# CALWORKS Sanction Patterns in Four Counties
# A Technical Analysis

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# EXECUTIVE SUMMARY

This technical report examines factors predicting whether welfare recipients received a sanction in 1999 (Year 1), and tests for relationships between being sanctioned and key outcomes (welfare usage, employment, and earnings) in 2000 (Year 2).[1,2] Using both bivariate and multivariate analysis, we examined a sample of single-parent recipients in Alameda, Fresno, Kern, and San Diego counties who were citizens living with citizen children or immigrants eligible for TANF assistance, who received CalWORKs, and who were required to participate in welfare-to-work activities in early 1999. About 13% of recipients spoke a primary language other than English, 20% had an infant, 32% had a preschool-age child, and about 90% were on aid prior to the implementation of welfare-to-work. The major findings are:

## Sanction Patterns

- While only a small proportion of recipients were sanctioned in any given month, almost a third were sanctioned at least once over the study period.

## Characteristics Associated with Adults Being Sanctioned in Year 1

- Surprisingly, speaking a primary language other than English decreased the likelihood of being sanctioned and the number of months in sanction status.
- Another unanticipated finding was that having young children (infant or child of preschool age) decreased the likelihood of being sanctioned and the number of months in sanction status.
- Recipients in San Diego County were more likely to be sanctioned, and for more months, than recipients residing in the other three counties.
- Being older decreased the likelihood of being sanctioned and the number of months in sanction status.
- Previous employment correlated with fewer months sanctioned and decreased the likelihood of being sanctioned.
- Being a recipient of public assistance prior to the implementation of CalWORKs welfare-to-work requirements increased the likelihood of being sanctioned and the number of more months in sanction status.

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[1] This study consists of two components: (1) This technical analysis of administrative data, which is accompanied by a Briefing Paper (*CalWORKs Sanction Patterns in Four Counties: An Analysis of Administrative Data*) that lists policymakers' key questions and the aspects of each that we address. (2) The second is a process study, entitled *CalWORKs Sanction Policies in Four Counties: Practice, Attitudes, and Knowledge*, by Sofya Bagdasaryan (with Ruth Matthias, Paul Ong, and Douglas Houston). All three publications will be available online at http://www.ucop.edu/cprc/wprppubs.html.

[2] **WPRP EDITORIAL NOTE:** For a recent review of the literature on welfare-to-work sanctions in the United States, see Pavetti, L., M. K. Derr, and H. Hesketh. (2003) Review of Sanction Policies and Research Studies: Final Literature Review. Washington, D.C.: Mathematica Policy Research. They cite a 2002 conference paper by Hasenfeld et al., a version of which was published in 2004 (Hasenfeld, Y., T. Ghose, and K. Larson. The Logic of Sanctioning Welfare Recipients: An Empirical Assessment. *Social Service Review* 78:304-319). WPRP provided the funding to collect the survey data used in their analysis, but terminated funding for the study once it became clear that the response rates for the survey were so low that WPRP would not release policy reports based on these data.

**Welfare Usage in Year 2**

- The number of months a recipient was in sanction status in Year 1 correlated positively with the total number of months on aid in Year 2, but the increase was small.
- Being sanctioned in Year 1 correlated with one additional month of child-only or non-adult aid.
- Those two results are consistent with California's sanction policy, which removes the sanctioned adult, but not children, from the family's grant.

**Employment and Earnings in Year 2**

- Recipients who were sanctioned in Year 1 generally had lower employment and earnings levels in Year 2 than those who were not sanctioned in Year 1.
- Surprisingly, among those sanctioned in Year 1, those briefly sanctioned were less likely to be employed and earned less than those frequently sanctioned.

It is important to keep in mind that our findings are limited to the four counties in which we conducted this research, and may not be representative of welfare recipients' experiences and outcomes elsewhere in the state in 1999-2000, or in these four counties or the state as a whole in more recent years.

## INTRODUCTION

Sanctions—financial penalties imposed on recipients who do not comply with welfare-to-work requirements—have been seen as essential to the success of welfare reform. In 1996 Congress passed, and President Clinton signed into law, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). That federal act replaced the Aid to Families with Dependent Children (AFDC) cash welfare program with Temporary Assistance to Needy Families (TANF), and devolved a number of aspects of welfare policymaking to the states, including the responsibility of moving increasing numbers of poor parents from welfare to work.

To avoid federal fiscal penalties, states must require adult recipients to work or participate in activities designed to lead to work, and must impose financial penalties (sanctions that eliminate or reduce welfare grants) on those who fail to comply without good cause. Federal law permits states to sanction the entire family for an adult's noncompliance. That is, states may impose a "full-family" sanction, terminating the entire cash grant to a household when an adult fails, without good cause, to comply with program requirements.

In 1997 California created the California Work Opportunities and Responsibility to Kids (CalWORKs) program to come into compliance with the new federal law. California counties implemented the provisions of CalWORKs between January and May 1998. Among other things, state welfare-to-work regulations prescribe the number of hours that adult recipients must work or participate in approved welfare-to-work activities, the amount by which grants are reduced if adults do not comply with program requirements, and the duration of grant reductions imposed for first and subsequent incidents of noncompliance.

California lawmakers decided against using the "full-family" sanctions permitted by the 1996 federal law. Rather, California relies on "partial-family" sanctions, an approach that was required of all states under prior federal law.[3] Under California's sanction policies, a household in which an able-bodied adult fails to comply with welfare-to-work requirements without good cause, and then fails to meet the terms of a "compliance plan" worked out with his or her caseworker, loses that adult's share of the CalWORKs cash grant. In the first instance of a sanction, the grant reduction continues only until the adult fully complies with program requirements. In the second instance, the sanction continues for three months or until the adult complies, whichever is longer. In the third and subsequent instances, the sanction lasts for six months or until the adult complies, whichever is longer.

Given the potential importance of sanctions as a tool to promote compliance with welfare-to-work requirements, this report examines the prevalence of sanctions in California under CalWORKs, the factors associated with sanctions, and the consequences of sanctions on welfare usage and employment outcomes. The analysis uses a sample of

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[3] The Family Support Act of 1988, P.L. 100-485.

single-parent recipients in Alameda, Fresno, Kern, and San Diego counties who were citizens living with citizen children or immigrants eligible for TANF assistance, who received CalWORKs cash benefits, and who were required to participate in welfare-to-work activities in early 1999. The analysis covers two years. This report is organized into three sections: (1) Data, Sample, and Methods; (2) Determinants of Being Sanctioned in Year 1; and (3) Impact of Year 1 Sanctions on Year 2 Outcomes.


## SECTION 1: DATA, SAMPLE, AND METHODS

The analysis for this report uses merged data from four counties and from the state. Monthly county welfare administrative data were provided by Alameda, Fresno, Kern, and San Diego counties for January 1999 through March 2002. In this report, we focus on the period from January 1999 through December 2000 (April 1999 – March 2001 in the case of San Diego County). Medical Eligibility Determination System (MEDS) data files were provided by the California Department of Social Services (CDSS).These data files provide monthly welfare participation, demographic, and case information based on data provided to CDSS by counties. Base Wage data were provided by the CDSS in cooperation with the Economic Development Department (EDD). This data set provides quarterly earnings information for all workers in the unemployment insurance (UI) program, which covers approximately 95% of all paid workers in the private sector. The data do not include self-employment, employment in firms not in the UI program, and some governmental agencies. **Table 1** lists the key variables used in the analysis.

The sample for the analysis included single parents receiving CalWORKs (MEDS aid code 30) who were required to participate in welfare-to-work activities in early 1999.[4] The entire sample included 38,948 recipients. About 13% of the recipients spoke a primary language other than English, 20% had an infant, 32% had a preschool child, and about 90% were on aid prior to the implementation of welfare-to-work. For the purpose of this analysis, Month 1 is based on the first month in administrative data with complete data records. For Alameda, Fresno, and Kern counties, Month 1 is January 1999. Since welfare-to-work participation codes were not available for January–March 1999 for San Diego County, Month 1 for San Diego County is April 1999. Sanction outcomes for Year 1 and welfare and employment outcomes for Year 2 are calibrated with Month 1 as January 1999 for Alameda, Fresno, and Kern counties and as April 1999 for San Diego County.

Along with descriptive and bivariate statistics, this report also presents the results of a multivariate regression that examines recipient outcomes based on observed characteristics. Multivariate techniques allow us to estimate the independent impact of an independent factor on outcomes.

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[4] Appendix A provides greater detail on the methods used to select the administrative study sample.

## Table 1. Key Variables

| OBSERVED CHARACTERISTICS | |
|---|---|
| **Personal Characteristics** (*based on county administrative data*) | |
| Age | Continuous: Age in 1999 |
| Male | Dichotomous: Male recipient |
| Non-English | Dichotomous: Recipients with a non-English primary language |
| Race/Ethnicity | |
|   White | Dichotomous: White recipients |
|   Asian/PI | Dichotomous: Asian/Pacific Islander recipients |
|   Black/African American | Dichotomous: Black/African American recipients |
|   Hispanic | Dichotomous: Hispanic recipients |
|   Other | Dichotomous: Other recipients |
| **Household Characteristics** (*based on MEDS and county administrative data*) | |
| With Infant | Dichotomous: Recipients whose youngest child on their MEDS case was 1 year old or younger. Age as of 12/31/99. |
| With Preschool | Dichotomous: Recipients whose youngest child on their MEDS case was between 2–5 years old. Age as of 12/31/99. |
| Number of Children in Case | Continuous: The number of children on a case in 1999, primarily based on MEDS. For those without case information in MEDS, we derived the number of children from the CalWORKs grant amount in county administrative data. Cases with more than 5 children were re-categorized to a value of 5 for analysis. (range: 1–5) |
| **Employment History** (*based on base wage data from EDD/CDSS*) | |
| Earnings 97–98 | Continuous: The total earnings of the recipient for the years 1997–1998 (in $1,000s). |
| Earnings 97–98 Squared | Continuous: The squared value of earnings 1997–1998 (in $1,000s). |
| **Welfare History** | |
| First Period on Single-Parent Aid | |
|   1993–95 | Dichotomous: Recipients who first appeared in MEDS in 1993–95 (may have been on prior to 1993) |
|   1996 | Dichotomous: Recipients who first appeared in MEDS in 1996 |
|   1997 | Dichotomous: Recipients who first appeared in MEDS in 1997 |
| **Sanctions History** **Year 1** Months Sanctioned | |
|   1–3 Months | Dichotomous: Briefly sanctioned. Sanctioned 1–3 months |
|   4–7 Months | Dichotomous: Moderately sanctioned. Sanctioned 4–7 months |
|   8–12 Months | Dichotomous: Frequently sanctioned. Sanctioned 8–12 months |
| **OUTCOME VARIABLES** | |
| **Welfare Outcomes** (*based on county administrative data and MEDS from CDSS*) | |
| Months with Case Grant, Year 1 | Continuous: The number of months in Year 1 that a recipient's welfare case received a grant based on county data. |
| Months with Non-adult Case Grant, Year 1 | Continuous: The number of months in Year 1 that a recipient's case received a welfare grant based on county data and *did not* receive single-parent aid based on MEDS provided by CDSS. |
| **Employment Outcomes** (*based on Base Wage data from EDD/CDSS*) | |
| Employed, Year 2 | Dichotomous: Employed, Year 2 |
| Earnings, Year 2 | Continuous: Earnings, Year 2 |

For continuous outcome variables, the conceptual model of outcome Z takes the following form:

$$Z_{i,t} = f(X_i, Y_i, \text{employment}_{i,t-1}, \text{welfare}_{i,t-1})$$

where $X_i$ is a vector of recipient personal characteristics (for example, age, sex, and race); $Y_i$ is a vector of recipient household characteristics (for example, household size); $\text{employment}_{i,t-1}$ is a vector of previous employment; and $\text{welfare}_{i,t-1}$ is a vector of previous welfare receipt.

For dichotomous outcome variables (1/0), the conceptual model predicts the probability of outcome Z and takes the following form:

$$\text{Prob}(Z_{i,t}) = f(X_i, Y_i, \text{employment}_{i,t-1}, \text{welfare}_{i,t-1})$$

where the variables are defined as in the preceding equation. This model is implemented using logit regression techniques. Given discrete outcomes, logistic regressions are used and have the following functional form:

$$Pr_i\ (OUTCOME) = e^{\beta Z}/(1+e^{\beta Z})$$
$$for\ OUTCOME \subset (1,0)$$

where Z is the vector of independent variables described earlier, and beta ($\beta$) is the vector of estimated coefficients. Despite the difference in functional form, the results for both ordinary-least-squares and logit regressions are consistent with each other. Because the model uses a nonlinear equation, the coefficients must be transformed to derive marginal changes in probability due to a one-unit change in an independent variable. This "marginal effect" can be estimated using the following equation:

$$\Delta Pr/\Delta x = C(p(1-p))$$

where C is the estimated coefficient for variable x, and p is the observed probability of employment or transit usage for the sample used for each model.

The multivariate results presented in this report should be interpreted with caution. Although results may suggest the relationship or a correlation of a characteristic with an outcome after controlling for the influence of observable characteristics in the model, this relationship should not be interpreted as causality. This is particularly true given the limited number of observable characteristics in each model. Although a variable may be significant in a given model, this variable may serve as a proxy for an unobserved characteristic. For instance, having a primary language other than English may serve as a proxy for unobserved characteristics such as language-specific social and job networks or targeted services and/or outreach programs.

## SECTION 2: DETERMINANTS OF BEING SANCTIONED IN YEAR 1

This section provides an overview of sanction patterns over time, describes and compares the characteristics of sanctioned and nonsanctioned households, and then models characteristics associated with being sanctioned within the first 12 months. For the analysis of the longitudinal pattern in the prevalence of sanctions, we classify a recipient as sanctioned if, according to county administrative data, her case was coded as being under an administrative sanction.[5] We analyze the monthly sanction rates of recipients in the administrative sample based on the following three classifications:

- Currently on Sanction — The percentage of recipients who were in sanction status in a particular month.
- Sanctioned with a Grant — The percentage of recipients who were in sanction status and had a CalWORKs grant in a particular month.
- Ever Sanctioned — The cumulative percentage of recipients who received an administrative sanction throughout the period.

The first two rates indicate the probability that a recipient was sanctioned at any given time, while the last rate indicates the long-term probability of being sanctioned.

An analysis of the data over time indicates that sanctions were not rare phenomena, and that the rate increased for those remaining on welfare. While only a small proportion of recipients were sanctioned in any given month, almost a third were sanctioned over the period under study. **Figure 1** depicts the three sanction rates over the 22 months covered by the analysis for the entire sample. Roughly one in ten was sanctioned in any given month, with the rate declining over time. The decline is due in part to some recipients exiting welfare, and thus no longer subject to sanctions. Among those who remained on welfare, the monthly sanction rate increased with time from about 12% to 18%.

The statistics in **Figure 2** provide a more conservative estimate of sanction rates because the sample was restricted to those who were not sanctioned in Month 1. Remove from the sample those already sanctioned, and the remaining subsample contains a smaller proportion of those likely to ever be sanctioned. For this group, the current monthly sanction rate increased to about 7% to 8%, the monthly sanction rate for those remaining on welfare increased to around 15%, and the cumulative rate increased to over 22%.

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[5] Appendix A describes the county administrative codes used to classify recipients as sanctioned.
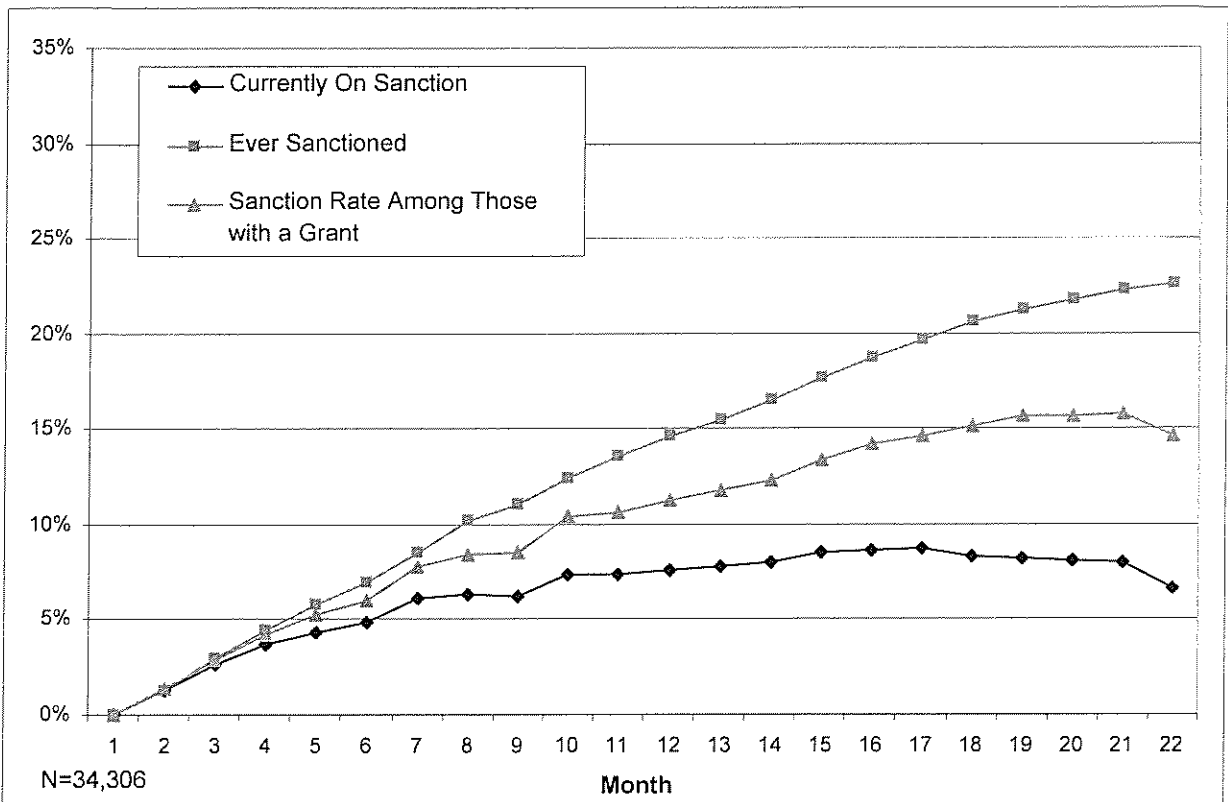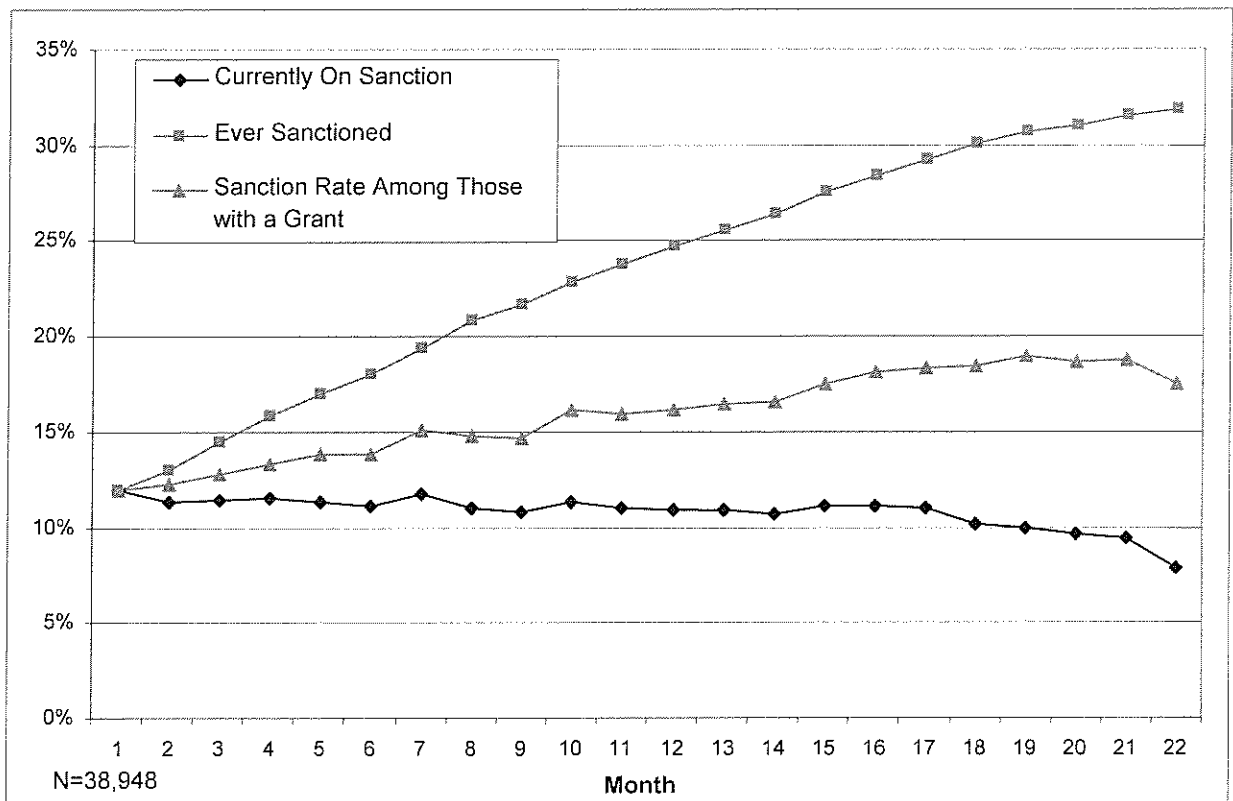
## Figure 1. Sanction Rates over Time, Entire Sample



N=34,306

## Figure 2. Sanction Rates over Time Among Those Not Sanctioned in Month 1, 1999



N=38,948

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A comparison between the recipients with a sanction in Year 1 and those without a sanction in Year 1 reveals some significant differences in characteristics and background. African American recipients made up a larger percentage of sanctioned recipients than among nonsanctioned recipients. Non-English-speakers and Hispanic recipients made up a larger proportion of nonsanctioned recipients than of sanctioned recipients. Sanctioned recipients had lower levels of prior employment than nonsanctioned recipients. Sanctions patterns also varied by county. For instance, although recipients from San Diego made up 30% of all recipients, they made up 36% of those sanctioned moderately often and 41% of those frequently sanctioned.

Among sanctioned recipients, characteristics varied by whether recipients were sanctioned briefly, moderately often, or frequently. **Table 2** provides descriptive statistics of recipients by the number of months sanctioned in the first year covered by the analysis. The analysis is based on the following classification:

- Not sanctioned: Sanctioned zero months in Year 1
- Briefly Sanctioned: Sanctioned one to three months in Year 1
- Moderately Sanctioned: Sanctioned four to seven months in Year 1
- Frequently Sanctioned: Sanctioned eight to 12 months in Year 1

The Briefly Sanctioned category could include recipients who moved toward compliance soon after being notified of their sanctions. This group may also include recipients who were erroneously sanctioned because of miscommunications or administrative errors. The Frequently Sanctioned category could include recipients who face substantial barriers to complying with welfare-to-work requirements. We used these two categories to make distinctions between recipients who were sanctioned briefly and those sanctioned frequently.

While the statistics in Table 2 show that many recipient characteristics were correlated with both being sanctioned and the number of months of sanction in Year 1, many of these characteristics are collinear. Collinearity among characteristics may produce either an inflated or spurious correlation. The multivariate techniques we discussed earlier were used to estimate the independent contributions of the observed characteristics on sanction outcomes for Year 1. The results are listed in **Table 3**. The dependent variable in the first model is dichotomous, denoting whether a recipient was sanctioned at least once in Year 1 (0 = no, 1 = yes), and logistic regression was used to estimate the coefficients. The dependent variable in the second model is the number of months sanctioned in Year 1, and ordinary-least-squares (OLS) regression was used to estimate the coefficients.

**Table 2. Characteristics of Recipients by Number of Months Sanctioned in Year 1**

| Months Sanctioned Year 1 | All | 0 months | 1-3 months | 4-7 months | 8+ months |
|---|---|---|---|---|---|
| Total | 38,948 | 29,303 | 3,905 | 2,913 | 2,827 |
| **Personal Characteristics** | | | | | |
| Age | 32.33 | 32.57 | 31.04 | 31.71 | 32.21 |
| Male | 7% | 7% | 6% | 6% | 6% |
| Non-English | 13% | 14% | 7% | 8% | 10% |
| Race/Ethnicity | | | | | |
|   White | 27% | 27% | 28% | 25% | 26% |
|   Asian/Pacific Islander | 8% | 9% | 5% | 7% | 10% |
|   Black/African American | 32% | 31% | 36% | 39% | 37% |
|   Hispanic | 32% | 33% | 29% | 29% | 27% |
|   Other | 1% | 1% | 1% | 1% | 0% |
| **Household Characteristics** | | | | | |
|   With Infant | 20% | 20% | 21% | 19% | 20% |
|   With Preschool-Age Child | 32% | 32% | 32% | 33% | 31% |
|   Number of Children in Case | 2.40 | 2.40 | 2.34 | 2.42 | 2.43 |
| **Employment History** | | | | | |
|   Earnings 97-98 ($1,000s) | 4.30 | 4.68 | 3.23 | 3.04 | 3.10 |
| **Welfare History** | | | | | |
|   Months with Grant in Year 1 | 9.2 | 9.1 | 8.6 | 9.5 | 11.0 |
|   First Period on Single-Parent Aid | | | | | |
|     1993-95 | 72% | 70% | 74% | 76% | 78% |
|     1996 | 12% | 13% | 11% | 11% | 11% |
|     1997 | 6% | 7% | 6% | 5% | 6% |
| **Counties** | | | | | |
|   Alameda | 30% | 30% | 27% | 34% | 34% |
|   Fresno | 21% | 22% | 16% | 17% | 22% |
|   Kern | 19% | 21% | 25% | 13% | 2% |
|   San Diego | 30% | 27% | 33% | 36% | 41% |

**Table 3. Determinants of Sanction Outcomes in Year 1**

| | Logit, Ever Sanctioned | | OLS, Months |
|---|---|---|---|
| | Coefficient | Marginal Effect | Coefficient |
| Intercept | -0.617 *** | | 1.028 *** |
| Age | -0.019 *** | -0.004 | -0.015 *** |
| Male | 0.105 * | 0.020 | 0.146 * |
| Non-English | -0.621 *** | -0.116 | -0.591 *** |
| Asian/Pacific Islander | 0.059 | | 0.067 |
| Black/African American | 0.169 *** | 0.032 | 0.061 |
| Hispanic | 0.040 | | -0.004 |
| Other | -0.257 | | -0.255 |
| With Infant | -0.128 *** | -0.024 | -0.130 ** |
| With Preschool-Age Child | -0.168 *** | -0.031 | -0.181 *** |
| Number of Children in Case | 0.033 ** | 0.006 | 0.024 |
| Earnings 97-98 ($1,000s) | -0.061 *** | -0.011 | -0.031 *** |
| Earnings 97-98 Squared ($1,000s) | 0.001 *** | 0.000 | 0.000 *** |
| First on Single-Parent Aid in 1993-95 | 0.349 *** | 0.065 | 0.399 *** |
| First on Single-Parent Aid in 1996 | 0.194 *** | 0.036 | 0.277 *** |
| First on Single-Parent Aid in 1997 | 0.184 ** | 0.034 | 0.256 *** |
| Months with Grant in Year 1 | 0.041 *** | 0.008 | 0.133 *** |
| Alameda | -0.412 *** | -0.077 | -0.492 *** |
| Fresno | -0.596 *** | -0.111 | -0.645 *** |
| Kern | -0.790 *** | -0.147 | -1.429 *** |
| R-Square | N.A. | | 0.058 |
| Significance: * p < .05. ** p < .01. *** p < .001 | | | |
| Parameters with a p-value of >=.05 are not denoted with asterisks. | | | |

After we controlled for other characteristics, being older decreased the likelihood of an adult being sanctioned and the number of months she was sanctioned. For every additional 10 years of age, a recipient's likelihood of being sanctioned decreased 4% and the duration of the sanction decreased by 0.15 month. African Americans were more likely to be sanctioned and to be in sanction status longer. Being a recipient of public assistance prior to the implementation of CalWORKs welfare-to-work requirements increased the likelihood of being sanctioned and the number of months under sanction. Previous employment correlated with fewer months in sanction status. In comparison to those who received aid in San Diego County (the excluded category), those who received aid in Alameda, Fresno, and Kern counties were less likely to be sanctioned and to be in sanction status for fewer months.

The multivariate analysis produced two surprising results. Many advocates for welfare recipients have expressed concerns about the difficulties facing those with limited English-language ability and those with young children. These recipients typically encounter more problems and difficulties in making the transition to work. However, that does not appear to translate to a greater risk of being sanctioned. Speaking a primary language other than English decreased the likelihood of being sanctioned by over 11%

and time on sanction by 0.6 month. Having an infant or a preschool-age child decreased both the likelihood of being sanctioned and the number of months under sanction.


## SECTION 3: IMPACT OF YEAR 1 SANCTIONS ON YEAR 2 OUTCOMES

This section provides a discussion of the relationship between being sanctioned in Year 1 and employment, earnings, and program participation in Year 2. **Table 4** provides some summary statistics by Year 1 sanction categories (no sanctions, one to three months of sanctions, four to seven months of sanctions, and eight or more months of sanctions). The statistics reveal several bivariate patterns. Recipients briefly sanctioned (one to three months) had fewer months with a case grant in Year 2 relative to those who had been frequently sanctioned (eight or more months). Those who were sanctioned received on average about twice as many months with a non-adult, or child-only, case grant than those not sanctioned. This result is consistent with California's sanction policy, which reduces the welfare grant by the adult portion. Although recipients who were briefly sanctioned had fewer months of employment than those not sanctioned, the employment levels of those frequently sanctioned were not significantly different from the employment levels of those not sanctioned. Recipients who were sanctioned in Year 1 consistently had lower earnings levels in Year 2 than those who were not sanctioned in Year 1. Among those sanctioned in Year 1, there were little differences in average earnings by months sanctioned.

**Table 4. Year 2 Outcomes by Year 1 Sanction Categories**

| Months Sanctioned Year 1 | 0 months | 1-3 months | 4-7 months | 8+ months |
|---|---|---|---|---|
| **Observations** | 29,303 | 3,905 | 2,913 | 2,827 |
| **Welfare Usage in Year 2** | | | | |
| Months with Case Grant | 6.09 | 5.84 | 6.26 | 7.68 |
| % w/ 0 Months | 30.0% | 29.0% | 24.0% | 14.0% |
| % w/ 1-3 Months | 9.0% | 10.0% | 10.0% | 9.0% |
| % w/ 4-7 Months | 13.0% | 16.0% | 16.0% | 15.0% |
| % w/ 8+ Months | 48.0% | 45.0% | 50.0% | 62.0% |
| Months with Non-Adult Case Grant | 1.11 | 2.25 | 2.68 | 2.40 |
| % w/ 0 Months | 70.0% | 51.0% | 48.0% | 51.0% |
| % w/ 1-3 Months | 19.0% | 23.0% | 22.0% | 24.0% |
| % w/ 4-7 Months | 6.0% | 14.0% | 13.0% | 11.0% |
| % w/ 8+ Months | 5.0% | 12.0% | 17.0% | 14.0% |
| **Employment Outcomes in Year 2** | | | | |
| % Employed Some Time in Year 2 | 69.0% | 61.0% | 61.0% | 63.0% |
| Annual Earnings ($1,000s) | 6.48 | 4.81 | 5.20 | 4.97 |
| % w/ No Earnings | 39.0% | 50.0% | 51.0% | 47.0% |
| % w/ $1-$7,499 | 25.0% | 27.0% | 25.0% | 26.0% |
| % w/ $7,500 or more | 36.0% | 23.0% | 25.0% | 27.0% |

We used multivariate models to determine if the relationships between being sanctioned in Year 1 and Year 2 outcomes hold after controlling for other observed factors. **Table 5** presents the results for welfare usage in Year 2, and both models use ordinary-least-squares (OLS) regression to estimate the coefficients. The results for total months of welfare aid in Year 2 indicate that there are some statistically significant differences by Year 1 sanction categories (0 months is the excluded category), but the absolute sizes of the coefficients are very small. In other words, there was only an inconsequential difference in total months of aid in Year 2 after controlling for other factors. What is more statistically and quantitatively significant are the estimates for months of non-adult aid. Those who had been sanctioned in Year 1 had about one additional month of this type of aid. These results are consistent with California's sanction policy, which reduces the welfare grant by the adult portion only.

**Table 6** presents the results for the determinants of employment outcomes in Year 2. The dependent variable in the first model (Logit, Ever Employed) is dichotomous, denoting whether a recipient ever worked in Year 2 (0 = no, 1 = yes), and logistic regression was used to estimate the coefficients. The dependent variable in the second model (OLS, Earnings) is total earnings in Year 2 (reported in $1,000s), and ordinary-least-squares (OLS) regression was used to estimate the coefficients.

The results show that the odds of being employed in Year 2 varied by Year 1 sanction categories (0 months is the excluded category), and the coefficients are sizable and highly statistically significant. The results indicate that employment rates for those who had been sanctioned in Year 1 were about 5 to 7 percentage points lower than the employment rate for those who had not been sanctioned. The results also show a sizable difference in earnings in Year 2. On the average, those who had not been sanctioned in Year 1 earned over a thousand dollars more than those who had been sanctioned. Among those sanctioned in Year 1, those briefly sanctioned were less likely to be employed and earned less than those frequently sanctioned.

These latter findings are somewhat surprising and counterintuitive. This indicates that coming back into compliance quickly did not improve employment outcomes relative to remaining in sanction status for a long time. Unfortunately, we do not have any additional data to examine possible explanation for these outcomes.

## Table 5. Determinants of Welfare Usage in Year 2, OLS Results

| | Months with Grant | | Months with Non-Adult Grant | |
|---|---|---|---|---|
| Intercept | -3.605 | *** | -0.109 | |
| Age | 0.016 | *** | -0.006 | ** |
| Male | -0.136 | | 1.286 | *** |
| Non-English | 0.609 | *** | 0.016 | |
| Asian/Pacific Islander | 0.759 | *** | 0.181 | ** |
| Black/African American | 0.595 | *** | -0.009 | |
| Hispanic | 0.315 | *** | 0.103 | ** |
| Other | 0.091 | | -0.136 | |
| With Infant | 0.025 | | 0.145 | *** |
| With Preschool-Age Child | 0.125 | ** | 0.109 | ** |
| Number of Children in Case | 0.175 | *** | 0.129 | *** |
| Earnings 97-98  ($1,000s) | -0.051 | *** | -0.023 | *** |
| Earnings 97-98 Squared  ($1,000s) | 0.000 | *** | 0.000 | *** |
| 1-3 Months of Sanction in Year 1 | 0.182 | ** | 1.181 | *** |
| 4-7 Months of Sanction in Year 1 | -0.191 | ** | 1.439 | *** |
| 8+ Months of Sanction in Year 1 | -0.112 | | 0.963 | *** |
| Months with grant in Year 1 | 0.870 | *** | 0.165 | *** |
| First on Single-Parent Aid in 1993-95 | 0.600 | *** | -0.281 | *** |
| First on Single-Parent Aid in 1996 | 0.125 | | -0.393 | *** |
| First on Single-Parent Aid in 1997 | 0.130 | | -0.454 | *** |
| Alameda | -0.144 | ** | -0.046 | |
| Fresno | 0.293 | *** | -0.871 | *** |
| Kern | 0.678 | *** | -0.116 | ** |
| R-Square | 0.425 | | 0.120 | |
| Significance: * p < .05. ** p < .01. *** p < .001 | | | | |
| Parameters with a p-value of >=.05 are not denoted with asterisks. | | | | |

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## Table 6. Determinants of Employment Outcomes in Year 2

| | Logit, Ever Employed | | OLS, Earnings |
|---|---|---|---|
| | Coefficient | Marginal Effect | Coefficient |
| Intercept | 1.320 *** | | 6.725 *** |
| Age | -0.016 | | 0.091 ** |
| Age Squared | -0.026 | | -0.200 *** |
| Male | -0.190 *** | -0.042 | -0.632 *** |
| Non-English | -0.137 *** | -0.030 | -0.786 *** |
| Asian/Pacific Islander | -0.114 * | -0.025 | 0.219 |
| Black/African American | 0.203 *** | 0.045 | -0.110 |
| Hispanic | 0.260 *** | 0.057 | 0.373 *** |
| Other | -0.094 | | -1.228 ** |
| With Infant | -0.134 *** | -0.030 | -0.619 *** |
| With Preschool-Age Child | 0.012 | | -0.040 |
| Number of Children in Case | -0.054 *** | -0.012 | -0.007 |
| Earnings 97-98 ($1,000s) | 0.152 *** | 0.033 | 0.504 *** |
| Earnings 97-98 Squared ($1,000s) | 0.000 *** | 0.000 | -0.005 *** |
| 1-3 Months of Sanction in Year 1 | -0.299 *** | -0.066 | -1.638 *** |
| 4-7 Months of Sanction in Year 1 | -0.313 *** | -0.069 | -1.325 *** |
| 8+ Months of Sanction in Year 1 | -0.230 *** | -0.051 | -0.867 *** |
| Months with Grant in Year 1 | -0.001 | | -0.248 *** |
| First on Single-Parent Aid in 1993-95 | 0.215 *** | 0.047 | 0.269 * |
| First on Single-Parent Aid in 1996 | 0.179 *** | 0.039 | 0.652 *** |
| First on Single-Parent Aid in 1997 | 0.208 *** | 0.046 | 0.734 *** |
| Alameda | -0.322 *** | -0.071 | -0.342 *** |
| Fresno | -0.374 *** | -0.082 | -1.696 *** |
| Kern | -0.610 *** | -0.134 | -2.084 *** |
| R-Square | N.A. | | 0.193 |
| Significance: * p < .05. ** p < .01. *** p < .001 | | | |
| Parameters with a p-value of >=.05 are not denoted with asterisks. | | | |

## CONCLUDING REMARKS

The analysis of this very large sample of welfare recipients produced some useful insights into the prevalence of sanctions, the factors associated with being sanctioned, and some of the sanctions' potential effects.

While only a small proportion of recipients were sanctioned in any given month, almost a third were sanctioned at least once over the two-year period we studied. Those speaking a primary language other than English and having young children had a *lower* likelihood of being sanctioned and were under sanction for fewer months. Those who had more-limited work histories (prior employment/earnings), entered public assistance before CalWORKs was implemented, or lived in San Diego County were more likely to be sanctioned and were sanctioned for more months. The pattern of welfare usage in Year 2 indicates that sanctions removed the adult, but not children, from the family's grant. Recipients who were sanctioned in Year 1 generally had lower employment and earnings levels in Year 2 than those who were not sanctioned in Year 1. Surprisingly, among those sanctioned in Year 1, those briefly sanctioned were less likely to be employed and earned less than those frequently sanctioned.

To evaluate the robustness of the findings for the whole sample, the analyses of Year 1 and Year 2 were repeated for a subsample consisting of recipients with 12 months of aid in Year 1. (See Appendix B for the empirical results.) This more welfare-dependent group can be considered the more difficult to serve in terms of exiting welfare and finding employment. The key results in terms of Year 2 outcomes for this more restricted group are qualitatively consistent with the results for the entire sample, although the estimated effects were generally larger. The consistency gives us more confidence in the findings for the entire sample.

Nonetheless, the multivariate results presented in this report should be interpreted with caution. Although the multivariate results capture some of the likely causal factors, the models do not include all plausible causal factors because of data limitations. For example, the administrative data we used do not provide information on education and access to a car, both of which have been found to be important in many welfare-to-work studies.[6]

Missing critical causal variables may account for some of the counterintuitive findings, such as the odd finding that, of all those sanctioned in Year 1, those briefly sanctioned were less likely to be employed and earned less than those frequently sanctioned. Moreover, the independent variables we used may be serving as proxies for unobserved

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[6] **WPRP EDITORIAL NOTE:** See, for example, the forthcoming publications stemming from WPRP's study, *Barriers to Employment Among CalWORKs Recipients in San Joaquin County,* which examines the frequency of potential impediments to work (including physical and mental health problems, inadequate child care and transportation, poor education, and few work skills) and the degree to which such potential barriers affect work, earnings, and reliance on welfare. In addition, see Paul M. Ong, "Car Ownership and Welfare-to-Work," *Journal of Policy Analysis and Management* 21(2): 239-252, 2002, and Paul Ong and Doug Houston, "Transit, Employment, and Women on Welfare," *Urban Geography* 23(4): 344-364, 2002.

characteristics. For instance, speaking a primary language other than English may serve as a proxy for unobserved characteristics such as language-specific social and job networks and outreach programs. This might explain why speaking a primary language other than English decreased the likelihood of being sanctioned and the number of months sanctioned.

It is also difficult to gauge the effect on Year 2 outcomes of the categorical variables denoting the number of months sanctioned in Year 1. One interpretation is that those who were sanctioned did not get the full benefits of participating in welfare-to-work programs and as a result were less able to find and keep jobs and were more dependent on welfare. If this is true, the findings could be used as an estimate of the effectiveness of welfare-to-work programs. However, it is equally likely that the variables denoting the number of months sanctioned in Year 1 are correlated with unobserved individual attitudes and characteristics and structural barriers that hinder the transition from welfare to work.

Despite the limitations of the analysis, the results generate some useful policy and programmatic insights. The intercounty differences indicate significant variation in how sanction policies and procedures were implemented at the local level. Despite concerns expressed by some program administrators and public-interest-group advocates, non-English-speakers and those with younger children were not disproportionately sanctioned. The significant association between having been sanctioned and subsequent poor employment outcomes should be of policy and programmatic concern. The implication is that those who are sanctioned may need additional help in making the transition from welfare to work, and that fiscal penalties alone will not suffice.

**Appendix A**

**Methods for Selecting the Administrative Study Sample**

This appendix provides greater detail on the methods used to select the sample used in the analysis in this report. The sample represents working-age adults in the study counties who received a CalWORKs grant during a month and were required to participate in welfare-to-work activities in early 1999 based on administrative data collected from the four participating counties. The sample was assembled from monthly welfare administrative data provided by the four participating counties from January 1999 through December 2000 (except as noted earlier for San Diego County: April 1999 through March 2001).

For the purpose of this analysis, Month 1 is based on the first month in administrative data with complete data files. Month 1 for Alameda, Fresno, and Kern counties is January 1999. Since welfare-to-work participation codes were not available from January 1999 to March 1999 for San Diego County, Month 1 for San Diego County is April 1999.

Three selection criteria were used to draw the initial sample :
- Age 18–54
- Received single-parent cash grant ("FG" aid type "30")
- Contained "clean" Social Security number (e.g., not missing or "000000000")

A recipient is included in the sample if he or she was registered for welfare-to-work, sanctioned, or both.[7] The case also had to have a non-zero dollar grant at the beginning of the study period.

We then classified recipients as required to participate in welfare-to-work and as sanctioned when county data recorded the following codes:

**Alameda County**

Welfare-to-Work (WTW) Participation Classification is based on the following Person Employability Code (PEC) codes:
- "2"— Registered for GAIN (not a teen parent)
- "S"— Non-CalWORKs code registered at EDD for job search (could include former CalWORKs recipients who were sanctioned)

Sanction Classification is based on the following Discontinuance Code (DISC) codes:
- "023"— Refugee in cash assistance program who is out of compliance
- "051"— GAIN Sanction of Mandatory AFDC-FG Registrant (OR WTW 1st Sanction-Person, did not comply with WTW/Employment)
- "052"— GAIN Sanction – Both AFDC-U Parents (OR WTW 2nd Sanction-Person, did not comply with WTW/Employment)

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[7] The sample included a small number of recipients who did not have a code indicating that they participated in welfare-to-work but had a legitimate sanction code.

- "053"— GAIN Sanction – Second AFDC-U Parent (OR WTW 3rd Sanction-Person, did not comply with WTW/Employment)
- "054"— WTW 1st Sanction of Person—did not comply with Compliance Plan
- "055"— GAIN Sanction – Non-cooperating Parent Only (OR WTW 2nd Sanction-Person, did not comply with WTW/Employment)
- "056"— WTW 3rd Sanction of Person—did not comply with Compliance Plan

## Fresno County

Welfare-to-Work Participation Classification is based on the following PEC codes:
- "1"— Mandatory WTW Registrant
- "3"— Mandatory WTW Registrant (state)

Sanction Classification is based on the following DISC code:
- "051"— Welfare-to-Work Sanction

## Kern County

Welfare-to-Work Participation Classification is based on the following PEC code:
- "MD"— Mandatory Registrant

Sanction Classification is based on having the following Reason Code (RCODE) codes with the given Eligibility Code (XCODE):

## Reason Code (RCODE)

- "CAL"— WTW-Failure/Refusal to agree to WTW plan [CalWORKs (CW)]
- "CNT"— WTW-Failure/Refusal to sign WTW plan (CW)
- "INT"— WTW-Failure/Refusal to comply with signed plan (CW)
- "JBS"— WTW- Failure/Refusal to provide proof of satisfactory progress to assigned activity (includes self-initiated plans) (CW)
- "JCL"— WTW- Failure/Refusal to make good progress or to participate in program activity (includes self-initiated plans) (CW)
- "JOB"— WTW- Failure/Refusal to accept employment (CW)
- "JTA"— WTW- Failure/Refusal to continue employment (CW)
- "MET"— WTW- Failure/Refusal to meet with WTW worker (CW)
- "PRP"— WTW- Failure/Refusal to comply when second parent is not participating
- "RED"— WTW- Failure/Refusal to continue employment at same level of earnings (CW)
- "SCH"— WTW- Did not attend school as required (CW)

## Eligibility Code (XCODE)

- "E01"— Several definitions: Non-Citizen, ineligible aliens; Failure to register for GAIN; Refuse to cooperate for Social Security number, assigning rights, spousal support, not identifying absent parent, obtaining UAI; Mandatory person refused aid.

**San Diego County**

Welfare-to-Work Participation Classification is based on the following PEC codes:
- "2"— Center City Office
- "3"— Escondido Office
- "4"— Oceanside Office
- "5"— Northeast Office
- "6"— South Bay Office
- "7"— El Cajon Office
- "9"— Lemon Grove Office

Sanction Classification is based on the following DISC codes:

- "053"— Person discontinuance; failure to comply with WTW, first instance
- "054"— Person discontinuance; failure to comply with WTW, second instance
- "056"— Person discontinuance; failure to comply with WTW, third instance

**Appendix B**

**Results for the Alternative Sample**

**Tables B1 through B3** report the results for regression models estimated for a subsample consisting of recipients with 12 months of aid in Year 1. This subsample contains 14,880 observations. The specification of the models in this appendix is identical to those in Tables 3, 5, and 6 in the main body of the text, with the exception of excluding the independent variable denoting the number of months of aid in Year 1 from the models for outcomes in Year 2. The key results for the subsample are:

- Recipients in the subgroup with young children or who speak a primary language other than English were not sanctioned at a higher rate after controlling for observable characteristics. Previous employment correlated with a lower likelihood of being sanctioned. County variations were also present for this subset.

- Those briefly sanctioned in Year 1 had fewer months of welfare case grant in Year 2 than those not sanctioned, but the difference is small. On the other hand, those previously sanctioned had about two more months of non-adult grants.

- Being sanctioned was associated with a lower employment rate and lower earnings.

These results in large part confirm what we had observed from the entire sample.

**Table B1. Sanction Outcomes in Year 1: Alternative Sample (Recipients with 12 Months of Aid in Year 1)**

| | Logit, Ever Sanctioned | | OLS, Months | |
|---|---|---|---|---|
| | Coefficient | Marginal Effect | Coefficient | |
| Intercept | -0.404 ** | | 2.931 *** | |
| Age | -0.02 *** | -0.004 | -0.021 *** | |
| Male | 0.171 * | 0.031 | 0.217 | |
| Non-English | -0.674 *** | -0.122 | -0.803 *** | |
| Asian/Pacific Islander | -0.064 | -0.012 | -0.093 | |
| Black/African American | 0.123 * | 0.022 | 0.103 | |
| Hispanic | 0.098 | 0.018 | 0.079 | |
| Other | -0.376 | -0.068 | -0.425 | |
| With Infant | -0.073 | -0.013 | -0.092 | |
| With Preschool-Age Child | -0.142 ** | -0.026 | -0.243 *** | |
| Number of Children in Case | 0.031 | 0.006 | 0.027 | |
| Earnings 97-98 ($1,000s) | -0.059 *** | -0.011 | -0.065 *** | |
| Earnings 97-98 Squared ($1,000s) | 0.001 *** | 0.000 | 0.001 *** | |
| First on Single-Parent Aid in 1993-95 | 0.474 *** | 0.086 | 0.716 *** | |
| First on Single-Parent Aid in 1996 | 0.286 ** | 0.052 | 0.52 *** | |
| First on Single-Parent Aid in 1997 | 0.359 ** | 0.065 | 0.569 *** | |
| Months with Grant in Year 1 | 0.041 *** | 0.008 | | |
| Alameda | -0.256 *** | -0.046 | -0.715 *** | |
| Fresno | -0.781 *** | -0.141 | -1.056 *** | |
| Kern | -0.713 *** | -0.129 | -2.049 *** | |
| R-Square | N.A. | | 0.048 | |
| Significance: * p < .05. ** p < .01. *** p < .001 | | | | |
| Parameters with a p-value of >=.05 are not denoted with asterisks. | | | | |

## Table B2. Determinants of Welfare Usage in Year 2, OLS Results: Alternative Sample (Recipients with 12 Months of Aid in Year 1)

| | Months with Grant | | Months with Non-Adult Grant | |
|---|---|---|---|---|
| Intercept | 7.482 | *** | 2.622 | *** |
| Age | 0.026 | *** | -0.008 | * |
| Male | -0.081 | | 1.687 | *** |
| Non-English | 0.613 | *** | -0.011 | |
| Asian/Pacific Islander | 0.732 | *** | 0.228 | * |
| Black/African American | 0.448 | *** | -0.073 | |
| Hispanic | 0.149 | | 0.108 | |
| Other | -0.275 | | -0.109 | |
| With Infant | -0.178 | * | 0.143 | |
| With Preschool-Age Child | 0.045 | | 0.030 | |
| Number of Children in Case | 0.158 | *** | 0.164 | *** |
| Earnings 97-98  ($1,000s) | -0.070 | *** | -0.041 | *** |
| Earnings 97-98 Squared  ($1,000s) | 0.001 | *** | 0.001 | *** |
| 1−3 Months of Sanction in Year 1 | -0.394 | *** | 2.133 | *** |
| 4-7 Months of Sanction in Year 1 | -0.608 | *** | 2.397 | *** |
| 8+ Months of Sanction in Year 1 | -0.163 | | 1.219 | *** |
| Months with grant in Year 1 | | | | |
| First on Single-Parent Aid in 1993-95 | 0.458 | *** | -0.951 | *** |
| First on Single-Parent Aid in 1996 | 0.106 | | -0.973 | *** |
| First on Single-Parent Aid in 1997 | -0.060 | | -1.069 | *** |
| Alameda | -0.195 | * | -0.140 | |
| Fresno | 0.217 | ** | -1.369 | *** |
| Kern | 0.606 | *** | -0.470 | *** |
| R-Square | 0.044 | | 0.123 | |
| Significance: * p < .05. ** p < .01. *** p < .001 | | | | |
| Parameters with a p-value of >=.05 are not denoted with asterisks. | | | | |

## Table B3. Determinants of Employment Outcomes in Year 2: Alternative Sample (Recipients with 12 Months of Aid in Year 1)

| | Logit, Ever Employed | | | OLS, Earnings | |
|---|---|---|---|---|---|
| | Coefficient | | Marginal Effect | Coefficient | |
| Intercept | 1.469 | *** | | 4.589 | *** |
| Age | -0.033 | | | 0.015 | |
| Age Squared | -0.011 | | | -0.110 | |
| Male | -0.123 | | | -0.362 | * |
| Non-English | -0.162 | ** | -0.038 | -0.435 | ** |
| Asian/Pacific Islander | -0.097 | | | -0.127 | |
| Black/African American | 0.350 | *** | 0.083 | 0.013 | |
| Hispanic | 0.228 | *** | 0.054 | 0.222 | |
| Other | 0.019 | | | -0.937 | |
| With Infant | -0.186 | *** | -0.044 | -0.659 | *** |
| With Preschool-Age Child | 0.067 | | | 0.007 | |
| Number of Children in Case | -0.023 | | | 0.118 | ** |
| Earnings 97-98 ($1,000s) | 0.194 | *** | 0.046 | 0.459 | *** |
| Earnings 97-98 Squared ($1,000s) | -0.002 | *** | 0.000 | -0.004 | *** |
| 1-3 Months of Sanction in Year 1 | -0.223 | ** | -0.053 | -1.298 | *** |
| 4-7 Months of Sanction in Year 1 | -0.436 | *** | -0.104 | -1.268 | *** |
| 8+ Months of Sanction in Year 1 | -0.191 | | -0.045 | -0.875 | *** |
| Months with grant in Year 1 | | | | | |
| First on Single-Parent Aid in 1993-95 | 0.293 | *** | 0.070 | 0.638 | *** |
| First on Single-Parent Aid in 1996 | 0.235 | ** | 0.056 | 0.994 | *** |
| First on Single-Parent Aid in 1997 | 0.229 | * | 0.054 | 0.695 | ** |
| Alameda | -0.598 | *** | -0.142 | -1.052 | *** |
| Fresno | -0.451 | *** | -0.107 | -1.576 | *** |
| Kern | -0.658 | *** | -0.156 | -1.960 | *** |
| R-Square | | | | 0.163 | |
| Significance: * p < .05. ** p < .01. *** p < .001 | | | | | |
| Parameters with a p-value of >=.05 are not denoted with asterisks. | | | | | |