To What Extent Is the Unemployment Insurance System a Safety Net for Former TANF Recipients? Evidence from New Jersey[1]

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A. INTRODUCTION

Major welfare reform legislation and a strong economy have led to dramatic declines in welfare caseloads during the mid- and late-1990s, 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.

This study uses data from New Jersey to examine 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?

In the next section, we provide a brief description of the UI program. This is followed in Section C by a discussion of how the UI program may affect low-wage workers and former welfare recipients. Section D describes the sample and data used in this study, and Section E contains the key findings. Section F provides a conclusion.

B. 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 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 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.

TABLE 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 chart book of UI data on USDOL website http://ows.doleta.gov/unemploy/content/chartbook/home.asp.

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 $450 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.

C. 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

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

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.

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. 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 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.

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. 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. 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. 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.

D. STUDY DESIGN AND DATA

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 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. These data come from both the surveys conducted for the WFNJ study and from wage records filed with the UI system by employers. We also have administrative data on UI claims over the three-year period after TANF exit.[3] 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.

This study focuses on welfare recipients in New Jersey who exited the welfare rolls and became employed between the time of their WFNJ entry and December 1999. We 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.[4] We have counted as employed both those who reported holding jobs in the surveys or had reported employment according to

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[3]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.

[4]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.

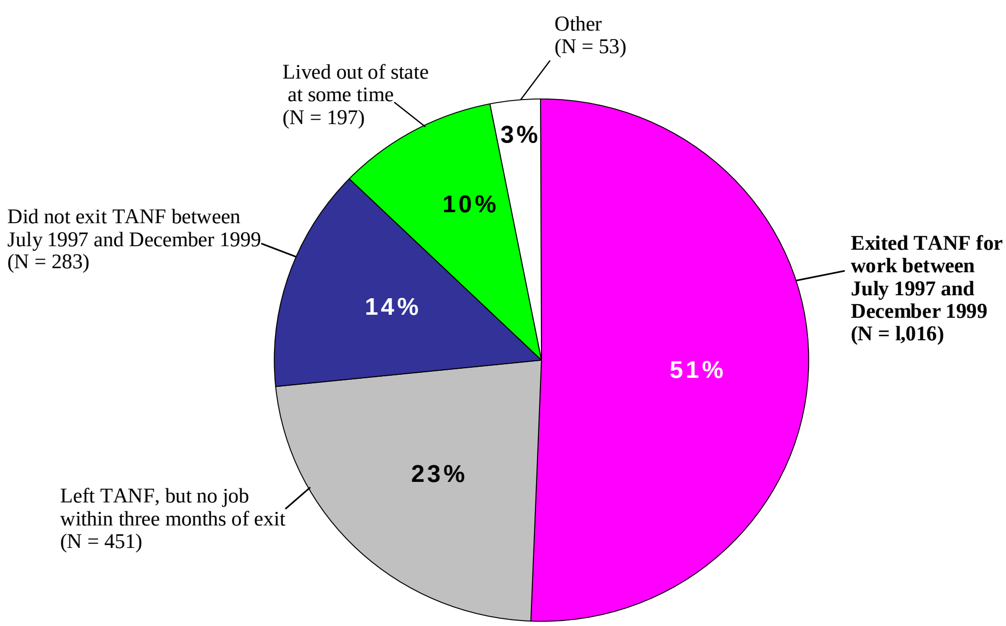
administrative data, both to try to capture jobs that are not reported to the wage records system, and to allow for survey recall error and nonresponse.[5]

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 1).[6] Another quarter (451 recipients) had exited welfare but had not found jobs within three months of TANF exit.[7]

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.[8] Because nonmonetary factors, such as the reason for job separation,

FIGURE 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.

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[5]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.

[6]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.

[7]Appendix Table 1 contains data on the characteristics of the sample members, and Appendix Table 2 describes their job characteristics.

[8]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.

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.

E. KEY FINDINGS

1. Potential Monetary and Nonmonetary UI Eligibility

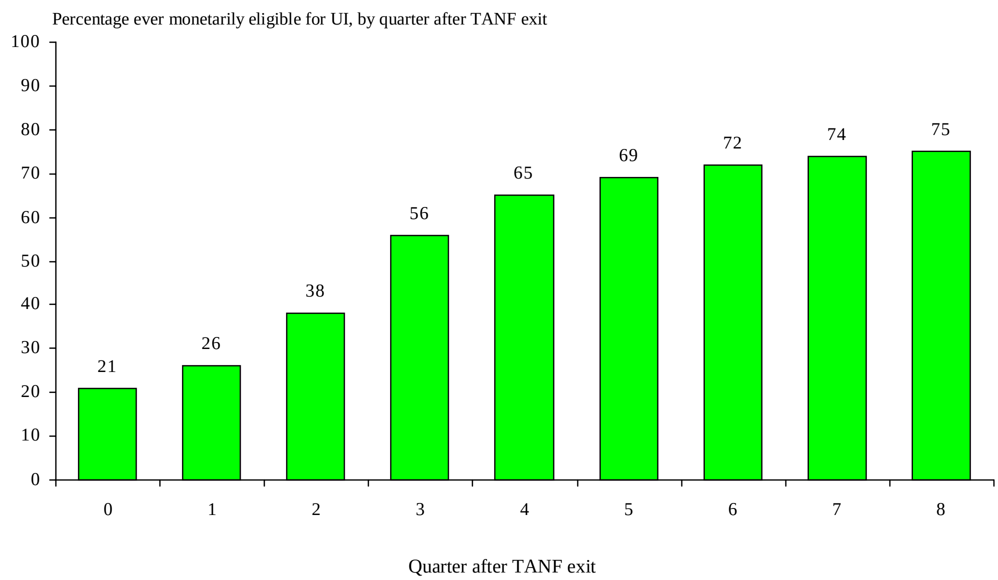
The main study findings relate to the extent to which former TANF recipients who find employment potentially have eligibility for UI indicate that:

- ***Nearly three out of four TANF recipients who exited welfare and found employment would potentially have attained UI monetary eligibility at some point during the two-year period after 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 2). 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

FIGURE 2

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.

(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.

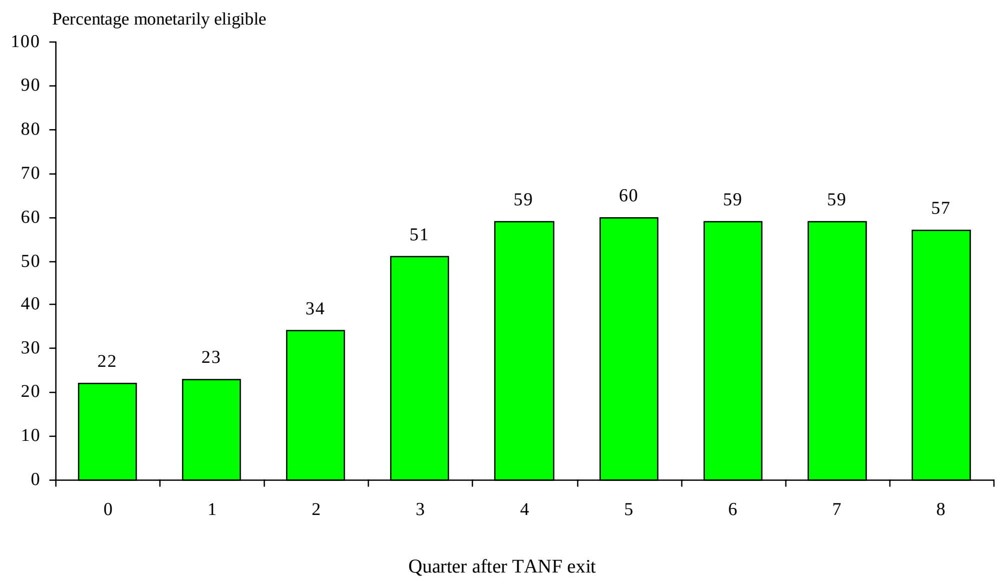
A modest fraction of those who potentially would have attained monetary eligibility for UI also would have lost their eligibility at some point during the study period. About one in four TANF recipients who exited for work and who became eligible during the first year after exit lost their eligibility during the second year after exit. 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 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.)

FIGURE 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.

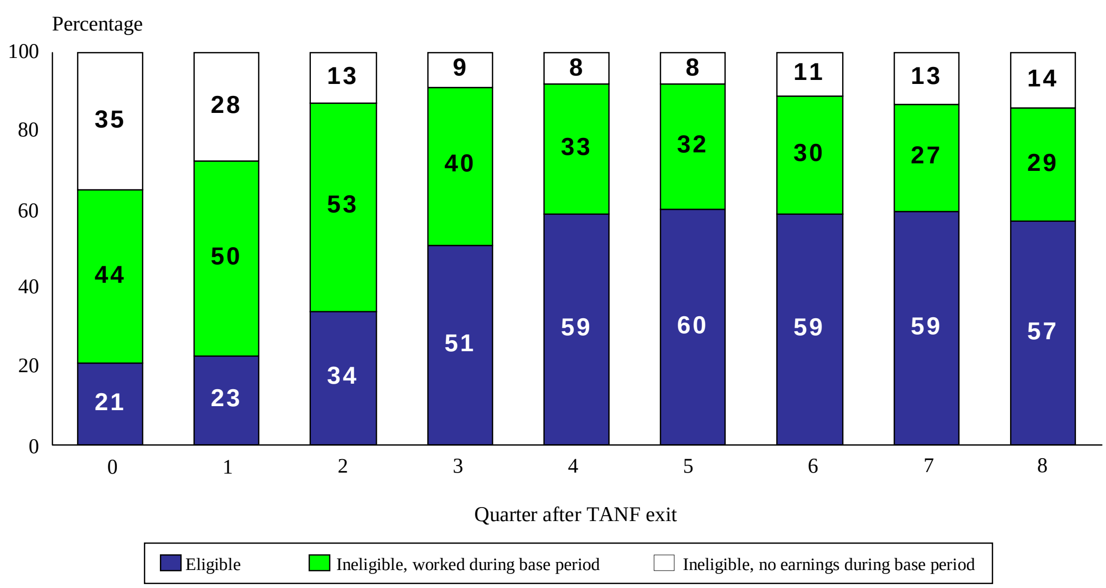
Note: The sample includes 1,016 individuals who left TANF between July 1997 and December 1999, and who held a job within three months of TANF exit.

- ***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 middle panel in Figure 4 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.[9]

FIGURE 4

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.

[9]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.

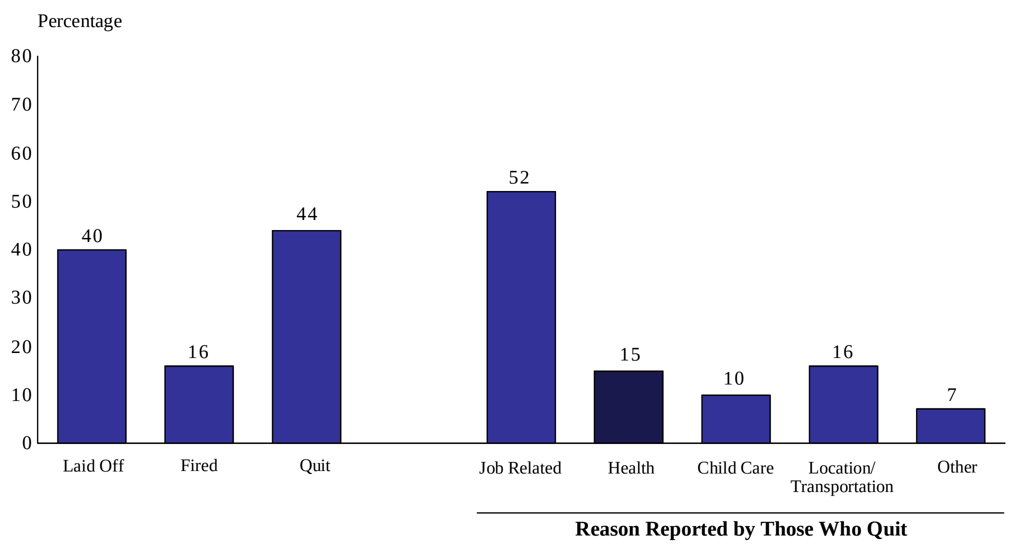
- ***Nonmonetary factors, especially the high rates of voluntary quits, are likely to reduce the fraction that may be able to collect benefits in case of job loss.***

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. 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 5). 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.

We also 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 6). 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

FIGURE 5

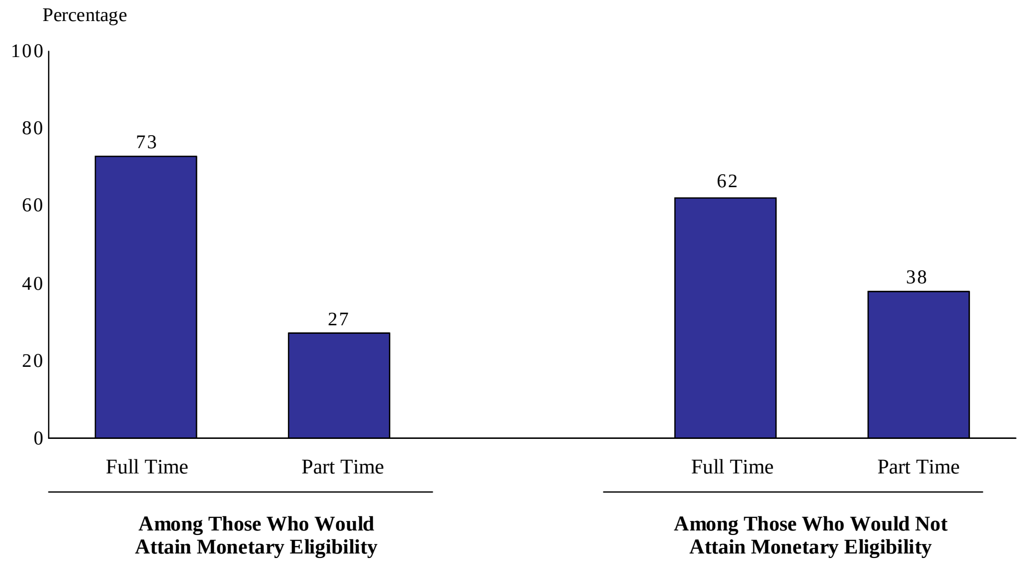
REASONS FOR JOB SEPARATION, REPORTED BY THOSE WHO EXIT THEIR JOBS



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

FIGURE 6

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.

be disqualified for nonmonetary reasons.[10] 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.

- ***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

[10]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.

are relatively generous compared with UI weekly benefit calculations in most other states. The average potential duration of UI benefits ranges from 20 to 23 weeks.

- ***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.

2. Sensitivity of Key Outcomes to Alternative Definitions of UI Rules

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.

- ***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 2, 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.[11] 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.

[11]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.

TABLE 2

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.

- ***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.[12] As Table 2 shows, this parameter made a difference in UI monetary eligibility of only two to three percentage points.

[12] 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.

- ***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.***

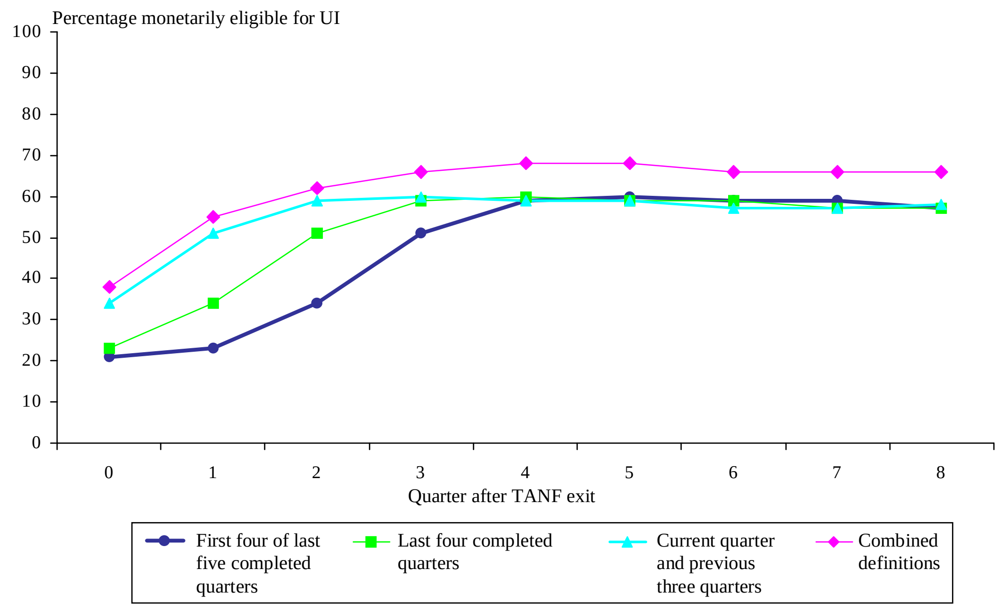
Setting the maximum weekly benefit amounts at the level of the state with the lowest decile ($234) resulted in weekly benefit amounts that were only about $20 lower on average than when maximum weekly benefit amounts were set at the levels of the state with the highest ($447). This small difference results 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.

- ***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.***

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 7). 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

FIGURE 7

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.

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.

3. UI Claims and Benefits

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 (Table 3).

- ***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 4).[13] Nearly 70 percent of those with monetary disqualifications were disqualified because of

TABLE 3

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.

TABLE 4

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.

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 Section E.1 that 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 expect that they are eligible. Among those who are ineligible for UI the reasons are broadly consistent with our findings in Section E.1. A smaller fraction of former TANF recipients than UI claimants statewide had monetary eligibility (73 percent, versus 86 percent statewide).

- ***Ineligibility due to nonmonetary issues was twice as high in claims filed by former TANF recipients as in claims by filers statewide.***

Nearly 40 percent of all claims filed by former TANF recipients had separation issues; 30 percent had separation denials (Table 4). During the same period, by comparison, about 24 percent of claims statewide had separation issues, and about 14 had separation denials. 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 (Table 4).

- ***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 (Table 5). 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.

TABLE 5

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.

F. 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.

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APPENDIX TABLE 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.

APPENDIX TABLE 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.