

**The Dynamics of Welfare-to-Work:
A Comparative Analysis of Four Urban Areas, 1990-1997**

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Introduction

The last decade has seen extraordinary changes in the programs supporting indigent parents and their children in the U.S., popularly known as “welfare.” From its inception in 1935 through the 1960s, federal Aid to Families with Dependent Children (AFDC) operated on the implicit assumption that a mother's primary job should be caring for her children. With greater acceptance of working mothers, public opinion has gradually shifted away from this view, inducing an increased emphasis on the importance of employment as an alternative to government aid. Recent changes designed to move recipients toward self-supporting employment can be understood as the culmination of reforms beginning in the early 1970s.¹

The beginning of recent major steps toward requiring welfare recipients to participate in the labor market can be marked by passage of the federal Family Support Act of 1988, which required states to develop job training programs for recipients of AFDC. This movement culminated with passage of the federal Personal Responsibility and Work Opportunity Act in 1996, which renamed AFDC as Temporary Assistance for Needy Families (TANF). The new legislation specified explicit work requirements for participants as well as limitations on the length of time aid could be received. Equally important, the legislation no longer treated such aid as an entitlement for individuals meeting certain eligibility requirements but instead allowed states to provide aid in accord with a wide variety of program structures.

The legislative benchmarks provide only a rough indication of the changes occurring in the effective administration of aid programs. In the 1990s, under federal waivers, many states developed programs which modified the basic structure of AFDC, imposing increasingly stringent work and training requirements on aid recipients. Equally important, it appears that administrative directives across many states have

¹ For recent discussions of U.S. public aid programs for poor families, see O'Neill and O'Neill (1997) and Blank (1997).

shifted program emphasis away from provision of aid to families and toward finding alternatives to public assistance. Particular concern has focused on those who had received welfare for extended periods.

National patterns of aid receipt suggest that unprecedented changes have occurred since the early 1990s. After moderate annual increases through most of the previous two decades, for the most part tracing increases in the U.S. population, the number of families receiving aid under AFDC/TANF had reached 4.0 million by 1990. In the next four years, the caseload reached a peak of 5.0 million and then began a decline, falling to 3.9 million in 1997 and 3.0 million by June 1998, a level not seen since 1972.²

The current study examines the dynamic structure of AFDC/TANF participation and the labor market involvement of participants in four major cities in the U.S. during this recent period of rapid change. All these cities display a decline in public aid caseloads consistent with national trends. The first objective of this analysis is to identify the flows onto and off of welfare that have produced these changes. Our analysis also considers how long-term aid recipients have fared in this recent period, whether they are subject to high rates of departure from the rolls. The analysis will also allow us to examine what kind of employment experiences welfare recipients have during this period. One might expect that the increasing concern with employment of aid recipients would have caused higher employment levels. On the other hand, many administrative changes may have the effect of discouraging individuals from continuing to receive public assistance, even when their employment opportunities are very limited. Our analysis will allow us to examine whether any increase in the departure rates from aid programs is associated with declines or increases in employment of those leaving.

By focusing on four major cities, our analyses allow us to begin to examine the extent to which differences in local administrative directives and local labor markets

² Figures are annual averages, except for June 1998 (U.S. Department of Health and Human Services, 1998).

contribute to observed trends. Although it has been shown that the decline in caseloads nationally cannot be attributed primarily to improvements in labor market opportunities (Bartik, 1998), there is little question that administrative changes designed to move families from the rolls have been facilitated by a growing economy. Comparison across cities will allow us to begin to understand mechanisms inducing change and the interaction between labor market and government action.

Our work is not the first to consider patterns of welfare reciprocity and employment. For example, Lane and Stevens (1995) and Lane, Shi and Stevens (1997) have used administrative data on employment and AFDC participation in Maryland to examine the dynamics of welfare and work. The research reported here is unique in that it focuses on how these dynamics have shifted over this recent period of extraordinary administrative change in four geographically distinct metropolitan areas.

Data

Our data pertain to AFDC/TANF cases in a central county in four metropolitan areas: Fulton County, GA (Atlanta); Baltimore City, MD (county equivalent unit); Harris County, TX (Houston), and Jackson County, MO (Kansas City). In each case, a very large share of the population of the central city is within that county. Although substantial metropolitan populations live outside these counties, each contains a large share of the metropolitan welfare population.

We have limited our focus to families headed by single females in the age range 18-64, who received AFDC or TANF cash payments.³ The unit of analysis can be viewed as the family or as the mother who is the payee. We omit those who received

³ This selection criteria omits all men as well as men and women who received aid as part of the Unemployed Parent program. Although the experience of such individuals may be of substantial interest, they make up a small share of the welfare population. Since patterns for these individuals are likely to differ from those for others, separate analyses examining their experiences is necessary.

only noncash benefits even if they were listed as participants in AFDC or TANF programs. For the purposes of examining trends, we have aggregated monthly payments to quarterly totals, so that anyone who received payments in any month in a quarter is counted as receiving payments in that quarter.⁴

In order to examine the employment experiences of aid recipients, we have obtained quarterly total earnings for all individuals in jobs covered by unemployment insurance in the state, matching these to the records of AFDC/TANF recipients. (For the analysis of Jackson County, MO, both Missouri and Kansas earnings data have been obtained.) The vast majority of employment in each state is covered by these data, although illegal employment, self-employment, and several classes of nonprofit and federal employment are omitted. The files also fail to identify employment for individuals who leave the state.

Finally, as an indicator of the general economic climate in the region, we have quarterly information on unemployment and employment growth for the full metropolitan area.

The heart of our analysis is contained in the figures that are presented in the appendices following the text. Each appendix provides statistics for one of the metropolitan areas, with the structure of the tables and figures corresponding to a common template across areas. This approach allows meaningful comparisons but allows the reader to consider the unique experience of each area.

The discussion which follows provides a description of how each of the figures was constructed as well as providing examples of how observed patterns may be

⁴ The historical data for Fulton County, GA, rely on administrative records as of March 1998. The status of a recipient applies to that point in time or the most recent point in time when the individual received welfare. For a small number of cases, this status may differ from the status at the time a benefit check was received. Given that our analysis examines only adult case heads, we don't expect this data feature to alter our results in any significant way.

interpreted. We have also constructed several figures and tables that combine information for the four sites.

Local Labor Market

Appendix Figure 0 graphs the level of unemployment as well as employment growth over the period of our study. Since our concern is with general economic conditions in the relevant labor market, these figures pertain to the full metropolitan area, not just the central county that is the focus of our welfare statistics.⁵ Unemployment rates for all four areas are presented together in text Figure T0. In all four areas, the data suggest healthy economic growth, but unemployment rates in Atlanta and Kansas City suggest that the labor market is tightest there, with both showing final quarter 1997 rates of below 3.5 percent. Although Houston shows a substantial and continuous decline in unemployment over the period, the final unemployment rate remains above 4 percent. Finally, in Baltimore, while the 1997:4 unemployment rate of just below 5 percent is a substantial decline from its peak in 1992-93, the recovery has not been as steady as in the other areas.

In short, while economic growth has been common to all areas, there are substantial differences, which could influence the experiences of AFDC/TANF recipients.

Trends in the AFDC/TANF Caseload

Appendix Figure 1 shows the trend in the AFDC/TANF caseload over the 1990s for each area. Text Figure T1 combines this information in a single graph.⁶ In each case,

⁵ Unemployment in the central county will be influenced by intrametropolitan mobility and demographic changes. In contrast, labor market statistics for the full metropolitan area will be less influenced by such factors and therefore will better capture changes in economic conditions.

⁶ Note that here and in other figures combining counts from different sites, the scale for Jackson County, MO and Fulton County, GA differs from that for Baltimore, MD and Harris County, TX. In contrast, those figures that present rates use a common scale for all sites.

the size of the caseload increases from its level at the start of our period to a peak in the early to mid-1990s, followed by a decline to the current level. However, there are substantial differences, as text Table T1 shows. Fulton County, GA experienced its peak caseload slightly later than the other areas and also displays a decline that is much smaller, only about 20 percent. The largest decline, in Harris County, TX, is more than 50 percent, while declines for Baltimore, MD and Jackson County, MO are about a third.

These differences across areas do not appear tied to economic conditions in any clear way. Although Kansas City and Atlanta appear to have experienced stronger growth than the other areas, declines in the welfare caseloads are actually smaller in those areas.

Entry and Departure: The Dynamics of the Welfare Caseload

The lower part of Appendix Figure 1 shows, for each quarter, the number of individuals entering and leaving welfare. The difference between these two figures is the change in the size of the caseload.⁷ Early in the 1990s, for each of the areas, the number of new recipients generally exceeded departures, inducing an increase in the welfare caseload, whereas in the latter period, the reverse is the case. Figure T2 provides a single graph which shows departures from welfare for all four sites, while Figure T3 provides a single graph with number entering welfare.

Appendix Figure 1A graphs the departure rate over the period, which indicates what proportion of recipients leave welfare each quarter. Figure T4 presents the four sites together. Substantial differences exist across regions. The lowest departure rate is in

⁷ Counts of those entering and leaving welfare are based on comparison of adjacent quarters. We define these so that

$$\text{Caseload (T+1)} = \text{Caseload(T)} - \text{Leavers (T)} + \text{Entries(T)}$$

The number of leavers for quarter T is the number of individuals who are observed receiving welfare payments in quarter T but not quarter T+1, whereas the number of entries for quarter T is the number receiving welfare in quarter T+1 who were not receiving welfare in quarter T.

Fulton County, GA, where the average is below 7 percent and, except for two quarters, is always less than 8 percent. Departure rates are only slightly higher in Baltimore, usually under 8 percent, until the last year when they have exceeded 10 percent. In contrast, average departure rates in Jackson County, MO are over 10 percent, with numbers approaching 15 percent in the most recent quarter. Finally, Harris County, TX shows an average departure rate of over 15 percent, with departure rates over 20 percent in the most recent two years.

To what degree have entry and departures contributed to observed declines in caseload? It is clear that the growth in the rate of departure for Harris County, TX is greater than for any of our areas (Figure T4), suggesting that this played a role in the caseload decline. But Figure T3 shows that entry into welfare in Harris County, GA has declined more than that in any other area. There seems little doubt that both current and prospective recipients have found alternatives to welfare in Harris County, GA. Jackson County, MO also displays a substantial increase in departure rate in the last four years, as does Baltimore. Although the number of new entrants into welfare has also declined, departures have played the primary role. In Fulton County, GA, while increases in departure play a role, declines in new entries have been most important in reducing the caseload.

Rates of Leaving for Long-Term Recipients

Much of the growing concern in the last decade has focused on welfare dependency. Programs designed to encourage employment among AFDC/TANF recipients have frequently specified that long-term recipients be among the first served, and the federal legislation passed in 1996 provided explicit time limits for welfare receipt. Appendix Figures 5 and 6 consider trends in the numbers of individuals on welfare continuously for at least two years and five years, respectively, and their rates of leaving welfare. Figure T5 combines exit rates for two-year recipients for the four sites.

Simply eyeing the trends for those on welfare for two years indicates that, while the rates of departure are lower than for all welfare recipients, they have increased substantially. In Baltimore and Jackson County, MO departure rates for those on welfare at least two years in the early 1990s were approximately 4 and 6 percent, respectively, but both had increased to 11 percent by the most recent year. Harris County, TX rates of departure were generally higher, but these rates also exhibited a substantial increase, from around 10 percent in 1995 to 14 percent in the most recent year. Departure rates were lower for Fulton County, GA, generally less than 5 percent, although they also show a modest increase in the most recent year.⁸

Rates of departure for those on welfare for five continuous years (Appendix Figure 6), although only available for Baltimore and Jackson County, MO, show similar patterns. In both cities, departure rates of such individuals are less than 5 percent at the beginning of the period but approach 10 percent by the end of the period.

In short, this evidence shows that in the three areas with the largest declines in welfare caseload, departures of long-term recipients have accelerated, suggesting that the special attention focused on this group has borne some fruit. However, it is important to bear in mind that, while increasing, the departure rates for long-term recipients were still lower than for all recipients. The net result is that the welfare rolls became more heavily loaded with long-term recipients: Long-term recipients made up an increasing share of the welfare rolls in all four locations (see Figure T6). The percentages were the highest in Fulton County, GA (increasing from about 63 percent of recipients to about 70 percent of recipients) and Baltimore, MD (increasing from 58 percent to 64 percent). The share of long-term recipients were considerably lower in Jackson County, MO, and Harris County,

⁸ In quarter 1997:3 the number of individuals who had been on welfare at least two years who left welfare (i.e., who received no payments in the 1997:4 quarter) was more than twice that in the prior or following quarter. We have not identified the cause of this anomaly. If one assumes that this represents a data error, the departure rate for this group is not appreciably higher than in earlier years.

TX. Their shares also increased, however, from 41 percent to 43 percent and from 38 percent to 43 percent, respectively.

Returning to Welfare: Changes in Welfare Cycling

Given that people are leaving welfare at unprecedented rates, one unfortunate possibility is that many may be returning to the rolls within relatively short periods. Appendix Figure 7 graphs the number of those entering aid who have received aid at some time in the prior two years. In the same figure, the total number entering welfare is also specified. In the presence of a booming economy one would expect to see that people entering welfare would be those who have the most difficulty finding jobs; those likely to have been on welfare sometime in the recent past. As a result, the number of re-entrants as a percent of all individuals entering welfare should rise.

In all areas, re-entrants amounted to roughly 30 to 40 percent of all entrants, with Baltimore and Jackson County, MO experiencing a clear trend upward during this time period. The number of entrants declined by roughly 28 percent in Baltimore and roughly 12 percent in Jackson County, while the number of *re*-entrants increased in these two areas by roughly 17 percent and 22 percent, respectively. Fulton County, GA experienced a modest increase in the percent of entrants who were re-entering. The number of entrants in Fulton County declined by only about 9 percent while the number of re-entrants increased by 29 percent. The percent of re-entrants in Harris County, TX fluctuated within the same range of the other areas but did not demonstrate a clear upward or downward trend. The number of entrants and re-entrants in Harris County declined by roughly the same percentages.

Employment and Leaving Welfare

Historically, the overwhelming majority of those who left welfare did so because they married (O'Neill, Bassi and Wolf, 1987). The focus on employment as an alternative

to welfare is a striking element of the reforms of the past decade. One natural question is to ask whether recent caseload declines reflect attractive employment opportunities made available by new programs that provide job skills to welfare recipients, assisted by a strong economy. The alternative possibility is that reforms have operated primarily by forcing needy individuals from the rolls regardless of their employment prospects. Of course, distinguishing between these explanations is not easy in practice. Since sanctions are a part of many programs designed to encourage and support employment, even successful job programs rely on coercion to some degree. Equally important, even if individuals are forced from the welfare rolls with little support and poor prospects, a portion would doubtless obtain employment anyway.

Nonetheless, employment levels and changes in those levels for individuals leaving welfare give an important indication of the role employment plays in recent caseload declines. Appendix Figure 2 shows trends in the numbers of individuals who discontinue a welfare spell and are employed or become employed.⁹ The total number of families leaving the welfare rolls is listed for comparison. In every one of our areas, the number of employed individuals leaving welfare has increased with the increased departure rate. This indicates that at least some of the increased departures from welfare are obtaining employment. Of greater interest is the proportion of those leaving welfare who obtain employment. Appendix Figure 2A shows this proportion (upper line). These proportions are presented in a combined graph for all areas in Figure T7.

This proportion has increased most notably in Fulton County, GA and Kansas City, MO, but there is also a substantial increase in Baltimore, MD. These data suggest that individuals may have been, in large part, attracted from welfare by employment opportunities. Alternatively, if individuals were forced to leave welfare, efforts to obtain jobs for them have been at least somewhat successful.

⁹ This is the count of individuals who receive welfare in quarter T but not T+1, and receive wages in quarter T+1.

In contrast, there has been relatively little increase in the proportion of welfare leavers with jobs in Harris County, TX. One may wonder whether this difference reflects a less robust local economy. Returning to Figure T0, we see that although the unemployment rate in Houston displays a decline that is similar to that in the other metropolitan areas, the unemployment rate remains about a percentage point above the level in Atlanta or Kansas City at the end of the period. However, it seems unlikely that differences in labor market are the primary reason for lower employment rates of those leaving welfare, since the unemployment rate for Houston has been at, or below, the level for Baltimore most of the past three years, while the proportion of leavers with jobs in Baltimore has increased.

Based on observed patterns, it would appear that the dramatic decline in the Harris County welfare rolls reflected increasingly stringent standards rather than improved job opportunities. However, if changes in stringency did occur, they are not easily identified in formal policy changes occurring in Texas. In 1995, Texas' JOBS program shifted emphasis toward WorkFirst activities, which focus on getting applicants into jobs, rather than providing longer-term training. If successful, such a program would be expected to increase employment for welfare leavers, the reverse of what we observe. Other administrative changes also occurred in Texas. JOBS and Food Stamp programs were transferred from the state's Department of Human Services to the newly created Texas Workforce Commission. The patterns we observed for Harris County do not suggest that these administrative changes reduced the welfare caseload by providing better job opportunities for welfare recipients. On the other hand, the fact that employment rates for welfare leavers did not decline at a time of dramatic caseload declines may well be viewed in positive terms. If administrative changes were forcing large numbers of cases off of welfare, the data suggest that efforts to obtain jobs for them were not wholly ineffective.

A final comparison confirms the view that Harris County's welfare population has faced much greater pressures to discontinue assistance than those at the other three sites. Appendix Figure 3 shows the pattern in the number of welfare recipients employed, and the number of these who leave welfare.¹⁰ Appendix Figure 3A examines the welfare exit rates for those who are employed, the ratio of the two lines in Figure 3. This exit rate is reproduced for all sites in a combined graph in Figure T8. Harris County is clearly an outlier. By the end of our period, nearly 40 percent of employed individuals in Harris County leave welfare in a given quarter, while the departure rate in the other sites is around 20 percent.

Appendix Figure 4 presents statistics that attempt to gauge the extent to which individuals who obtain jobs are those who are forced off of welfare. The upper line identifies the number of individuals who are receiving welfare in a given quarter and obtain a job in the following quarter. Note that this line displays a highly cyclical pattern. The level of job acquisition is much lower for welfare recipients in the fourth quarter, reflecting the fact that job growth is much smaller than in the succeeding (first) quarter. The lower line indicates, of these individuals, how many leave welfare. This latter group is of interest because it identifies individuals who almost certainly experienced a gap between the time they discontinued welfare and beginning employment.¹¹ If such individuals are a growing share of those moving off of welfare who have jobs, this suggests that shifts in the stringency of welfare standards are forcing people off of welfare

¹⁰ The count of welfare recipients who are employed, or become employed, comprises all individuals who are receiving welfare in quarter T and are employed in quarter T+1. The count of employed leavers comprises those who are receiving welfare in quarter T but not T+1 and are employed in quarter T+1. Since the latter is a subgroup of the former, the quotient identifies a true risk rate for departure from welfare.

¹¹ These individuals are defined as those receiving welfare in quarter T but not in T+1, and employed in quarter T+1 but not T. This excludes any individual whose employment and welfare receipt overlap. The only case where a person would be in this group but not experience a gap would be if the last welfare check was received in the third month of the quarter and employment began at the start of the new quarter.

and into employment; they don't leave welfare *because* they have found a job. To some degree, those in jobs are being "forced" into jobs.

Figure T9 shows, for all four sites, the proportion of those leaving welfare and who have jobs in the following period who very likely experienced this kind of transition. Although it is not altogether stable, it is clear that this proportion is higher for Harris County, TX than for the other sites. This supports the view that employment rates for those leaving welfare reflect, at least in part, a growth of those who are obtain jobs after leaving welfare.

Conclusion

The relationships identified here provide a window into the dynamics underlying the dramatic decline in welfare caseloads over the past decade. The public policy emphasis on moving welfare recipients into jobs is reflected in observed figures, with an increasing number of those who leave welfare reporting earnings in the following quarter. On the other hand, it is clear that employment is not the only path off of welfare, and it still remains the case that a large portion of those who leave welfare do not appear to obtain jobs. Although our earnings data miss certain kinds of employment, including employment outside the state, such employment clearly accounts for only a small share of those leaving welfare.

In addition, the potential difficulties states will face in moving long-term recipients into employment shows up in the percent of all recipients in each quarter that have received welfare for at least two years and in the percent of all welfare entrants who are re-entering within two years. Increases in both of these percentages across all four of the areas emphasize that after those who are easiest to employ have obtained employment and moved off of welfare, even in a strong economy, the remaining recipients will be those who are difficult to employ and to keep employed.

Recent work by Eberts (1997) suggests that one can predict which recipients are most likely to move into stable employment. An important next step in our analysis will

be to determine whether the individual characteristics, the labor market conditions, and the institutional characteristics that are most likely to lead to successful transitions are the same across what have been shown to be fairly diverse urban localities.

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Table T1: Welfare Caseload Trends in Four Areas

Area	Initial		Maximum			Final		
	Quarter	Caseload	Quarter	Caseload	% chg	Quarter	Caseload	% chg
Jackson County, MO	90:3	10890	94:3	14560	33.7%	97:4	10847	-35.5%
Fulton County, GA	92:1	11260	95:1	12918	14.7%	97:4	10373	-19.7%
Baltimore City, MD	90:1	33611	92:3	38217	13.7%	97:3	23947	-37.3%
Harris County, TX	92:4	57197	94:2	64961	13.6%	97:4	32378	-50.2%

Appendix Tables

Each appendix presents figures for one of the four sites. Figure designations correspond across appendices, with figures constructed comparably. All figures are quarterly. In the case of basic labor market statistics, where source data is monthly, these have been averaged to produce quarterly measures. Basic labor market statistics have been obtained from published sources. Other statistics are based on our own tabulations of administrative data. See the text for definitions of welfare reciprocity and our inclusion criteria.

Figure 0. Basic Labor Market Statistics. Quarterly unemployment rates and employment growth for the full metropolitan area.

Figure 1. Basic Welfare Stocks & Flows. Quarterly caseload size, where the caseload is defined as the total number of individuals receiving AFDC/TANF payments and fitting our selection criteria, at any point during the quarter. Number of individuals entering welfare for quarter T defined as the number of individuals who received payments in quarter T+1 but not in T. Number of individuals leaving welfare for quarter T defined as the number of individuals who received payments in quarter T but not T+1.

Figure 1A. Overall Welfare Exit Rate. Caseload in T divided by number of individuals leaving welfare in T.

Figure 2. Welfare Leavers & Employment Status. Number of individuals leaving welfare is as defined above. Number of individuals leaving welfare and employed is the subset of those leaving welfare who receive earnings in quarter T+1. Number of individuals leaving welfare and newly employed is the subset of those leaving welfare who receive earnings in quarter T+1 but no earnings in quarter T.

Figure 2A. Employment Rates of Welfare Leavers. Number of individuals leaving welfare and employed divided by number of individuals leaving welfare. Number of individuals leaving welfare and newly employed divided by number of individuals leaving welfare.

Figure 3. Welfare Exits for Employed Recipients. Number of individuals receiving welfare in quarter T and receiving earnings in quarter T+1. Number of individuals leaving welfare in quarter T (i.e., receiving welfare payments in quarter T but not T+1) and receiving earnings in quarter T+1.

Figure 3A. Welfare Exit Rates for Employed Recipients. Number of individuals leaving welfare in quarter T and receiving earnings in quarter T+1 divided by number receiving welfare in quarter T and receiving earnings in quarter T+1.

Figure 4. Welfare Exits Among Newly Employed Recipients. Number of welfare recipients obtaining employment (i.e., with no earnings in quarter T but earnings in quarter T+1).

Figure 5. Consecutive 2-Year Welfare Receipt, Exit and Employment Status. Number of individuals who had been receiving welfare for at least two continuous years at quarter T. Number of individuals receiving welfare for two continuous years leaving welfare in quarter T. Number of individuals receiving welfare for two continuous years, leaving welfare in quarter T and with earnings in quarter T+1.

Figure 6. Consecutive 5-Year Welfare Receipt, Exit and Employment Status. Number of individuals who had been receiving welfare for at least five continuous years at quarter T. Number of individuals receiving welfare for five continuous years leaving welfare in quarter T. Number of individuals receiving welfare for five continuous years, leaving welfare in quarter T and with earnings in quarter T+1.

Figure 7. Welfare Cycling over 2 Consecutive Years. Number of individuals entering welfare. Number of individuals entering welfare who had received welfare payments at some time in the previous two years.