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Date: April 19, 2016
To: Commissioner Mayhew
From: Paul Leparulo, Deputy Director of OPM
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Subject: Preliminary analysis of work requirement policy on the wage and employment experiences of ABAWDs in Maine

In mid-March, the Governor's Office of Policy and Management (OPM) was asked to analyze the wage and employment experiences of Able Bodied Adults Without Dependents (ABAWDs) following Maine's decision in 2014 to no longer request a waiver from the federal ABAWD work requirement rule. We are pleased to present the results of our preliminary analysis on this matter in the attached brief.

The analyses were made possible through the linking of administrative data from the Maine Department of Health and Human Services with wage and employment records available at the Maine Department of Labor. Bringing together these disparate data sets enabled OPM to evaluate the labor market outcomes for three cohorts of ABAWDs— those who refused to comply with the new requirements, those who were removed from the program due to earning wages beyond the allowable levels, and those who opted to comply with the new requirements. OPM received an initial data set on March 29 and the final data set on April 7.

The group of ABAWDs who did not comply with the work requirement rule experienced a significant increase in total wages in the following year. For the group as a whole, total wages increased 114 percent from the third quarter of 2014, the pre-policy baseline quarter, through the fourth quarter of 2015. Average quarterly wage growth drove these gains, increasing 77 percent from the baseline quarter through the fourth quarter of 2015. The number with a wage record increased 21 percent over the same time frame.

The group of ABAWDs that complied with the work requirement rule experienced a 20 percent increase in total wages from the baseline period through the fourth quarter of 2015. Average wages increased 32 percent while the number with a wage record declined nine percent. Total wages for the ABAWDs who were removed from the program due to their earnings increased 24 percent from the baseline period through the fourth quarter of 2015. Average quarterly wages and the number with a wage record increased 20 and four percent, respectively.

Not all individuals were found in the wage record system, which limits our ability to understand the impact of the policy on the entire cohort. For example, fewer than 60 percent of the non-complying group were found to have wage records in Maine. A second phase of analysis would hopefully include IRS data from the 1099 forms to capture self-employment information. Wage records typically cover nearly all of employment but do not capture the self-employed meaning the true employment rates are likely higher than reported here.

Welfare to Work: Preliminary Analysis of Work Requirements on the Wage and Employment Experiences of Able-Bodied Adults Without Dependents (ABAWDs) in Maine

Prepared by the Governor's Office of Policy and Management
April 19, 2016

In 2014, the Maine Department of Health and Human Services decided that it would no longer request a waiver from the federal work requirement rules for Able-Bodied Adults without Dependents (ABAWDs). The Governor's Office of Policy and Management was asked to analyze the wage and employment experiences of ABAWDs in the first year following the implementation of this policy change. This brief contains a preliminary analysis; there are several areas where additional data sources could provide a more detailed look at the employment outcomes of ABAWDs.

Preliminary findings:

- Overall, 58 percent of the non-complying cohort, 65 percent of the closed for earnings cohort, and 87 percent of the complying cohort were found to have a wage record in the UI wage system in Maine at some point in 2014 or 2015.
- The group of ABAWDs that were closed out of the Maine food supplement program in December 2014 for non-compliance experienced a significant increase in total wages in the following year. For the group as a whole, total wages increased 114 percent from the third quarter of 2014, the pre-policy baseline quarter, through the fourth quarter of 2015. Growth in total wages was driven by strong gains in average quarterly wages, which grew 77 percent from the baseline quarter through the fourth quarter of 2015. The number with a wage record increased 21 percent over the same time frame.
- The group of ABAWDs that complied with the work requirement rule experienced a 20 percent increase in total wages from the baseline period through the fourth quarter of 2015. Average wages increased 32 percent while the number with a wage record declined nine percent.
- Total wages for the ABAWDs that were closed for earnings increased 24 percent from the baseline period through the fourth quarter of 2015. Average quarterly wages and the number with a wage record increased 20 and four percent, respectively.
- Average wages for the closed for earnings cohort were the highest in all quarters; wages for the non-complying group were the lowest.
- Trends in the percent of ABAWDs with a wage record diverged—the non-complying group experienced an increase, the complying group a decrease, and the closed for earnings cohort remained flat.

Methodology:

- Three cohorts of ABAWDs from December 2014 were evaluated to assess the impact of work requirements on average wages and employment. These groups are those that closed for non-compliance (6,866 individuals), closed for earnings (103 individuals), and those that complied with the new requirements as of December 2014 (2,703 individuals).

- The Department of Health and Human Services identified the individuals in each cohort in December 2014 and matched them to individual wage records for each quarter of 2014 and 2015 from the Maine Department of Labor (DOL).
- These cohorts were ‘walked back’ to the third quarter of 2014 to create a pre-policy baseline for the ABAWDs evaluated in this study. This assumes that these individuals were receiving food supplements in the quarter prior to the policy change.
- Average wages were calculated by including only those individuals with a wage record in any particular quarter. In other words, any zeros for the quarter were excluded from the average. The number of individuals included in the average wage calculation varies by quarter and matches the number with wage records for that quarter.

Caveats & Limitations:

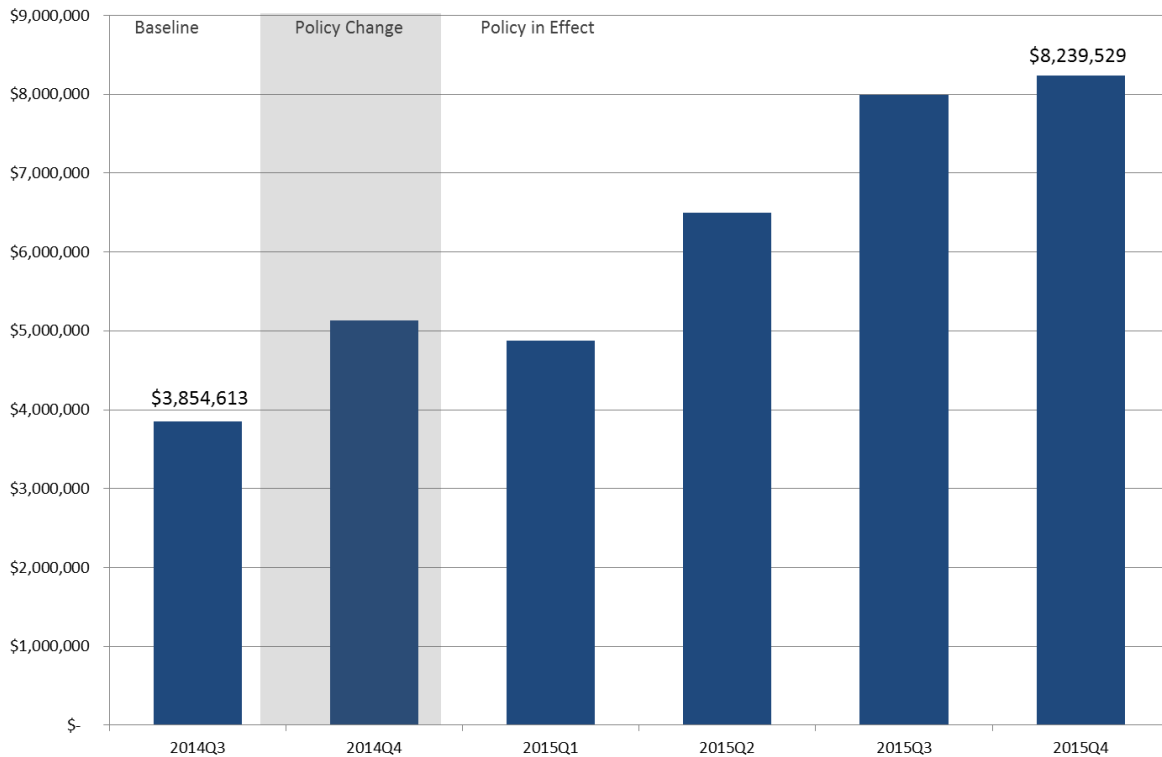
- This study utilizes wage records from the Maine DOL. Wage data are available for jobs in Maine that are covered under the unemployment insurance (UI) program. While this covers nearly all of the employed, it does not include self-employed workers, most agricultural workers on small farms, all members of the Armed Forces, elected officials, most employees of railroads, some domestic workers, most student workers at schools, and employees of certain small nonprofit organizations. Therefore, the figures reported here underrepresent the complete employment results of the cohorts. Specifically, the actual percentages of employed ABAWDs and total wages would be higher than what is reported using UI wage records alone. However, because average wages are calculated using only those workers with a UI wage record (individuals that are ‘not found’ are excluded from the calculation), the effects on average wages are ambiguous. Additional data sources, such as 1099 IRS data and out of state wage sources, would enable a more comprehensive evaluation.
- The complying cohort represents those that met the requirements of the new policy in December 2014. These individuals may not have remained on food supplements throughout 2015.
- While most of the cohort in compliance with the work requirements met those requirements by working, a few may have been fulfilling the requirements through either job training or volunteer efforts.
- The analyses and results are limited to the data provided from DHHS and are contingent on the classification of ABAWDs into the three cohorts described above. The disaggregation of ABAWDs into these cohorts was provided by DHHS.

Total Quarterly Wages

ABAWDs Closed for Non-Compliance

In December 2014, 6,866 ABAWDs did not comply with the reinstatement of work requirements and were closed out of the Maine food supplement program. Total wages for this group are displayed in Figure 1, below.

Figure 1
Total Quarterly Wages of those with Wage Records -
ABAWDs Closed for Non-compliance



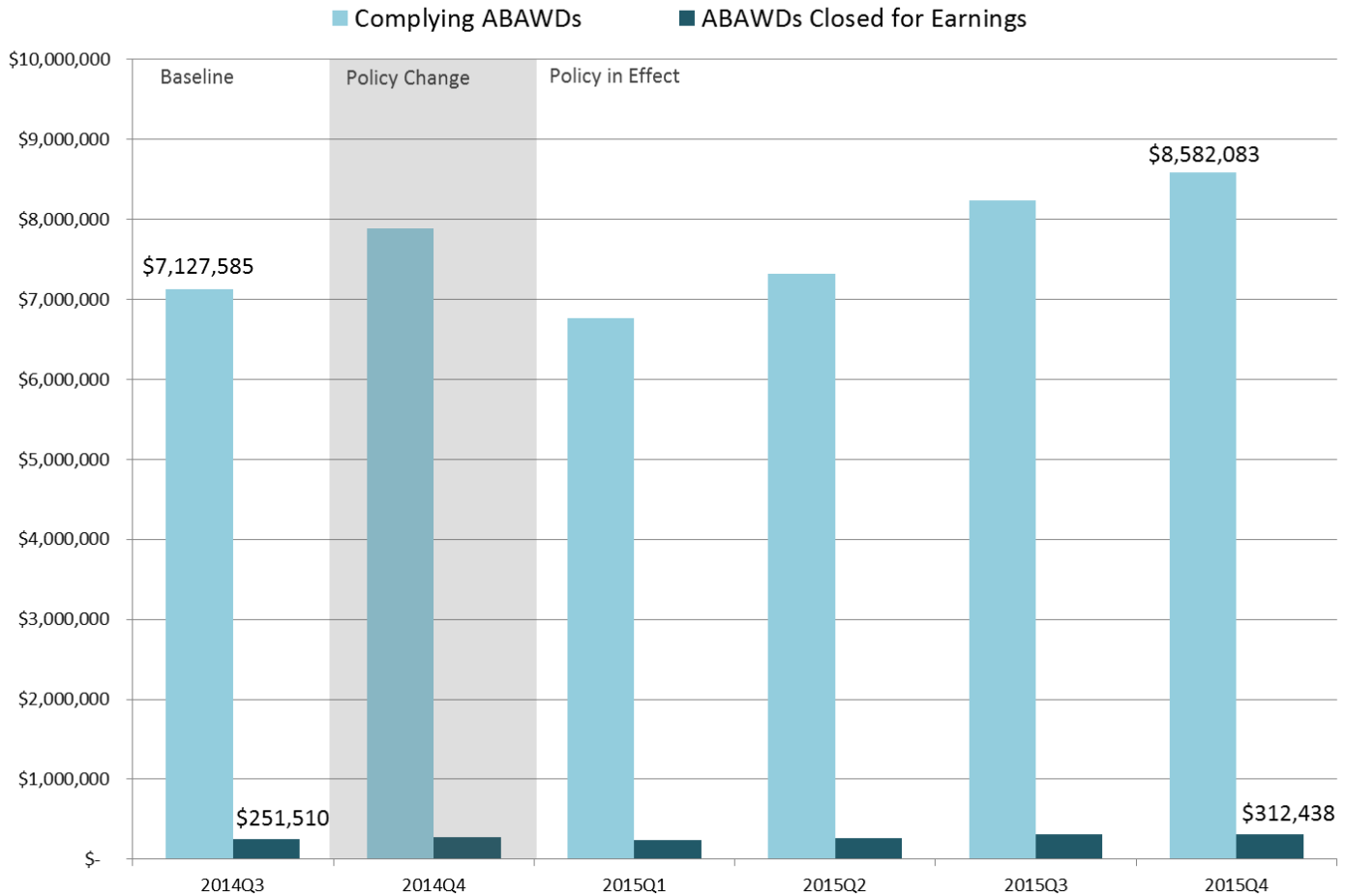
- Total wages increased 114 percent from \$3.8 million in the third quarter of 2014 to \$8.2 million in the fourth quarter of 2015.
- During the quarter of policy implementation (the fourth quarter of 2014), total wages increased 33 percent from the third quarter. In the first full quarter after being closed out of the food supplement program (first quarter of 2015) total wages declined five percent from the previous quarter. During the remaining quarters of 2015 total wages increased 33, 23 and three percent on a quarter over quarter basis.
- It is important to note that Maine’s economy is highly seasonal: employment tends to be highest in the summer months and during the holiday season before reaching a low point during the first quarter of the year. This seasonality impacts both employment numbers and wage data (both total and average wages). The data in this analysis is subject to the same seasonal patterns.
- Year over year growth in total wages for the non-complying group were also very strong after leaving the food supplement program. During the third and fourth quarters of 2015, total wages increased 107 and 61 percent, respectively, on a year over year basis.

ABAWDs Closed for Earnings and ABAWDs Complying with Work Requirements

In December 2014, 103 ABAWDs had earnings that exceeded the maximum allowed and were closed out of the food supplement program. In the same month, 2,703 ABAWDs were complying with the reinstated federal work requirements and were receiving benefits from the food supplement program. Total wages for these two groups are displayed in Figure 2, below.

Figure 2

Total Quarterly Wages of those with Wage Records



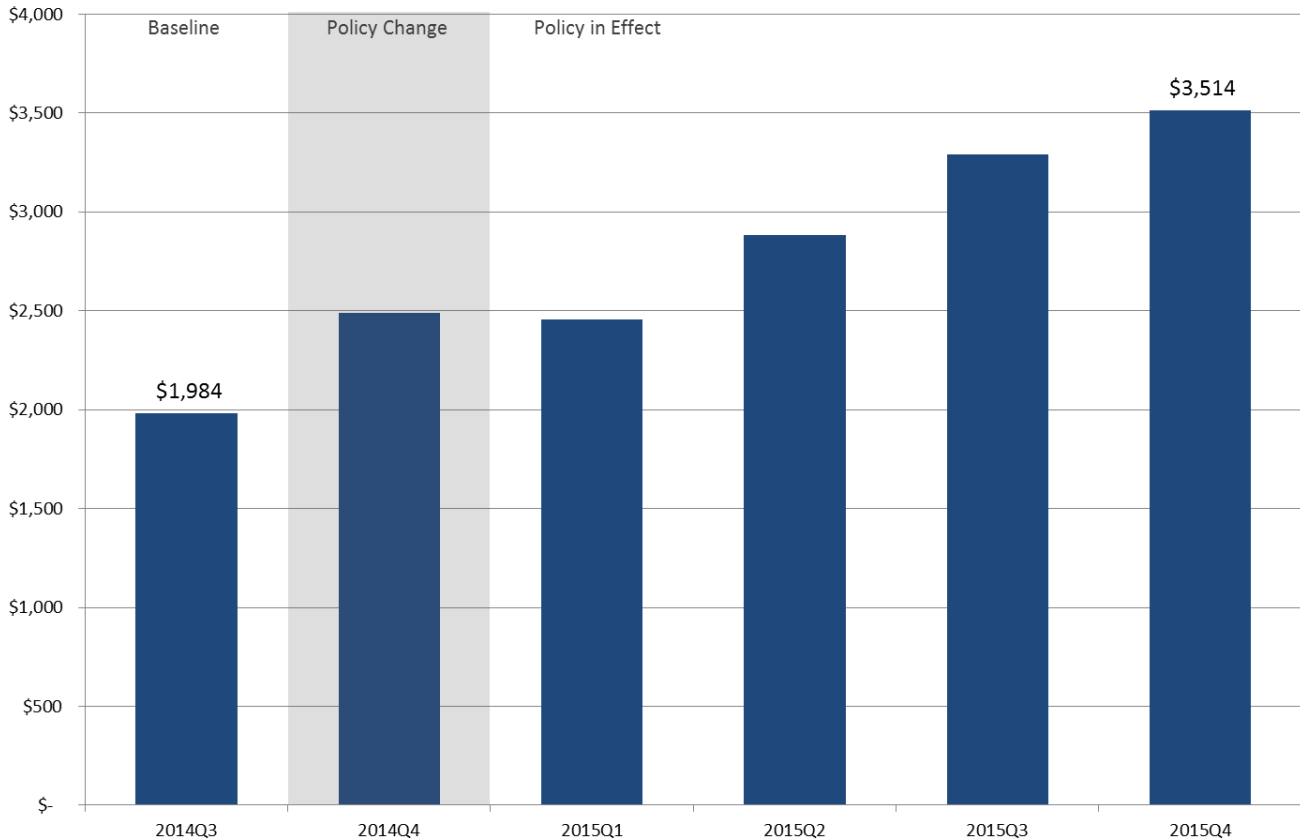
- Total wages for the ABAWDs complying with the work requirement increased 20 percent from \$7.1 million in the third quarter of 2014 to \$8.6 million in the fourth quarter of 2015 while total wages for ABAWDs closed for earnings increased 24 percent from \$252,000 to \$312,000.
- Year over year growth in total wages for the closed for earnings cohort was stronger than for the complying cohort. During the third and fourth quarters of 2015, total wages for the closed for earnings cohort increased 22 and 15 percent, respectively, on a year over year basis while total wages for the complying cohort increased 16 and 9 percent.

Average Quarterly Wages

ABAWDs Closed for Non-compliance

Figure 3

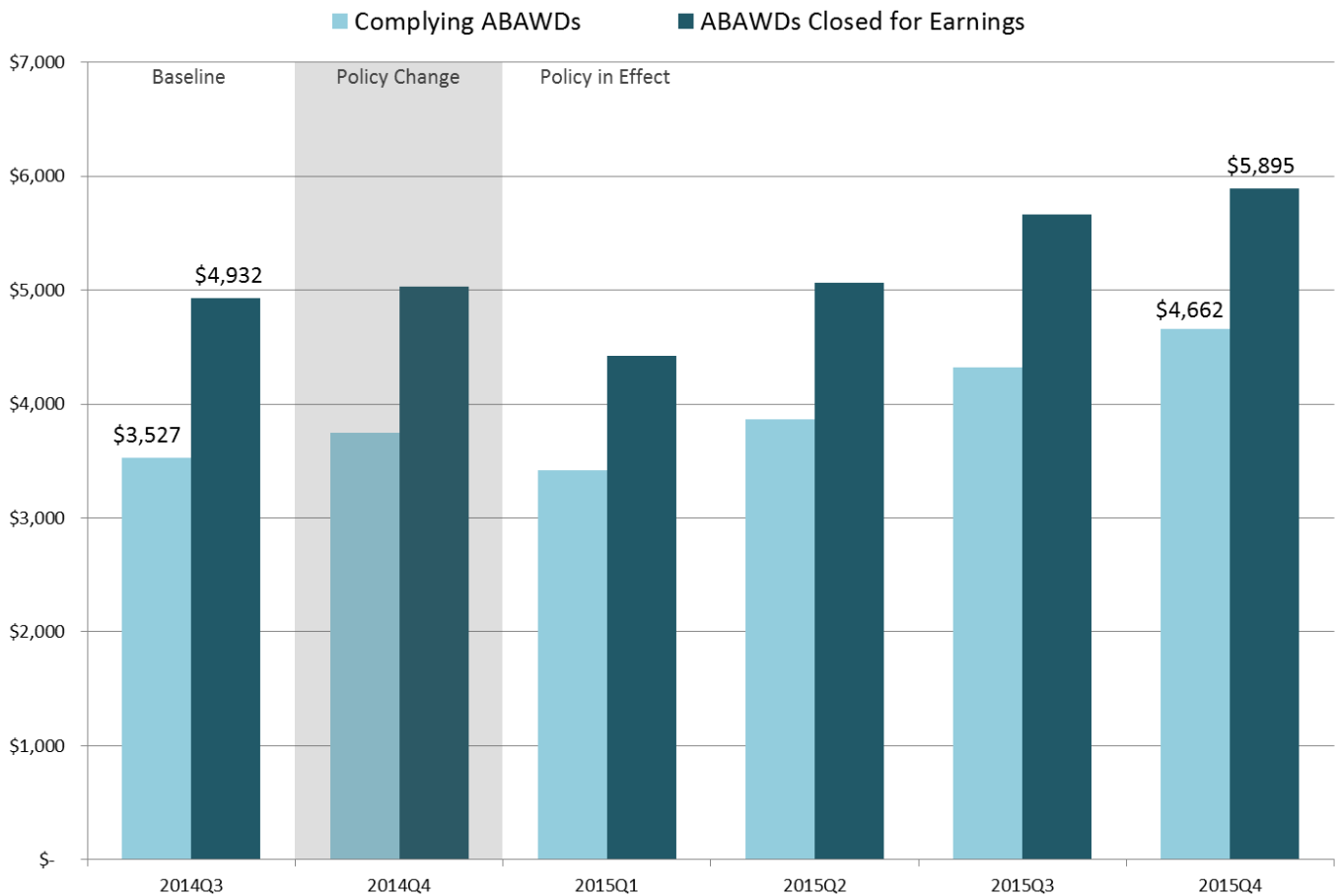
Average Quarterly Wages of those with Wage Records - ABAWDs Closed for Non-compliance



- Total wage growth for the non-complying group was driven by strong gains in average quarterly wages, which increased 77 percent from \$1,985 in the third quarter of 2014 to \$3,514 in the fourth quarter of 2015 (Figure 3). On a quarter over quarter basis, average wages increased 25 percent during the quarter of policy implementation, declined one percent in the first quarter of 2015, and increased 17, 14, and seven percent sequentially during the next three quarters. These trends more than exceeded the growth in statewide average wages across all industries using comparable UI data. Statewide average quarterly wages increased 10 percent during the fourth quarter of 2014, followed by a four percent decline in the first quarter of 2015, a three percent decline in the second and a one percent increase in the third quarter (fourth quarter statewide wage data are not yet available). Readers should note that the wage levels for ABAWDs are much lower than the statewide average wage (which are approximately \$10,000 per quarter), and this results in a larger percentage change for a given dollar increase in wages.
- On a year over year basis, average quarterly wages increased sharply, gaining 27, 53, 66, and 41 percent for the four quarters of 2015, respectively, compared to 2014.
- Average quarterly wages for ABAWDs closed for non-compliance were lower than the average wages of the other two cohorts, but saw the largest percentage gains among the three groups.

Figure 4

Average Quarterly Wages of those with Wage Records



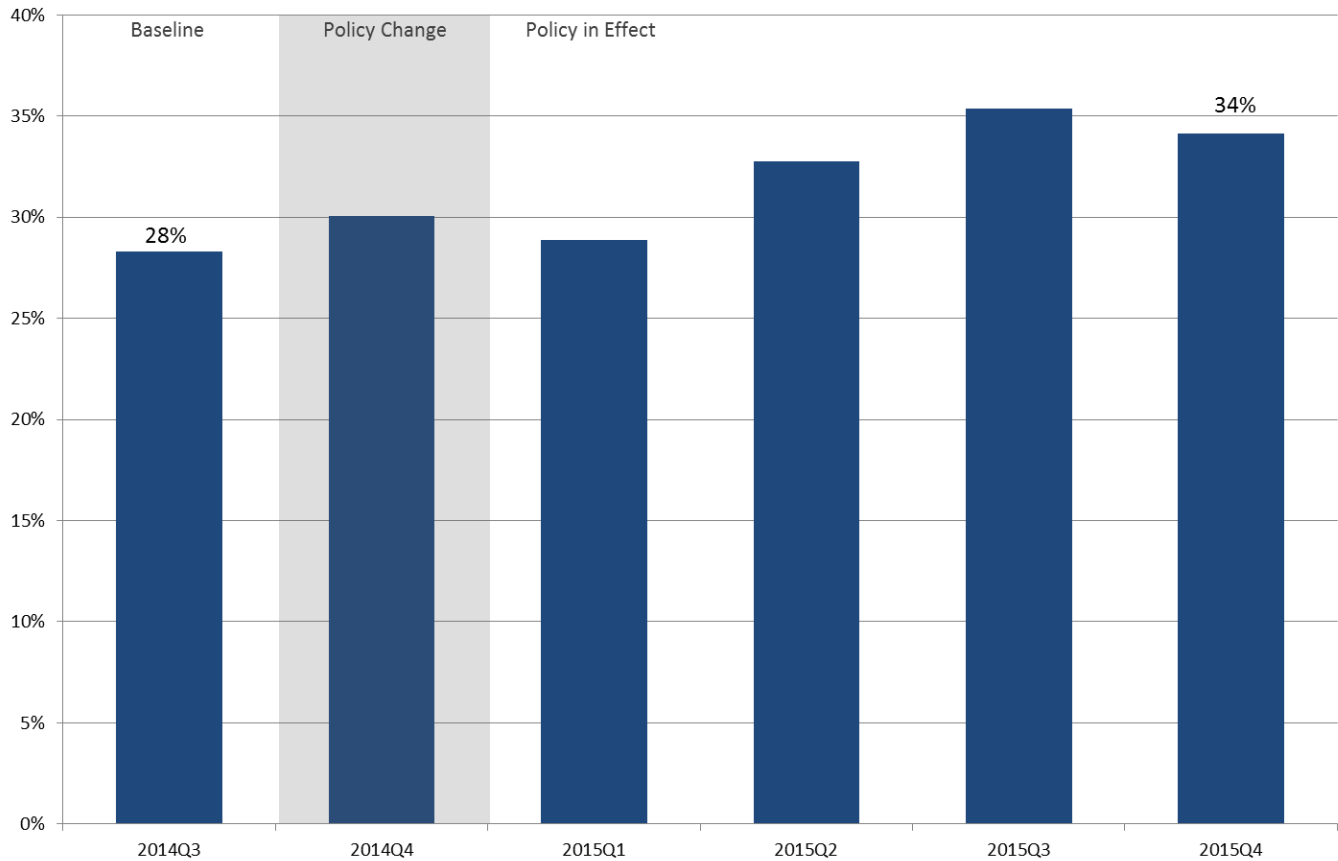
- Average quarterly wages for these two cohorts followed the same general pattern as the closed for non-compliance cohort: wages increased in the fourth quarter of 2014 followed by a decline in the first quarter of 2015 and then increased throughout the remainder of the year. These trends reflect some seasonality.
- Average wages for the closed for earnings group were the highest for all cohorts but growth rates were lower than what the other groups experienced. Average quarterly wages for this group increased two percent in the fourth quarter of 2014 and declined 12 percent in the first quarter of 2015. Thereafter, average wages increased 14, 12, and four percent during the remaining quarters of 2015, respectively. Average wages for the third and fourth quarters of 2015 were 15 and 20 percent, respectively, above the baseline average wages for this cohort.
- Average quarterly wages for the complying cohort increased six percent in the quarter of policy implementation compared to the previous quarter, followed by a nine percent decline in the first quarter of 2015. Thereafter, average wages increase 13, 12 and eight percent during the second, third and fourth quarters of 2015 on a quarter over quarter basis. Average quarterly wages in the third and fourth quarter of 2015 were 22 and 32 percent, respectively, above the baseline average wages.

Percent with a Wage Record

ABAWDs Closed for Non-compliance

Figure 5

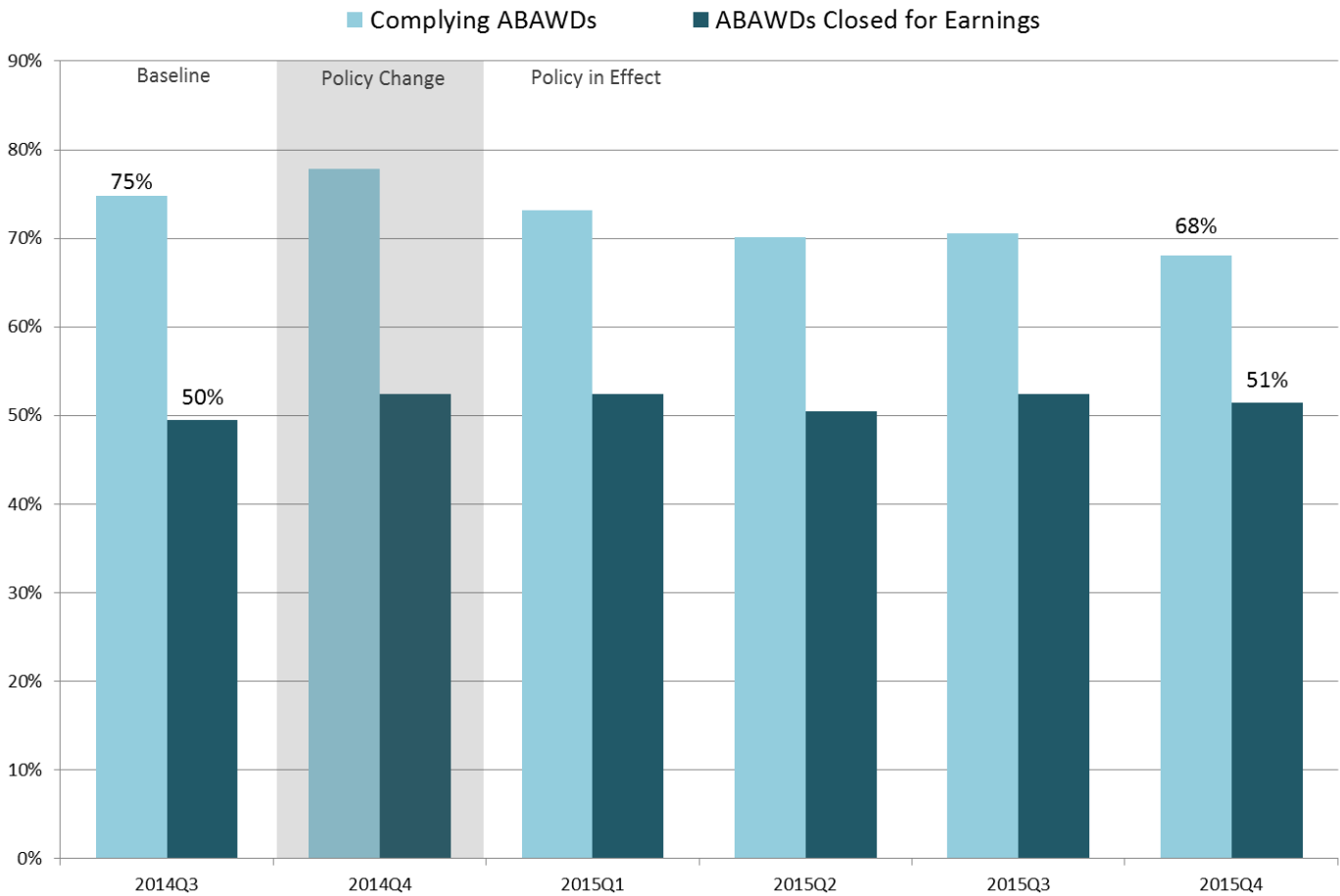
Percent with Wage Records by Quarter - ABAWDs Closed for Non-compliance



- Of the 6,866 ABAWDs closed for non-compliance in December of 2014, 28 percent (1,943) had wage records in the baseline period and 34 percent (2,345) had wage records in the fourth quarter of 2015, an increase of 21 percent. The number of ABAWDs closed for non-compliance with wage records was higher during the second, third, and fourth quarters of 2015 than during the preceding three quarters.
- The share of ABAWDs with a wage record was higher in the third and fourth quarters of 2015 compared to the corresponding quarters in 2014. This growth indicates that more ABAWDs had wage records—and thus had some form of employment—after the policy took effect and after compensating for seasonality.
- Overall, 58 percent of the 6,866 ABAWDs closed for non-compliance were found to have a wage record at some point during 2014 or 2015. However, the share of ABAWDs with a wage record in any given quarter was lower, ranging from 28 to 34 percent. Adding additional wage data sources, such as 1099 IRS data and out of state wage sources would enable a more comprehensive evaluation for this group.

Figure 6

Percent with Wage Records by Quarter



- The ABAWDs complying with the federal work requirements had the highest employment ratios (72 percent average for all six quarters). However, the percent with a wage record declined from 78 percent in the fourth quarter of 2014 to 68 percent in the fourth quarter of 2015. Overall, 87 percent of the complying cohort had a wage record at some point during 2014 or 2015.
- The percent of ABAWDs closed for earnings with wage records was essentially unchanged during the entire analysis period. This is a small group, however; of the 103 ABAWDs closed for earnings in December 2014, 51 had wage records in the baseline period and 53 had wage records in the fourth quarter of 2015. Overall, 65 percent of this cohort had a wage record at some point during 2014 or 2015.