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Study to Examine UI Eligibility Among Former TANF Recipients: Evidence from New Jersey

Final Report

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EXECUTIVE SUMMARY

Major welfare reform legislation and a strong economy have led to dramatic declines in welfare caseloads during the mid- and late-1990's, with many recipients leaving welfare and finding employment. Studies tracking the status of welfare leavers find that nearly two-thirds of those who leave welfare are employed around the time of exit. However, studies also show that many who find employment cycle in and out of jobs and have a difficult time holding sustained employment (Acs and Loprest 2001; and Rangarajan 1996). For some people, job mobility may be expected as they try to find better jobs matches and follow a career path they have defined for themselves. For others, especially those with weak skills and little prior work experience, cycling in and out of employment may be inevitable, as they make an effort to transition out of welfare and into work.

The role of the safety nets available to welfare recipients who exit welfare and find jobs has gained attention in the past several years in the context of a time-limited welfare system. The recent economic slowdown has also highlighted questions about whether former welfare recipients have broken the cycle of dependency, and whether they have been mainstreamed into the labor force, enabling them to use the same social insurance programs available to other workers in case of job loss. An important question is whether the Unemployment Insurance (UI) system, the primary safety net for working individuals who lose jobs, adequately addresses the needs of former recipients who have left welfare and found work. It is also important to learn how this safety net can be improved for low-income workers.

To qualify for UI benefits, unemployed workers must meet certain monetary criteria, such as having a minimum amount of earnings over a "base period" and, in some states, work a minimum number of weeks or quarters during the base period. (The base period is most frequently defined as the first four of the past five completed quarters.) They also have to meet nonmonetary requirements—that is, they generally must have left their jobs through no fault of their own, and they must be available to work full-time.[1] Some policymakers and researchers believe that the eligibility rules of the UI program make it less accessible to low-wage, entry-level workers, especially former welfare recipients who move in and out of the labor force and often do not have a stable employment history. In fact, studies based on the period preceding the Temporary Assistance for Needy Families (TANF) program have found that former recipients who exit welfare and find work have fairly low rates of UI eligibility. However, it is likely that the combination of welfare reform's work incentives and a strong economy may have led former recipients who find jobs to have more stable employment and, consequently, to increase their likelihood of becoming eligible for UI in more recent times.

This study, funded by the U.S. Department of Health and Human Services and the New Jersey Department of Human Services (NJDHS) and with the support of the New Jersey Department of Labor (NJDOL), examines the extent to which former welfare

[1]UI program rules are complex and vary substantially by state. Chapter I summarizes in greater detail program features, and how eligibility is determined when someone files a UI claim.

recipients are likely to be eligible for UI, and the extent to which former recipients who leave welfare and find work file UI claims. In particular, it examines such questions as: What is the rate of monetary UI eligibility among former welfare recipients who leave welfare and find work, and how does this rate change over time? How are nonmonetary factors likely to affect eligibility? For what benefit amounts are these individuals likely to be eligible? How sensitive are UI monetary eligibility rates to varying program parameters? How many former welfare recipients actually file UI claims and receive payments?

Our study of these and related questions is based on data from the Work First New Jersey (WFNJ) evaluation. The WFNJ evaluation is a comprehensive, five-year study, funded by NJDHS, which tracks a representative statewide sample of 2,000 welfare recipients who received TANF in New Jersey during the first 18 months under the new welfare rules, between July 1997 and December 1998. These recipients are being tracked through a series of five annual surveys, as well as through administrative records data. For this UI study, we examine the subset of welfare recipients who left TANF at any time before December 1999, and were employed around the time of TANF exit. We have data on employment and earnings for these individuals covering the two-year period after TANF exit, and data on UI claims over the three-year period after TANF exit.[2] Wage records and UI claims data were provided by the New Jersey Department of Labor, and TANF administrative data by the Division of Family Development of NJDHS.

Much of the analysis in our study focuses on determining potential monetary eligibility for UI, and we examine the extent to which former welfare recipients would have monetary eligibility for UI if they were to experience a qualifying job separation (a job separation occurring through no fault of their own), and if they were available for full-time work.[3] Because nonmonetary factors, such as the reason for job separation, might be important for this population, we use our survey data to examine the reasons for job loss reported by those who had experienced a job separation of at least one month. Using survey data, we also examine the prevalence of part-time work for this population. Finally, we use claims data to examine the prevalence of filing claims among this former TANF population and the characteristics of these claims.

Key Findings

The main study findings related to the extent to which former TANF recipients who find employment potentially have eligibility for UI, and simulations to determine the sensitivity to program parameter rules indicate that:

- ***Nearly three out of four TANF recipients who exited welfare and found employment would potentially have attained UI monetary eligibility at some***

[2]It should be noted that the two-year period after TANF exit was still a period of relatively strong economic conditions for most of those who left TANF and found work. It is possible that those who exit welfare in more recent times, and face weaker labor market conditions, may have different employment experiences, and consequently, potential eligibility for UI.

[3]In estimating eligibility, we use New Jersey's UI program rules. Relative to other states, New Jersey's rule makes the state somewhat more restrictive with respect to monetary eligibility, but somewhat less restrictive with respect to nonmonetary eligibility and payments.

point during the two-year period after TANF exit. Somewhat fewer (60 percent) would have monetary eligibility in any given quarter after TANF exit, in case of job loss. These numbers are high relative to the estimated monetary eligibility rates of around 33 percent in studies that used data from the pre-PRWORA period.

- ***The majority (two-thirds) of those who would be monetarily ineligible were ineligible because their earnings during the base period were too low to allow them to qualify.*** The remaining one-third had no employment or no covered employment during the base period.

- ***Nonmonetary factors, especially the high rates of voluntary quits, are likely to reduce the fraction that may be able to collect benefits in case of job loss.*** Data from the survey on reasons for job separation (and the prevalence of part-time work) suggest that as many as 60 percent of former welfare recipients who would have attained monetary eligibility may be disqualified because of a nonmonetary reason. Overall, about one in three are likely to have attained monetary and nonmonetary eligibility.

- ***Potential average UI weekly benefit amounts are relatively high, especially when compared with TANF payments.*** In New Jersey, average UI weekly benefit amounts of $200 among those eligible would translate to around $866 per month, compared with maximum monthly TANF benefit amounts of $424 for a family of three. The relatively high UI weekly benefit amounts are also driven partly by the fact that New Jersey's weekly benefit calculations are relatively generous compared with UI weekly benefit calculations in most other states.

- ***The UI monetary eligibility of former TANF recipients is fairly sensitive to UI program parameters, especially to the employment requirements and the minimum qualifying earnings requirement.*** Both the amount of time that a worker must work during the base period and the minimum amount of earnings during the base period required to qualify affect UI monetary eligibility rates. These rates increase by around 10 to 15 percentage points if rules from the states with generous eligibility rules are used relative to the rules of the more restrictive states.

- ***Alternative base-period rules that include more recent periods to calculate eligibility, such as used in New Jersey, would allow former recipients to become monetarily eligible more quickly after TANF exit.*** However, they do not have much effect on the overall fraction that become eligible over a two-year period, despite the prevalence of relatively high job turnover in this population. This is probably because the monetary eligibility requirements are sufficiently low that once a person has entered the labor force, they are likely to retain monetary eligibility, even if they become unemployed for a few months.

Analyses of the claims data to determine the access to the UI system and characteristics of the claims indicate that:

- ***Access to the UI program does not appear to be a problem, as many who lost jobs filed claims.*** Just over half of those who exited welfare and found work had filed one or more initial claims during the three year period after TANF exit. These relatively high rates of claims filed may be partly due to the fact that job cycling is relatively common for those who leave welfare and find jobs. In fact, nearly half of the claims filed were during the early months after job start, when rates of job loss are the highest. Additionally, to the extent that some of these job cyclers return to welfare, TANF program rules require those who have ever worked to file claims, further increasing the number who file UI claims.

- ***Ineligibility due to nonmonetary issues was twice as high in claims filed by former TANF recipients as in claims by filers statewide.*** These rates are driven by high rates of voluntary quits (without good cause), as well as by job separation due to misconduct. The claims data confirm our analyses from survey data that nonmonetary issues are likely to be quite important for this population of former welfare recipients.

- ***Relatively few claimants were disqualified for seeking part-time work.*** A considerable minority of former recipients had worked part-time and had filed claims, but very few claimants were disqualified because of a part-time work requirements. Either they chose to seek full-time work, or were not disqualified because of New Jersey's rules regarding part-time work. New Jersey law allows claimants to seek part-time work if the claim is based on part-time work, if part-time work is available in their occupation and locality, and if the claimant is looking for sufficient hours to earn an amount equal to the weekly benefit rate.

- ***Fewer claims filed by former TANF recipients than those filed by claimants statewide resulted in first payments.*** Fifty-six percent of claims filed by former TANF recipients resulted in first payments, compared with 70 percent of the claims statewide. This difference is driven largely by higher rates of monetary and nonmonetary disqualification in this group, rather than by failure to receive payments among those eligible. New Jersey's relatively generous rules with respect to separation denials for misconduct allow many former TANF recipients to begin receiving payments after a five-week waiting period. Rates of first payments are likely to be lower in states with less generous rules.

- ***The majority who file claims, however, eventually return to work.*** Consistent with their patterns of cycling in and out of jobs, the majority (90 percent) of those who filed claims had found employment subsequent to their filing a claim. Nearly two-thirds returned directly to employment, while one in four returned to TANF first, and then subsequently found a job.

Conclusions

Our findings suggest that compared with earlier times, a higher fraction of former TANF recipients who leave welfare and find employment potentially attain monetary eligibility for UI. Additionally, access to the UI system among former TANF recipients does not seem to be a problem. Former TANF recipients are aware of, and file for UI insurance. However, because former TANF recipients who find jobs tend to have low wages and intermittent employment, and because they are more likely than other workers to have noncovered jobs, they are somewhat less likely to have monetary eligibility for UI than all other workers. The somewhat lower rates of monetary eligibility for this group are also driven in part by those who return to TANF who are required to file UI claims regardless of their likelihood of UI eligibility. Furthermore, higher rates of voluntary quits and firing due to misconduct among this population further reduce the group's eligibility relative to the broader population of workers.

Concerns about decreases in UI participation rates and need for UI program rules to keep pace with the changing characteristics and needs of the UI workforce have led some to advocate reforms to the UI system. Many of these reforms focus on defining labor force attachment, identifying what constitutes separation through no fault, defining ability and availability for work, and increasing the currently low levels of benefits in many states. Our study shows that potential monetary eligibility rates for this population are sensitive to UI program parameters, especially the levels at which states set their minimum qualifying earnings and the amount of employment required over the base period. We find that alternative definitions of the base period that allow more recent quarters of work to count toward eligibility will allow more former TANF recipients who leave welfare for work to potentially become eligible for UI more quickly, but it does not affect eligibility in the longer period. Thus the extent to which these rules might affect this population depends on the extent to which these individuals experience job turnover, especially soon after they enter the labor force for the first time. Finally, our findings suggest that expansions of "good cause" quits may enable many former TANF recipients who leave welfare and find employment to access UI benefits in case of job loss. Of course, one has to keep in mind that any expansion of eligibility or increase in benefits would add to the costs of the program and to UI taxes.

I

INTRODUCTION

To a large extent, welfare reform achieved one of its goals—moving individuals from dependency to employment and self-reliance. The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) transformed the welfare system into one that provides participants with temporary support, and that offers them strong incentives to work. Although some critics voiced concerns about the effects of welfare reform and the ability of the labor market to absorb welfare recipients in large numbers, strong economic conditions and state service supports facilitated the transformation. Since mid-1996, welfare caseloads have declined by more than half—from 4.4 million families nationally in August 1996 to slightly more than 2.1 million in September 2001. Studies of welfare leavers show that nearly two-thirds of leavers are employed around the time of welfare exit, so that substantially more than 1 million former welfare recipients are estimated to have entered the labor force since welfare reform was passed.

Studies tracking the status of welfare leavers show that while many find jobs, a large fraction of those who find employment also cycle in and out of jobs and have a difficult time holding sustained employment (Acs and Loprest 2001; and Rangarajan 1996). For some people, job mobility may be expected as they try to find better jobs matches and follow a career path they have defined for themselves. For others, especially those with weak skills and little prior work experience, cycling in and out of employment may be inevitable, as they make an effort to transition out of welfare and into work.

The role of the safety nets available to welfare recipients who exit welfare and find jobs has gained attention in the past several years in the context of a time-limited welfare system. The recent economic slowdown has highlighted questions about whether former welfare recipients have broken the cycle of dependency, and have become mainstreamed into the labor force, enabling them to use the same social insurance programs available to other workers in case of job loss. An important question is whether the Unemployment Insurance (UI) system, the primary safety net for working individuals who lose jobs, adequately addresses the needs of former recipients who have left welfare and found jobs.

Some policymakers and researchers believe that the eligibility rules of the UI program make it less accessible to low-wage, entry-level workers, especially former welfare recipients who move in and out of the labor force and often do not have a stable employment history. In fact, studies based on the period preceding the Temporary Assistance for Needy Families (TANF) program have found that former recipients who exit welfare and are employed have fairly low rates of UI eligibility. Relative to the pre-PRWORA period, however, it is likely that the combination of welfare reform's work incentives and a strong economy may have led recipients who exited welfare and found jobs to obtain more stable employment and, consequently, to have increased their likelihood of becoming eligible for UI.

This study examines the extent to which former TANF recipients who leave welfare and find jobs are potentially eligible for UI in case of job loss. In particular, it asks, what is their rate of monetary eligibility, and how does this rate change over time? How are nonmonetary factors likely to affect eligibility? What benefit amounts are these individuals likely to be eligible for? How sensitive are UI monetary eligibility rates to varying program parameters? Finally, how many former TANF recipients who found jobs and eventually lost jobs actually file UI claims and receive payments?

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A. THE UI PROGRAM: COMPLEX AND VARYING BY STATE

The UI program, the largest worker protection or insurance program for job loss, was designed to help cushion the impact of an economic downturn, and to provide temporary wage replacement for workers who have been laid off. It is not means tested, and it is available to all workers. In most states, benefits are financed by employer taxes, and firms are required to contribute to an unemployment fund, with the amount of their contribution based on some percentage of each worker's wage. To encourage greater stability in employment, and to create a financial disincentive to employers to lay off workers, firms whose workers frequently draw from the fund are charged a higher rate.

UI program eligibility rules and payment rates are complex and vary by state (Table I.1). Three factors determine an individual's UI eligibility: (1) the length of employment and wage history (monetary eligibility), (2) reason for job separation (nonmonetary eligibility), and (3) availability for work (nonmonetary eligibility). In general, people can receive UI benefits that partially replace their wages if they have worked for a minimum period of time and have had a minimum level of earnings, have lost their jobs through no fault of their own, and are able to and are available for work.

In most states, to be eligible for UI, the individual must have earned more than a specified amount over a one-year "base" period, frequently defined as the first four of the last five completed calendar quarters. This minimum earnings requirement in 2001 ranged from $130 in Hawaii to $3,400 in North Carolina. Most states also require individuals to have worked during at least two of the base period's quarters, and to have

TABLE I.1

HOW UI PROGRAMS VARY ACROSS STATES

Qualifying Wages	Most states require claimants to have earned a minimum amount during the year before the claim (the "base period"), and to have earnings during at least two calendar quarters. Most states have a high-quarter earnings requirement. A few states also require claimants to work a minimum number of weeks or hours. The minimum base-period earnings required to qualify for UI ranged from $130 to $3,400 in 2001.
Reason for Job Separation	Workers who are laid off or otherwise leave a job involuntarily are generally eligible. Those fired for misconduct may not be eligible; those who voluntarily leave a job without good cause are not eligible. Definitions of misconduct and good cause vary among states. In most states, good cause includes only employment-related reasons; personal reasons generally are not acceptable.
Benefit Levels	
Weekly benefit amount	The weekly benefit amount (WBA) ranges from 40 to 60 percent of average weekly wages. It typically is set equal to 50 percent of the average weekly wage in the high quarter, up to a maximum. Twelve states have dependent allowances. Maximum WBAs ranged from $190 to $477 (excluding dependent allowance) in 2001.
Potential duration (weeks)	Weeks of potential duration, typically based on base-period earnings or weeks worked, range from 4 to 30 weeks. Most states have a 26-week maximum.
Continued Eligibility	Most states require claimants to be able and available to work, and to seek full-time work during each week that a benefit is claimed. About 20 states allow part-time workers to receive benefits.
Recipiency Rate	Recipiency rates (the percentage of the unemployed claiming UI) vary from less than 20 percent to more than 50 percent. The average recipiency rate in 2000 was 38 percent.

Source: Comparison of State Unemployment Insurance Law (U.S. Department of Labor 2001) and chartbook of UI data on USDOL website http://ows.doleta.gov/unemploy/content/chartbook/home.asp.

had a minimum amount of earnings during at least one of the two quarters, set as some percentage of the minimum earnings required over the base period.

Workers who leave their jobs voluntarily without good cause or are fired for misconduct are not eligible for UI. States define good cause and misconduct differently, generally in fairly specific ways. As a result most workers who quit their jobs are not eligible for UI and most who are fired are eligible since the reasons do not meet the specific criteria for good cause or misconduct respectively. States impose disqualifications that are for either a fixed number of weeks or until the claimant becomes reemployed. Hence in some circumstances claimants who are disqualified collect benefits eventually either after a waiting period or after a subsequent job separation. Most states also require claimants to actively seek full-time work while they are receiving benefits. Benefit levels vary widely by state but typically are 40 to 60 percent of average weekly wages, up to a maximum. Maximum payments range from a low of around $200 per week in Louisiana and Mississippi to a high of around $475 per week in Massachusetts.

New Jersey's UI rules make the state somewhat more restrictive with respect to monetary eligibility, but somewhat less restrictive with respect to nonmonetary eligibility than other states. New Jersey requires workers to have minimum earnings of $2,060 during the base period. In addition, individuals must have worked for at least 20 weeks during that time. Its 20-week work requirement and a minimum earnings requirement of $2,060 that is higher than that of the median state ($1,600) makes New Jersey's monetary eligibility rules somewhat more restrictive than those in many other states. However, workers who have attained monetary eligibility can benefit from New Jersey's more-generous nonmonetary disqualification rules. For example, workers in New Jersey who are fired for misconduct and are denied benefits in their initial claims are ineligible to receive benefits during a five-week waiting period, but then can start receiving benefits.[2] Most states do not allow these individuals to claim during their period of unemployment and further require workers to have covered work with a certain amount of earnings before they are eligible to reapply.

New Jersey's benefit formula is also relatively generous. In 2001, weekly benefits were 60 percent of the base period's average weekly wages, up to a maximum weekly benefit amount of $446. This maximum was the fourth highest among all states in that year. Potential duration in New Jersey is set at 75 percent of weeks worked over the base period, up to a maximum of 26 weeks.

B. UI AND LOW-WAGE WORKERS

The UI system was created in 1935 in response to effects of the Great Depression, when millions of men lost their jobs. At that time, most of the labor force consisted of men who were employed full time in the manufacturing or trade sector, and who typically had stable labor force attachment.

The labor force has changed a great deal since then. During the past several decades, for example, more women have joined the labor force. Women are more likely than men to work part time and to move in and out of the labor force, as they try to balance work and family life. Nontraditional work arrangements, such as work obtained through temporary agencies and part-time work, have increased as well. Finally, as a fraction of all jobs, the proportion of jobs in the service sector has increased Service sector jobs usually have lower wages and higher turnover than do manufacturing jobs.

The UI rules could place low-wage workers, particularly TANF recipients, at a disadvantage in any of three ways. First, earnings requirements mean that, relative to their higher-wage counterparts, low-wage workers must work more hours to qualify. For example, if a state requires a person to have earned $3,000 during the base year, someone earning $6 per hour and working 40 hours per week would have to work 12.5 weeks to qualify. In contrast, someone working 40 hours per week but earning $10 per hour would be able to qualify within 7.5 weeks. In addition, more low-wage workers than higher-wage workers who work during the base period are likely to be ineligible because their earnings may remain below the minimum requirements. Second, former welfare recipients are single parents who are responsible for the care of young children, often with no other supportive adult in the household. Because these women may have child care or other family needs that lead them to quit their jobs, they will be ineligible for UI

[2]Those fired for gross misconduct (which is rare) always are ineligible during the claim year.

in many states. Third, for the same reasons, many of these individuals may seek only part-time work, also making them ineligible in many states.

Empirical evidence on the extent to which former welfare recipients can qualify for UI if they lose their jobs is quite limited. Research conducted with data from periods prior to welfare reform has shown that UI eligibility rates are fairly low among former welfare recipients who exit welfare for employment. For example, Vroman (1998) suggests that only about 20 percent of former welfare recipients are likely to be eligible for UI, and Kaye (1997), using the National Longitudinal Study on Youth, estimates as an upper bound that one-third are likely to have monetary eligibility about six quarters after exiting welfare. Similarly, the U.S. General Accounting Office (2000) finds that low-wage workers are considerably less likely than higher-wage workers to qualify for UI benefits.

These studies are based on data pertaining to the period preceding passage of PRWORA, rather than on an examination of the employment experiences of recent recipients. Researchers have only now begun to examine the extent to which the UI program is likely to cover welfare recipients who have worked under the new welfare rules and during a period of strong economic conditions (Kaye 2001; Decker et al. 2001; Holzer 2000; and Boushey and Wenger 2002). Furthermore, policymakers have proposed reforms to the UI system to better accommodate the needs of the working poor (for example, allowing the use of more recent earnings in eligibility determination, allowing people seeking part-time work to qualify, having more generous nonmonetary eligibility related to reasons for job separation, and increasing benefit levels). However, few studies have been conducted to examine the sensitivity of UI eligibility to rule changes, or the degree to which former welfare recipients might benefit from such proposals. For example, if part-time workers have low wages, work intermittently, and do not qualify for UI because they are unable to meet the minimum earnings requirements, then by itself, a rule change that extends eligibility to those seeking part-time work may have only a modest effect on eligibility rates. It is thus important to learn which of the proposed reform changes are likely to have the largest effect among this population.

C. KEY RESEARCH QUESTIONS

In this study, we examine the following key questions:

- ***To what extent can former TANF recipients who leave welfare and work rely on UI as a temporary safety net in case of potential job loss?*** How do their monetary eligibility rates change over time? Do potential monetary eligibility rates vary by such job characteristics as occupation or hours worked? Do some who leave for reasons other than work eventually find other jobs and earn enough to become potentially eligible for UI? To what extent are nonmonetary factors likely to disqualify those who have monetary eligibility for UI?

- ***What are potential UI benefit amounts among former welfare recipients who have monetary eligibility for UI?*** How do these amounts compare with TANF benefit amounts? For how long could eligible former TANF recipients receive UI? How many former recipients have their weekly benefit amounts capped at the maximum?

- ***How might changes in UI program rules affect eligibility?*** How sensitive are UI eligibility and benefit levels to alternative definitions of key program parameters, such as qualifying earnings requirements, the weekly benefit amount formula, the maximum weekly benefit amount, and the definition of the base period?

- ***How many former welfare recipients filed claims?*** What were monetary and nonmonetary disqualification rates among former recipients who filed claims? How do these rates compare with rates among all workers statewide? How much benefits do claimants receive? How many exhausted their UI benefits?

In the next chapter, we discuss in detail the sample, data, and analysis methods used in this study. In the four subsequent chapters, we examine, respectively, (1) patterns of potential monetary and nonmonetary UI eligibility, (2) patterns of UI benefit amounts, (3) sensitivity of key outcomes to changes in UI program parameters, and (4) characteristics of claims filed by former recipients.

II

STUDY BACKGROUND AND ANALYTIC APPROACH

New Jersey implemented its new welfare initiative in July 1997. The initiative, Work First New Jersey (WFNJ), contains provisions for five-year time limits on cash assistance, immediate work requirements for most clients, and expanded support services. During the first five years under these reforms and in the context of a strong economy, New Jersey, like the rest of the country, experienced a dramatic reduction in its welfare caseload. To understand how families receiving cash assistance in New Jersey are faring, the New Jersey Department of Human Services (NJDHS) sponsored a comprehensive study of how welfare reform is being implemented in New Jersey, and how current and former TANF recipients are faring over time. The WFNJ evaluation follows a statewide, representative sample of 2,000 current and former recipients in New Jersey who received TANF between July 1997 and December 1998, the first 18 months under the new reforms. The sample includes those who previously were on the Aid to Families with Dependent Children caseload and continued to receive assistance through TANF and new entrants during the first 18 months of the state's TANF implementation. A series of annual longitudinal surveys with current and former clients and administrative data are being used to track the recipients in the sample.

A. SAMPLE AND DATA

This study of former TANF recipients' potential eligibility for UI focuses on the subset of welfare recipients in the WFNJ study sample who exited the welfare rolls prior to December 1999 and were employed around the time of TANF exit. We have focused on recipients who left the rolls *and held jobs around the time of exit* because the primary intent of the UI program is to provide support for *workers* in case of job loss. Consistent with the definition used in most state TANF leaver studies, we considered a person to have exited the TANF rolls if he or she left TANF and remained off the rolls for two consecutive months. Again, consistent with the definitions used in earlier studies, a person is counted as having left welfare "for work" if he or she held a job at the time of TANF exit or within three months of TANF exit.[1] We have counted as employed both those who reported holding jobs in the surveys or had reported employment according to administrative data, both to try to capture jobs that are not reported to the wage records system, and to allow for survey recall error and nonresponse.[2]

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[1]In this report, we often use the term *left welfare for work* to refer to those who left welfare and held a job around the three-month window of TANF exit. Using a narrower definition and examining only those who were employed during the first month after TANF exit does not affect our findings. Furthermore, our sample includes all those who left welfare and were employed, regardless of whether they found employment on their own or were assisted by a state employment service agency in finding a job.

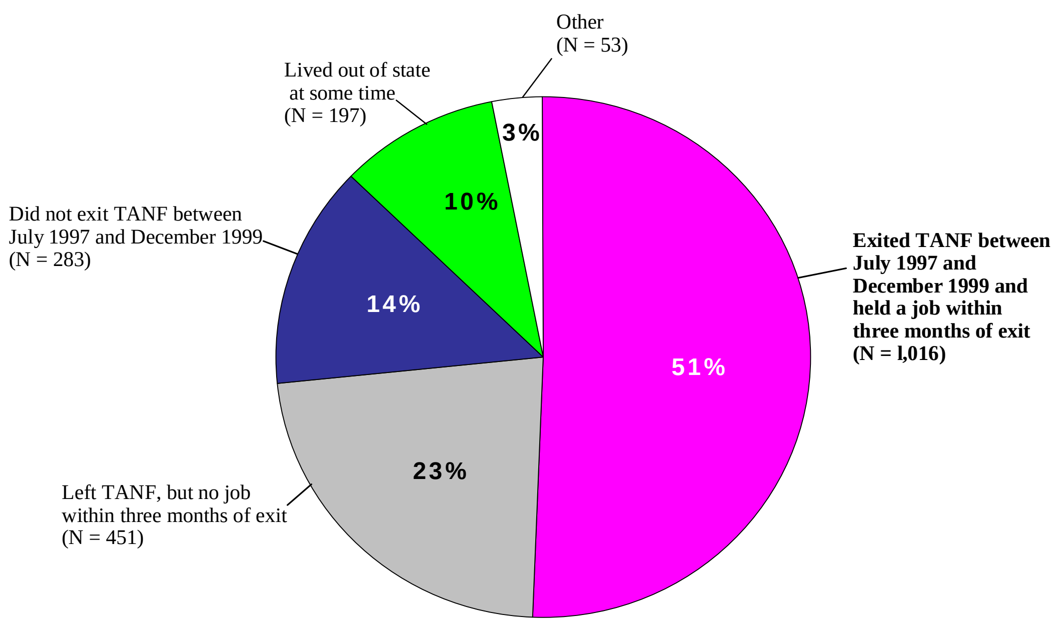
[2]Sixty-one percent of those who exited TANF for work had employment reported in both surveys and wage records data. Twenty-seven percent had jobs reported according to the wage records data only, and 11 percent had jobs reported according to the survey data only.

Of the original sample of 2,000, slightly more than half (1,016 recipients) had exited TANF for work and thus form the core sample for the analysis (Figure II.1).[3] Another quarter (451 recipients) had exited welfare but had not found jobs within three months of TANF exit.[4]

We used administrative records data from the state of New Jersey and longitudinal survey data to track the sample members' employment and earnings, and to determine their potential UI eligibility over time. The administrative data consist of UI wage records data, UI claims data, and welfare data. The UI wage records data include quarterly earnings and weeks worked; the welfare data include monthly TANF receipt.[5] Both these data cover the two-year period after TANF exit for each sample member. The UI claims data cover a period of approximately 30-months after TANF exit. The longitudinal survey data were obtained from surveys of sample members conducted in spring 1999, 2000, and 2001. The surveys collected detailed information on each job

FIGURE II.1

WFNJ SAMPLE



Source: New Jersey administrative records and first, second, and third WFNJ client surveys, conducted by Mathematica Policy Research, Inc.

Note: Members of the "other" group include 36 individuals with invalid Social Security numbers and 17 individuals who were deceased. Figure may not sum to 100 percent due to rounding.

[3]We exclude from our analysis the 10 percent of the sample members (197 individuals) who reported living out of state in any of the three surveys, as we do not have wage records data from their state of residence and are unable to compute their UI monetary eligibility.

[4]Because some individuals may not leave welfare directly for work but may eventually find jobs, we also examined overall UI eligibility of the 451 recipients who left the TANF rolls for non-work-related reasons.

[5]If a sample member had exited TANF for a job more than once, we used the first time he or she exited TANF as our reference point.

held since WFNJ entry, including each job's start and end dates, hours and weeks worked, hourly wages, and reasons for job loss. Each survey had a response rate of more than 80 percent, and more than 90 percent of the sample was interviewed at least once.

B. Analytic Methods

We conducted three types of analyses: (1) an examination of former TANF recipients' potential UI eligibility, (2) the sensitivity of potential monetary eligibility to alternative UI parameters, and (3) an examination of UI claims data. This section describes our approach to conducting each type of analysis.

Analysis of Potential Eligibility. Much of the analysis in this study focuses on determining *potential* monetary eligibility for UI. In other words, we examined the extent to which former welfare recipients would have monetary eligibility for UI if they were to experience a qualifying job separation (that is, a job separation occurring through no fault of their own), and if they were available for full-time work. We focused on potential eligibility among all those who exited TANF for work in order to better understand what safety nets are available to these low-wage workers should they lose their jobs. Our examination of sample members' potential UI eligibility covers each of the eight quarters after their exit from TANF. To estimate potential monetary UI eligibility in any given quarter after TANF exit, we examined former recipients' weeks worked and earnings during the UI base period for that quarter. Weeks worked and earnings used are based on those reported in the wage records data.

Our definition of potential eligibility is based on New Jersey's UI rules. According to these rules, individuals who had worked 20 weeks or more and had earned $2,060 or more during the base period for any given quarter were considered to be potentially eligible for UI for that quarter. "Base period" typically refers to the first four of the last five completed quarters. Clients who had more than $5,200 in earnings over the base period also were treated as potentially having monetary eligibility, if weeks worked were missing or less than 20 weeks.[6] Note that our primary estimates of monetary UI eligibility are based on clients' weeks and earnings during the relevant base period for each quarter in which they potentially might experience a job loss; our analysis is not restricted to those who actually experienced a job loss.

Because nonmonetary factors are also likely to affect UI eligibility, we attempted to get a sense of the extent to which these factors might be important for this population. The two nonmonetary factors we examined were (1) reasons for job separation, and (2) part-time work. As we have discussed, those who quit their jobs voluntarily typically are not eligible for UI, and those who are fired may be denied benefits, at least for some time. To get a sense of the reasons for job loss typically reported by former welfare recipients, we examined self-reported reasons for job loss among those who had experienced a job separation of at least one month. In particular, we examined the percentage reporting that

[6] In practice, the UI system in New Jersey requests information from base-period employers on weeks worked and weekly wages in cases in which the wage records contain data on earnings but do not have information on weeks worked. In addition, workers in New Jersey who earned 1,000 times the state minimum hourly wage also qualify, regardless of the number of weeks they worked.

they were laid off, fired or had quit their jobs (and the reasons for quitting).[7] To examine the potential effects of part-time work on eligibility, we used the number of hours that individuals worked in their current or most recent jobs as a proxy for the hours they would be available to work if they were seeking jobs. Bear in mind that these nonmonetary eligibility estimates are fairly approximate, and that they provide us with only a rough sense of the prevalence of these issues for this population. The analysis of claims data, discussed in Chapter VI, provides a better sense of the importance of these nonmonetary factors.

Sensitivity of Potential Eligibility to Alternative UI Program Parameters. We examined the sensitivity of potential UI monetary eligibility to three types of changes in UI program parameters: (1) alternative definitions of the base period, (2) alternative definitions of employment and earnings requirements, and (3) alternative definitions of weekly benefit calculations. For example, most of the analysis of potential UI eligibility is based on the standard definition of the base period used in most states—earnings during the first four of the last five completed quarters. However, we also used two alternative definitions of the base period in our examination of UI eligibility: (1) earnings during the last four completed quarters, and (2) earnings during the current quarter and the last three completed quarters.[8] Similarly, we conducted simulations to estimate the effects of alternative UI policies on TANF leavers' monetary eligibility. For example, we examined how monetary eligibility based on New Jersey's 20-weeks-worked rule would change if two quarters of earnings with a high-quarter earnings requirement were used instead. We also examined the sensitivity of monetary UI eligibility to the alternative definitions of minimum qualifying earnings and high-quarter earnings used in various states.

Claims Data Analysis. This analysis focuses on the extent to which former WFNJ clients who left TANF for work filed claims during the period beginning with their exit from TANF and ending April 2002. This represents UI claims filed over a period lasting an average of about 30 months after leaving TANF for work. We examined the fraction who filed claims, including both single and multiple filers. We also examined monetary and nonmonetary disqualifications in these claims and, where data were available, compared rates of disqualifications for all UI claimants statewide over a comparable period. For claimants in our sample with a payment, we examined weekly benefit amounts, duration of payments, and benefit exhaustion. (Individuals who collected the full amount of available benefits are considered to have exhausted their benefits.)

[7]Our study covers a period of strong economic conditions. In a weaker economy, it is likely that fewer individuals would voluntarily quit their jobs, and more would be likely to be laid off.

[8]In New Jersey, alternative base-period definitions are applied sequentially. If an individual does not have monetary eligibility based on the standard definition, his or her earnings during the last four completed quarters are examined; if still without eligibility, then earnings for the previous 52-week period are examined. We used earnings during the current and last three completed quarters in an effort to proxy the latter definition. Because most states use the standard base period, our main findings also use the standard definition. However, in Chapter V, we also describe eligibility as it would exist if the expanded definitions were used, as they are in New Jersey.

C. SAMPLE AND JOB CHARACTERISTICS

As a useful context for this study's findings on sample members' potential monetary eligibility, we briefly describe the characteristics of the sample members, the types of jobs they find, and their employment patterns. Similar to welfare recipients in other states, the WFNJ clients were relatively disadvantaged (Table II.1). Fewer than 15 percent had more than a high school diploma or GED at the time of WFNJ entry, and only about half had been employed at any time during the two years prior to entry. More than one in three were high school dropouts. Nearly 10 percent were primarily non-English speaking. While growing up, slightly fewer than half lived in single-parent households, and the families of nearly 40 percent received welfare.

TABLE II.1

CHARACTERISTICS OF UI STUDY SAMPLE MEMBERS AT THE TIME OF WFNJ ENTRY

	Percentages/(Average)
Female	96
Average Age (in Years)	(29)
Educational Attainment	
Less than high school diploma or GED	36
High school diploma or GED	50
More than high school diploma or GED	14
Employed During Two-Year Period Prior to WFNJ Entry	55
Race/Ethnicity	
African American	55
Hispanic	18
White	25
Other	1
Does Not Speak English at Home	9
Is a U.S. Citizen	95
Average Number of Children Younger than Age 18 in Household	(1.9)
Age of Youngest Child (in Years)	
Younger than 3	40
3 to 5	28
6 or older	32
Household Type	
Single parent	81
Two parent	8
Other multiple adult	8
Other single adult	3
Marital Status	
Never married	71
Married	7
Separated/widowed/divorced	22
Household Member Receiving SSI	7
Lived in Two-Parent Household as a Child	53
When Growing Up, Family Received Welfare	39
Sample Size	**1,016**

Source: Calculations from New Jersey wage and welfare records data and surveys, conducted by Mathematica Policy Research, Inc.

Note: Percentages may not sum to 100 percent due to rounding.

GED = general educational development certificate; SSI = Supplemental Security Income.

Many welfare recipients who find employment obtain low-paying, entry-level jobs (Table II.2). WFNJ clients who left TANF for work earned an average of $9 per hour; one quarter earned more than $10 per hour, and about 30 percent earned less than $7 per hour. Although these wages are low, they are higher than those found in previous studies, which were based on pre-PRWORA data (Rangarajan et al. 1998). The difference is likely driven in part by the strong economy during the mid and late 1990s, as well as by the effects of welfare reform; both are likely to have led many recipients to stay employed longer, and to obtain human capital experience and wage growth as a consequence. Most former TANF recipients in New Jersey found jobs in the service sector, sales, or administrative support; only slightly more than 20 percent were in technical, managerial, or professional occupations. About one in four held seasonal or temporary jobs, and around 60 percent were in jobs that offered fringe benefits, such as health insurance or paid vacations.

TABLE II.2

CHARACTERISTICS OF JOBS HELD BY CURRENT AND FORMER NEW JERSEY TANF RECIPIENTS

	Percentages/(Averages)
Hourly Wage (in Dollars)	
6.00 or less	11
6.01 to 7.00	20
7.01 to 8.00	15
8.01 to 9.00	17
9.01 to 10.00	12
More than 10.00	25
(Average)	($9.00)
Hours Worked per Week	
Fewer than 20	6
20 to 34	25
35 or more	69
(Average)	(36)
Monthly Earnings (in Dollars)	
Less than 1,000	27
1,001 to 1,400	29
More than 1,400	44
(Average)	($1,446)
Benefits Offered	
Health insurance	57
Paid vacation	61
Seasonal/Temporary Job	23
Occupation	
Manager/professional/technical	22
Sales/ Administrative support	43
Services	35
Sample Size	**749**

Source: First, second, and third WFNJ client surveys conducted by Mathematica Policy Research, Inc.

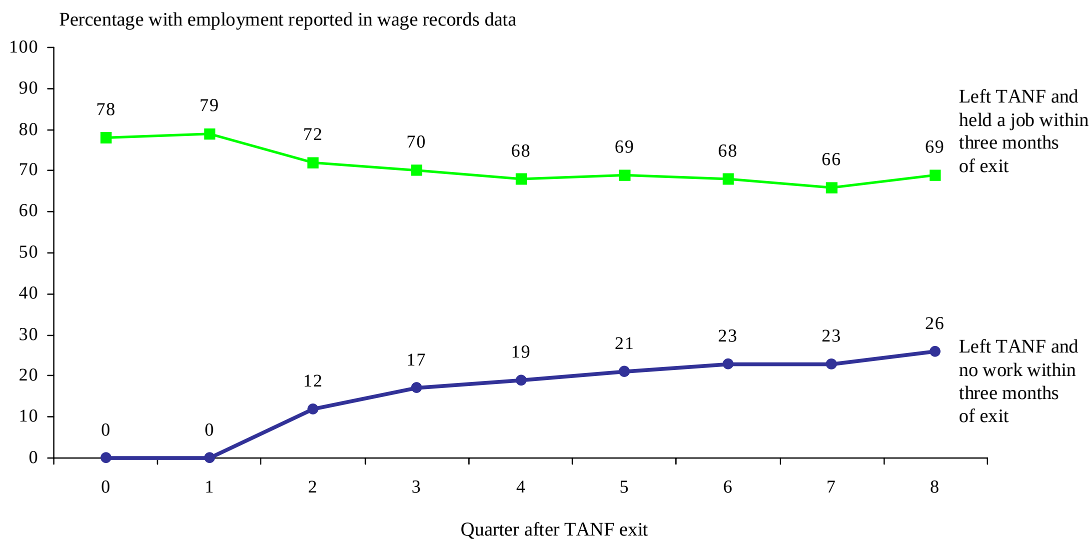
Note: Sample sizes may be smaller for some variables because of missing values.

Eighty-nine percent of sample members who exited TANF for work had earnings reported in the New Jersey wage records during either the quarter of exit or the quarter after exit. The remaining 11 percent reported employment in the surveys; our examination of the wage records data showed no corresponding employment. This finding suggests that these TANF recipients who left welfare and worked held noncovered jobs or "under the table" jobs, worked across the state border,[9] or did not recall their employment history accurately, producing some survey recall error.[10]

Average levels of UI-reported employment (the earnings used to calculate UI eligibility) among those who left TANF and worked start close to around 80 percent during the quarter after TANF exit for work (Figure II.2). These rates declined somewhat over time, and, during most of the two-year period after TANF exit, employment rates remained at slightly less than 70 percent.

FIGURE II.2

EMPLOYMENT PATTERNS AFTER WFNJ ENTRY



Source: Calculations from New Jersey administrative records and surveys conducted by Mathematica Policy Research, Inc.

Note: The sample includes 1,467 individuals who left TANF between July 1997 and December 1999. Of these, 1,016 left TANF for and were employed within three months of exit, and 429 left TANF but had not found a job within three months of exit.

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[9]We excluded from our study individuals who reported living in some other state in any of the three surveys, since we do not have wage records data for these individuals from their state of residence.

[10]These findings are similar to findings of other studies that have tried to match UI reported earnings with self-reported employment data, and that found a higher prevalence of employment in survey data than in administrative data (Kornfeld and Bloom 1999; and Maynard et al. 1995).

III

MONETARY AND NONMONETARY UI ELIGIBILITY

Are TANF leavers likely to have sufficient earnings to be monetarily eligible for UI if they lose their jobs? How long does it take them to establish monetary eligibility? What explains why some leavers are less likely to be eligible? In this chapter, we discuss basic patterns of potential UI monetary eligibility among former TANF recipients who left welfare and worked, focusing on their monetary eligibility during the two-year period after they exited TANF for a job. We also consider how eligibility rates vary by job characteristics, such as occupation and part-time work status, as well as for those who experienced a job loss. We examine the extent to which monetarily ineligible people are ineligible and ask, is it low earnings or lack of earnings? Finally, we discuss the extent to which nonmonetary factors are likely to affect eligibility further.

Nearly three out of four TANF recipients who exited welfare and worked would have attained monetary eligibility at some point during the two-year period after TANF exit. Somewhat fewer (60 percent) would have attained monetary eligibility in any given quarter after TANF exit. These numbers are high relative to the estimated monetary eligibility rates of around 33 percent in studies that used data from the pre-PRWORA period. Nearly two-thirds of those who would not have monetary eligibility were ineligible because their earnings during the base period were too low to allow them to qualify. The remaining one-third had no employment or no covered employment during the base period. Nonmonetary factors, especially the high rates of voluntary quits, are likely to further reduce the fraction that may be able to collect benefits in case of job loss. As many as 60 percent of former welfare recipients who have potential monetary eligibility may have a nonmonetary disqualification. Overall, about one in three are likely to have attained monetary and nonmonetary eligibility.

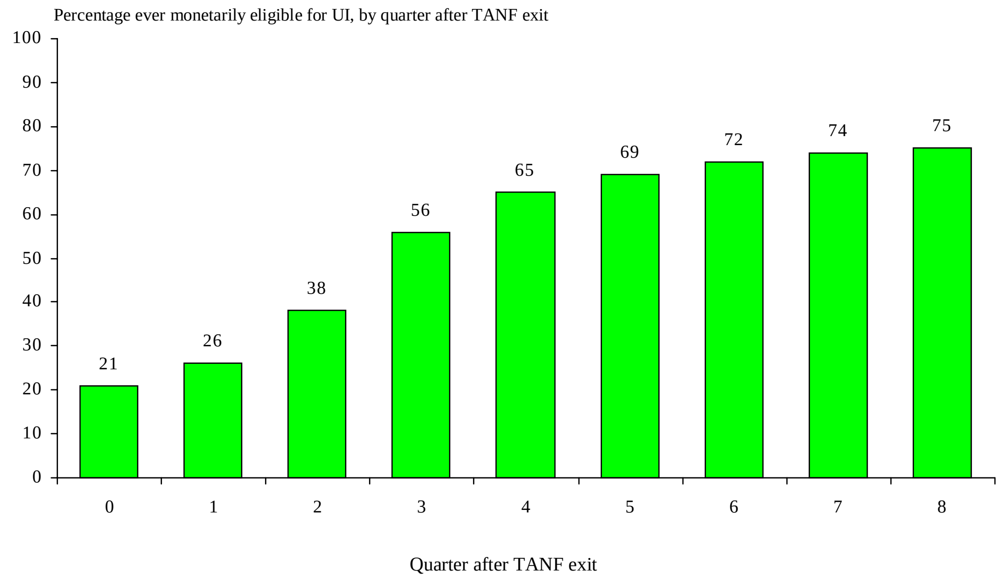
A. PATTERNS OF BASIC UI MONETARY ELIGIBILITY OVER TIME

- ***Nearly three out of four former recipients who exited welfare and worked attained potential monetary eligibility for UI during the two-year period after their TANF exit.***

Overall, three out of four of those who left TANF for work are estimated to attain monetary eligibility for UI at some point during the two-year period after TANF exit (Figure III.1). Most of those who are estimated to attain monetary eligibility do so during the first year after TANF exit. First-time monetary eligibility increases rapidly during the first three quarters after TANF exit, subsequently growing at a much more modest pace between quarters 4 and 8 after exit. The number likely to attain monetary eligibility is higher than those found in previous studies of welfare recipients' monetary eligibility (Vroman 1998; and Kaye 1997). The higher number is likely a function of the higher earnings and more stable employment patterns among welfare recipients in recent times, which have been driven by welfare reform's strong emphasis on work and the strong economic conditions that prevailed during this period.

FIGURE III.1

CUMULATIVE MONETARY ELIGIBILITY FOR UI, BY QUARTER AFTER TANF EXIT



Source: Calculations of New Jersey wage records data and data from WFNJ surveys, by Mathematica Policy Research, Inc.

Note: The sample includes 1,016 individuals who left TANF between July 1997 and December 1999, and who held a job within three months of TANF exit.

A modest fraction of those who potentially would have attained monetary eligibility for UI also would have lost their eligibility at some point during the study period. About one in four TANF recipients who exited for work and who became eligible during the first year after exit lost their eligibility during the second year after exit (Figure III.2). As we will show, monetary ineligibility is driven largely by these workers, as well as by their pattern of intermittent employment.

- ***UI monetary eligibility levels increased steadily over time as individuals gained work experience and built up the earnings required to qualify for UI.***

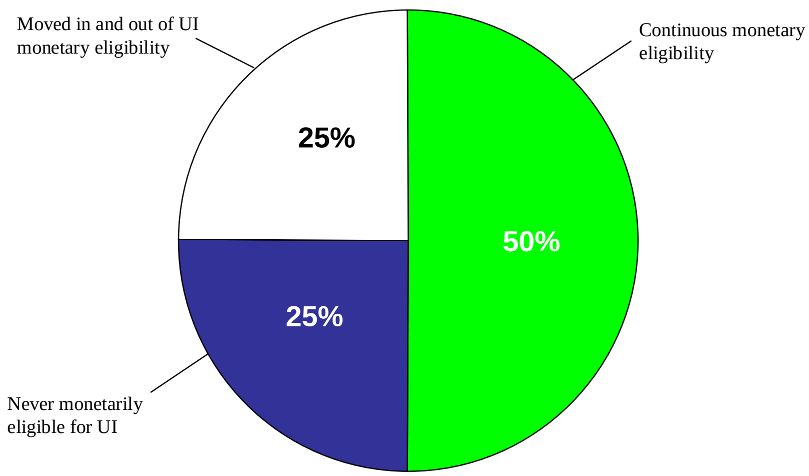
After increasing steadily during the first three quarters after TANF exit, potential UI monetary eligibility rates reached nearly 60 percent by the fourth quarter after exit (Figure III.3). Thereafter, potential monetary eligibility rates stabilized at around 55 to 60 percent during each quarter of the second year after exit. (When we examined UI monetary eligibility over a longer period by restricting the sample, we found that quarterly rates of potential UI monetary eligibility remained between 55 and 60 percent during the third year after TANF exit.)

B. PATTERNS OF MONETARY UI ELIGIBILITY AMONG KEY SUBGROUPS

To study monetary UI eligibility in greater depth, we examined potential monetary eligibility rates according to such job characteristics as occupation and hours worked. We also examined potential UI eligibility rates among TANF leavers who experienced a

FIGURE III.2

PATTERNS OF UI MONETARY ELIGIBILITY AMONG THOSE WHO EXITED TANF FOR WORK
(Two-Year Period After TANF Exit)

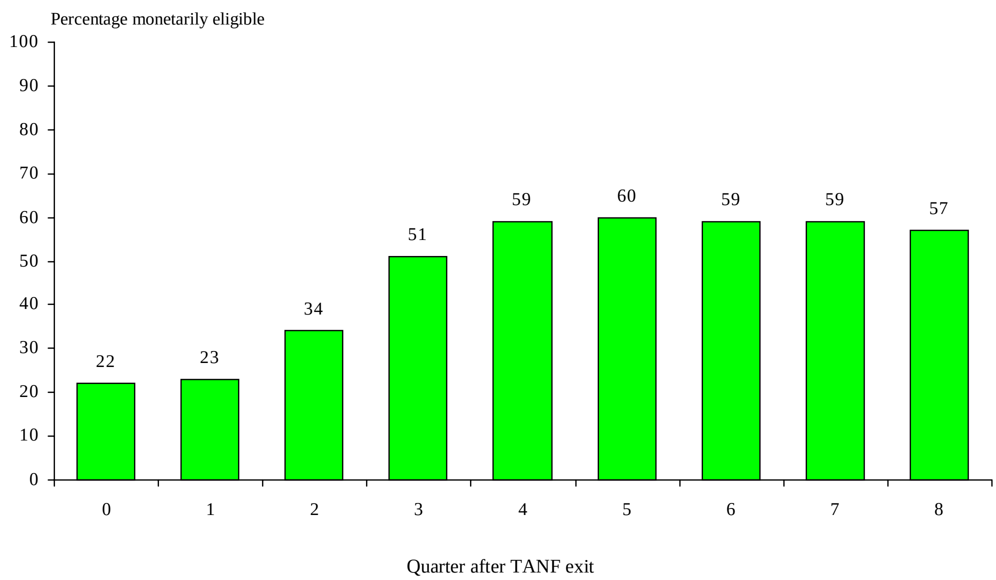


Source: Calculations of New Jersey wage records data and data fro WFNJ surveys, by Mathematica Policy Research, Inc.

Note: The sample includes 1,016 individuals who left TANF between July 1997 and December 1999, and who held a job within three months of TANF exit.

FIGURE III.3

UI MONETARY ELIGIBILITY IN EACH QUARTER, BY QUARTER AFTER TANF EXIT



Source: Calculations of New Jersey wage records data and data from WFNJ surveys, by Mathematica Policy Research, Inc.

Note: The sample includes 1,016 individuals who left TANF between July 1997 and December 1999, and who held a job within three months of TANF exit.

job loss, as well as among all TANF leavers, including those who left for reasons other than work.

- ***Former TANF recipients in service occupations had lower rates of potential UI monetary eligibility than did those in managerial and professional occupations or in sales.***

As we saw in Table II.2, more than one-third of former recipients were working in the service sector in their current or most recent job; jobs in this sector usually are associated with relatively low wages and high job turnover. Indeed, we found some evidence that potential monetary UI eligibility is lower for workers in the service sector than it is for workers in professional or sales jobs (by about 10 to 15 percentage points; Table III.1). Monetary eligibility rates among workers in managerial/professional occupations and among workers in sales and administrative support did not differ widely. In addition, potential UI monetary eligibility rates for those in the service sector are significantly lower than rates for those in sales or professional jobs, even after controlling for other job and individual characteristics.

- ***Potential eligibility rates were lower among workers in part-time jobs than among workers in full-time jobs; however, a considerable number of part-time workers also potentially would attain monetary eligibility for UI.***

There is a steady relationship between potential UI monetary eligibility and hours worked. As we see in Figure III.4, eligibility rates were highest among those who were

TABLE III.1

ELIGIBILITY FOR UI OVER TIME, BY OCCUPATION

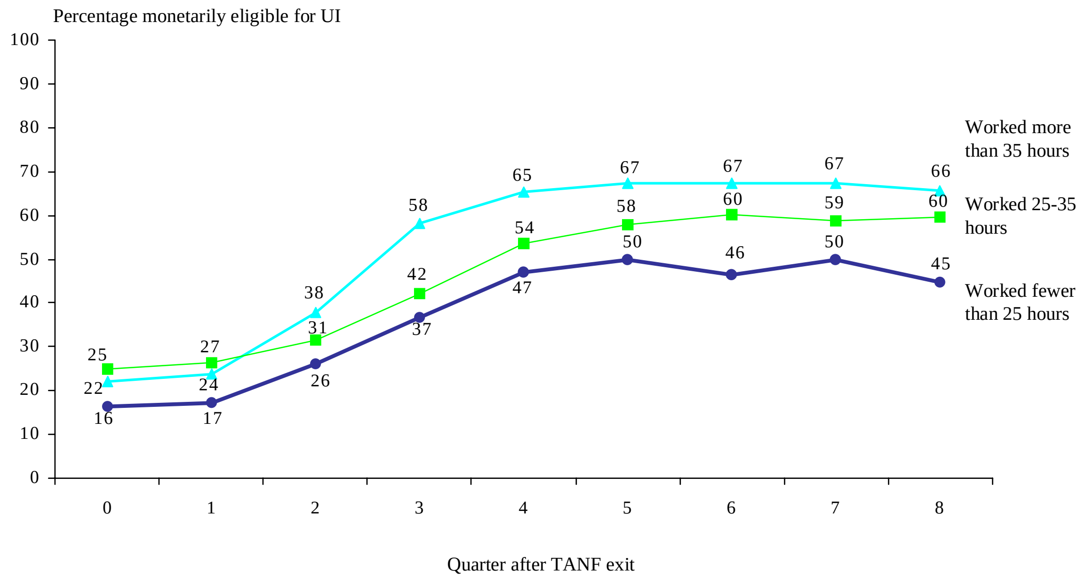
	Managerial/Professional/ Transportation (21 Percent)	Sales/Administrative Support (43 Percent)	Services (36 Percent)
Quarter After TANF Exit			
0	18	22	23
1	23	22	23
2	40	34	31
3	61	53	45
4	65	66	51
5	68	69	54
6	68	68	54
7	67	67	57
8	67	64	55

Source: New Jersey wage records data and data from WFNJ survey, conducted by Mathematica Policy Research, Inc.

Note: The sample includes 736 individuals who left TANF between July 1997 and December 1999, who held a job within three months of exit, and for whom we had survey data on the occupation of the most recent job.

FIGURE III.4

ELIGIBILITY STATUS DURING THE TWO-YEAR PERIOD
AFTER TANF EXIT, BY HOURS WORKED



SOURCE: Calculations of New Jersey wage records data and data from the WFNJ surveys, by Mathematica Policy Research, Inc.

NOTE: The sample includes 1,016 individuals who left TANF between July 1997 and December 1999, and who held a job within three months of TANF exit. Hours worked refers to hours in the current or most recent job.

in full-time jobs; 65 to 67 percent of this group potentially would have attained monetary eligibility during the second year after TANF exit. In comparison, only about 45 to 50 percent of those who were working in part-time jobs (defined here as fewer than 25 hours per week) would have monetary eligibility. Although eligibility rates are lower than the rates for full-time workers, these data still suggest that many TANF leavers who find part-time work are likely to have monetary eligibility if they apply for UI benefits. The UI program requirement to search for full-time employment could make them ineligible if they were to continue to seek part-time work.

- ***Work experience prior to welfare entry and higher education levels also are associated with greater UI monetary eligibility.***

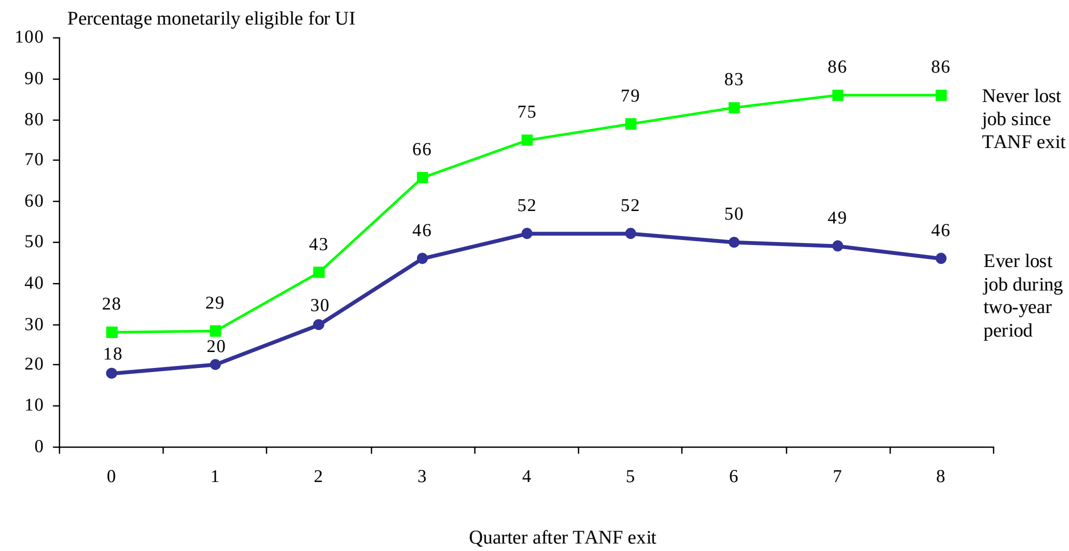
Human capital characteristics are also significant predictors of who is likely to attain monetary UI eligibility. We found that those who had labor market experience prior to WFNJ entry, those with more than a high school diploma or GED, and older workers (characteristics also associated with higher earnings) were more likely to have monetary eligibility for UI than were those without these characteristics. Other personal or demographic characteristics, such as race/ethnicity, area of residence, and presence of children in the household, did not affect potential UI monetary eligibility. Job characteristics, such as occupation and hours worked, continue to remain significant determinants of potential UI monetary eligibility even after controlling for other individual characteristics.

- ***As a group, former recipients who experienced a job loss during the two-year period after TANF exit were likely to have lower rates of UI monetary eligibility than were those who never lost their jobs during that period.***

About half of those who left TANF for work lost their jobs at some point during the two-year period after TANF exit. We found that TANF leavers who had ever lost their jobs had potential monetary eligibility rates of around 50 percent, compared with rates of between 80 and 90 percent for those who had never lost their jobs (Figure III.5). It also is interesting that nearly 15 to 20 percent of those who had been employed continuously throughout the two-year period would not have attained monetary eligibility. Some in this group may have worked in such low-paying jobs that they would not qualify; others may have held jobs that were not covered by UI, and that therefore would not have counted toward determining monetary eligibility.[1]

FIGURE III.5

UI ELIGIBILITY AMONG THOSE WHO EVER LOST THEIR JOBS DURING THE TWO-YEAR PERIOD AFTER TANF EXIT



Source: Calculations of New Jersey wage records data and data from the WFNJ surveys, by Mathematica Policy Research, Inc.

Note: The sample includes 1,016 individuals who left TANF between July 1997 and December 1999, and who held a job within three months of TANF exit.

[1]A small fraction may live in New Jersey and work in New York or Pennsylvania. We do not have wage records data from these states for these individuals, and are classifying them as not having monetary eligibility.

- ***Former recipients who left TANF for reasons other than work generally had much lower rates of potential UI eligibility than did those who left TANF for work.***

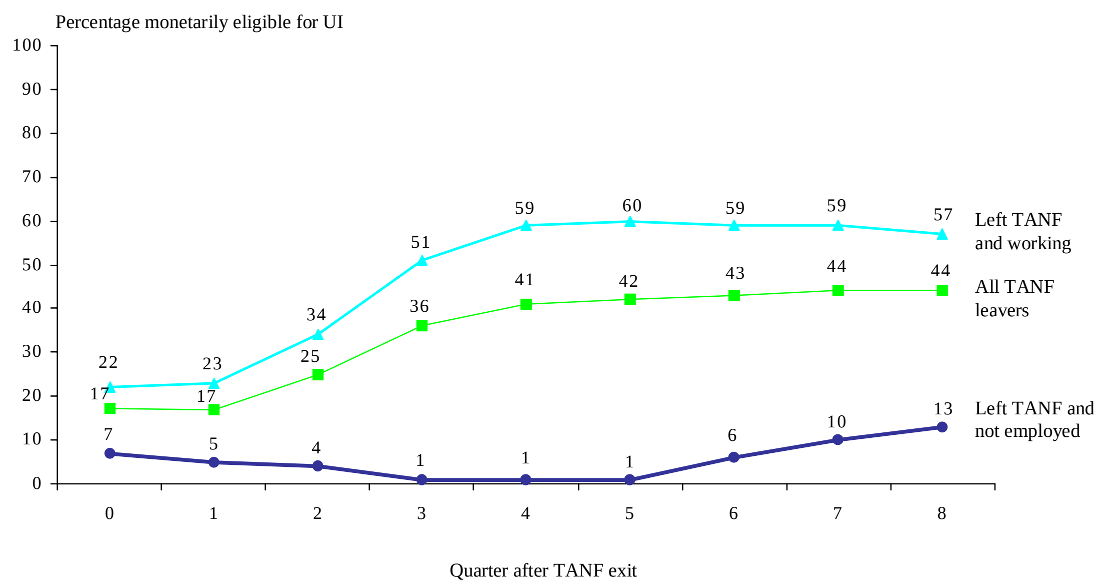
Fewer than 10 percent of people who left TANF for reasons other than work would have attained eligibility during most of the period after TANF exit (Figure III.6). This finding is not surprising, as many members of this group may never enter the labor market. For example, some may be receiving Supplemental Security Income, living with an employed spouse or partner, or receiving some other source of income (Rangarajan and Johnson 2002). As Figure II.2 showed, members of this group had very low employment rates, with only 20 to 25 percent having any earnings between quarters 4 and 8 after TANF exit.

C. WHY ARE SOME PEOPLE MONETARILY INELIGIBLE FOR UI?

As we have seen, around 40 percent of those who left TANF for work remained monetarily ineligible for UI in any given quarter during the second year after exit. Why are some individuals unlikely to attain monetary eligibility for UI? Are they working, but in low-wage jobs and with irregular employment, so that their earnings are insufficient to qualify? Or, have they had no employment during their base period? If the former reason explains the lack of eligibility, job retention and advancement may have to become an important part of program services. If the latter explanation applies, then it may be necessary to increase the program's emphasis on job search, basic skills training, and job retention.

FIGURE III.6

MONETARY ELIGIBILITY FOR UI AMONG ALL WHO LEFT TANF



Source: Calculations of New Jersey wage records data and data from the WFNJ surveys, by Mathematica Policy Research, Inc.

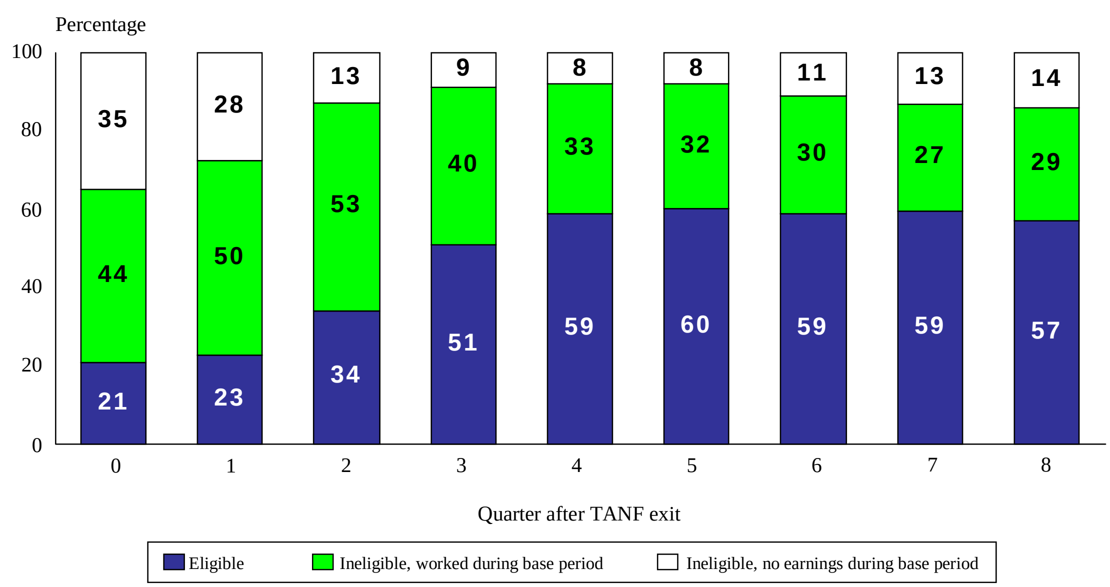
Note: The sample includes 1,467 individuals who left TANF between July 1997 and December 1999. Of these, 1,016 left TANF for and were employed within three months of exit, and 429 left TANF but had not found a job within three months of exit.

- ***The majority of former TANF recipients who did not have monetary eligibility had some earnings during the base period, but their earnings were too low or of insufficient duration to enable them to qualify.***

The middle panel in Figure III.7 shows the fraction of individuals who had earnings during the base period but did not have monetary eligibility for UI. If we examine quarter 8, for example, we see that 29 percent of former TANF recipients were monetarily ineligible but had some earnings in the base period. (This group represents about two-thirds of those who did not attain potential monetary eligibility). These individuals had low earnings, and many had worked intermittently, precluding their potential UI monetary eligibility. For example, around 30 percent had covered employment in only one quarter during the base period, and another 30 percent had covered employment in only two quarters. Fewer than 10 percent had worked in all four quarters during the base period. The population's high prevalence of intermittent employment suggests that job retention services are likely to be important in promoting stable employment for these job cyclers.[2]

FIGURE III.7

UI ELIGIBILITY AND INELIGIBILITY AMONG THOSE WHO EXITED TANF AND WORKED



Source: Calculations of New Jersey wage records data, by Mathematica Policy Research, Inc.

Note: The sample includes 1,016 individuals who left TANF between July 1997 and December 1999, and who held a job within three months of TANF exit.

[2]Interestingly, some individuals had earnings that would have qualified them, but they did not have the required amount of employment during the base period. A small faction of these individuals would have qualified if the rule of earnings in more than one quarter had been used, as opposed to the 20-weeks-worked rule used in New Jersey.

- ***A considerable minority of those with no monetary eligibility had no covered employment during the base period.***

In quarter 8, 14 percent of the full sample (or one in three without monetary eligibility) would have been ineligible because the UI wage data showed no covered employment. Using the survey data, we examined the extent to which these individuals may have had noncovered employment during their base period and found that more than half had reported earnings in the surveys. They most likely worked in noncovered jobs; a few might have worked in neighboring states, or it simply could reflect survey recall error.[3]

D. How Are Nonmonetary Factors Likely to Affect Potential Eligibility?

Although many former TANF recipients who leave welfare and work seem to achieve monetary eligibility, they may become disqualified for nonmonetary reasons. For example, in most states, claimants who *quit jobs voluntarily* usually are ineligible for benefits. In some states, however, workers who quit for good cause may be eligible. Good cause is often restricted to good cause connected with work, attributable to the employer, or involving fault on part of the employer. However, some states include good personal cause, which could involve leaving a job due to personal reasons, for example, domestic violence, illness, and possibly such factors as scheduling, child care, and transportation reasons. Workers who are fired are generally eligible unless the reason for being fired meets the state's definition of misconduct. In some states, workers fired for misconduct are eligible after a waiting period, unless they have been fired for "gross misconduct," defined as an action punishable as a crime under state law. Another factor leading to disqualification of workers with monetary eligibility is the workers' *availability* to accept suitable employment. Those who are available to work part time only are ineligible for benefits in many states.

We used data from the surveys to examine the extent to which these factors might render people who have monetary eligibility ineligible. For purposes of this analysis, we have assumed that the characteristics of the individuals' current or most recent job reflect the characteristics of their usual job or employment pattern. Because these findings are based on data from surveys, they should be viewed as only approximate, and intended to provide a flavor of whether nonmonetary factors are likely to be important for former TANF recipients who exit welfare and work. The claims data analyses described in Chapter VI provide further information on nonmonetary disqualifications among those who actually file UI claims.

[3]Noncoverage because of lack of UI records data for those who moved out of state is not likely to be a major factor, as we excluded those who reported in any of the surveys that they lived out of state. Data on job location from one of the earlier WFNJ client surveys suggests that less than 5 percent of the sample members who worked were employed in a neighboring state.

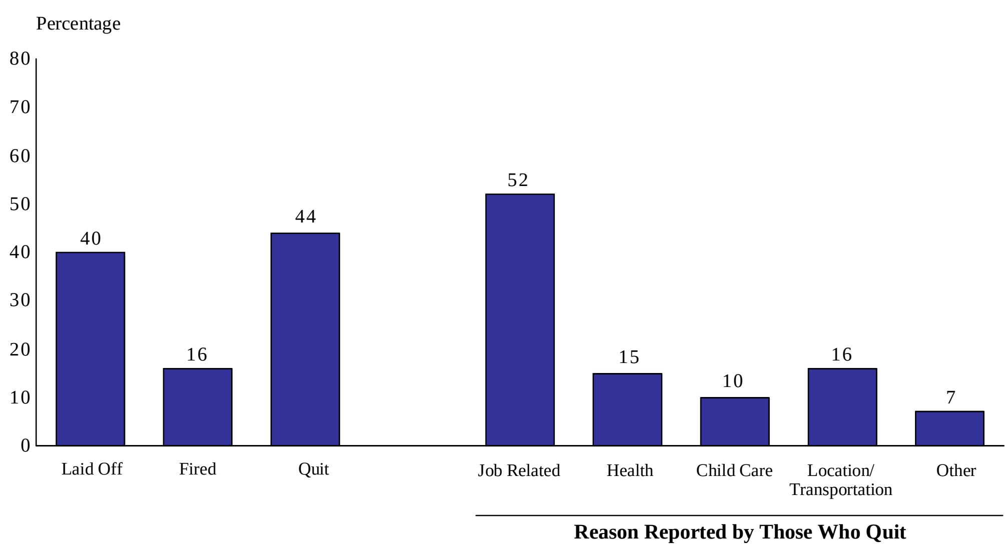
- ***Self-reported information indicates that more than 40 percent of former employed TANF recipients quit their jobs; this rate is higher than national quit rates.***

Sample members who had experienced job separations were asked to report, in the surveys, the reasons for their job loss. Forty-four percent reported that they had quit their jobs, about 40 percent were laid off or had held temporary jobs that ended, and 16 percent were fired (Figure III.8). These rates of job quits are more than twice as high as rates of quitting nationally, suggesting that many in this population who experience a job separation may be ineligible on nonmonetary grounds. One caveat to bear in mind is that our data on reasons for job separation are based on a period of relatively strong economic conditions; fewer people might voluntarily quit their jobs when economic conditions are weaker.

About half of those who quit their jobs did so for a job-related reason, such as disliking the hours of work, their pay, or work conditions. The other half did so for a personal reason, such as a health problem, having to care for a child at home, inconvenient job location, or a transportation issue. As stated previously, workers who leave their jobs voluntarily must have a good cause if they are not to be disqualified. In many states, including New Jersey, good cause is largely connected to work, but not to a broad range of personal factors. Advocates of broadening the UI rules to enable low-wage workers to access benefits more easily have recommended wider use of good cause related to personal reasons, including child care and transportation problems. Our findings suggest that such greater flexibility may allow a considerable fraction of the population of former recipients to access UI benefits.

FIGURE III.8

REASONS FOR JOB SEPARATION, REPORTED BY THOSE WHO QUIT THEIR JOBS



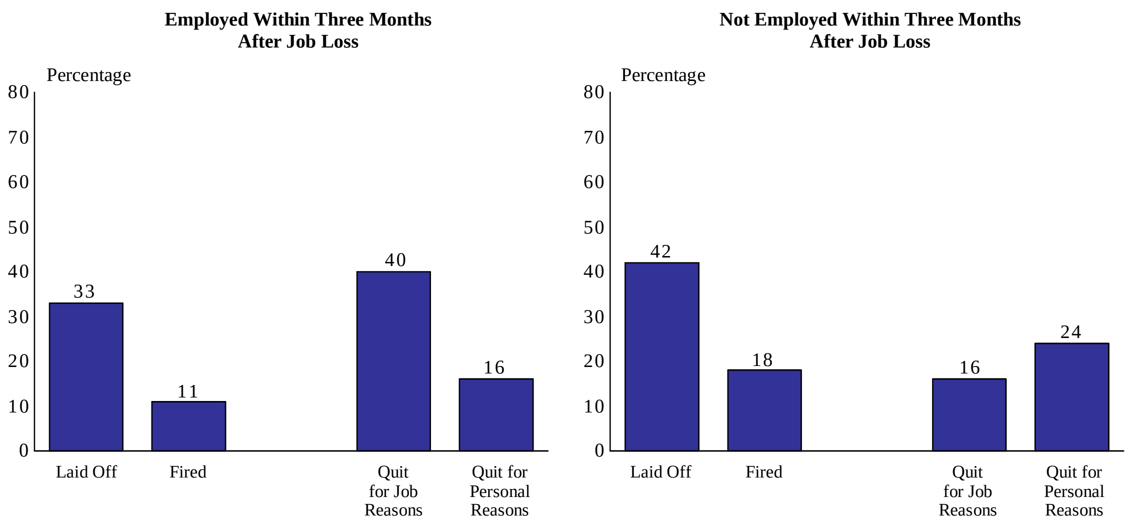
Source: WFNJ client surveys, conducted by Mathematica Policy Research, Inc.

- ***Former recipients who experienced job separations and quickly found other jobs were most likely to have quit their former jobs for a work-related reason. Those who experienced job separations and did not quickly find other jobs were more likely to have been laid off or to quit their jobs for personal reasons.***

Some people who experience job separations may find other jobs relatively quickly, whereas others remained unemployed for a long period. It is useful to understand the relationship between those who experience long or short job separations and the reasons why they left their previous jobs. For example, if people who voluntarily quit their jobs quickly find other jobs, then voluntary quits may not be such an important factor in determining UI eligibility, as these individuals may not need to rely on the UI system as much. As Figure III.9 shows, we found that former TANF recipients who quickly found other jobs were most likely to have quit their jobs for a job-related reason. In comparison, those who did not find other jobs quickly were most likely to have been laid off, or to have quit their jobs for personal reasons, such as health, child care, or transportation-related reasons. It is likely that these personal factors affect individuals' ability to maintain any employment, and why they might need additional support during the transition to help them keep their jobs.

FIGURE III.9

REASONS FOR JOB SEPARATION, BY HOW QUICKLY SAMPLE MEMBERS FOUND OTHER JOBS



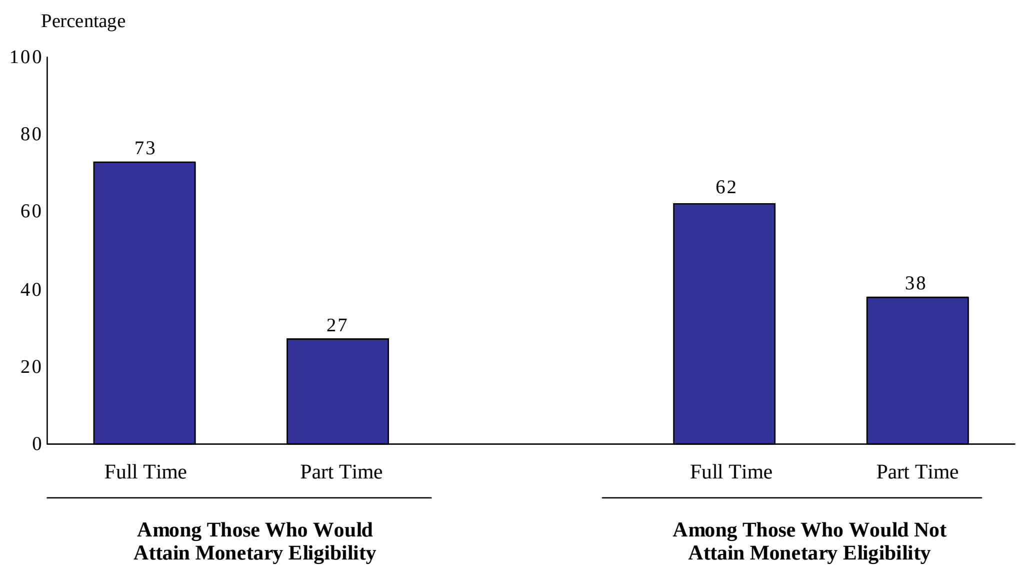
Source: WFNJ client surveys, conducted by Mathematica Policy Research, Inc.

- ***One in four former TANF recipients had worked in part-time jobs in their current or most recent jobs.***

We used data from the surveys to examine the hours that former recipients worked in their current or most recent jobs; we then used these hours as a proxy for the usual hours that an individual might like to work. Based on this analysis, we found that slightly more than one in four sample members who left welfare for work had worked (or were working) in part-time jobs (Figure III.10). If we assume that these individuals would be available to work for only the same number of hours in case of job loss, then they could be disqualified for nonmonetary reasons.[4] Of course, these numbers should be viewed only as a very rough proxy for the fraction that might become disqualified due to part-time employment, as the number of hours that people work in their current or most recent jobs might not be equivalent to the number of hours that they would want to work in the future. For example, some former welfare recipients who work part time may be doing so because they were unable to find any other work, and many may be able to work full time if such jobs were available. Furthermore, these individuals may have little incentive to inform the UI office that they can work only part time. Nonetheless, these numbers provide some indication of the extent to which part-time work is prevalent in this population.

FIGURE III.10

FULL-TIME/PART-TIME WORK STATUS IN CURRENT/MOST RECENT JOB, BY MONETARY ELIGIBILITY ATTAINMENT



Source: New Jersey wage records data and data from WFNJ survey data, conducted by Mathematica Policy Research, Inc.

[4]New Jersey's rules allow those who are looking for part-time work to be eligible for UI benefits if the claim is based on part-time work, there is part-time work available in the locality, and the claimant is available for enough weekly hours to earn an amount equal to the weekly benefit amount.

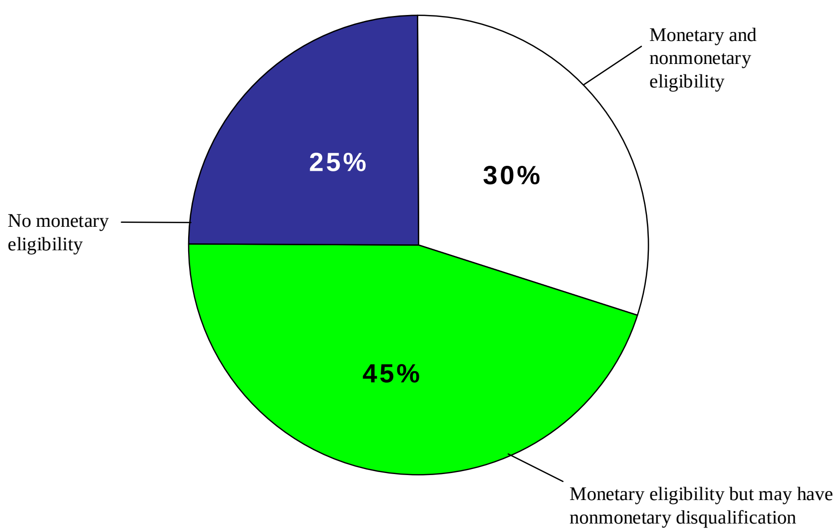
- ***Overall, as many as 60 percent of former TANF recipients who have potential monetary eligibility might be disqualified for a nonmonetary reason, including quitting a job or looking for part-time work.***

We saw that 44 percent of monetarily eligible workers who had a job loss reported having quit their jobs. About one in four who had potential monetary eligibility worked in part-time jobs.[5] To the extent that former recipients work part time, we use this figure as a proxy for the time they are available to work. Thus, as many as 60 percent may be disqualified in many states on nonmonetary grounds. Although these data are only rough indicators of nonmonetary eligibility, we can use them as a broad indicator (or perhaps an upper bound) to characterize the overall profile of potential UI eligibility among former TANF recipients who exit for work.

As we saw earlier in this chapter, around 75 percent of former TANF recipients are likely to have potential monetary eligibility at some point in the first two years after TANF exit. Figure III.11 summarizes our approximate characterization of potential monetary and nonmonetary eligibility. As many as 45 percent of former recipients (60 percent of those with monetary eligibility) might be disqualified on nonmonetary grounds

FIGURE III.11

POTENTIAL UI ELIGIBILITY OVER A TWO-YEAR PERIOD
AMONG FORMER TANF RECIPIENTS
WHO EXITED TANF FOR WORK



Source: New Jersey wage records data and data from WFNJ survey data, conducted by Mathematica Policy Research, Inc.

[5]We found that about 12 percent of former recipients who had monetary eligibility were both working in part-time jobs and had quit their jobs.

for quitting their jobs or by seeking part-time work. Thus, only about 30 percent are likely to be clearly eligible. These numbers on ineligibility should, however, be viewed as upper-bound numbers. As we have indicated, in the case of a recession, more people are likely to be laid off, and fewer people are likely to quit their jobs. Similarly, claimants may not always inform UI workers about the hours they would like to work. Nonetheless, it is quite interesting to see that more than half of those who have monetary eligibility for UI may not qualify due to a nonmonetary reason.

IV

POTENTIAL UI BENEFIT AMOUNTS AND DURATIONS AMONG FORMER TANF RECIPIENTS

Individuals who attain eligibility for UI can receive benefits once per week for a certain duration, usually for a maximum of 26 weeks. Weekly benefit levels also are determined individually by each state and typically are set at 40 to 60 percent of average weekly wages, up to a maximum. In New Jersey, the average weekly benefit amount (also called the wage replacement rate) is calculated as 60 percent of the average weekly earnings during the base period, up to a maximum. The maximum weekly benefit levels in New Jersey also are relatively high ($446 in 2001), falling within the top 10 percent of states with respect to the maximum benefit level. In this chapter, we briefly describe the levels of UI benefits that former TANF recipients potentially can receive; the potential duration of these benefits; and the extent to which the benefits or duration are likely to be at the maximum levels allowed by the state, so that some may be capped at these levels.

We found that potential average UI weekly benefit amounts for former TANF recipients eligible for these benefits are relatively high, especially when compared with the TANF payments. Potential average UI weekly benefit amounts of about $200 translate to over $850 per month, compared with the TANF benefit amounts of $424 for a family of three (in New Jersey). Because many former TANF recipients have low earnings, and New Jersey has high maximum weekly benefit amounts, only a fraction of individuals are likely to be capped by the maximum weekly benefit levels set by the state.

A. WEEKLY BENEFIT AMOUNTS

- ***Former TANF recipients in New Jersey potentially were eligible for relatively high weekly benefits when compared with the TANF benefit amounts.***

Former TANF recipients who had exited welfare for work, and who had potential monetary eligibility for UI, would likely be able to receive an average UI weekly benefit amount of around $200 per week, which would translate into $866 per month (Table IV.1). Potential average weekly benefits increase somewhat over time, from $193 during the first quarter after exit to around $218 eight quarters after exit, as people's earnings increase over time. The UI benefit levels available to former TANF recipients in New Jersey are relatively generous, especially when compared with the maximum TANF grant, which is around $424 per month for a family of three (and $488 for a family of four).

TABLE IV.1

DISTRIBUTION OF WEEKLY BENEFIT AMOUNTS AT 4 AND 8 QUARTERS AFTER TANF EXIT, AMONG THOSE MONETARILY ELIGIBLE FOR UI

	Quarter After TANF Exit	
	Quarter 4	Quarter 8
Percentage with Weekly Benefit Amount		
Less than $100	2	1
$100 to 150	22	18
$151 to 200	38	31
$201 to 250	22	23
More than $250	16	27
(Average amount)	($196)	($218)
Sample Size	**597**	**583**

Source: Calculations of New Jersey wage records data, by Mathematica Policy Research, Inc.

Note: The sample includes individuals who attained monetary eligibility for UI. Figures are inflation adjusted (2001 dollars).

- ***Because the maximum weekly benefit amount in New Jersey is high, very few former recipients would reach the maximum, or "be capped," with respect to the weekly benefit amounts for which they would be eligible.***

Overall, fewer than two percent of former TANF recipients had earnings that would yield weekly benefit amounts exceeding the maximum benefit amount. In comparison, roughly one-quarter of New Jersey's UI caseload had weekly benefits at the maximum during the late 1990s and early 2000s. The difference between the two groups is driven by the generally low wages earned by the population of former TANF recipients. With the low rates in this population that get capped at the maximum benefit amount, from a policy perspective in New Jersey, raising the maximum benefit levels further would not benefit this population much.

- ***Workers in managerial and professional occupations and workers in sales had somewhat higher weekly benefit amounts than did workers in service occupations.***

Jobs in service occupations generally pay low wages. Moreover, people holding service jobs typically work few hours and have high turnover, further leading to low earnings. Consistent with these factors, workers in service occupations would be eligible for somewhat lower average weekly benefit amounts relative to workers in other occupations. For example, during the eighth quarter after TANF exit, average potential UI weekly benefits were $233 for workers in managerial and professional jobs and $221 for workers in sales and administrative support jobs, compared with an average of $197 for workers in service occupations.

B. POTENTIAL DURATION AND MAXIMUM BENEFITS

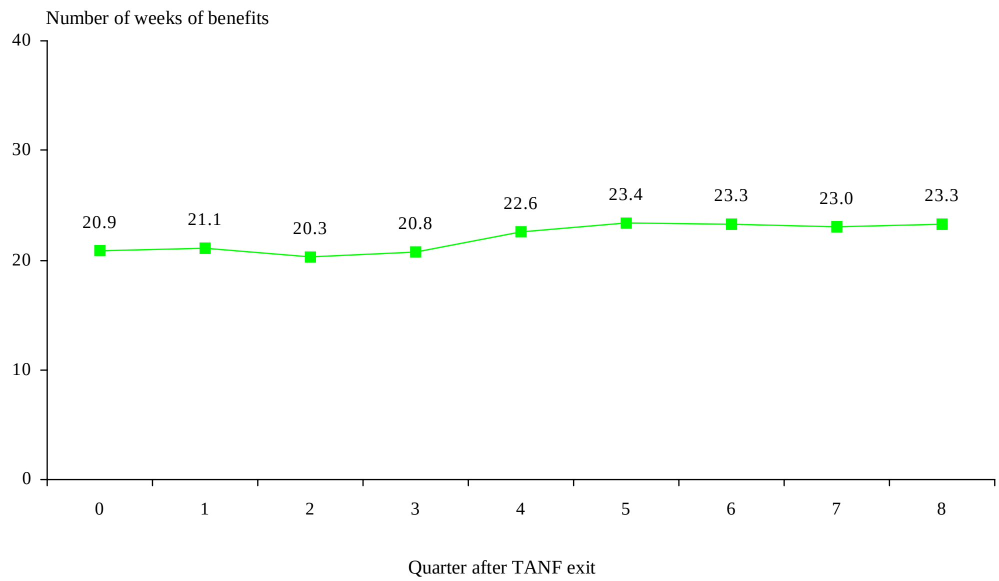
Eligible claimants can receive average weekly benefit amounts for a certain duration. Most states compute potential duration as a percentage of base-period earnings (25 to 50 percent) divided by the weekly benefit amount, up to a maximum of 26 weeks. (In two states, the maximum potential duration is 30 weeks.) Unlike most states, New Jersey uses a weeks-worked formula to calculate its duration of benefits, which is 75 percent of weeks worked during the base period, up to a maximum of 26 weeks. (This formula roughly translates into 45 percent of base-period earnings divided by the weekly benefit amount.)

- ***The average potential duration of UI benefits ranged from 20 to 23 weeks.***

Because the UI program provides partial and temporary wage replacement for people who have lost jobs, the potential duration of benefits generally is limited. The potential duration of benefits for former TANF recipients who were likely to be eligible around the time of TANF exit was about 21 weeks, on average (Figure IV.1). Average duration remained basically unchanged during the first few quarters after TANF exit and then increased somewhat, to slightly longer than 23 weeks, as former recipients gained experience and increased their earnings during the base period. In comparison, the former TANF recipients in our study who left welfare for work had an average of nearly four years of TANF assistance remaining before they would reach their time limits. This relatively high rate of time remaining on TANF is driven largely by the fact that we are

FIGURE IV.1

POTENTIAL DURATION OF BENEFITS,
BY QUARTER AFTER TANF ENTRY



Source: Calculations of New Jersey wage records data, by Mathematica Policy Research, Inc.

Note: The sample includes individuals who attained monetary eligibility for UI. Figures are inflation adjusted (2001 dollars).

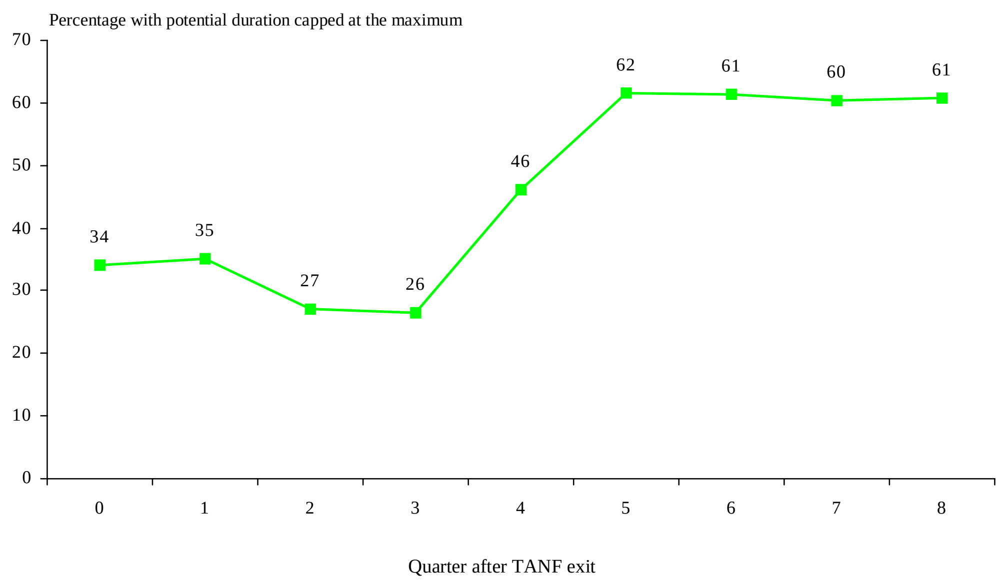
examining UI eligibility among WFNJ recipients who left welfare during the first 18months after WFNJ entry. We expect these numbers to drop if we examine those who exited during later months after WFNJ entry.

- ***Nearly half of those eligible for benefits were at the maximum potential duration.***

As Figure IV.2 shows, many former recipients would likely be eligible to receive benefits for longer durations if the cap had not been set at 26 weeks. About one-third of those who were monetarily eligible for UI had durations capped during the first four quarters.[1] This percentage increased to more than 60 percent during the second year after TANF exit, a rate similar to the rate for New Jersey's full UI population. In the absence of limits on potential duration, former TANF recipients potentially would be eligible for an average of eight more weeks of UI benefits.

FIGURE IV.2

PERCENTAGE WITH POTENTIAL DURATION CAPPED,
BY QUARTER AFTER TANF EXIT



Source: Calculations of New Jersey wage records data, by Mathematica Policy Research, Inc.

Note: The sample includes individuals who attained monetary eligibility for UI.

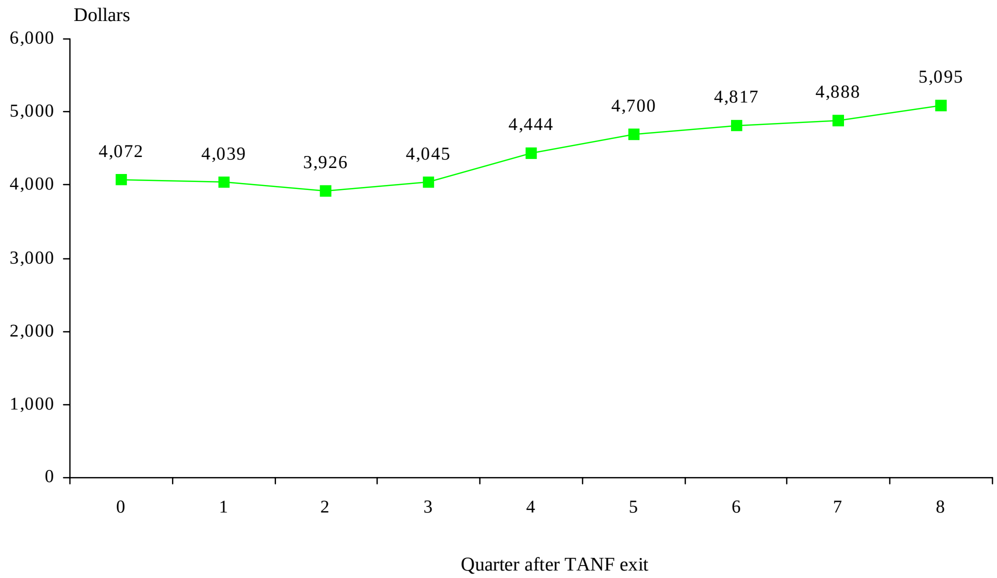
[1]We observe a slight dip in the extent of those with potential durations capped during the early quarters after TANF exit. This finding reflects the move to a base period that is entirely post-TANF, as those who had previously worked prior to TANF exit (but not immediately prior to exit) experience a loss in some of their base-period earnings, and before the newer workers have more fully started experiencing earnings in the post-TANF period.

- ***The increases in the weekly benefit amounts over time, combined with the increases in potential duration, led to a 20 percent increase in the potential maximum dollar benefit over time.***

Over time, as former TANF recipients gained experience and accumulated higher earnings, the maximum amount of benefits for which they were likely eligible also increased. On average, those who had potential monetary eligibility for UI soon after TANF exit would have been eligible for about $4,000 over the 26-week period after job loss, if they were to lose their jobs soon after TANF exit (Figure IV.3). This amount increases to around $5,000 (inflation adjusted) by the end of the two-year period after TANF exit.

FIGURE IV.3

MAXIMUM BENEFIT AMOUNTS,
BY QUARTER AFTER ENROLLMENT



Source: Calculations of New Jersey wage records data, by Mathematica Policy Research, Inc.

Note: The sample includes individuals who attained monetary eligibility for UI. Figures are inflation adjusted (2001 dollars).

V

SENSITIVITY OF KEY OUTCOMES TO ALTERNATIVE DEFINITIONS OF UI PROGRAM RULES

Concerns with decrease in UI participation rates over time and the desire for UI eligibility rules to keep pace with the changing characteristics of the workforce have led many to advocate reforms to the UI system (see, for example, the Advisory Council on Unemployment Compensation 1996; and the National Economic Law Project 2000). Many of these reforms focus on defining labor force attachment, identifying what constitutes separation through no fault, defining ability and availability for work, and increasing the low level of benefits.

An important question with respect to former TANF recipients, who typically are low-wage workers, is: To what extent do the exact levels of UI program parameters really matter? If eligibility or benefit levels are fairly sensitive to the program parameters, then policymakers may consider changing program rules, to help more of these low-wage workers attain eligibility. However, if they are not very sensitive, any such changes are unlikely to have much of an impact. To study this issue, we conducted simulations to examine the sensitivity of the various key outcomes to alternative definitions of minimum qualifying earnings and high-quarter earnings, alternative calculations of the weekly benefit amounts, and alternative definitions of the base period.

We found that UI monetary eligibility among former TANF recipients is fairly sensitive to UI program parameters, especially to the employment requirements and the minimum qualifying earnings requirement. UI eligibility rates increase by around 10 to 15 percentage points if rules from the states with generous eligibility are used relative to the rules of the more restrictive states. Alternative base periods that include more recent periods to calculate eligibility enable former recipients to obtain monetary eligibility sooner after TANF exit than they otherwise would, but they do not much affect the fraction who would ever become eligible.

A. ALTERNATIVE DEFINITIONS OF MINIMUM QUALIFYING EARNINGS

States vary substantially with respect to the minimum earnings that individuals need in order to qualify for UI. We calculated UI eligibility rates, average weekly benefit amounts, potential duration, and maximum benefits for the New Jersey sample, using a range of minimum qualifying earnings that corresponded roughly to the bottom decile ($900), the median decile ($1,600), and the top decile ($2,800) among all states. We also calculated these benefits using the maximum qualifying earnings requirement ($3,400) among the states. In conducting these simulations, we used a two-quarter work requirement (the most common requirement among states). We also examined how eligibility in New Jersey would change if a two-quarter rule were used as opposed to the 20-weeks-worked rule.

- ***More former TANF recipients are likely to have monetary eligibility for UI with a rule requiring earnings in more than one-quarter as compared to a 20-weeks-worked rule.***

By definition, the rule requiring employment in more than one quarter will lead more individuals to have monetary eligibility than would the rule of 20 weeks of work during the base period (which entails working at least two quarters in any case). However, most states that have a two-quarter rule also have a high-quarter earnings requirement.

The claimant must have earned a certain minimum amount in at least one quarter during the base period. We see in Table V.1 that, even with the imposition of a high-quarter requirement in New Jersey, more former TANF recipients would be eligible for UI under the two-quarter rule, by around 8 to 12 percentage points (Table V.1).[1] The extent to which eligibility is affected depends on the high-quarter earnings level. If it is

TABLE V.1

SENSITIVITY OF ELIGIBILITY TO ALTERNATIVE DEFINITIONS OF MINIMUM QUALIFYING EARNINGS OVER BASE PERIOD (Eighth Quarter After TANF Exit)

	UI Monetary Eligibility (Percentage)	Weekly Benefit Amount (Average Dollars)	Potential Duration (Average Weeks)	Percentage with Capped Potential Duration	Maximum Benefits (Average Dollars)
New Jersey's Rules with 20 Weeks	57	218	23	61	5,095
New Jersey's Rules with Two Quarters and High-Quarter Earnings Requirements:					
$618	69	208	21	51	4,514
$1,236	68	209	21	52	4,569
$1,648	65	212	22	54	4,698
Minimum Qualifying Earnings Set at:					
Bottom Decile ($900) of All States					
High-quarter earnings requirements:					
None	75	203	20	47	4,213
$540	75	203	20	47	4,218
$720	73	204	20	48	4,271
Median ($1,600) of All States					
High-quarter earnings requirements:					
None	71	206	21	49	4,378
$480	71	206	21	49	4,378
$860	71	207	21	49	4,403
$1,280	69	208	21	51	4,518
Top Decile ($2,800) of All States					
High-quarter earnings requirements:					
None	66	211	22	53	4,672
$840	66	211	22	53	4,672
$1,680	63	213	22	55	4,793

Source: Calculations from New Jersey wage records data, conducted by Mathematica Policy Research, Inc.

Note: The sample includes 1,016 individuals who left TANF between July 1997 and December 1999, and who held a job within three months of TANF exit.

[1] We examine high-quarter earnings at 30 percent, 60 percent, and 80 percent of minimum qualifying earnings for the state as these are the ranges observed for most states with a high-quarter earnings requirement.

set at $618 (30 percent of minimum qualifying earnings), then eligibility rates would fall at the high end, at 69 percent; if it is set at $1,648 (80 percent of the minimum qualifying earnings), then eligibility levels would drop somewhat, to 65 percent, but still would remain higher than that obtained with the 20-week rule (57 percent).

- ***Eligibility rates for this population are sensitive to the specification of the minimum qualifying earnings.***

Monetary eligibility rates vary by around 10 to 13 percentage points, depending on whether the minimum qualifying earnings are set at the levels of the highest or lowest states. As seen in Table V.1, 63 to 66 percent of former recipients would have monetary eligibility when qualifying earnings are set at the level of the top decile of states, compared with 73 to 75 percent when set at the level of the lowest-decile states.[2] Not surprisingly, because the qualifying earnings level in the lower-decile states enables more people with lower earnings to be eligible, the potential average weekly benefit amounts, durations, and maximum benefit amounts would be slightly lower.

- ***Monetary UI eligibility seems somewhat less sensitive to the definition of high-quarter earning.***

A state's level of high-quarter earnings has only a small effect on UI monetary eligibility. We examined the extent to which monetary UI eligibility would vary if the high-quarter earnings were set at 30 percent, 60 percent, and 80 percent of minimum qualifying earnings.[3] As Table V.1 shows, this parameter made a difference in UI monetary eligibility of only two to three percentage points.

B. ALTERNATIVE DEFINITIONS OF WEEKLY BENEFIT CALCULATION

States also vary in how they calculate weekly benefits. Under New Jersey's rules, weekly benefits are calculated as 60 percent of the average weekly base-period earnings, up to a maximum. Most states use a different rule—1/26th of the high-quarter wage, which is equivalent to 50 percent of the average weekly high-quarter earnings, assuming the individual worked the entire quarter (13 weeks). States also set a maximum benefit amount, which ranges from a low of around $200 per week in Louisiana and Mississippi to a high of around $500 per week in Massachusetts.

In the following discussion, we compare how benefits in New Jersey vary under the two rules (50 percent of high-quarter weekly wages versus 60 percent of the average base-period weekly wages). We then examine how weekly benefits would vary according to different assumptions about the maximum benefit amount.

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[2]It has to be kept in mind that in calculating these eligibility rates we are using the wages of workers in New Jersey, which tends to be somewhat high relative to some other states—probably those states with lower qualifying requirements.

[3]We dropped the 30 percent comparison for the levels of the lowest-decile state and the 80 percent comparison for the levels of the highest-decile state, as no state had numbers in those ranges.

- ***The rule of 60 percent of average weekly wages leads to a slightly higher average weekly benefit amount than does the rule of 50 percent of high-quarter earnings.***

As Table V.2 shows, using 60 percent of average weekly wages in New Jersey results in benefit amounts of $218 per week. In contrast, using 50 percent of the high-quarter weekly earnings yields an average benefit amount of $190—about $30 less per week on average. This small difference occurs, in part, because the *average weekly wage* used to calculate benefits in New Jersey is calculated as average wages during weeks in which the claimant worked during the base year while *average weekly earnings* in the high quarter is calculated as wages in the high quarter divided by 13 weeks. Because some claimants have not worked for all weeks in the high quarter—one in three of those who had monetary eligibility had worked fewer than 13 weeks during their high quarter—average high quarter weekly earnings are less than average weekly wages in weeks worked in the base period. Furthermore, weekly benefits are calculated at a higher percentage (60 percent versus 50 percent) when average weekly wages during the base period are used.

- ***Changes in maximum weekly benefit levels would not affect weekly benefit amounts for most former TANF recipients unless the maximum were set at the levels used in the lowest-benefit states.***

Setting the maximum weekly benefit amounts at the level of the state with the lowest decile ($234) resulted in weekly benefit amounts that were only about $20 lower on average than when maximum weekly benefit amounts were set at the levels of the state with the highest ($447; see Table V.2). This small difference results primarily because former TANF recipients generally have fairly low wages; thus, very few former recipients are at the capped benefits levels except when these levels are set at the levels of the lowest-benefit states.

TABLE V.2

SENSITIVITY TO ALTERNATIVE DEFINITIONS OF WEEKLY BENEFITS
(Eighth Quarter After TANF Exit)

Maximum Weekly Benefits in 2001	Eligibility 20-Week Rule (Dollars)	Eligibility Two-Quarter Rule (Dollars)
New Jersey's Rules: 60 Percent of Average Weekly Earnings, up to Maximum of $446	218	209
Rule: 50 Percent of High-Quarter Earnings, up to Maximum		
New Jersey ($446)	190	173
Bottom Decile ($234)	171	157
Median ($300)	182	166
Top Decile ($430)	190	172
Maximum of All States ($447)	191	173

Source: Calculations from New Jersey wage records data, conducted by Mathematica Policy Research, Inc.

Note: The sample includes 1,016 individuals who left TANF between July 1997 and December 1999, and who held a job within three months of TANF exit.

C. ALTERNATIVE DEFINITIONS OF THE BASE PERIOD

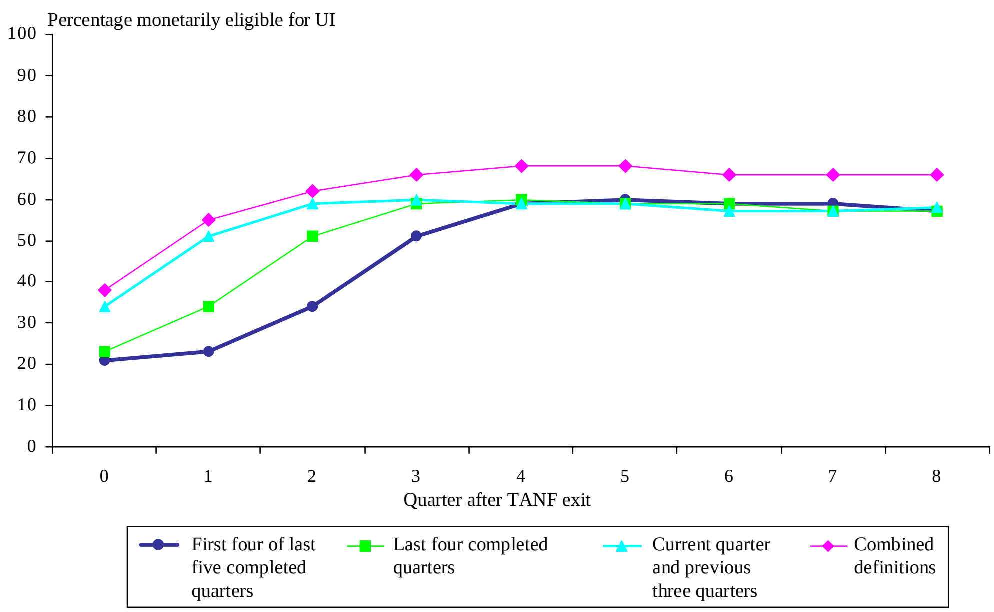
Most states define their standard base period as the first four of the last five completed quarters. However, a few states, including New Jersey, also use an alternative definition that includes more recently completed quarters. Including more recent quarters of employment produces a base period that may benefit those with shorter spells or higher turnover in jobs.

- ***Using alternative definitions of the base period affects eligibility a fair amount during the early quarters after TANF exit, but less so during later ones.***

In New Jersey, monetary eligibility is first calculated using the standard base period; if an individual does not achieve eligibility, two alternative definitions (last four completed quarters or the last three completed quarters plus the quarter of filing). Overall, following this approach of combining all definitions, including the standard definition, raises the monetary eligibility rates considerably during the early quarters after TANF exit, and by about three to five percentage points in each quarter thereafter (Figure V.1). If we were to use one of the alternative base periods alone, instead of combining it with the standard base period, a larger number of those who leave TANF for work would become eligible for UI more quickly; however, this change would have little effect on the fraction ever eligible for UI.

FIGURE V.1

SENSITIVITY OF UI MONETARY ELIGIBILITY TO ALTERNATIVE DEFINITIONS OF THE BASE PERIOD



Source: Calculations of New Jersey wage records data, by Mathematica Policy Research, Inc.

Note: The sample includes 1,016 individuals who left welfare between July 1997 and December 1999 and who held a job within three months of TANF exit.

VI

UI CLAIMS AND BENEFITS

We have shown in Chapter III that about 75 percent of former TANF recipients who exited welfare and worked earned enough to potentially give them monetary eligibility for UI over the two-year period after TANF exit. We also have seen that nonmonetary factors are likely to play an important role in determining eligibility for this population, as many who left jobs reported that they had quit or were fired, or may be available to only work part time. In this chapter, we discuss the extent to which former recipients who exited welfare and held jobs actually accessed the UI system and filed claims if they lost jobs. We used claims data obtained from NJDOL, which covers a three-year period after TANF exit, to examine (1) the extent to which these individuals filed UI claims, (2) the prevalence of monetary and separation disqualifications in this population, and (3) the amount of benefits obtained by those who received payments.[1]

We found that just over half of former TANF recipients who left welfare and were employed had filed one or more initial claims during the three-year period after TANF exit. These data suggest that many former TANF recipients who lose jobs access the UI system, and nonfiling does not seem to be a major problem for this population. Additionally, consistent with their patterns of cycling in and out of employment, the majority of former recipients who file claims eventually find employment and return to work. The claims data also confirm our analyses that nonmonetary issues are likely to be important. In fact, both monetary and nonmonetary issues were more common for TANF recipients who filed claims than for filers statewide. Fewer former TANF recipients who filed than claimants statewide received first payments. Weekly benefit amounts of around $200 and potential duration of claims of 22 weeks are also very consistent with the potential estimated amounts and duration described in Chapter IV.

A. NUMBER AND TYPES OF FORMER WFNJ CLIENTS FILING CLAIMS

- ***Half of former TANF recipients who exited welfare and held jobs filed UI claims at some point during the three-year period after TANF exit, indicating both their awareness of the UI system as a safety net and their need to make use of that safety net.***

Former TANF recipients generally seem to be aware of the UI system, and nonfiling does not seem to be a major problem. Overall, 53 percent of those who had exited welfare and were employed had filed initial UI claims at least once during the three-year period after TANF exit (Table VI.1). Nearly 60 percent had filed more than one initial UI claim; the average was 1.5 claims per person over the three-year period. These

[1]Where data are available, we compare the UI experience of former TANF recipients with those of all New Jersey claimants over a comparable period.

TABLE VI.1

NUMBER OF CLAIMS FILED BY FORMER TANF RECIPIENTS IN OUR STUDY OVER THE THREE-YEAR PERIOD FOLLOWING TANF EXIT

	Study Sample
Number Exiting TANF for Work	929[a]
Number Filing a Claim	493
Total Number of Claims Filed	741
Percent Filing a Claim	53
Percentage Filing More than One Claim	60
Average Number of Claims Filed	1.5

Source: Calculation of New Jersey UI claims data, by Mathematica Policy Research, Inc.

[a]In Chapter II, we identified 1,023 as having left TANF for work. We excluded 94 individuals from the claims data analysis either because they did not have a full three year follow-up period of claims data available after TANF exit, or because we did not have valid Social Security number matches for them.

figures are consistent with the relatively high levels of job loss among former welfare recipients. We found that nearly 75 percent of these former TANF recipients had experienced one or more job separations over the three-year period since their job start, and that nearly 60 percent of these individuals had filed one or more claims.[2] These findings suggest that former welfare recipients are more likely to seek assistance from UI than is the general population. A supplement to the Current Population Survey (CPS) in 1993 found that 63 percent of job losers (individuals laid off or let go from their jobs) and 25 percent of job leavers applied for UI (Wandner and Stettner, 2000). Application rates were lower in an earlier CPS survey—53 percent for job losers and 11 percent for job leavers. Our sample of former welfare recipients includes both job losers and job leavers.[3]

[2]We used job loss reported either in the surveys or that observed in the administrative wage records data to identify the fraction who lost their jobs. However, we were able to only approximately estimate rates of job loss, as individuals whose quarterly wage records data showed continuous employment may have had a job loss within a quarter or even across two consecutive quarters that we would be unable to detect. Furthermore, a small number had experienced their first job loss after the period for which we have earnings records or survey data. Thus, our count of those who ever lost a job is likely to underreport the extent of actual job separation.

[3]Obviously, individuals who exit welfare are a fairly heterogeneous group, including some who find jobs voluntarily, and some who find jobs through a state employment service, as well as some who are sanctioned (either because of noncompliance with program rules or because they find a job and fail to report this to the welfare system). Our estimates of the proportion filing claims does not vary much by these “reasons” for leaving welfare.

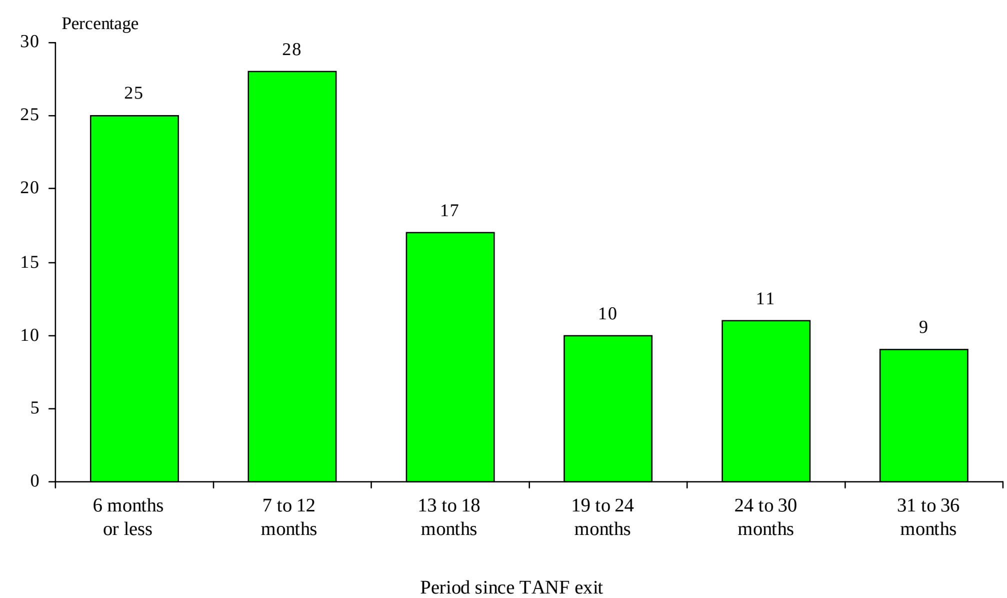
We suspect that the relatively high rates of filing claims are driven partly by the requirement that those who return to welfare due to job loss must file a claim before their TANF eligibility is determined. In the absence of this requirement, some who returned to TANF might otherwise not have been aware of or have filed a UI claim. We found that those who had left TANF for work and eventually returned to TANF during the study period had higher rates of filing claims than did former TANF recipients who never returned (71 percent and 50 percent, respectively).[4]

- ***Many former TANF recipients clients who filed UI claims did so fairly soon after exiting TANF and starting work.***

Nearly half of those who filed claims did so within the first year after they exited TANF and started working (Figure VI.1). Rates of first-time filing decreased somewhat after the first year, stabilizing between 7 and 10 percent over subsequent six-month periods. This finding is consistent with the fact that the rate of job loss among former welfare recipients is typically the highest during the early months after job start (Rangarajan, Schochet, and Chu 1998).

FIGURE VI.1

TIME FROM TANF EXIT UNTIL FIRST UI CLAIM



Source: Calculation of New Jersey UI claims data, by Mathematica Policy Research, Inc.

Note: The sample includes 493 individuals who filed a UI claim between TANF exit and the three-year period following TANF exit.

[4]In fact, monetary disqualification rates among those who had ever returned to TANF were fairly high, further suggesting that TANF regulations may have required them to file.

- ***The majority who file claims, however, eventually return to work.***

Consistent with their patterns of cycling in and out of jobs, the majority (90 percent) of those who filed claims had found employment subsequent to their filing a claim. Nearly two-thirds returned directly to employment, while one in four returned to TANF first, and then subsequently found a job. These findings suggest that many of these workers are indeed getting mainstreamed into the labor force and use the temporary safety net available to the working population in case of job loss.

- ***Those who had potential monetary eligibility were more likely than those without eligibility to file UI claims.***

As Table VI.2 shows, those who had monetary eligibility according to the UI records data (discussed in Chapter III) were considerably more likely to file UI claims than were those who did not have potential monetary eligibility (66 and 43 percent, respectively). Consistent with their higher likelihood of attaining monetary eligibility, workers in managerial and professional jobs were more likely than workers in service sector jobs to file.

B. Characteristics of the Claims

It is useful to examine the monetary and nonmonetary eligibility of those who file a claim to examine the extent to which these claims lead to disqualifications, as well as the extent to which data from claims actually filed are consistent with our estimates of

TABLE VI.2

PROPORTION OF CLAIMS, BY VARIOUS CHARACTERISTICS

	Percentage of Sample	Percentage Filing a Claim
TANF Return Status		
Ever returned to TANF	42	66
Did not return to TANF	48	44
Monetary Eligibility Within Eight Quarters		
Attained monetary eligibility	75	60
Never attained monetary eligibility	25	32
Occupation[a]		
Managerial/professional/technical/ transportation/construction	21	58
Sales and administrative support	43	56
Services	36	52
Hours Worked[a]		
Fewer than 20	7	49
20 to 35	23	57
More than 35	70	53

Source: Calculation of New Jersey UI claims data, by Mathematica Policy Research, Inc.

[a]Sample includes only those who had completed a survey and on whom we have information on job characteristics.

potential monetary and nonmonetary eligibility estimated in Chapter III. In doing so, it has to be kept in mind that the sample of claim filers may be a more selected group of individuals than our full group of former recipients who left welfare and worked. For example, filers may be more likely to be the ones who think they might be eligible. On the other hand, because TANF program rules require those who return to TANF to apply, it is not clear exactly how different the samples are likely to be.

We begin with a brief description of how eligibility is determined. After a worker files a claim, his or her earnings over the base period are examined to determine whether that individual has monetary eligibility. A worker may not have monetary eligibility if there is no covered employment during the base period, or if employment and earnings during the base period are insufficient. If the worker has monetary eligibility, reasons for job loss are then examined to determine whether the reason for job loss (or job "separation") as stated by the claimant or the employer raises a potential UI eligibility issue. If a person has a separation issue, information on the reason for job separation are collected from the claimant and employer, and a decision is made whether to deny the claim. Typically, someone who has been laid off or who held a temporary job that ended is unlikely to have a job-separation issue. In contrast, the claim of an individual who voluntarily quit or was fired for misconduct would typically have a separation issue. In New Jersey, most separation issues related to voluntary quits result in denial of benefits until the worker regains employment and earns a specified amount of wages. Depending on the reason for discharge, a worker who is fired for misconduct may or may not have a separation denial. Workers who have separation denials associated with misconduct are denied eligibility for a five-week period. If the worker remains unemployed after the five-week period, they can file a claim.

New Jersey's rules on disqualifications are more generous than those of most other states. Only six states have a fixed disqualification period for misconduct separation. Other states do not allow workers who have been fired for misconduct to claim through the period of unemployment, and they require subsequent earnings equal to some specified amount of wages. Similarly, most states require claimants who have quit voluntarily to be disqualified during the period of unemployment, and to then have between 8 and 10 times the weekly benefit amount to qualify. (New Jersey requires earnings of six times the weekly benefit amount.) These findings suggest that the wait period for this population in New Jersey is likely to be shorter compared with many other states.

- ***Former TANF recipients who filed UI claims were somewhat less likely than claimants statewide to have monetary eligibility.***

Slightly fewer than three-quarters of the former TANF recipients who filed claims had sufficient base-period earnings and employment to be monetarily eligible (Table VI.3).[5] Nearly 70 percent of those with monetary disqualifications were disqualified because of insufficient earnings, about 23 percent had no weeks worked or had worked in noncovered employment, and a small fraction were disqualified for other reasons. This rate of monetary eligibility among filers is higher than our estimate in Chapter III that

[5]We found that, after job loss, those who had potential monetary eligibility were more likely to apply for UI than were those who did not have eligibility.

TABLE VI.3

MONETARY AND NONMONETARY DISQUALIFICATIONS AMONG CLAIMS FILED

	Study Sample of Former TANF Recipients	Statewide Population Claimants (2001)
Number of Initial UI Claims	741	
Number with monetary eligibility	534	
Proportion with monetary eligibility	(0.721)	(0.860)
Number with Separation Issues	297	
Voluntary quits	160	
Misconducts	124	
Number with Separation Denials	216	
Voluntary quits	150	
Misconducts	56	
Proportion of Initial Claims with:		
Separation issues	(0.401)	(0.239)
Voluntary quits	(0.216)	(0.096)
Misconducts	(0.167)	(0.143)
Separation denial	(0.291)	(0.141)
Voluntary quits	(0.202)	(0.082)
Misconducts	(0.076)	(0.059)

Source: Calculation of New Jersey UI claims data and aggregate data submitted by the state to USDOL, by Mathematica Policy Research, Inc.

roughly 55 to 60 percent were likely to be monetarily eligible for UI in any given quarter. This is not surprising since it is likely that individuals who have more earnings are more likely to file for UI than those with less earnings since they expect that they are eligible. Among those who are ineligible for UI the reasons are broadly consistent with our findings in Chapter III. A smaller fraction of former TANF recipients than UI claimants statewide had monetary eligibility (72 percent, versus 86 percent statewide). These lower rates of monetary eligibility may be driven by lower wages among former TANF recipients than claimants statewide, combined with the fact that the TANF program requires those who return to TANF to file claims, regardless of potential eligibility.

- ***Former TANF recipients who filed UI claims were twice as likely as claimants statewide to have separation issues and denials.***

Nearly 40 percent of all claims filed by former TANF recipients had separation issues; 30 percent had separation denials (Table VI.3). During the same period, by comparison, about 24 percent of claims statewide had separation issues, and about 14 percent had separation denials. The higher rates of nonmonetary disqualification among claims by former TANF recipients is consistent with the recipients' higher rates of voluntary quits and of being fired, reported in Chapter III.[6]

- ***Relative to their counterparts statewide, former TANF recipients who had separation issues were more likely to have voluntarily quit their jobs than to have been fired for misconduct.***

More than half of all claims filed by former TANF recipients that had separation issues recorded on the claims pertained to voluntary quits; more than 40 percent had misconduct-related issues (Table VI.3). These percentages are reversed for the statewide population, with misconduct issues representing 60 percent of the total.

Because of New Jersey's relatively liberal eligibility rules on nonmonetary disqualification, many claims by former TANF recipients with separation denial eventually received a UI payment, although at a lower rate relative to claims with no separation issues. We found that slightly more than half of the claims with separation denials received a payment. In comparison, nearly 80 percent of those with monetary qualifications and no separation issues had a payment.

- ***Relative to claimants statewide, fewer former TANF recipients who filed UI claims received first payments. Among those with monetary eligibility and no separation issues, however, the majority received first payments.***

Overall, about 56 percent of claims by former TANF recipients who filed UI claims had first payments, compared with 70 percent of claimants statewide (Table VI.4). The low rate of first payments among this population could be a result of the higher rate of disqualifications among the population. It could also be due to high rates of noncollection among those who filed and were eligible. For instance, some former TANF recipients may find other jobs within the waiting period; others may decide not to claim benefits if they do not want to comply with UI requirements. We found, however, that only 13 percent of claimants in our sample who had monetary eligibility and no separation denial had not received a first payment. Thus, the relatively low rate of first payment among those who filed claims seems to be driven by the higher rates of monetary disqualifications and separation denials among former TANF recipients who filed claims, relative to the statewide population.

C. CHARACTERISTICS OF PAYMENTS

- ***Weekly benefit amounts among former TANF recipients who received payments typically were higher than the TANF amounts they would have received.***

Former TANF recipients who received UI payments received an average of slightly less than $200 per week, equivalent to around $860 per month (Table VI.5). These

[6]Only a handful of claims were denied due to hours available to work. This finding suggests that the part-time work issue discussed in Chapter III might be a less important issue, as people who file claims are likely to look for full-time work, or at least have no incentive to report that they are looking only for part-time work.

TABLE VI.4

PAYMENT RECEIVED AMONG THOSE WHO FILED CLAIMS

	Study Sample of Former TANF Recipients	Statewide Population of Claimants (2001)
Number of Initial Claims	741	
Number with a first payment	418	
Proportion with a first payment	(0.564)	(0.70)
Number with Separation Denials	216	
Number with a first payment	115	
Proportion with a first payment	(0.532)	
Number with Monetary Eligibility and No Separation Disqualification	256	
Number with a first payment	223	
Proportion with a first payment	(0.871)	

Source: Calculation of New Jersey UI claims data, by Mathematica Policy Research, Inc.

TABLE VI.5

CHARACTERISTICS OF PAYMENT RECEIVED

	Study Sample of Former TANF Recipients
Average Benefit Amount (Dollars)	199
Number of Weeks Paid	16.2
Average Number of Potential Weeks	21.2
Percentage with Duration Capped	39
Average Claim Used (Dollars)	3,279
Average Maximum Benefit Amount (Dollars)	4,224
Balance Claim Remaining (Dollars)	945
Percentage Exhausting Benefits	56
Percentage Exhaustees and Duration Capped	20

Source: Calculation of New Jersey UI claims data, by Mathematica Policy Research, Inc.

payments are approximately twice as high as the average monthly TANF payment of $424 for a family of three. These findings are very consistent with the estimated amounts of payments among monetarily eligible former recipients discussed in Chapter IV. The average claim with a first payment had a potential duration of about 21 weeks; the average former TANF recipient claimed benefits for about 16 weeks. On average, a former TANF recipient received slightly less than $3,300 each time they collected benefits.

- ***Former welfare recipients were somewhat more likely than claimants statewide to exhaust their benefits.***

Weekly benefit amounts and duration together yield a maximum benefit amount for a claim. Individuals who receive the maximum benefit amount are said to have exhausted their benefits. Slightly more than half (56 percent) of the claims filed by former TANF recipients with a first payment led to benefit exhaustion. In comparison, the benefit exhaustion rate was about 45 percent for the general UI population. These findings are consistent with the finding that, overall, about 40 percent of the claims by former TANF recipients had their benefits capped at the maximum duration, compared with about 60 percent of the statewide population (due to the lower earnings of the former TANF recipients).

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