 Months Later			24 Months Later			36 Months Later		
		on TANF any time during	number on TANF	% of cohort	on TANF any time during	number on TANF	% of cohort	on TANF any time during	number on TANF	% of cohort
2008Q1	10,121	2009Q1	2,092	20.7%	2010Q1	2,061	20.4%	2011Q1	1,870	18.5%
2009Q1	9,902	2010Q1	2,006	20.3%	2011Q1	1,928	19.5%	n/a	n/a	n/a
2010Q1	11,865	2011Q1	2,153	18.2%	n/a	n/a	n/a	n/a	n/a	n/a