Does “work-first” still work in the wake of the Great Recession?

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Introduction

Post-PRWORA research on welfare leavers nationwide\(^1\) and Maryland in particular\(^2\) found that a “work-first” approach was effective: most people were, in fact, leaving welfare for work.

According to recent research in Maryland\(^3\) and Wisconsin\(^4\), however, more difficult economic conditions mean that welfare leavers have an increasingly hard time finding and keeping jobs.

Considering the unprecedented economic conditions characteristic of the recent Great Recession, our aim is to investigate the role the economy plays in whether Maryland’s welfare leavers are successful in the job market.

Our research question is a straightforward but important one: do (and if so, when do) local area unemployment rates affect the work outcomes of poor women who leave TANF?

Methods

Using administrative records and UI wage data, we employ GEE regression analysis to investigate nine quarters of employment outcomes among three cohorts of TANF leavers in Maryland:

- Economic boom: 3rd quarter 1998 (N=7,029)
- Mild recession: 3rd quarter 2001 (N=3,485)
- Great Recession: 4th quarter 2008 (N=2,964)

Total number of person-quarters = 121,302

Results and Discussion

Figure 1, right, investigates leavers’ employment rates in the quarters following their exit from welfare. The most recent cohort of welfare leavers—those in 2008—had consistently lower employment rates than leavers in 1998 and 2001. Table 1, below, shows that this relationship is significant, once we control for individual observable and unobservable characteristics and time effects.

Table 1. Combined Generalized Estimating Equation Model

<table>
<thead>
<tr>
<th>Model</th>
<th>Coeff.</th>
<th>SE</th>
<th>p&lt;.1</th>
<th>p&lt;.05</th>
<th>p&lt;.01</th>
<th>p&lt;.001</th>
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<tbody>
<tr>
<td>2001 Leavers (compared to 1998)</td>
<td>-0.807***</td>
<td>0.062</td>
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<td>2008 Leavers (compared to 1998)</td>
<td>-1.009***</td>
<td>0.066</td>
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<td>Control for Unobservable Characteristics</td>
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<tr>
<td>Control for Quarter Fixed Effects</td>
<td>Yes</td>
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<td>116,496</td>
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<td>GEE Fit Criteria (QIC)</td>
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</tbody>
</table>

Table 2, right, shows that, all other factors being equal, higher local area unemployment rates result in a lower likelihood of employment. For leavers in 2008, however, this was not a significant predictor of employment. Practically speaking, because unemployment rates were so high, the marginal benefit of small improvements in the local unemployment rate is negligible. The US unemployment rate is expected to recover from the Great Recession very slowly. The implication of this analysis is that recovery will happen even more slowly for women who leave welfare.

Acknowledgments

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References