

**IS THE UNEMPLOYMENT INSURANCE SYSTEM A SAFETY NET
FOR WELFARE RECIPIENTS WHO EXIT
WELFARE FOR WORK?¹**

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The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) transformed the old welfare system to one that provides temporary support and includes strong incentives for participants to work. Under the old welfare law, recipients who left welfare for work could return to welfare fairly easily if they lost their jobs in an economic slowdown. However, the time limits imposed under the new law constrain former recipients' ability to return to welfare if they lose their jobs. Under the reforms, former recipients may have to increasingly rely on the Unemployment Insurance (UI) program as their temporary safety net in case of job loss. There is some concern that UI may not be a viable option for many welfare recipients who find jobs, because they typically find low-wage, entry-level jobs in which they experience high job turnover. However, with welfare reform and the strong economic conditions of the mid to late 1990s, it is possible that a greater number of recipients who leave welfare for work are potentially eligible for UI now than have been in the past. As fears of an economic slowdown grow, it is critical to examine the extent to which UI is an option for those who have left welfare for work under a time-limited welfare system. This paper provides important evidence on the extent to which recent recipients who left welfare for work are eligible for UI.

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BACKGROUND AND RESEARCH QUESTIONS

PRWORA created the Temporary Assistance for Needy Families (TANF) program, which requires welfare recipients to find work within two years and imposes a limit on how long people can receive welfare over their lifetime. Since PRWORA was enacted, and in the context of a strong economy, the welfare caseload nationally has declined by nearly 50 percent; nearly two-thirds of those who have left welfare are employed a year or two after welfare exit, albeit generally at low wages.

To qualify for UI, unemployed workers must meet certain criteria (such as having a minimum amount of earnings or number of weeks worked over a one-year base period). They also have to meet nonmonetary requirements—that is, they must have lost jobs through “no fault” of their own and must be able and available to work full-time.

Some studies have documented that UI eligibility restrictions are more likely to disqualify low-skilled workers (Vroman [1998]; and Advisory Council on Unemployment Compensation [1996]). The minimum earnings requirement means that low-wage workers will have to work for more hours or more weeks than higher-wage workers to qualify for the same benefits. Furthermore, women are also generally less likely than men to qualify for UI benefits, because women are more likely to work part-time. Given the high rates of unemployment among low-skilled workers, policymakers and analysts wonder about the extent to which former welfare recipients who find jobs will be eligible for UI in case of job loss. Will this safety net for working people provide adequate coverage for this group, or do the low wages and spotty work histories of former welfare recipients make UI eligibility unlikely?

Some recent studies that have attempted to estimate how many former welfare recipients might be eligible for UI benefits suggest that only a few are likely to qualify. Kaye (2000) uses the 1979-to-1994 National Longitudinal Survey of Youth (NLSY) to identify a sample of people

who exited welfare and worked for some time over the year after exit without returning to welfare (and did not get married). For this sample, she estimates that only one-third are likely to have monetary eligibility about six quarters after exiting welfare. Similarly, the General Accounting Office (2000) finds that low-wage workers are considerably less likely than higher-wage workers to qualify for UI benefits.

The conclusions of these studies are based on analyses of data from periods prior to PRWORA, rather than on an examination of the actual experience of former welfare recipients under the new law. Holzer (2000) argues that little is known about the experiences of current and former welfare recipients under the new law or about their future UI eligibility. Using data from surveys with employers in four cities, Holzer finds that a fairly large fraction of former welfare recipients would qualify for UI if laid off. However, he acknowledges that his study ignores those working in the informal sector and those who have very limited work histories.

This paper examines the UI eligibility of a recent sample of welfare recipients subject to the TANF rules in New Jersey who exited welfare for work between July 1997 and June 1998.² By examining the employment patterns of welfare recipients who have been subject to the PRWORA rules, this study incorporates any changes in the employment behavior of welfare recipients that might have taken place as a result of the new welfare reform law. For instance, knowing that there are time limits on welfare, welfare recipients who exit welfare for work might be more likely to hold their jobs. Additionally, those who might not have otherwise sought jobs might be looking for jobs or working as a result of the time limits imposed by welfare reform. Furthermore, the period since the passage of the law has coincided with a time of strong

²Note that the focus of this paper is to examine the UI eligibility of those who leave welfare for work. Recipients may leave welfare for reasons other than work, and their patterns of UI eligibility are likely to be very different from those who leave welfare for work. In this paper, we also describe briefly the UI eligibility patterns for those who leave TANF for reasons other than work. We will explore this issue more fully in future work on this topic.

economic conditions, which might have contributed to changes in employment patterns and UI eligibility. Another contribution of this paper is that we calculate UI eligibility using the same data source that states use (UI wage records data) rather than survey data, which the earlier research studies used, and thus can more accurately determine the extent to which former welfare recipients may be eligible for UI.

Using data on earnings of women who have left welfare under the new reforms in New Jersey, this study addresses the following questions:

- What is the pattern of UI monetary eligibility since welfare exit of former TANF recipients who have left welfare for work? How many former recipients are likely to qualify for UI, and how long does it take them? Once they attain eligibility, do they move in and out of eligibility, or do they maintain it?
- How do changes in the definition of the base period affect UI eligibility?
- What are reasons for job loss among former welfare recipients? To what extent do they leave work in ways that are likely to make them ineligible for UI (such as quitting voluntarily)?
- What are the main reasons for non-eligibility among former welfare recipients? Is it low wages or employment not in the base period?
- Do those who find jobs quickly after TANF entry have different patterns of UI eligibility compared to those who find jobs later? What is the pattern of UI eligibility for those who leave welfare for reasons other than work?

This paper takes a preliminary look at these questions using data drawn from a sample of former welfare recipients in New Jersey. We begin with a general explanation of the UI program rules, how eligibility is determined, and how the program operates in New Jersey. We follow with a description of the sample and the data used in this study, as well as of our analysis methods. Then we present our main findings and how they relate to earlier findings in the literature. We conclude with our plans for future research.

THE UNEMPLOYMENT INSURANCE PROGRAM

The UI program is designed to provide temporary assistance to workers who lose their jobs. The UI benefit payments are a partial replacement for the loss of labor market earnings for individuals who lose jobs through no fault of their own. With the exception of self-employment and nonreported or “under the table” jobs, most jobs are covered by the UI program.

To qualify for UI benefits in New Jersey, claimants must have 20 weeks of work over a one-year base period. For a week to count, the claimant must have earned more than 20 times the state minimum hourly wage, or \$103 per week, on average.³ So, at a minimum, claimants in New Jersey need to earn \$2,060 during the base period.⁴ Claimants who do not have 20 weeks of work can also qualify if they earned \$5,200 in their base period. The minimum qualifying earnings requirements are higher than New Jersey’s in about one-fourth of the other states and lower in about three-fourths. However, since New Jersey is a relatively high wage state, its requirements for UI eligibility are probably nearer to the center of the distribution relative to its average wage level.

Like most states, New Jersey defines its base period as the first four of the past five calendar quarters. New Jersey also uses two alternative base periods if a claimant does not qualify under the standard one. The first alternative that is checked is the past four completed calendar quarters. If the claimant does not qualify under that alternative, the final alternative base period is the three most recent complete calendar quarters and the weeks in the filing quarter up to the date of claim.

³Prior to January 2001, a higher earnings level was used (20 percent of statewide average weekly wages) to define countable weeks, but the minimum wage level was also used as an alternative qualifying requirement.

⁴Some states require that the maximum wages during one quarter, or the high quarter wages, be above a certain minimum, but New Jersey frames its requirement in weeks (people must have worked at least 20 weeks over the base period).

Finally, claimants must be unemployed through no fault of their own to qualify for benefits (the “nonmonetary” eligibility criteria). Hence, claimants who are laid off or have a job that ends are eligible. Claimants who quit their jobs are not eligible unless they quit for good cause related to their work. In practice, few people who quit are eligible. Claimants who are fired are eligible if they were unable to perform their job satisfactorily. However, if they were discharged for “misconduct,” they can be disqualified for five weeks. After that point they become eligible.⁵ Given these rules, most claimants who are fired are eligible for UI after, at most, a five-week period.

SAMPLE, DATA, AND METHODS

Data. We address the study questions listed earlier using administrative earnings and welfare data, and longitudinal survey data on a sample of current and former TANF recipients in New Jersey. As part of the Work First New Jersey (WFNJ) evaluation, Mathematica Policy Research, Inc. (MPR) is collecting data on a representative, statewide sample of welfare recipients who received TANF in New Jersey between July 1997 and December 1998, the first 18 months under the new welfare rules. The sample is representative of everyone who received TANF during this period, including those who were on the existing welfare caseload when TANF was implemented in July 1997, as well as those who entered the TANF rolls during the first 18 months after TANF implementation. For the WFNJ evaluation, we are using administrative and survey data to track the employment and welfare patterns of this cohort of TANF recipients.⁶

⁵Those discharged for “gross misconduct,” which is defined as misconduct serious enough to be considered a crime under New Jersey statutes, are disqualified for the duration of unemployment.

⁶See Rangarajan and Wood (1999) and Rangarajan and Wood (2000) for more information on the WFNJ evaluation.

The administrative data include UI wage records data as well as monthly welfare data. The UI data include quarterly earnings and weeks worked covering the period from mid-1995 through the end of 1999. For these clients, we also have monthly TANF and food stamp receipt for the period covering mid-1995 through mid-2001. We conducted surveys with WFNJ clients in spring 1999 and spring 2000.⁷ The data gathered include detailed information on each job held since TANF entry, including start and end dates, hours and weeks worked, hourly wages, and reasons for job loss.

A major advantage of our data is that we can use both administrative and survey data to examine potential UI eligibility for former welfare recipients. The earnings records data include jobs covered by the UI system and consequently reflect what would be used to determine UI eligibility if a client were to lose a job. Unlike survey data, which is subject to recall errors, the welfare records data allow us to identify accurately when clients left welfare.⁸ The survey data allow us to explore why welfare recipients lose jobs and, consequently, the extent to which nonmonetary factors can affect UI eligibility. The other major advantage of these data, in general, is that they are post-TANF and hence capture changes in recipients' behavior that might have resulted from the TANF legislation.

New Jersey is a good state in which to study these questions. With respect to the welfare benefits, work requirement rules, other program characteristics, and caseload characteristics, New Jersey is a median state and reflects the national average and trends fairly well. Similarly, with respect to employment experiences of former TANF recipients, patterns in New Jersey are

⁷Response rates of over 80 percent were attained in each of the surveys. A third survey with these clients was completed in 2001, which also had an 80 percent response rate. We will use data from the 2001 survey during future work on this topic.

⁸The drawback with the records data is that they cover only employment or welfare received in New Jersey and do not pick up coverage or public assistance receipt in other states.

fairly similar to national patterns. Wages in New Jersey are slightly higher than national averages, partly reflecting the higher cost of living in the state; this is consistent with the slightly higher than average earnings requirement for UI eligibility in New Jersey.

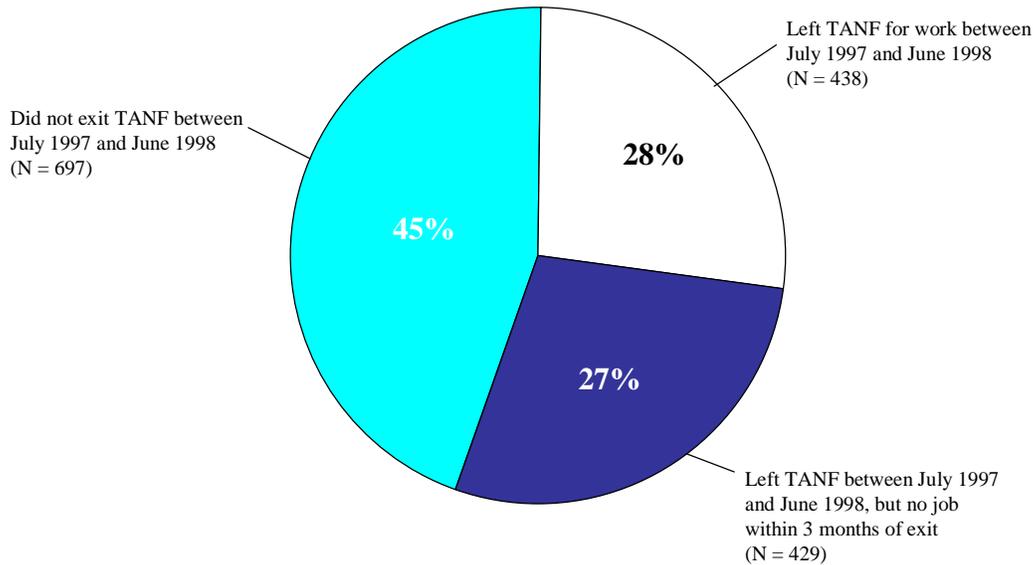
Sample. To study the UI eligibility patterns of those who left welfare for work, we first selected clients who had entered WFNJ between July 1997 and June 1998 and had completed either the first or the second client survey. This yielded a sample of 1,564, from which we selected clients who had exited welfare by June 1998 (867 individuals). To select our sample of those who left welfare for work, we identified individuals who, reported in the surveys having found employment within three months after TANF exit.⁹ We restricted our sample to those who had left TANF by June 1998 in order to allow ourselves a two-year follow-up period in which to examine former recipients' potential eligibility for UI. As seen in Figure 1, restricting the sample to those who exited TANF for work yielded a sample of 438 (28 percent of all clients who had entered WFNJ between July 1997 and June 1998 and who had completed a survey).¹⁰ Another 429 clients (27 percent of the sample) had left welfare during this period but not for work, and the remaining 45 percent had never left welfare during this period.

In general, welfare recipients who find employment find low-paying, entry-level jobs. As seen in Table 1, as a group, WFNJ clients who reported having worked in the second client survey made about \$8.15 per hour. Eighteen percent worked in jobs that paid \$6 or less, and 16

⁹A sample member who exited TANF for one month and reported employment within three months of exiting TANF, is viewed as having left welfare for work. No restrictions are imposed on how long a client has to stay off welfare to be included in our sample. We could also have included in our sample those who had employment reported in the wage records data around the time of TANF exit but who did not recall having held a job around that time. About 12 percent of TANF leavers had a job reported in the wage data around the time of TANF exit, but not in the survey. In future work, we plan to include these individuals in our sample of those who exited welfare for work.

¹⁰In selecting the sample of former recipients who left welfare for work, we included those who reported in the survey that they had held a job around the time of TANF exit. We did this to include clients who may have exited welfare for work but worked in non-reported (or out-of-state) jobs that UI records data might not pick up.

FIGURE 1
STUDY SAMPLE



Note: Sample includes 1,564 individuals who entered TANF between July 1997 and June 1998 and completed a survey as part of the WFNJ evaluation.

percent worked in jobs that paid more than \$10. About two-thirds of the clients worked full-time (35 hours or more per week), and just under 10 percent worked fewer than 20 hours per week. The jobs that clients held most frequently were in service, sales, and administrative support.

Methods. Much of the analysis conducted in this study describes the extent to which former TANF recipients who leave welfare for work appear to be eligible for UI if they experienced a qualifying job separation. In other words, they are “potentially eligible” for UI. Potential eligibility for UI is calculated for each TANF leaver for each of eight quarters following TANF exit. To simulate potential eligibility for UI, we examine the clients’ weeks worked and earnings during the base period for each quarter following TANF exit. The weeks worked and earnings

TABLE 1
CHARACTERISTICS OF JOBS HELD BY CURRENT AND
FORMER NEW JERSEY TANF RECIPIENTS

	Percentages
Hourly Wages	
\$6.00 or less	18
\$6.01 to 7.00	26
\$7.01 to 8.00	17
\$8.01 to 9.00	13
\$9.01 to 10.00	10
More than \$10.00	16
(Mean)	(\$8.15)
Hours Worked per Week	
Less than 20	9
20 to 34	28
35 or more	63
(Average)	(35)
Monthly Earnings	
Less than \$1,000	38
\$1,001 to \$1,400	30
More than \$1,400	32
(Average)	(\$1,271)
Benefits Offered	
Health insurance	49
Paid vacation	53
Seasonal/Temporary Job	30
Occupation	
Manager/professional/technical	6
Sales	15
Administrative support	24
Private household services	3
Other services	33
Transportation	11
Construction/production/other	8
Sample Size	1,144

SOURCE: First and second WFNJ client surveys.

are based on clients' weeks and earnings reported in the wage records data. Clients who had worked 20 weeks or more and earned \$2,060 during the base period for a quarter were treated as potentially eligible for UI for that quarter. Clients who during the base period had fewer than 20 weeks or missing weeks but over \$5,200 in earnings were also treated as potentially eligible for

UI benefits.¹¹ It is important to recognize that these are estimates based on clients' earnings and weeks worked during the relevant base period for each quarter. Our goal is to determine the proportion of those leaving TANF for work who would have monetary eligibility for UI if they experienced a job loss during a particular quarter after TANF exit. The analysis is not limited to clients who experience actual spells of unemployment.

Most of the analysis focuses on potential UI eligibility based on the standard definition of the base period: the first four of the past five completed quarters. (For instance, the base period for calculating UI eligibility for the third quarter after TANF exit would include the two quarters before TANF exit, the quarter of TANF exit, and the first quarter after TANF exit.) UI eligibility was also calculated for two alternative base periods, the first being the past four completed quarters, the second being the 52 weeks prior to the current period. Thus, under alternative 1, the base period for UI eligibility during the third quarter after TANF exit would include the quarter before TANF exit, the quarter of TANF exit, and the first two quarters after TANF exit. To simulate eligibility under alternative 2, we counted the base period as the current quarter plus the three previous quarters.

As mentioned earlier, most of the analysis in this paper is based on monetary eligibility for UI. To be eligible to receive UI, people who lose their jobs should have lost them involuntarily. In many states, including New Jersey, personal reasons for leaving jobs are often not considered good cause, and frequently, quitting a job is likely to make someone ineligible for UI. There is some concern that welfare recipients, who generally have more personal responsibilities and less personal supports than other workers, may be more likely than other workers to quit their jobs.

¹¹In practice, the UI system in New Jersey requests information from base period employers on weeks worked and weekly wages when data on earnings are present but weeks worked are missing from wage records. We used the \$5,200 alternative since we could not request wage information from employers.

Furthermore, the jobs they find (entry-level jobs with few fringe benefits) may be the type that are easy to quit. To get a sense of how many TANF leavers might qualify for UI based on nonmonetary reasons, we use survey data to determine the fraction of TANF leavers who leave because they were laid off or saw their temporary job end, the fraction who leave because they are fired, and the fraction who quit. While these numbers should be interpreted cautiously, especially because reasons for job loss are likely to be different in times of a recession (when more workers are likely to get laid off), it is nonetheless useful to see the extent to which clients are likely to meet nonmonetary criteria for eligibility.

MAIN RESULTS

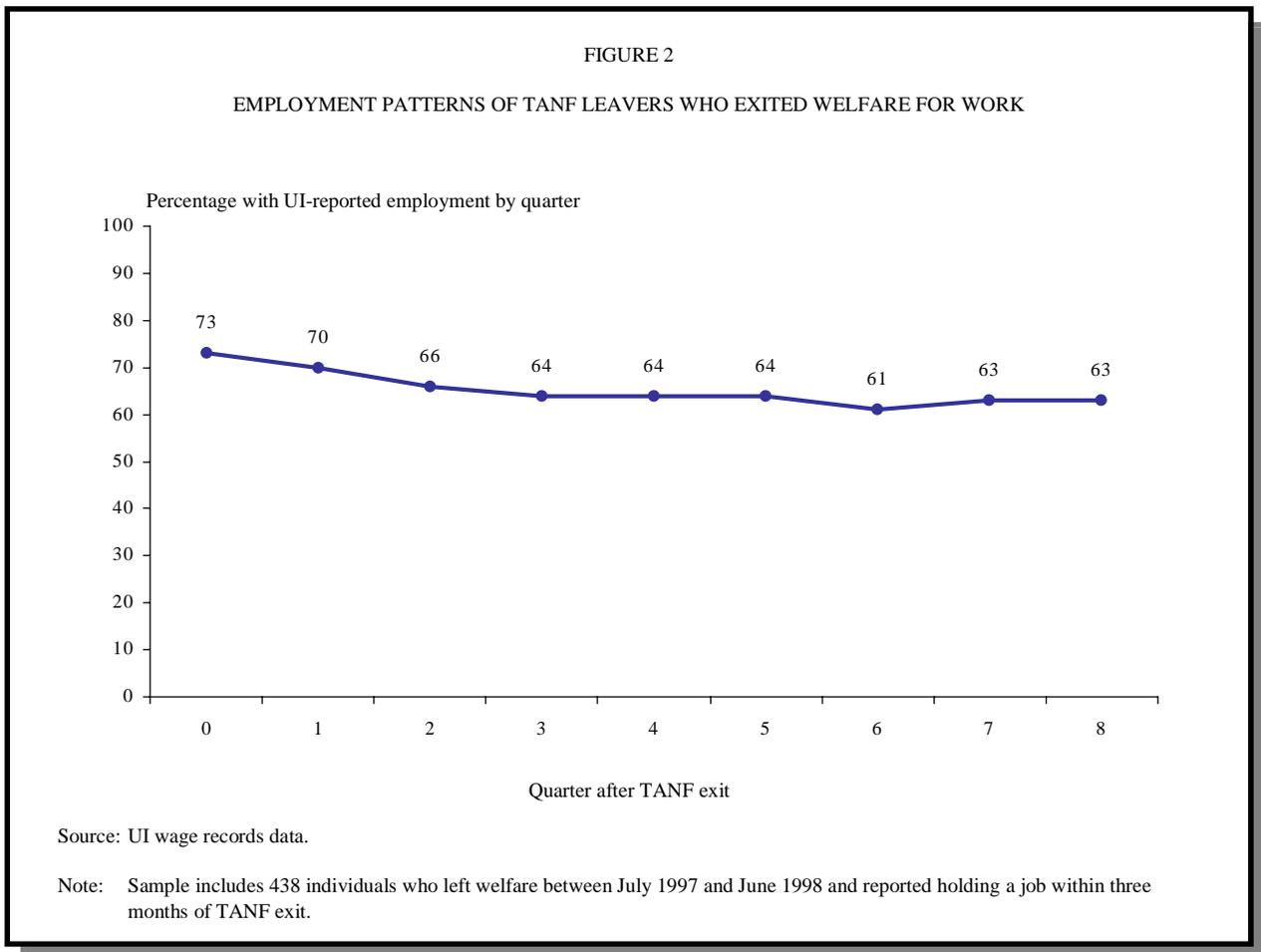
Employment patterns. Among our sample (TANF leavers who reported employment in surveys around the time of TANF exit), just around 80 percent had earnings reported in New Jersey wage records in either the quarter of exit or the quarter following exit (not shown). These numbers suggest that about 20 percent of TANF recipients who left welfare for work left for a job that was not reported in the wage records, either because it was an “under the table” job or the job was out of state.¹² These findings are similar to those of other studies that have tried to match UI-reported earnings with self-reported employment data and found a higher prevalence of employment in survey data than in administrative data (Kornfeld and Bloom 1999). To the extent that some of the jobs are under the table and not recorded in state UI reporting data, this suggests that using surveys alone to determine UI monetary eligibility could overstate eligibility numbers.

Not all welfare recipients who leave welfare for work will keep their jobs. Some lose their jobs and find other employment; others may return to welfare; and others may live off other

¹²It could also reflect some overreporting of employment due to survey recall error.

sources of income. We find that during the quarter of TANF exit, 73 percent of those who left welfare for work had UI-reported employment (Figure 2). These numbers decrease slightly over time. Employment rates stabilize between 60 and 65 percent over the two-year period following TANF exit.¹³

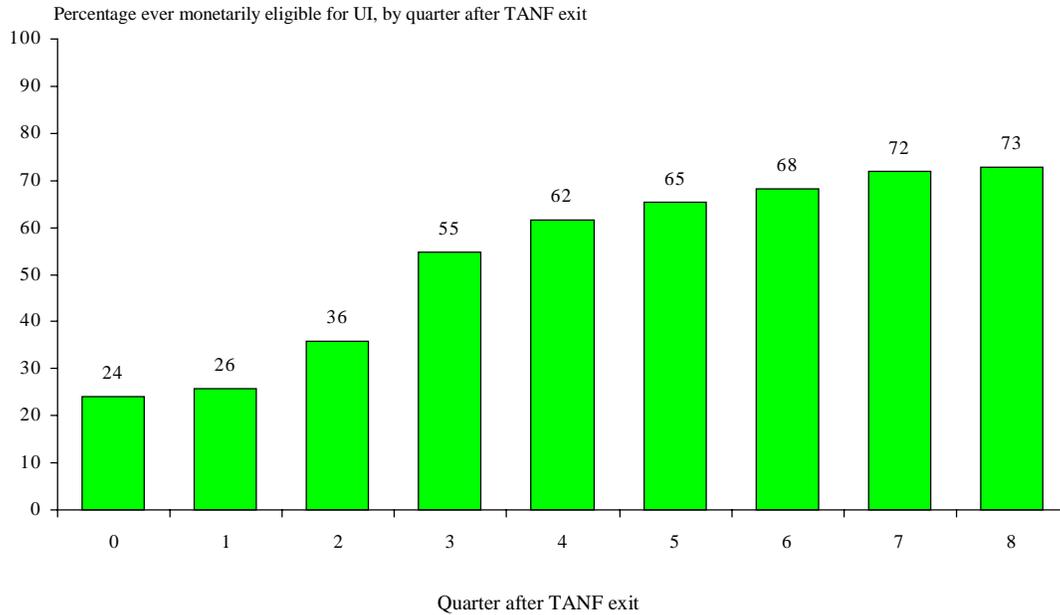
Monetary UI eligibility. UI monetary eligibility rates among those who leave TANF for work appear to be relatively high, and nearly three out of four former TANF recipients who left welfare for work became monetarily eligible for UI at some point over the two-year period following TANF exit (Figure 3). Most of those who achieved monetary eligibility did so in the first year after TANF exit. First-time monetary eligibility for UI increased rapidly during the



¹³Employment rates as reported in the survey data are considerably larger, starting at around 95 percent during the quarter of TANF exit and stabilizing between 80 and 85 percent (not shown).

FIGURE 3

CUMULATIVE MONETARY ELIGIBILITY FOR UI, BY QUARTER AFTER TANF EXIT



Source: UI wage records data.

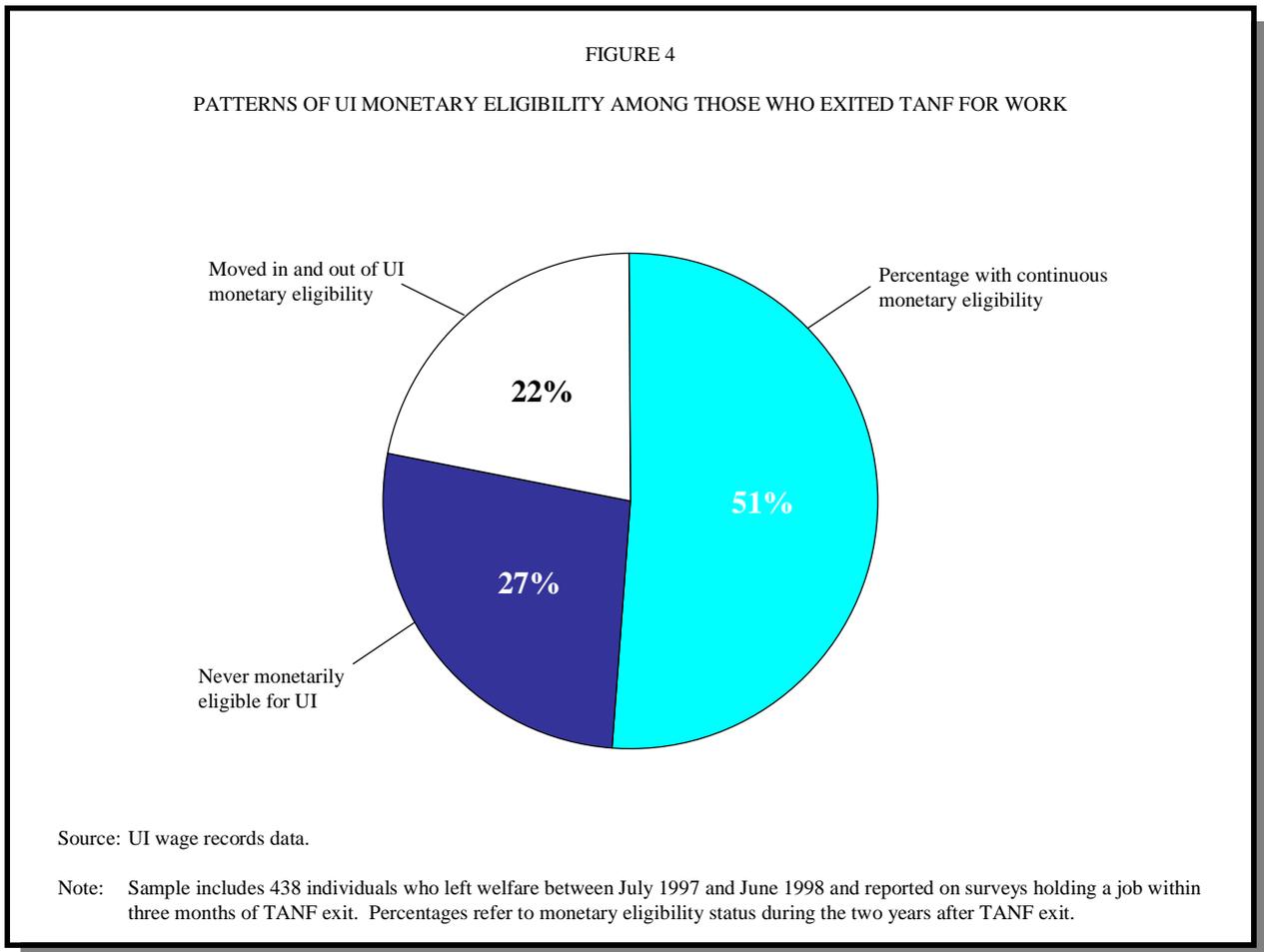
Note: Sample includes 438 individuals who left welfare between July 1997 and June 1998 and reported holding a job within three months of TANF exit.

first few quarters after TANF exit, and then grew at a much more modest pace during quarters 4 and 8 after TANF exit.

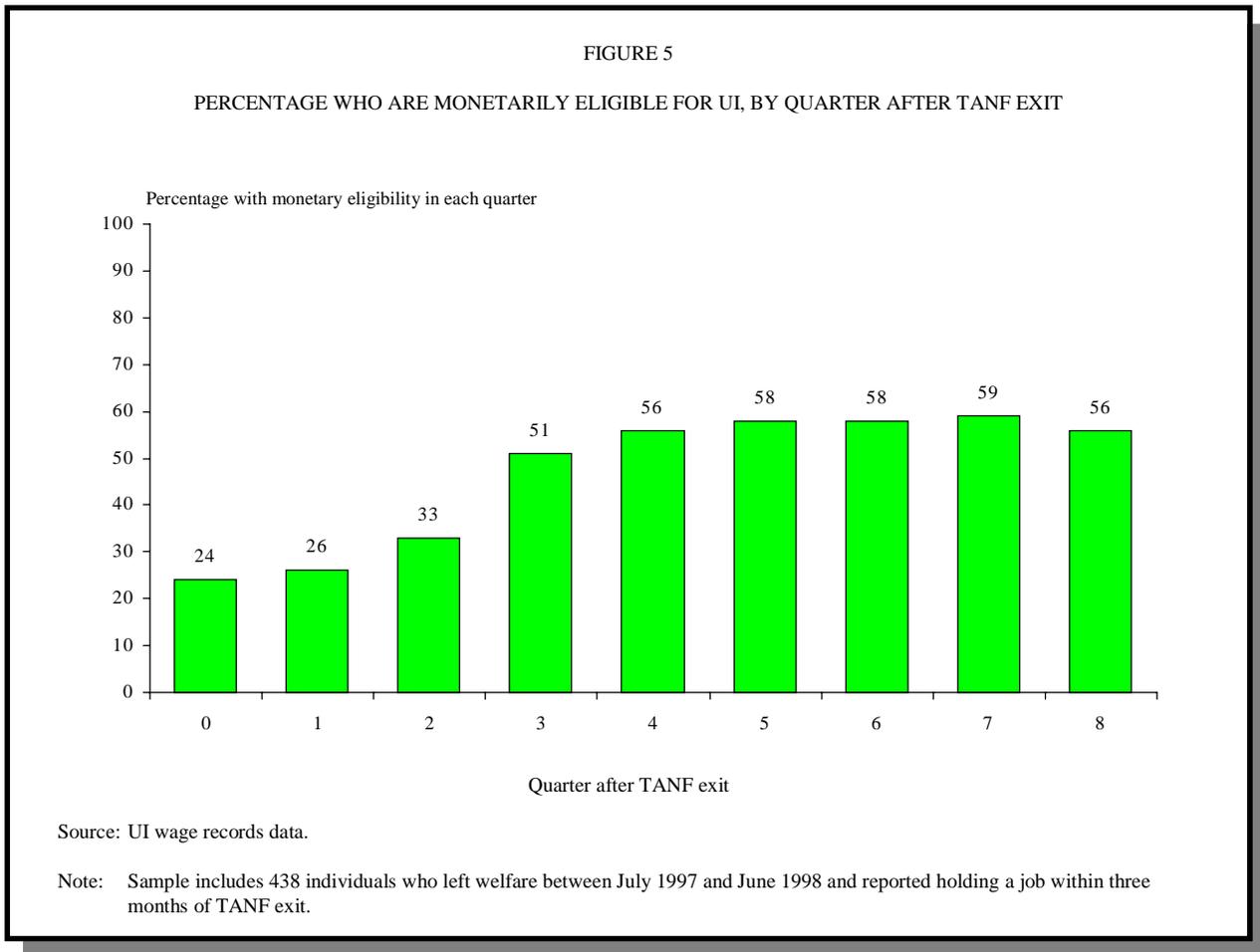
Interestingly, a considerable number of former TANF recipients (nearly one quarter of those who left TANF for work) were monetarily eligible for UI benefits even during the quarter that they exited welfare. Some of these people had combined welfare and work over the year prior to TANF exit. Therefore, with the modest requirements for monetary eligibility for the UI program (those working part-time at minimum wage for two quarters would qualify), some were immediately monetarily eligible for UI when they left welfare for work. Others had accumulated some work experience prior to entering TANF and then went on welfare for a short period of

time, so their work prior to TANF entry made them immediately eligible at TANF exit, at least for a short time.

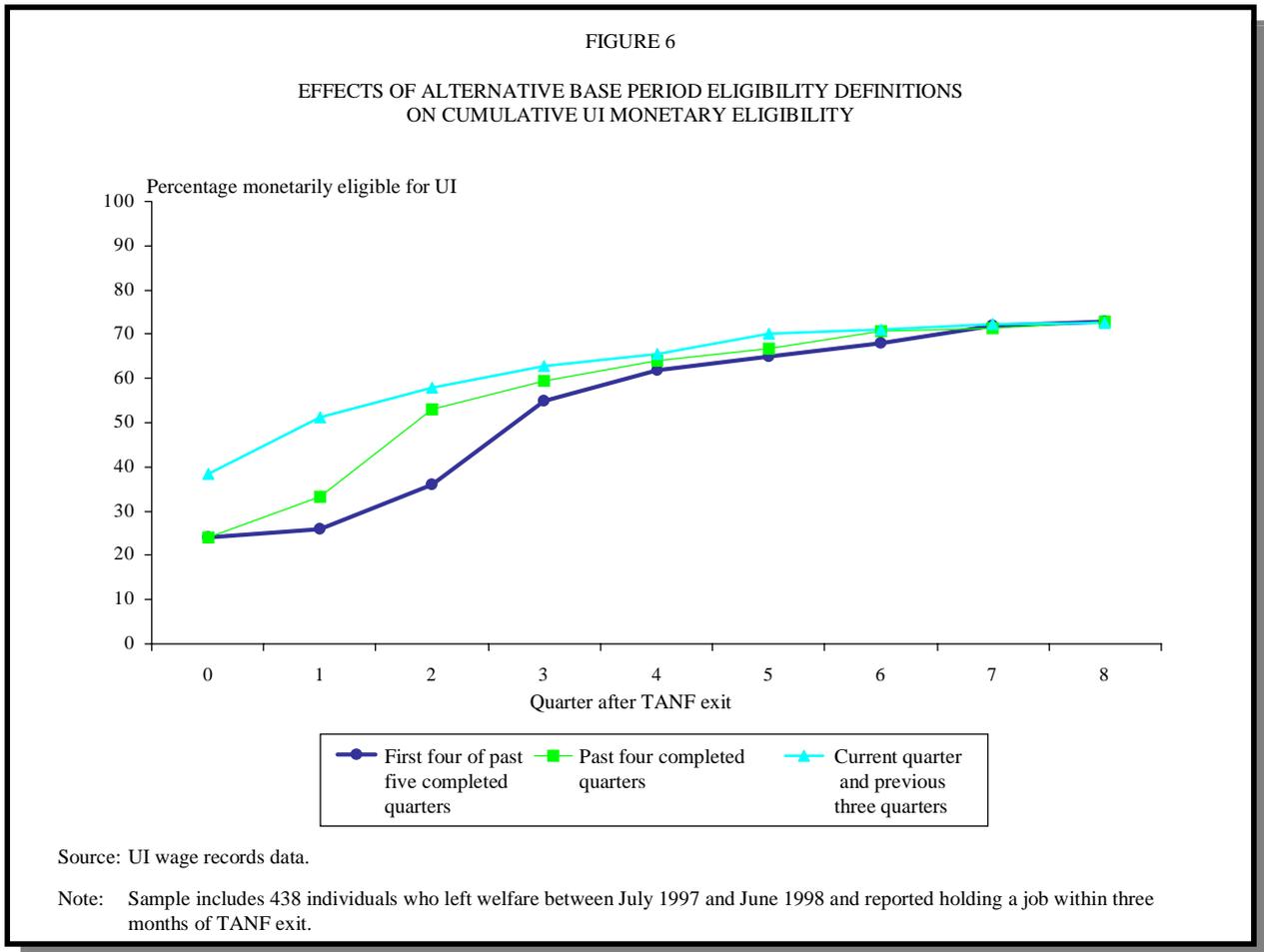
There is little movement in and out of monetary eligibility among clients who leave TANF for work, and most people who achieved eligibility for UI maintain it. Among all those who left TANF for work, nearly three-quarters of those who gained eligibility (half the full sample) never lost their eligibility for UI over the two-year period following TANF exit (Figure 4). Less than one-third of those who have ever gained eligibility (about one quarter of the sample who left welfare for work) lost their monetary eligibility for UI at some point over the sample period after having been eligible for it during at least one quarter. One quarter of those who exited welfare for work never attained monetary eligibility for UI even during a single quarter after TANF exit.



Monetary eligibility levels during each quarter after TANF exit are somewhat lower than the cumulative monetary eligibility rates, but not by a great deal. For example, by the third quarter after TANF exit, just over half of those who exited TANF for work were monetarily eligible for UI (Figure 5). After the third quarter after TANF exit, monetary eligibility rates for UI stayed fairly stable among those who exited welfare for work, and between 55 to 60 percent of those who exited welfare for work had monetary eligibility for UI between quarters 4 to 8 after TANF exit. These numbers are higher than those found in previous studies of monetary UI eligibility of welfare recipients. We suspect this difference is driven, at least partly, by more stable employment patterns among welfare recipients in recent years as a result of welfare reform and the strong economy.



Monetary UI eligibility for alternative definitions of the base period. In addition to the standard definition of the base period—the first four of the past five completed quarters—we also examined monetary UI eligibility for two other definitions of the base period: (1) the past four completed quarters, and (2) the current quarter and the previous three quarters. Alternative definitions of the base period do not seem to affect overall UI eligibility among those who left welfare for work over the two year period following TANF exit. Using any definition of base period, just under three-fourths of those who left TANF for work were ever eligible for UI over the two-year period following TANF exit (Figure 6). The primary difference that arises from using the alternative definitions of the base period is in how quickly those who leave TANF for work become eligible for UI. Using the first alternative definition of the base period (the past four completed quarters), over half the sample of leavers attain UI monetary eligibility during the



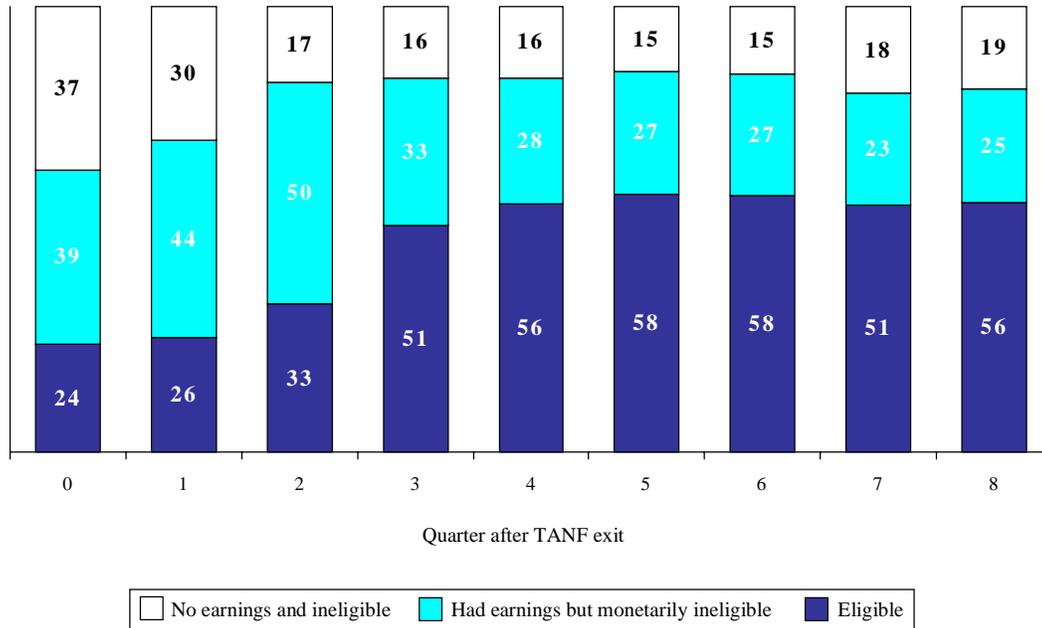
second quarter after TANF exit, compared to 34 percent using the standard base period. Using the second alternative definition (the current quarter and the previous three quarters), over half the sample attains UI eligibility during the first quarter after exit (compared to only one in four under the standard base period) (Figure 6).

Reasons for monetary ineligibility. The analysis has thus far focused on the fraction of TANF leavers who have monetary eligibility for UI. However, policymakers are also interested in learning about why some who have left TANF for work do not have monetary eligibility for UI. For instance, is it that they are working, but in very low wage jobs with spotty employment, so they do not have the sufficient duration of employment and earnings to qualify? Or is it that they have lost their jobs and are unable to find other employment? If it is the former reason, job advancement will have to be an important part of the welfare program services. If it is the latter, job search, basic skills training, and job retention strategies may need to be emphasized more, along with services to deal with the reasons for job loss. We find that both factors contribute to monetary ineligibility for UI among those who leave TANF for work. For instance, among those who do not have monetary eligibility in some quarter after TANF exit, around 40 percent (between 15 to 18 percent of the whole sample) were ineligible because they had no UI-reported employment in the base period, while the remaining 60 percent (around 20 to 22 percent of the whole sample) were ineligible because their UI-reported earnings or weeks worked were too low (Figure 7).¹⁴ In future research, we will identify which client characteristics are associated with not being eligible for UI. This information will help programs target appropriate services to these clients.

¹⁴It is possible that working in an uncovered sector is a reason for monetary ineligibility for some clients. As noted earlier, some former TANF recipients reported employment in the survey data but had no employment reported in the UI wage records.

FIGURE 7

UI ELIGIBILITY AND INELIGIBILITY AMONG THOSE WHO EXITED TANF FOR WORK

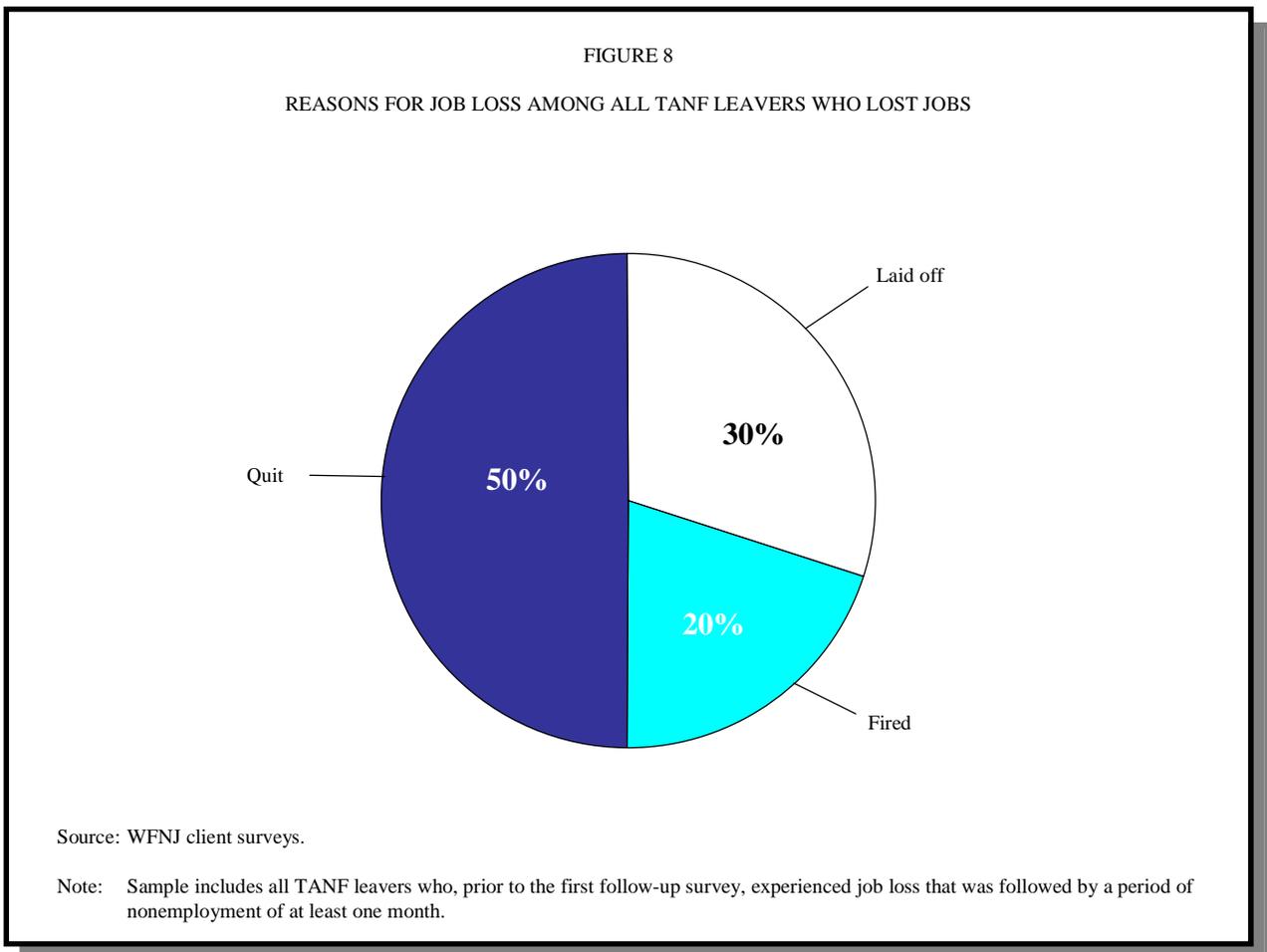


Source: UI wage records data.

Note: Sample includes 438 individuals who left welfare between July 1997 and June 1998 and reported holding a job within three months of TANF exit.

Nonmonetary eligibility. Many former TANF recipients who have left welfare for work appear to achieve monetary eligibility for UI relatively quickly. However, the reasons that former TANF recipients typically lose jobs may render many of these monetarily eligible TANF leavers ineligible for actual benefits in the event of job loss. Therefore, when examining the extent to which former TANF recipients are likely to be eligible for UI benefits, it is important to examine their typical reasons for job loss. As discussed earlier, New Jersey UI claimants who have left their jobs voluntarily are usually ineligible for benefits. In contrast, most of those who are fired are eligible for benefits (sometimes after a waiting period), unless they were fired for actions that are punishable as a crime under New Jersey law (a rare occurrence).

What are the typical reasons for job loss among former TANF recipients? Self-reported information from follow-up surveys indicates that about half of job losses are due to quits (Figure 8).¹⁵ Reasons for quitting are roughly evenly split between problems outside work (most often related to health, child care or transportation, or family or personal difficulties) and problems associated with the job itself (most often poor salary, benefits, or schedule; difficulties with supervisors or coworkers; or simple dislike of the job) (not shown). About a third of TANF leavers who experience a job loss report having been laid off (often when temporary or seasonal



¹⁵For this analysis, only job losses prior to the first follow-up survey (conducted in mid-1999) that were followed by a period of non-employment of at least a month are included.

jobs end). The remaining 20 percent who experienced a job loss reported being fired from their jobs (Figure 8). Almost half of those fired reported frequent absenteeism as the reason for their termination (not shown). Problems with job performance and conflicts with supervisors or coworkers were also common reasons for dismissal.

Most of those who quit would probably be ineligible for benefits under the New Jersey UI system, while most of those who were fired would be eligible. Therefore, roughly half of job losses experienced by New Jersey TANF leavers during the late 1990s would not qualify the former welfare recipient for benefits. However, these reasons for job loss cover a period in which the economy was very strong. It is quite likely that during an economic downturn, more TANF leavers would be laid off and fewer would quit. Therefore, the proportion of qualifying job separations during a recession is likely to be substantially higher than half. Even so, it is important to keep in mind, when interpreting the proportion of TANF leavers who appear monetarily eligible for UI, that many job separations among this group would not qualify the worker for benefits.

Patterns of UI eligibility by time of job start relative to WFNJ entry. As we have seen earlier, not all TANF recipients who exit welfare for work have monetary eligibility for UI. One question that arises is whether certain TANF leavers who exit for work are more likely than others to achieve monetary eligibility. To begin to consider this question, we examined the UI eligibility patterns of those clients who found jobs fairly soon (within six months) after TANF entry, and compared them with the eligibility patterns of those who found jobs more than six months after TANF entry. Those who found jobs fairly quickly after TANF entry are probably less disadvantaged than other TANF leavers and likely to have higher rates of UI eligibility. Seventy percent of our sample of TANF leavers had reported employment within six months after TANF entry. As expected, these people were more likely, relative to those who took six

months or more after TANF entry to find a job, to become monetarily eligible for UI and to become eligible more quickly. UI monetary eligibility rates for those who had reported earnings during the first two quarters after TANF entry was around 65 to 70 percent per quarter after TANF exit, compared to monetary eligibility rates of between 25 to 35 percent for the remaining sample (Figure 9).

UI monetary eligibility among those leaving TANF for reasons other than employment.

As described earlier in Figure 1, many welfare recipients leave TANF for reasons other than employment. Not surprisingly, those who left TANF and were not employed within three months of exit were considerably less likely than those leaving welfare for work to be eligible for UI. For instance, only between 10 and 20 percent of TANF leavers who did not work within three months of exit were eventually eligible for UI, compared to between 55 and 60 percent of

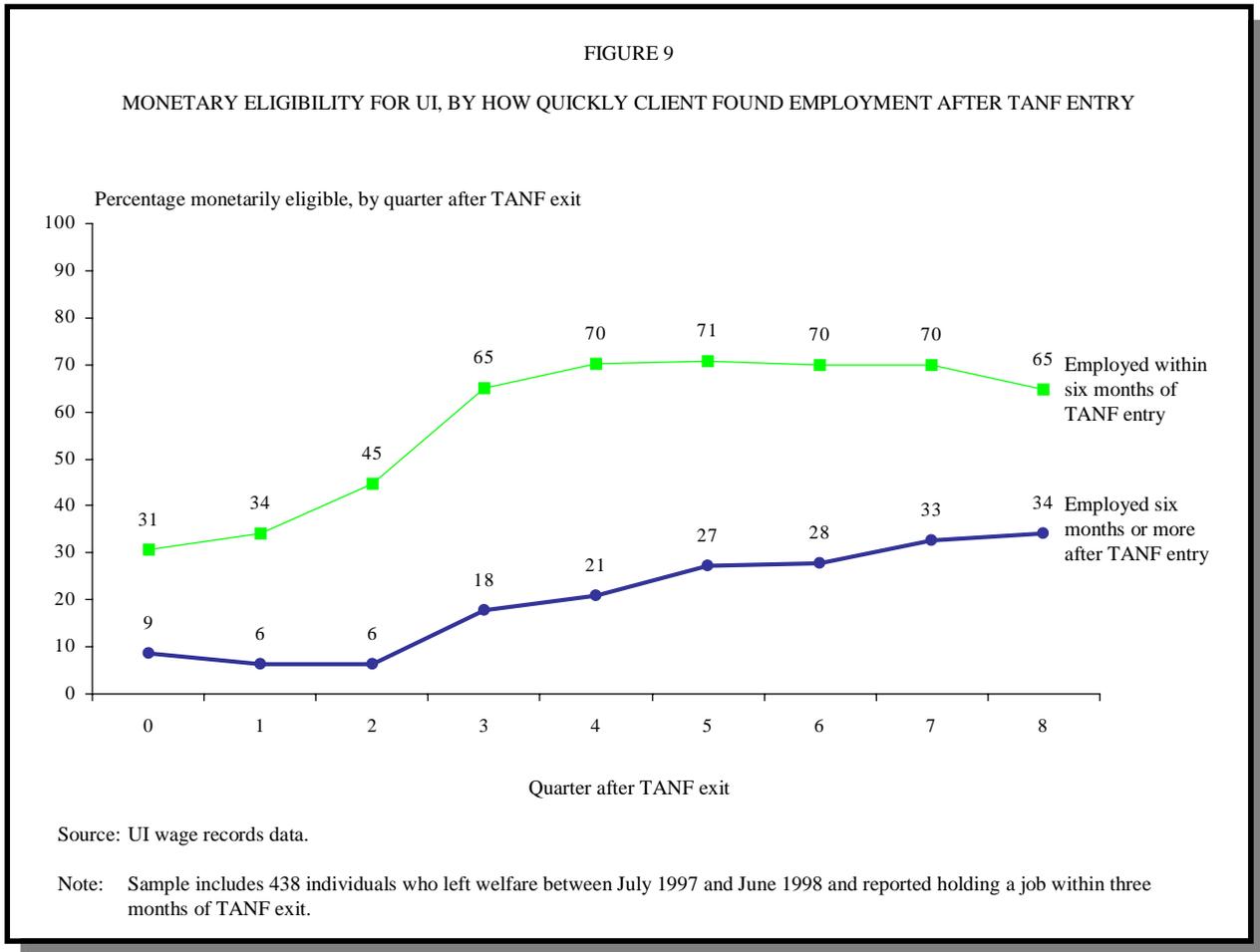
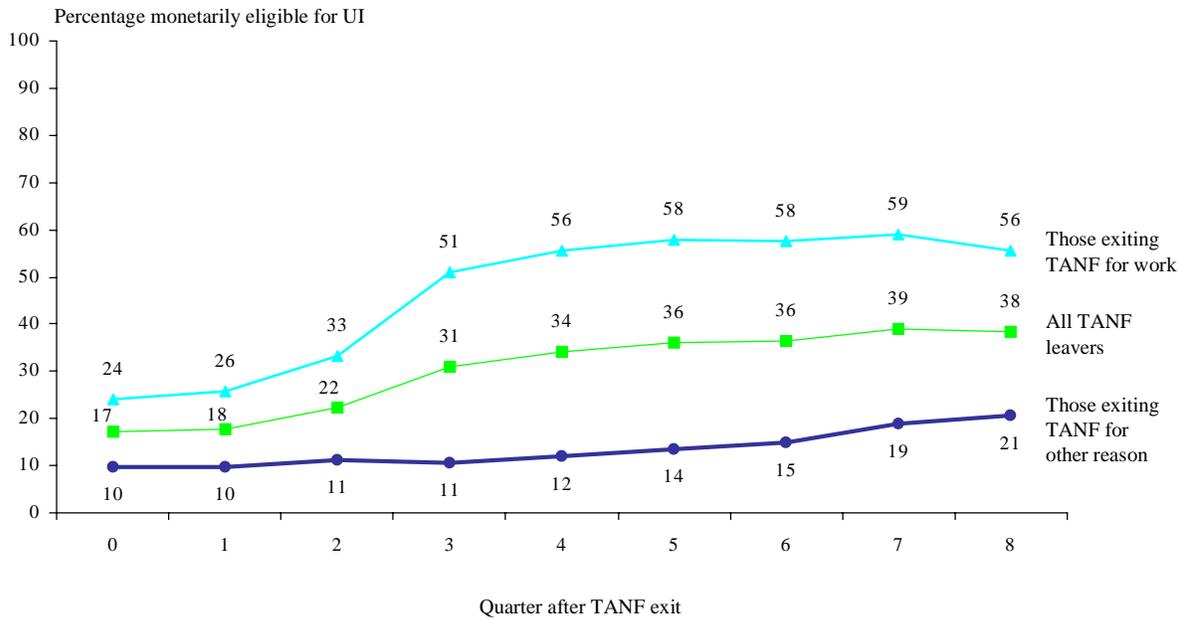


FIGURE 10
 MONETARY ELIGIBILITY FOR UI AMONG ALL "TANF LEAVERS"



Source: UI wage records data.

Note: Sample includes 438 individuals who left welfare between July 1997 and June 1998 and reported holding a job within three months of TANF exit.

those who left TANF for work (Figure 10). These findings are not surprising. Many clients who leave TANF for non-work-related reasons may actually be out of the labor force: some may be on SSI, and some may be married and living with an employed spouse or partner.¹⁶ For instance, in an earlier study that used these data, we found that about a third of the cases who left TANF and were not working at the time of the survey were on SSI or were living with an employed spouse or partner (Rangarajan and Wood 2000). However, even factoring out these cases, we

¹⁶Some may leave for other reasons, such as a welfare sanction or because they no longer have a child under 18.

find that the rates of monetary UI eligibility for those in this group is low, and UI is unlikely to be the main safety net for many of these people.¹⁷

CONCLUSIONS AND FUTURE RESEARCH

With the imposition of lifetime limits on welfare receipt, the TANF program provides less of a safety net for former welfare recipients who lose their jobs in an economic slowdown. Earlier studies that have examined the UI eligibility of welfare recipients find only modest rates of monetary eligibility for those who have left welfare for work. This study uses more recent data on employment patterns of welfare recipients, from a period after TANF implementation and during a strong economy. Based on these data, we find that UI eligibility rates are indeed higher than those found in earlier studies based on pre-TANF data. For instance, in an average quarter after TANF exit, between 50 to 60 percent of those who report leaving welfare for work are monetarily eligible for UI, compared to eligibility rates of 20 to 35 percent found using earlier data. While welfare reform and the strong economy have led to increases in the rates of monetary eligibility, a considerable number (nearly 40 percent) of those who leave welfare for work still do not have such eligibility. In addition, TANF leavers are more likely than other workers to quit their jobs, which may also make them ineligible to receive UI. Job retention and advancement services may enable more TANF leavers who work to maintain stable employment and to rely on UI in case of job loss. It may also be important to identify reasons why they leave their jobs and provide them supports that may prevent job loss. Welfare agencies may also want to educate clients about the importance of not quitting their jobs, since this may make them

¹⁷Interestingly, a modest fraction of those who had not exited TANF were also monetarily eligible for UI during the first 8 quarters after WFNJ entry (about 10 to 15 percent in each quarter after WFNJ entry). These include clients who combined work and welfare and had sufficient earnings in the base period to qualify for UI.

ineligible for UI. Finally, many leave TANF for reasons other than for work, and not surprisingly, most of these individuals do not achieve monetary eligibility for UI.

In future research, we will expand in five ways the analysis conducted here. First, we will use more recent survey and administrative data to examine UI eligibility patterns over longer periods of time after welfare exit. With more data and a longer follow-up period, we will be able to test the sensitivity of our results to alternative definitions of TANF leavers. For example, we could examine the UI monetary eligibility rates for those who exit TANF for work but do not return to welfare within a certain period of time. Second, we will conduct multivariate analyses to identify individual and job characteristics that are associated with a greater likelihood of UI eligibility for former TANF recipients. Third, we will conduct additional simulations to examine how UI monetary eligibility is affected by changes in program parameters, such as earnings levels and number of weeks worked, and by nonmonetary requirements. Fourth, we plan to examine the actual UI experiences of welfare recipients who have lost their jobs. How do unemployment spells differ by reasons for job loss? To what extent do those who are laid off actually collect UI? If they do not collect UI, are the reasons due to monetary or nonmonetary ineligibility, or do many who qualify still not apply? Fifth, we will examine the extent to which TANF remains a safety net for welfare recipients who lose their jobs. For instance, how much remaining time do job losers have before they reach their TANF time limits? Are those with little or no TANF left likely to be UI eligible? Among those who are UI eligible, what would their UI benefits be, and how would this compare to their TANF grant?

Through these and additional analyses, we hope to develop a detailed picture of the likely extent to which the UI program can serve as a safety net for former TANF recipients if the economy takes a downturn.

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