



## WorkFirst Wage Progression and Returns Report: Through Second Quarter 2011

### Introduction

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RCW 74.08A.411 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

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RCW 74.08A.411 requires that 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

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#### *WorkFirst Exiters*

The quarterly WorkFirst performance report provides follow-up data for three groups (cohorts) of TANF exiters. This report uses second quarter 2011 (2011Q2) Unemployment Insurance wage data to provide updates on clients who exited TANF in 2008Q2, 2009Q2 and 2010Q2. For purposes of this report, exiters are defined as TANF clients who:

- Received a TANF grant at least one month during January, February or March (during Quarter 1)
- Did not receive a TANF grant at any time during April, May or June of the following quarter (Quarter 2)

Beginning with the October 2011 WorkFirst performance report, an exiter is defined as having been off TANF all three months of a quarter, compared to the previous definition that required only one month off TANF. The three-month requirement more clearly identifies true exiters by minimizing instances where 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.

<b>WorkFirst Performance Report -- TANF Cohorts</b>		
<b>Received TANF at Least Once During</b>	<b>No TANF All Three Months (Exit Quarter)</b>	<b>Cohort Name</b>
Jan-Feb-Mar 2008	Apr-May-Jun 2008	2008Q2
Jan-Feb-Mar 2009	Apr-May-Jun 2009	2009Q2
Jan-Feb-Mar 2010	Apr-May-Jun 2010	2010Q2

### ***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 exiters were then removed.
- The bottom 50% 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 <sup>1</sup>	Number Exiting TANF in Cohort Qtr	Quarter of Exit		After 12 Months		After 24 Months		After 36 Months	
		Exiters <sup>2</sup>	Comparison	Exiters	Comparison	Exiters	Comparison	Exiters	Comparison
2008Q2	10,322	\$3,599 n=5,314	\$3,893	\$3,955 n=4,088	\$4,871	\$3,943 n=3,772	\$5,095	\$3,986 n=3,723	\$5,289
2009Q2	10,577	\$3,455 n=4,398	\$3,915	\$3,747 n=3,846	\$4,819	\$3,873 n=3,826	\$5,085	n/a	n/a
2010Q2	11,847	\$3,516 n=4,595	\$3,846	\$3,607 n=4,437	\$4,749	n/a	n/a	n/a	n/a

1 The 2008Q2 TANF cohort is defined as those on TANF at least one month during 2008Q1 and off TANF all three months of 2008Q2.  
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
2008Q2	9.9%	25.1%	-0.3%	4.6%	1.1%	3.8%	10.8%	35.9%
2009Q2	8.5%	23.1%	3.4%	5.5%	n/a	n/a	12.1%	29.9%
2010Q2	2.6%	23.5%	n/a	n/a	n/a	n/a	2.6%	23.5%

### ***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, since 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
2008Q2	10,322	\$10.45	\$11.78	\$10.99	\$12.84	\$10.84	\$13.05	\$10.82	\$13.20
2009Q2	10,577	\$10.57	\$12.16	\$10.70	\$12.67	\$10.65	\$12.94	n/a	n/a
2010Q2	11,847	\$10.37	\$11.87	\$10.46	\$12.38	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 2012 federal poverty guideline is \$19,090 per year (<http://aspe.hhs.gov/poverty/index.shtml>). This represents price data collected in 2011 and issued in January 2012.

TANF Cohort	Exit Quarter		After 12 Months		After 24 Months		After 36 Months	
	Exiters	Comparison	Exiters	Comparison	Exiters	Comparison	Exiters	Comparison
2008Q2	31.9%	39.4%	38.4%	51.2%	39.0%	53.9%	39.9%	56.3%
2009Q2	30.1%	39.6%	35.2%	50.6%	37.0%	54.0%	n/a	n/a
2010Q2	29.3%	38.3%	34.5%	49.7%	n/a	n/a	n/a	n/a

<sup>1</sup> 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
2008Q2	4.2%	0.0%	6.8%	6.0%	7.7%	8.4%	8.4%	10.8%
2009Q2	3.6%	0.0%	5.9%	5.8%	6.6%	8.7%	n/a	n/a
2010Q2	3.3%	0.0%	5.7%	5.8%	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
2008Q2	10,322	2009Q2	2,156	20.9%	2010Q2	2,043	19.8%	2011Q2	1,405	13.6%
2009Q2	10,577	2010Q2	2,049	19.4%	2011Q2	1,562	14.8%	n/a	n/a	n/a
2010Q2	11,847	2011Q2	1,684	14.2%	n/a	n/a	n/a	n/a	n/a	n/a