

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

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Introduction

Post-PRWORA research on welfare leavers nationwide¹ and Maryland in particular² found that a “work-first” approach was effective: most people were, in fact, leaving welfare for work.

According to recent research in Maryland³ and Wisconsin⁴, 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

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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		
	Coeff.	SE
2001 Leavers (compared to 1998)	-0.807***	0.062
2008 Leavers (compared to 1998)	-1.009***	0.066
Control for Unobservable Characteristics	Yes	
Control for Quarter Fixed Effects	Yes	
Observations	116,496	
GEE Fit Criteria (QIC)	126167.6	

p<.1 * p<.05 ** p<.01 *** p<.001

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.

Figure 1.

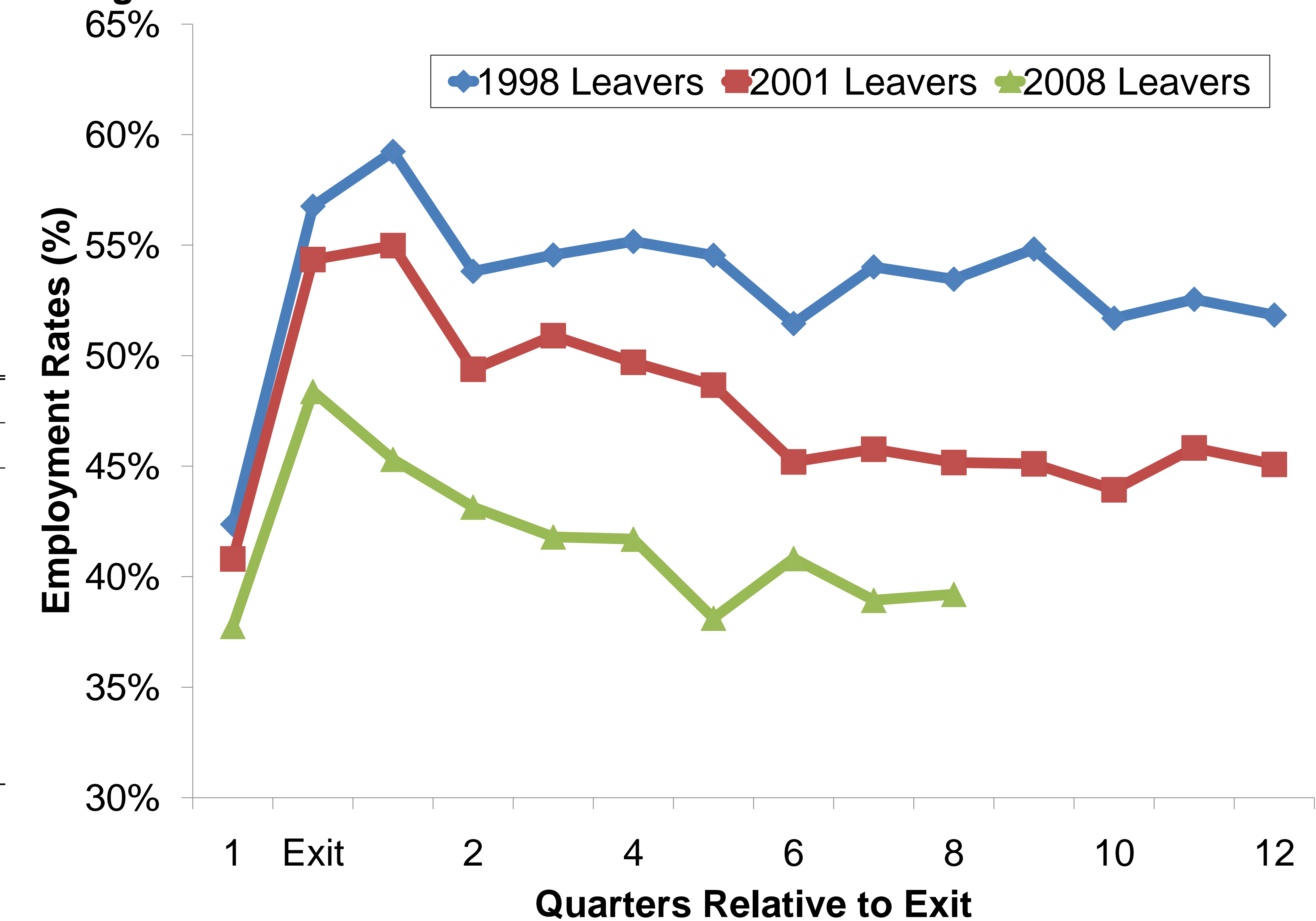


Table 2.

	Separate Generalized Estimating Equation Models					
	1998 Leavers		2001 Leavers		2008 Leavers	
	Coeff.	SE	Coeff.	SE	Coeff.	SE
County Unemployment Rates	-0.031*	0.014	-0.073#	0.041	-0.010	0.035
Control for Unobservable Characteristics	Yes		Yes		Yes	
Control for Quarter Fixed Effects	Yes		Yes		Yes	
Observations	61,272		29,862		25,362	
GEE Fit Criteria (QIC)	69298.7		31382.9		25304.3	

p<.1 * p<.05 ** p<.01 *** p<.001

References

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