Wage and Employment Outcomes of TANF Participants Closed for Time Limits

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Background:

In May 2012, the Maine Department of Health and Human Services (DHHS) implemented a 60-month time limit for Temporary Assistance for Needy Families (TANF) participation which resulted in 1,856 individuals exiting Maine’s TANF program during the second quarter of 2012. Due to an interest in understanding what happened to these individuals subsequent to leaving the TANF program, the Governor’s Office of Policy and Management (OPM) was asked to evaluate the wage and employment outcomes of the affected participants.

This analysis used data from the DHHS and the Maine Unemployment Insurance (UI) wage system to identify the employment status and outcomes of the TANF leavers. Wage records for the cohort of leavers were evaluated for the year prior to the policy change through the first quarter of 2016. In addition, OPM evaluated outcomes for subgroups within the cohort of 1,856 leavers: the group of TANF leavers that had no record of wage and salary employment during the year prior to being closed out for time limits (but had wages after the policy change) was compared to the group that had a record of employment during the baseline period; and outcomes for leavers that had been on TANF for seven or more years were compared with the outcomes for the group that had been on the program for less than seven years.

This brief summarizes the extent to which the groups of TANF leavers garnered employment subsequent to exiting the program, the total and average wages resulting from that employment, and how these metrics compared to a pre-policy baseline period. Further analysis would be required to identify the causal factors underlying the changes in employment outcomes reported in this study.

Following the findings below, this report consists of three sections. A Methodology section discusses the groups that were evaluated and how the analyses were performed; Caveats & Limitations reviews the limitations of the data and analyses; and an Analysis section reviews the results.

Findings:

- Overall, 64 percent of the TANF leavers had a wage record in Maine’s UI wage system at some point over the period of analysis, which began in the second quarter of 2011 (four quarters prior to the policy change) and ran through the first quarter of 2016. Individuals that did not have a wage record may have been self-employed (including those working for cash ‘under the able’), federally employed, left the state or were not working.
• The group of TANF leavers that had wage records experienced a significant increase in total wages following the policy change. For the group as a whole, total wages increased 237 percent from the baseline period (four quarters prior to the policy change; second quarter of 2011 through the first quarter of 2012) to the comparison period (the last four quarters for which data was available; the second quarter of 2015 through the first quarter of 2016). Growth in total wages was driven by strong gains in average quarterly wages and the number with a wage record; each grew 84 percent from the baseline through the comparison period.

• Employment and wage metrics for the group of TANF leavers with no record of employment during the baseline period changed materially following the implementation of the policy. Total quarterly wages for this group increased from $87,000 in the second quarter of 2012 (quarter of the policy change) to approximately $984,000 in the second quarter of 2015, a 1,031 percent increase. Over the same timeframe, the average quarterly wage increased 240 percent from $926 to $3,145 and the number with a wage record increased 233 percent from 94 to 313.1 Readers should note that since this group had no record of employment prior to the quarter of policy implementation, the very high percentage growth rates reflect, in part, growth off a small base. By way of comparison, the group of leavers that had a wage record prior to the implementation of the policy experienced 58 percent, 60 percent and negative one percent growth in total wages, average wages and number with a wage record, respectively, over the same timeframe.

• The average TANF leaver closed for time limits in May 2012 had been on the program for nearly seven years, with some on for as long as 11 years. OPM compared the employment outcomes for the group that had been receiving benefits for seven or more years with the group that had been receiving benefits between five and seven years. The group that had been on TANF for the shorter period of time experienced 88 and 84 percent growth in the number with a wage record and average quarterly wages, respectively, which resulted in a 246 percent increase in total wages. The group that had been on TANF for longer period of time experienced 79 and 82 percent growth in the average number with a wage record and average wages, respectively, which resulted in 225 percent growth in total wages.

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1 Since this group of leavers had no wage records during the pre-policy baseline period, the quarter of policy implementation (Q2/2012) was used as the baseline quarter. This data was compared to second quarter 2015 data. Comparing the same quarter in each year reduces the effect of seasonality.
**Methodology:**

OPM evaluated the wage and employment outcomes for the cohort of 1,856 TANF participants that were closed for time limits during the June 2012 quarter. This was the initial and largest cohort of TANF closures subsequent to implementation of the 60 month time limit policy. OPM also evaluated outcomes for subgroups within the cohort of 1,856 leavers: the group that had no record of employment during the year prior to being closed out for time limits (but had wages after the policy change) was compared to the group that had a record of employment during the baseline period; and outcomes for those that had been on TANF for seven or more years were compared with the outcomes for those that had been on the program between five and seven years.

The analysis utilized wage record data from the Maine Department of Labor (MDOL) linked with administrative data from DHHS. Bringing together these data sets was enabled through existing data sharing agreements between the DHHS and the MDOL and confidentiality agreements between DHHS and OPM. DHHS provided OPM with wage record data for individuals in the cohort from the second quarter of 2011 through the first quarter of 2016. These were the most recent quarters of wage data that were available when the analyses were prepared.

The MDOL wage data used to verify employment and calculate total and average wages includes jobs in Maine that are covered by unemployment insurance (UI). This wage and employment data is collected through a cooperative program between the Bureau of Labor Statistics and the employment security agencies in each state. One of the strengths of UI wage data is that it is based on the quarterly tax reporting of employers; as such, it provides objective (not self-reported) information regarding the employment status and quarterly wages of individuals. UI covered employment is estimated to represent nearly all of wage and salary employment in Maine. However, this dataset does not include the self-employed or those employed by the federal government. Readers should also note that Maine UI wage data does not include those who may be employed in other states. In addition, hours worked by an individual are not captured in the Maine wage record system. Please see the discussion on caveats and limitations for further information.

For the purposes of this analysis, OPM defined the four quarters prior to the policy change (second quarter of 2011 through the first quarter of 2012) as the pre-policy baseline period. Employment and wages during the baseline period were compared to wage and employment data in a comparison period, which for this study was the latest four quarters of data that were available (second quarter of 2015 through the first quarter of 2016). To analyze the group of TANF leavers that had no record of employment during the quarters prior to the implementation of the policy, the second quarter of 2012

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2 Self-employment and those employed by the federal government are the primary exclusions. Other exclusions are discussed in Caveats & Limitations. Additional information on UI covered employment may be found within the BLS Handbook of Methods, Chapter 5: Employment and Wages Covered by Unemployment Insurance. April 1997. [https://www.bls.gov/opub/hom/pdf/homch5.pdf](https://www.bls.gov/opub/hom/pdf/homch5.pdf)
(quarter of policy implementation) was used as the baseline period and comparisons were drawn using the second quarter of 2015.³

The metrics evaluated were total wages, average quarterly wage and number with a wage record. Total wages reflect the sum of wages for all individuals in the cohort with wage records. Average wages were calculated by including only those individuals with a wage record in any particular quarter. The number of individuals included in the average wage calculation varies by quarter and matches the number with wage records for that quarter. Number with a wage record reflects the number of individuals that had a wage record (UI covered employment) in a quarter. For the baseline and comparison period, the number with a wage record reflects the quarterly average during those periods.

The analyses presented in this report are not longitudinal, meaning that the individuals with wage records in a particular quarter are not necessarily the same as those with wages in other quarters.

Analysis of the Wage and Employment Outcomes of Q2-2012 TANF Participants Closed for Time Limits

Groups for analysis:
Cohort of 1,856 leavers that had wage records at any point from Q2/2011-Q1/2016
Group that had a wage record in baseline period*
Group that did not have a wage record in baseline period (but had wages after)*
Group that was on TANF 7 or more years
Group that was on TANF 5-6 years

*Baseline and comparison period for these groups was Q2/12 and Q2/15

³ Comparing the same quarter in the baseline and comparison period minimizes the impact of seasonality.
Caveats & Limitations:

The wage data utilized in this study are available for jobs in Maine that are covered under the UI program. While this dataset covers nearly all wage and salary employment in Maine, it does not comprehensively cover all individuals that are working—the primary exclusions are the self-employed and those working for the federal government or members of the Armed Forces. Elected officials, most employees of railroads, some domestic workers, most students at schools, and employees of certain small nonprofit organizations are also not accounted for in UI wage data. In addition, Maine UI wage data does not include those who may be working in another state. As such, the figures reported here underrepresent the complete employment results of the cohort. Specifically, the actual percentages of employed TANF leavers 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, out of state wage sources and surveys would enable a more comprehensive evaluation.

Economic and job market conditions are important factors in an individual’s ability to find and retain employment. The cohort of TANF participants that left the program during the second quarter of 2012 entered the labor market during a challenging but improving time. Maine’s unemployment rate in June, 2012 was 7.5 percent, below the 8.2 percent national unemployment rate and down from a recession high of 8.3 percent in 2009. Since 2012, Maine’s unemployment rate steadily improved through the first quarter of 2016, when it hit an expansion low of 3.4 percent. Reflecting an improving economy, total wages in Maine’s private sector increased 14 percent from the baseline through the comparison period and the average quarterly wage increased 10 percent. Maine’s improving economy should be considered when evaluating the results presented in this report. A range of other factors, including but not limited to access to childcare and transportation also play an important role in a person’s success in the job market.

The results presented in this report describe the employment outcomes for individuals that exited Maine’s TANF program for time limits in the second quarter of 2012. This information provides important feedback to administrators and program managers regarding the employment status of former program participants. Further analysis is required to identify and attribute causation to the underlying changes in outcomes reported in this study.
Analysis: Employment Outcomes for the TANF Leavers Closed for Time Limits in Q2/2012

In May 2012, the Maine DHHS implemented a 60-month time limit for TANF participation that resulted in 1,856 individuals exiting Maine’s TANF program during the second quarter of 2012.

What happened to these TANF participants after exiting the TANF program? To what extent did these individuals find wage and salary employment after the policy change? What were their average quarterly wages? How did the average wage and the number with a wage record after the policy change compare to these metrics prior to the policy change? Answers to these questions provide important information and feedback to program managers and administrators.

Analysis of the UI wage data linked with the cohort of TANF leavers reveals that 64 percent of those closed for time limits had a wage record in the Maine UI wage system at some point from the second quarter of 2011 through the first quarter of 2016. Individuals that did not have a wage record may have been self- or federally employed, left the state or were not working. Figure 1 summarizes the outcomes for the cohort of TANF leavers.

Figure 1

Understanding the outcomes of leavers with no UI wage records would require additional data sources such as IRS 1099 data or surveys.
Total Wages

Total wages for the TANF leavers with wage records are displayed in Figure 2, below.

Figure 2

Total Quarterly Wages for those with Wage Records:
Q2-2012 TANF Leavers Closed for Time Limits

Total wages from wage and salary employment increased 237 percent from $2.6 million during the baseline period to $8.6 million in the comparison period. Over the same timeframe, total private sector wages in Maine increased 14 percent.

During the first full quarter after the policy change, total wages increased 64 percent from the previous quarter—this was significantly stronger than the 20 percent sequential growth experienced during the third quarter of 2011 when no time limits were in effect. In addition, this was well above the 3 percent quarterly growth in total wages for the Maine economy during the third quarter of 2012.

Overall, total wages for the TANF leavers followed a seasonal pattern similar to the overall state economy. Employment and wage levels in Maine are typically highest in the summer months and during the holiday season before reaching a low point during the first calendar quarter.

Growth in total wages for the cohort was a function of increases in average wages and the number with wage records. These are shown in the following charts.
Average Quarterly Wages

Average quarterly wages and cash benefits for those with wage records are displayed in Figure 3, below.

Average quarterly wages during the last four quarters for which data was available was $3,459. This represents an 84 percent increase from the $1,884 average quarterly wage during the baseline period and a 44 percent increase from the $2,405 quarterly wage plus cash benefits during baseline period. By way of comparison, the statewide average quarterly wage for private sector employment increased 10 percent over the same timeframe.

During the first full quarter after the policy change (third quarter, 2012) average wages increased 30 percent versus the previous quarter (excluding benefits). By the second quarter after the policy change, TANF leavers with wage records earned nearly 10 percent above the average wage plus benefits received before the policy was enacted. Thus, within two quarters of the policy going into effect, the average TANF leaver with covered employment earned more than what they had made prior to the policy change including cash benefits.
The number and percent with a wage record in a quarter are displayed in Figure 4, below.

**Figure 4**

Number and Percent with a Wage Record in a Quarter  
(Q2-2012 TANF Exits Closed for Time Limits)

The average number with a wage record per quarter increased 84 percent from 339 during the baseline period to 624 during the comparison period.

As a proportion of the total cohort of 1,856 TANF leavers, the share with a wage record increased from 18 percent during the baseline period to an average of 34 percent in the comparison period.
Employment Outcomes for TANF Leavers with a Record of Employment during the Baseline Period Compared to the Group with No Record of Employment during the Baseline Period

Sixty four percent or 1,193 of the 1,856 TANF leavers had a wage record in Maine’s UI wage system at some point over the period of analysis. Of those with a wage record, 541 had a record of employment during the baseline period and 652 had no record of employment during the baseline period (this group had wage records after the policy change). Employment outcomes for these two groups were evaluated to better understand the impact of time limit closures on those with no record of wages immediately prior to leaving TANF.

As noted in the methodology section, since one of the groups in this particular analysis did not have wages during the pre-policy baseline period, the quarter of policy implementation (second quarter, 2012) was used as the baseline quarter. This data was compared to the second quarter in 2015 (comparing the same quarter in each year reduces the effect of seasonality). Figure 5 summarizes the outcomes for these two groups.

Figure 5
Figures 6 and 7 display trended data for total wages and number with a wage record for each group.

**Figure 6**

**Total Quarterly Wage Comparison:**
TANF Leavers that had a wage record during the baseline period vs. those that did not have a wage record during the baseline period

Rates of growth were particularly high for the group with no record of employment during the baseline period. Total wages (Figure 6) and number with a wage record (Figure 7) increased 1,031 and 233 percent, respectively, from the second quarter of 2012 through the second quarter of 2015. Readers should note that since this group had no record of employment prior to the quarter of policy implementation, the very high percentage growth rates reflect, in part, growth off a small base. The group of leavers that had a wage record prior to the implementation of the policy experienced 58 percent growth in total wages and a one percent decline in the number with a wage record over the same period.
Why did the group that had a wage record during the baseline period experience a decline in the number employed after the policy change? One possible explanation is that a growing number of TANF leavers worked in jobs not covered by the Maine UI dataset, such as self-employment. Verifying self-employment requires access to IRS 1099 data (or surveys), which OPM did not have for this analysis. Another possibility is that some of the former TANF participants left the state. One way to gauge if the TANF leavers are still in Maine is to cross-check enrollments in other state publicly funded programs. Figure 8 shows that following the policy change a growing number of these former TANF participants did not have wages and also stopped collecting food supplement or Maine Care benefits; there was a clear trend of declining food supplement/Maine Care enrollments, particularly among those that did not have a wage record. An absence of wages and other benefits could indicate that these persons have moved out of the state. It is also possible that these individuals remained in Maine and garnered enough self-employment or income from other sources to not require food supplements or Maine Care. Additional information is required to fully understand the outcomes of these participants.
By the second quarter of 2015, the average quarterly wage for each group was within a percent of each other (Figure 9). Growth rates in average quarterly wages for each group, however, were very different after the policy change. Average quarterly wages for the group with no record of employment during the baseline period increased 240 percent to $3,145, while average quarterly wages for the group with baseline period employment increased 60 percent to $3,162.
Employment Outcomes and Time on TANF

The average TANF leaver closed for time limits in May 2012 had been on the program for nearly seven years, with some on for as long as 11 years. To understand more about the relationship between the length of time on TANF and labor market outcomes subsequent to exiting the program, OPM compared the outcomes for the group that had been receiving benefits for seven years or longer with the group that had been receiving benefits for five to six years.\(^5\) Figure 10 displays the outcomes for these two groups.

Figure 10

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\(^5\) The average length of time on TANF for the group on TANF seven or more years was 8.3 years. The average length of time on TANF for the other group was 5.8 years.
Figure 12 shows total wages for both groups. The group that had been on TANF five to six years experienced 246 percent growth in total wages from the baseline period to the comparison period; the group that had been on the program for seven or more years experienced a 225 percent increase.

Figure 11

![Total Quarterly Wage for Q2-2012 TANF Leavers](chart1)

Figure 12, below, shows the number with a wage record for each group. The group that had been on TANF for five to six years experienced an 88 percent increase in the average number with a wage record per quarter; the group that had been on TANF for seven or more years experienced a 79 percent increase.

Figure 12

![Number with a Wage Record for Q2-2012 TANF Leavers](chart2)
Average quarterly wage growth and wage levels (Figure 13) were comparable for each group. The group that had been on TANF between five and seven years experienced 84 percent growth in average wages from the baseline period to $3,523 in the comparison period. The group that had been on TANF seven or more years experienced an 82 percent increase in average quarterly wage from to $3,372 in the comparison period.

![Figure 13: Average Quarterly Wage for Q2 - 2012 TANF Leavers](image)

Conclusions & Areas for Further Research

Linking UI wage records with program participants is an important tool in understanding the employment outcomes of individuals that departed from publicly funded programs. One of the strengths of UI wage data is that it is based on the quarterly tax reporting of employers; as such, it provides objective (not self-reported) information regarding the employment status and quarterly wages of individuals.

Analysis of the wage records for the TANF leavers closed for time limits during the second quarter of 2012 reveals a marked improvement in employment outcomes after the policy change. For the TANF leavers that were found in the Maine UI wage system, average wages increased 84 percent, and the number with a wage record experienced equally strong growth from the baseline through the comparison period.
Outcomes for subgroups within the population of the 1,856 leavers were strong as well. In particular, the group of TANF leavers that did not have a wage record prior to the policy change, but had wages after the policy change, experienced very strong growth average wages and employment. Average wages for this subgroup increased 240 percent and the number with a wage record grew 233 percent, which resulted in total wages increasing 1,031 percent.

While these analyses provide important information to program managers and administrators, additional research and data sources would further our understanding of what happened to individuals once they exited the TANF program. In particular, access to IRS 1099 data and surveys of individuals would enable a more comprehensive accounting of outcomes. In addition, incorporating a counterfactual analysis or a control group would enable these analyses to move from the descriptive to one that has more explanatory power.