4. Outcomes for Leavers

Federal welfare reform fundamentally shifted the focus of welfare policy from providing cash assistance to those currently on welfare to providing temporary assistance. However, the goal of the program is not merely to cut the welfare rolls; it is also to end the dependence of needy parents on government assistance. Thus, we are interested in the status of those who leave the welfare system (referred to here as “leavers”).

This section considers the experiences of leavers, starting with an overview of the descriptive findings. We next examine the support for those findings, starting with a consideration of the extent to which leavers stay leavers, i.e., rates of return to welfare. Employment, earnings, and earnings growth are then examined, first by time since leaving welfare, and then by time since entering welfare, whether they remain on welfare or leave. We argue that in the post-TANF era, the second measure is probably more appropriate for considering the performance of county WTW programs. We then consider take-up of Medi-Cal among welfare leavers. Finally, we look at outcomes, not only for welfare leavers but for all single-mother households. After presenting the specific descriptive findings, we conclude with a discussion of the likely causes of the observed changes and the implications of the findings for WTW programs and the well-being of welfare leavers.

Overview of Descriptive Findings

The rapid caseload decline (discussed in Section 3) suggests a concern that county CalWORKs programs might be pushing households off welfare before they are ready. This would result in outcomes for leavers in the post-CalWORKs period being significantly worse than they had been pre-CalWORKs. In fact, almost all the indicators improve under CalWORKs, through the most recent data. Rates of return are down, and employment and earnings are up, as is Medi-Cal enrollment. Among entrants, rates of leaving are up and so are employment and earnings. Among all single-parent families, employment and earnings are up and poverty is down.
Return to Welfare

We begin our consideration of outcomes for welfare leavers by asking how frequently leavers return to cash assistance. Figure 4.1 shows how return to cash assistance varies with time since receipt of such assistance and calendar time.

“Leaving” is defined as being off cash assistance for all three months of a calendar quarter. The last quarter on welfare is quarter 0; by construction, all leavers are off welfare in quarter 1; by quarter 2, some recipients are back. Figure 4.1 shows outcomes through 12 quarters (i.e., three years) after leaving welfare,

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1Leavers are defined as persons off aid for at least two consecutive months; they remain in our sample even if they subsequently return to aid. We study leavers 18 to 64 years of age, for whom up to one Social Security number matched from EDD data. Our EDD data range from 1990 Q3 to 2000 Q2, so the sample sizes for the 1990 and 2000 cohorts are smaller than for other years, and the estimates are less precise.

While we know which months individuals were on or off aid, we know only total quarterly earnings. Thus, we cannot discern which months of the quarter someone worked, so in our analyses, we drop these “transition” quarters.

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SOURCE: RAND tabulations from 5 percent MEDS-EDD microdata match file.

Figure 4.1—Return to Welfare
including second and later exits from welfare. Each line on the chart refers to a cohort of leavers (i.e., those last on aid in a given calendar year).

The figure suggests that exit from welfare is not always permanent. Of those leaving welfare in 1997, about 15 percent were back on welfare in the second quarter. In quarters three through eight, more leavers returned, but some of the leavers exited a second time. In net, the number of leavers who are back on welfare each quarter remains approximately constant at about 15 percent.

Figure 4.1 also suggests that over the period covered by the data, rates of return to welfare decreased sharply. In the early 1990s, one-fourth or more of welfare recipients were back on welfare by the second quarter, and the fraction rose with quarters since leaving aid. Rates of return fell sharply and steadily through the mid-1990s, so that by 1999, they were below 20 percent.

**Employment, Earnings, and Earnings Growth Among Leavers**

The CalWORKs legislation envisions exits to aid through employment. First, the Work Pays reforms and their CalWORKs extensions encourage recipients to build labor-market experience while on welfare. Second, Job Club is intended to give recipients skills to find jobs. Third, education and training are intended to build skills that will allow recipients to find jobs or advance to better jobs. Finally, job-retention services are intended to help recipients keep the jobs they have and advance to better ones.

In this subsection, we examine how leavers are faring in terms of any kind of employment and earnings growth and in terms of full-time employment; finally, using the trends in these areas, we discuss how leavers are supporting themselves.

**How Welfare Leavers Are Faring in Terms of Any Employment and Earnings Growth**

We have already seen in Section 2 that the fraction of current recipients working and the fraction of recipients earning more than cut-off values have increased sharply and steadily since about 1993. Figure 4.2 presents the employment rates of welfare leavers, and the story is similar.

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2We show only data from odd-numbered years to simplify the figures; trends in even-numbered years follow the same pattern, adding little information.
The structure of the figure is similar to that of Figure 4.1. Each line shows the percentage of all leavers (those leaving in a calendar year) who have any earnings of over $50 per quarter, by quarters since leaving welfare. The estimates are computed based on the same underlying UI system filings used in Section 2. Thus, any earnings in a calendar quarter not covered by the UI system (e.g., earnings from self-employment and independent contracting) are excluded from the calculations. This means that these estimates are a lower bound on the true levels of employment. Leavers remain in the estimates even if they return to cash assistance.

The implications of Figure 4.2 are also similar to those of Figure 4.1. In the most recent cohorts (leavers in 1999 and 2000), employment rates hover at about 50 percent—half of the leavers are employed, and this fraction is stable with time since leaving welfare. This level of employment represents a significant increase over earlier cohorts of leavers. For the cohort leaving welfare in 1993,
employment levels hovered at about 30 percent, much lower than today’s 50 percent levels. Rates of employment increased steadily through the 1994, 1995, and 1996 cohorts, after which they leveled off at approximately 50 percent.

While employment is an important outcome in and of itself, the goal of CalWORKs is self-sufficiency, so earnings (and their growth) are of equal significance. Figure 4.3 presents the level of real earnings per quarter among leavers (in year 2000 dollars). All leavers are included in the calculations:

![Figure 4.3—Average Quarterly Earnings of Leavers](image)

**SOURCE:** RAND tabulations from 5 percent MEDS-EDD microdata match file.

4Earnings are deflated using the national Consumer Price Index-Urban Consumers (CPI-U); the monthly values are averaged to calculate a quarterly CPI. Employers are required by EDD only to report earnings of employees who earn more than $50 in a quarter, though some employers report earnings for all workers. Because the records are incomplete for workers earning less than $50 in a quarter, we reassign workers with such low earnings whose employers happened to report them to EDD to the nonwork category to maintain consistency.

We also ignore transition quarters, i.e., the quarters in which someone was both on aid and off aid, because while we know exactly which months someone was on aid, we do not know which months they worked. The distinction is especially important for entrants, since we cannot determine if they left a job and started on aid or were unemployed, went on aid, and found a job through the welfare department. Similarly, we cannot tell if leavers found work through their CWDs, left aid and then lost their jobs, or left aid and then found work.
whether they stay off welfare or return to welfare, and whether or not they are employed.

Like the trends in Figure 4.1 and Figure 4.2, real earnings among welfare leavers are higher for later cohorts of leavers. Average earnings of the 1993 cohort in the quarter after leaving welfare were just over $1,000 (in year 2000 dollars); average earnings of the cohorts from 1998 forward in the quarter after leaving welfare are about 50 percent higher (about $1,500).

Furthermore, earnings rise about 10 percent in each of the first three years after leaving welfare. This estimate is consistent with recent national estimates of wage growth for welfare leavers (Gladden and Taber, 2000; Corcoran and Loeb, 1999). However, it is important to note that at least on average, the earnings growth is from a very low base (i.e., only about one-fourth of the sample have earnings equivalent to full-time work at the minimum wage).

How Leavers Are Faring in Terms of Full-Time Work and Household Resources

This average earnings measure mixes very different groups—some who have no earnings, some who work part-time, some who work full-time at low wages, and some who work full-time at a wage considerably above the minimum wage. The relative size of the different groups is important. A family of three does not become income-ineligible for cash assistance until earnings reach the equivalent of full-time work at about $8.75 an hour. Furthermore, the federal EITC is designed so that even at the lower federal minimum wage, $5.15, a family of four with one full-time worker would be out of poverty. For welfare leavers, these computations traditionally consider a family of three. For that case, full-time work at California’s minimum wage (as of January 2001) of $6.25, when combined with the federal EITC and Food Stamps, gives a household cash and near-cash (i.e., Food Stamps) resources about 25 percent above the poverty level.

Some have argued that the official poverty level is too low. However, when in-kind benefits—child care, Medi-Cal, and transportation—are included, the value of the package exceeds the California Budget Project’s (1999) estimate of what it

\[5\] The increase discussed in the text is for average reported earnings. It does not refer to any individual. Earnings could rise because a leaver’s wages rise, or because hours for an already working leaver rise, or because formerly nonworking leavers begin to work.

\[6\] This computation cashes out the value of public assistance and Food Stamps, while the conventional definition of the poverty line does not. See Haskins, Sawhill, and Weaver (2001) for a similar calculation.
costs to “raise a family in California.”

Thus, if a leaver works at or near full-time and uses all of the available benefits (in fact, however, take-up appears to be far from universal), even at the minimum wage, her family will be out of poverty.

However, the data suggest that few leavers are reaching that level of income. The EDD data do not include information on hours. However, we can create a proxy for hours by assuming employment at the minimum wage (for these calculations, $5.75). Using this proxy, Figure 4.4 plots the proportion of leavers who have EDD earnings equivalent to full-time work at the minimum wage. The figure shows that the fraction of leavers working the equivalent of full-time at the minimum wage has risen dramatically, but the levels remain low. In the early 1990s, only about 15 percent of leavers had earnings at this level. By the most

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7 See Appendix C for details.

8 Here we use this real $5.75 level in each year. Given inflation and changes in the nominal value of the minimum wage, this computation does not reflect hours at the then-statutory minimum wage.
recent cohorts, the fraction had risen to about 25 percent. Furthermore, the fraction rises to about 30 percent in three years. Nevertheless, these absolute levels of full-time equivalent work appear low. (This may be explained partly by incomplete coverage of earnings by the UI system on which these tabulations are based.)

Finally, this basic story—a rising fraction of leavers working the equivalent of full-time at the minimum wage, but low absolute levels—is not sensitive to the hours cutoff chosen. Some have argued that single mothers should not be expected to work full-time. PRWORA defines participation as 25 hours per week; CalWORKs adopts a higher level, 32 hours per week. Nevertheless, when we repeat this analysis for 20 or 25 hours per week, the fraction of leavers with earnings above the threshold increases, but the general pattern remains.

Only 24 percent of those leaving welfare in 1999 have earnings (in the EDD data) greater than the equivalent of full-time (40 hours) work at the minimum wage. Lowering the cutoff to the 32-hours-per-week standard in the CalWORKs legislation raises the figure to 28 percent; lowering the cutoff to the 25-hours-per-week standard in the federal legislation raises the figure to 32 percent. Furthermore, there is some evidence of an increase over time in the fraction of leavers earning more than the cutoff. Nevertheless, at least from the EDD data, a clear majority appear not to be working even 25 hours per week.

**Given Employment Levels, How Are Leavers Supporting Themselves?**

The analyses in this section clearly show that labor-market outcomes are improving. Employment, average earnings, and the fraction of leavers earning more than the equivalent of full-time at the minimum wage are rising rapidly.

Despite these strong trends, only about one-half of all welfare leavers are working, and only about one-quarter are working full-time. If they are neither receiving welfare nor working, how are they supporting themselves and their children?

This question is not unique to California. National studies find that one-third to one-half of welfare leavers have no reported earnings (Parrott, 1998; Brauner and Loprest, 1999).

Some of the reported nonemployment and low earnings is probably real. National data suggest that some welfare leavers are receiving support from others—spouses, nonmarital partners, parents, other relatives, friends—and
some are receiving support from other government programs. One possibility is SSI, but that appears to be received in less than 5 percent of the households of leavers.

Finally, some of the reported nonemployment is probably a reporting issue. The results reported here are based on employer UI system filings to the EDD, where only employment in the state of California is recorded. Earnings from non-California employers (including those who have moved out of state) are not recorded. Furthermore, self-employment (including independent contracting) and federal government employment are not covered by the UI system and are therefore not reported to EDD. Finally, no “under-the-table” income is reported to EDD. National data from surveys suggest that the group includes about 7 percent of those with no income (ASPE, 2000; Cancian et al., 1999).

Examining the low absolute levels of employment and earnings and, in particular, the relative importance of income not reported to EDD and support from others is one of our tasks for the coming year. We are currently cross-checking information from several sources—EDD records, the evaluation’s household survey, and other government records—to explore these issues further. No data source provides complete coverage of earnings; by cross-checking the various surveys and reviewing the results of similar efforts in other states, we should be able to develop a better sense of how to interpret the EDD data and the evidence as a whole.

**Entering Cohorts versus Leaving Cohorts**

Our discussion thus far has, like conventional “leavers studies” (e.g., Loprest, 1999), focused on leavers alone. (We discussed outcomes for current recipients separately in Section 2.) However, this approach is arguably not fully consistent with TANF’s focus on converting current recipients into leavers, i.e., providing only temporary assistance.

In particular, if WTW programs succeed in moving the most work-ready recipients into the labor force and off aid, employment and earnings levels might fall for those on aid (and perhaps for those off aid as well). Tabulated employment and earnings levels might fall for current recipients because the most work-ready have left aid. Nevertheless, even if this occurred, we could
still consider the program a success; new entrants get jobs faster and at higher earnings, and they leave welfare faster.

In addition to tabulating results separately for current recipients and leavers, it may be useful to perform complementary analyses of outcomes since entering welfare, regardless of whether the leavers are currently receiving welfare. How long does it take until a new recipient finds a first job, regardless of welfare receipt? What are average earnings, regardless of welfare receipt? This perspective is arguably more useful for evaluating program effects. Figures 4.5 and 4.6 provide that perspective. Corresponding to Figures 4.2 and 4.3, they plot employment and average earnings by quarters since first entering welfare.

As expected, the levels of work and earnings are lower for entrants than for leavers, but the trends are similar. Later cohorts of entrants into welfare are moving into jobs faster and have higher earnings. In particular, rates of employment and average earnings are much higher for the early post-CalWORKs cohorts (entrants in 1998 and 1999). In fact, in the most recent cohorts, employment levels and average earnings are sometimes lower for recent

![Graph](RAND_MR1358-4.5)

**Figure 4.5—Percentage of Entering Cohorts Working by Calendar Year and Time Since Entering Welfare**

SOURCE: RAND tabulations from 5 percent MEDS-EDD microdata match file.
leavers than for current recipients (presumably because average earnings of new entrants who are still recipients are higher than average earnings for recent leavers).

Thus, the analytic approach of exploring cohorts of entrants in addition to cohorts of leavers appears promising. We will use it in our comparisons of the effects of county WTW programs in next year’s report. Those estimates will benefit from data describing more post-CalWORKs quarters with more complete reporting of earnings.

**Medi-Cal Take-Up Among Leavers**

While federal welfare reform was intended to move current welfare recipients into the workforce and off welfare, Medicaid (Medi-Cal in California) coverage was intended to continue (Haskins, 1999). Continuing and extending pre-PRWORA policies, federal and California welfare reform broadened eligibility of welfare leavers for Medi-Cal.
Figure 4.7 tabulates the success of CWDs in providing Medi-Cal to leavers. To emphasize the observed changes, each line refers to a number of months since leaving welfare and the x-axis measures calendar time (unlike Figures 4.2 and 4.3).11

Immediately on leaving welfare (i.e., at one month, the top line), a high proportion of leavers have Medi-Cal coverage: 74 percent in 1994 and around 90 percent today. This is a deliberate policy resulting from the 1982 Edwards v. Kizer decision, which directed CWDs to place welfare leavers in the “Edwards Hold” (EH) until their continued eligibility for Medi-Cal is redetermined. Consistent with that decision, coverage immediately after leaving welfare increased sharply in the early 1990s and stays high.

Figure 4.7—Medi-Cal Coverage of Welfare Leavers by Months Since Leaving Welfare and Calendar Year

SOURCE: RAND tabulations from 5 percent MEDS-EDD microdata match file.

11To minimize the effects of seasonality, we plotted the average rate for each year (defined as July–June) and a linear trend between these annual averages.
Coverage levels then drop with time since leaving welfare.\textsuperscript{12} Today, only about 74 percent of welfare recipients have Medi-Cal coverage three months after leaving; 57 percent have coverage at nine months; 46 percent have coverage at 18 months; and 22 percent have coverage at 30 months. At all durations past one month, there has been a sharp and continuing increase with CalWORKs (i.e., beginning in 1998).

Figure 4.8 disaggregates the coverage by specific Medi-Cal program. It shows coverage at one, three, nine, 18, and 30 months after leaving welfare by program on the eve of CalWORKs (July 1996 to June 1997) and the most recent period for which data are available (July 1999 to June 2000). Consistent with Figure 4.7,

\textsuperscript{12}Everyone on welfare is automatically covered by Medi-Cal. Therefore, unlike Figures 4.1 through 4.6, which include those who return to cash assistance, Figures 4.7 and 4.8 exclude individuals who have returned to welfare.
Figure 4.8 shows that Medi-Cal coverage rises between the two years at each interval since leaving welfare.

When we consider the specific Medi-Cal programs, we find a more subtle story. In the period immediately after the passage of CalWORKs, while the California Department of Health Services (CDHS) revised the regulations governing Medi-Cal coverage for welfare leavers, CWDs were instructed to place all welfare leavers into the EH category, guaranteeing continued coverage until new guidelines could be determined. Most counties followed this direction, but some continued to process new welfare leavers under the existing guidelines. Once CDHS issued preliminary guidance about how to process Medi-Cal for welfare leavers, some counties began to unwind their EH cases. Some did so after receiving further guidance, and some still had large numbers of cases in EH into SFY 1999-2000. Thus, while the EH category is supposed to be used only for a month or two, in 2000, 35 percent of those at three months, 18 percent of those at nine months, 13 percent of those at 18 months, and about 3 percent of those at 30 months were still in EH. This sharp increase in EH coverage and delayed processing of the backlog of cases in that status explains some of the post-CalWORKs increase in Medi-Cal enrollment among welfare leavers.

Other factors are also at work. To provide expanded coverage for welfare leavers, PRWORA extended eligibility for Medicaid (Medi-Cal in California) coverage to anyone with income low enough to make them eligible for cash assistance under the pre-reform rules. This new eligibility criterion, known as 1931(b) (which also includes current welfare recipients), was intended to eliminate loss of Medicaid/Medi-Cal as a reason for not leaving welfare.

In California, 1931(b) coverage for welfare leavers began to be implemented in many counties in April 1999, as cases in EH were being processed. As intended, many people with EH coverage were shifted to 1931(b) coverage. Because the 1931(b) category is not time-limited, leavers who would have received only temporary coverage after leaving cash aid before CalWORKs can continue their Medi-Cal coverage under 1931(b) as long as they remain income-eligible.

In addition, federal legislation has mandated Transitional Medi-Cal (TMC) since 1988. TMC provides Medi-Cal for 12 months for welfare leavers. As allowed by federal statute and with state funds, California provides TMC benefits for an additional 12 months for adults. However, despite this extended eligibility, and unlike enrollment in other programs, enrollment in TMC has declined since CalWORKs implementation. The increase in take-up rates overall is thus not the result of longer or higher participation in TMC. There is reason to believe, though, that the decline in TMC may be the temporary result of the timing of
processing the EH cases and the roll-out of the 1931(b) program. That is, leavers are eligible for TMC after receiving 1931(b) coverage as well as after leaving CalWORKs. (Prior to CalWORKs, TMC was available only as people left welfare.) Thus, a leaver may leave welfare, continue Medi-Cal coverage through 1931(b), and increase her earnings enough to make her ineligible for 1931(b), but she may still be eligible for TMC. The 1931(b) category thus can augment TMC. In fact, although enrollment levels are still low, TMC rates have risen since 1999 in the later months after leaving welfare.

Some of the rise in Medi-Cal take-up rates is the result of an increase in coverage through the Medically Needy (MN) program. Eligibility for MN is based on the criteria for the AFDC or SSI programs. Like 1931(b), MN is not a time-limited program. In fact, the increase in MN coverage appears to have supplemented the participation in the 1931(b) program. MN enrollment rose most in the period between the beginning of CalWORKs and the enactment of the 1931(b) program, the same period in which CDHS was clarifying 1931(b) regulations and Medi-Cal take-up procedures under CalWORKs. This is particularly true for counties that did not retain people in the EH category. In addition, coverage under the MN program leveled off after the implementation of 1931(b).

In summary, Medi-Cal coverage levels among welfare leavers have increased sharply since CalWORKs was enacted, but coverage is far from universal (about 57 percent at nine months and 22 percent after 30 months), and it declines relatively quickly with time since leaving aid. In interpreting these results, it is important to note that Medi-Cal is not the only source of health insurance coverage for this population. Some of the children are covered by a different government health insurance program, Healthy Families (California’s Child Health Insurance Program (CHIP)). We are currently negotiating with the Managed Risk Medical Insurance Board, which administers Healthy Families, to gain access to their individual-level records for analysis. Such access would allow us to add Healthy Families as a category of coverage in our calculations.

In addition, national studies suggest that more than one-fourth of welfare leavers and one-third of those working are covered by private health insurance (Garrett and Holahan, 2000). Thus, overall health insurance coverage rates are higher than the Medi-Cal coverage rates reported here. The evaluation’s household survey will provide direct evidence on coverage from Healthy Families, employers, and other non-Medi-Cal sources.
Outcomes for All Single-Parent Households

Proponents of federal welfare reform argued that one of its effects would be to discourage potential welfare recipients from ever entering the welfare system. Consistent with this expectation, we showed in Section 3 that about half of the welfare caseload decline results from lower rates of entry into welfare. Nevertheless, the tabulations in Section 2 and the earlier part of this section do not consider outcomes for this group. Part of the reason is lack of data—potential entrants never appear in the administrative data systems that are the focus of the analyses in this report.

In this section, we use the March Current Population Survey (CPS)\(^\text{13}\)—a large national survey of the entire population—to explore outcomes for those at risk of going on welfare, whether they are currently on welfare, have recently left welfare, or are at risk of entering welfare. Following standard practice in the literature, we consider the “at risk” group to be single-mother households (i.e., an adult woman and one or more children, but no adult male).\(^\text{14}\) This is the group most likely to be on welfare.

Specifically, we consider employment (Figure 4.9), earnings (Figure 4.10), and poverty status (Figure 4.11) of all single-mother households for California and for the rest of the nation. It is important to note that the total sample for California comprises about 5,000 households. In most years, about 500 single-mother households are surveyed in California, and about 5,000 in the nation as a whole. Thus, the California estimates are subject to considerable sampling variability, and small year-to-year differences often do not represent real differences in outcomes.

Figures 4.9, 4.10, and 4.11 all tell a consistent story. In California and in the rest of the nation, single-mother households are more likely to work, have rising earnings, and have falling poverty rates. These patterns continue and accelerate longer-term trends. Furthermore, the patterns for California are broadly similar to those for the rest of the nation, although (as with the caseload) there is some evidence that the improvements in California began later.

The falling poverty rates (Figure 4.11) are in contrast to the concerns of some opponents of federal welfare reform who claimed that reform would cause an explosion of poverty. The recent (1997 to 1999) year-to-year declines in poverty in single-mother households are among the largest ever recorded. If sampling

\(^{13}\)See Appendix B for a description of the CPS.

\(^{14}\)The sample includes anyone who is single, female, and the head of a family or subfamily, where family is defined as a household having at least one dependent child.
variability is taken into account, the levels and patterns are identical to those in the nation as a whole.

**Possible Explanations for the Descriptive Findings**

What explains these trends for leavers? We next discuss some of the possible causes for the decreases in return to cash assistance, increases in employment and earnings, and decreases in poverty rates; we then turn to causes for the increase in Medi-Cal take-up rates.

**Decreases in Return to Cash Aid, Increases in Employment and Earnings, and Decreases in Poverty Rates**

We have already reviewed some probable causal factors in earlier sections. For example, many of the factors that might cause a decline in the caseload—in particular, tougher work requirements, time limits, the federal EITC, and the
improving economy—would also be expected to cause a decline in return to cash assistance.

Similarly, many of the factors that might cause an increase in employment and earnings among current recipients—in particular, a work-first approach to WTW services, an improving economy, and the federal EITC—would also be expected to lead to improvements in employment and earnings for leavers.

In addition, the Work Pays reforms and their extensions in the CalWORKs reforms would be expected to have the indirect effect of raising earnings among welfare leavers. Since these reforms raise the earnings level at which a case becomes income-ineligible for cash assistance, leavers might be expected to have higher earnings on average when they finally leave welfare.  

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15Time limits, however, work in the opposite direction. To “bank” months of future eligibility for cash assistance, cases with relatively high earnings and thus low benefits might choose to leave welfare, even though they remain eligible for cash assistance. Some caseworkers report advising recipients to do this. Grogger (2000) finds some evidence for such anticipatory behavior.
Some of the results presented here are consistent with a major role for welfare programs. While more analysis is needed, an effect on employment and earnings seems clearer in the tabulations for cohorts of entrants than in those for current recipients or leavers. Such an effect could be consistent with the experimental findings from MDRC's evaluation of work-first programs.

Many of the improvements in employment and earnings appear to date back to about 1994. Employment, average earnings, and the proportion of earnings greater than the minimum wage actually fell with time off aid for the 1990 cohort. Conversely, these measures rose (perhaps more than in earlier cohorts) for the 1994 cohort.

The implication that much of the improvement was the result of the economy is consistent with the lack of major reforms to WTW programs prior to CalWORKs (except for the 1995 GAIN reforms). The benefit cuts of the early 1990s may also have stimulated recipients to find work. Still, the preliminary evidence suggests a significant increase in employment and earnings with the implementation of CalWORKs. More data and more analysis over the coming year will enable us to make better estimates of relative effects.
Finally, since the poverty measure used here is dominated by labor earnings, the decreases in poverty are probably caused by the same factors that explain the increases in employment and earnings—the economy, the increase in the EITC, and, in the most recent period, welfare reform. National analyses suggest that these increases for single-mother households are much larger than the corresponding increases for single women without children or married women, and that they are also larger for less-educated women (e.g., Eissa and Liebman, 1995; Eissa and Hoynes, 1998; Ellwood, 1999). Since, unlike business cycle changes that affect everyone, the EITC and changes in welfare policy affect only families with children and low earnings, these differentials suggest the importance of the federal EITC and welfare reform, above and beyond the effect of the improving economy.\textsuperscript{16}

\textbf{Increases in Medi-Cal Take-up Rates}

Only policy changes at the federal and state level and program changes at the county level seem to be plausible explanations of the sharp increase in Medi-Cal coverage under CalWORKs. As we saw above, Medi-Cal coverage in the post-CalWORKs periods has two phases. The early months after leaving welfare—as well as the first year to 18 months after CalWORKs was enacted—are dominated by slow county processing of EH cases, while the later months and the most recent year appear to reflect clarification of CDHS guidelines, positive changes in CWD policies and procedures, and the efforts of individual caseworkers. The only apparent explanation for the rise in take-up rates at these later stages is the multilevel effort to increase Medi-Cal take-up among leavers. This effort includes the new programs provided by federal and California legislation, CDSS’s and CDHS’s strong policies to encourage take-up, and strong efforts on the part of CWDs to enroll leavers initially and to keep them enrolled through time.

How these efforts will affect take-up rates in the near future is less clear. The processing of the remaining EH backlog and prompt processing of new EH cases (within one to two months, as was done in the pre-PRWORA period) will decrease Medi-Cal coverage rates, especially in months three to six after welfare exit. However, expanding outreach efforts and streamlined processes for maintaining Medi-Cal eligibility (in particular, increasing the time between mandatory recertifications) should raise Medi-Cal take-up immediately after EH coverage ceases and should also increase the probability of remaining on Medi-Cal as time since welfare exit increases.

\textsuperscript{16}On the EITC, see Hotz and Scholz, 2000; see also Meyer and Rosenbaum (1999, 2000) and Ellwood (1999).