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## Use of unemployment insurance and public employment services after leaving welfare

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2015

# Use of Unemployment Insurance and Public Employment Services after Leaving Welfare

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## **Use of Unemployment Insurance and Public Employment Services after Leaving Welfare**

**Upjohn Institute Working Paper 15-235**

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### **ABSTRACT**

In this paper I examine the rates at which adults in households recently receiving Temporary Assistance to Needy Families (TANF) become jobless, apply for and receive unemployment insurance (UI) benefits, and participate in publicly funded employment services. I also investigate the correlation of UI and employment services receipt with maintenance of self-sufficiency through return to work and independence from TANF. The analysis is based on person-level administrative program records from four of the nine largest states between 1997 and 2003. Evidence suggests that three-quarters of new TANF leavers experience joblessness within three years, and one-quarter of the newly jobless apply for UI benefits. About 87 percent of UI applicants have sufficient prior earnings to qualify for UI benefits; however, only about 44 percent qualify based on their job separation reasons. Among all UI applicants, TANF leavers were found to have much higher rates of voluntary quits and employer dismissals than non-TANF leavers. Nonetheless, 50 percent of TANF leavers who apply for UI ultimately receive benefits. Public employment services are used by one-quarter of newly jobless TANF leavers. Among UI applicants, more than 75 percent use public employment services whether they receive UI benefits or not, while only 14 percent of newly jobless TANF leavers who do not apply for UI choose to use public employment services. Among TANF leavers who become jobless and apply for UI, the rate of return to TANF is lower for those who receive UI benefits. Rates of return to TANF are highest among nonbeneficiary UI applicants and non-UI applicants with low recent earnings.

**JEL Classification Codes:** J65, I38, J68

**Keywords:** Unemployment insurance, temporary assistance to needy families, employment service, Wagner-Peyser, welfare, public assistance, unemployment, low-income, self-sufficiency, social safety net

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The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 changed welfare in the United States by establishing Temporary Assistance for Needy Families (TANF). This law introduced lifetime limits on cash assistance and established work requirements for TANF cash benefits eligibility. These changes increased the importance of public employment and training programs for maintaining self-sufficiency after TANF exit. Key among these programs are unemployment insurance (UI), which provides temporary partial wage replacement to the involuntarily jobless, and the U.S. Employment Service (ES), which provides job matching and other reemployment services.<sup>1</sup> The ES also administers the work test to ensure that UI beneficiaries are able, available, and actively seeking work.

Using state administrative data from four of the nine most populous U.S. states, this study expands on prior knowledge about the receipt of UI benefits and ES services by recent TANF leavers. I examine the incidence of joblessness after TANF exit and the rates of UI application, eligibility, and receipt of cash UI benefits. I also report on the correlation between UI receipt and patterns of self-sufficiency. Using data from Georgia and Ohio I then examine participation in Wagner-Peyser-funded ES services and the importance of these services to newly jobless TANF leavers. In addition to studying outcomes for UI applicants, I also look at the self-sufficiency and use of ES services by non-UI applicants.

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<sup>1</sup> The ES delivers reemployment services as a partner in state one-stop service centers. The ES services examined in this paper were delivered by one-stop centers in Ohio (Ohio Means Jobs Centers) and Georgia (Georgia Career Centers). The services were paid for with Wagner-Peyser funding, which is a stream generated by the Federal Unemployment Tax Act (FUTA) levy paid by employers on taxable wages.

## **PREVIOUS RESEARCH ON THE USE OF UI BY WELFARE LEAVERS**

Among women who received Aid to Families with Dependent Children (AFDC) and then left the program for employment, Kaye (1997) estimates that about 13 percent of those leaving AFDC would draw a UI benefit, while about 35 percent would accumulate sufficient earnings and work experience to qualify for UI. Gustafson and Levine (1997) examine leavers from AFDC using data from the National Longitudinal Survey of Youth and estimate the proportion satisfying simulated UI monetary eligibility in data spanning 1979 to 1994 (Table 1). Among those leaving welfare, Gustafson and Levine estimate that 70–85 percent would meet or exceed the monetary eligibility requirements for UI and about 25 percent of women with job separations would satisfy nonmonetary eligibility requirements for UI. Since only a small proportion of UI eligible jobless actually draw UI compensation, Gustafson and Levine estimate that about 10 percent of AFDC leavers would get UI benefits. They assert that the provision mandating that separations be “involuntary” would prevent most workers from gaining UI eligibility and conjectured that the UI system will provide little additional support to the safety net following welfare reform.

Vroman (1998) examines average earnings rates and UI eligibility requirements across states at the time TANF was implemented. He reports that about 35 percent of all jobless persons receive UI benefits with that rate higher at the beginning of recessions and in states with weaker eligibility criteria. He speculates that compared to others in the workforce, TANF leavers are likely to have higher jobless rates, lower wage rates, higher rates of voluntary quits and discharges, and lower availability for full-time work. Vroman infers that among jobless TANF leavers, only about 20 percent will qualify for UI benefits. He warned that UI is not likely to

evolve in ways that broaden eligibility for TANF leavers and that UI is “likely to play a very limited support role for TANF leavers” (Vroman, p. 5).

**Table 1 Previous Estimates for Welfare Leavers of Percentage Rates for UI Monetary and Nonmonetary Eligibility and UI Benefit Receipt among Likely Applicants**

Authors	Samples	Monetarily UI eligible (%)	Nonmonetarily UI eligible (%)	Beneficiary of UI (%)
Gustafson and Levine (1997)	National Longitudinal Survey of Youth aged 14–22 in 1979. Data from 1979 to 1994 on 43,913 job separations including 4,213 by AFDC leavers.	Up to 85	About 25	About 10
Vroman (1998)	Estimates based on 1996 UI state wage and earnings, state UI reciprocity, and eligibility rates, assuming part-time minimum wage employment.	—	—	Up to 20
Holzer (2000)	Estimates based on 1997–1999 employment and earnings of hired welfare recipients in a survey of 3,000 employers in four large American cities.	—	—	Under 30
Kaye (2001)	Survey of Program Dynamics data for the year 2000 on 56,000 persons. Simulated UI eligibility for those at risk of welfare receipt.	81	36	25
Rangarajan, Razafindrakoto, and Corson (2002)	New Jersey data from the Work First NJ evaluation tracking 2,000 TANF beneficiaries in the 18 months starting July 1997.	75	40	33
Rangarajan and Razafindrakoto (2004)	National Evaluation of Welfare-to-Work grants in metropolitan counties in five states. TANF leavers September 1999 to August 2000. Each state sample ranged in size from 1,000 to 15,000.	90	—	—
O’Leary and Kline (2008)	Administrative data from Florida, Michigan, Ohio, and Texas. Differing ranges between 1996 and 2006. TANF leaver for yearly employment state samples ranged from 23,706 to 94,662.	91	36	55

Holzer (2000) examines earnings and employment of TANF leavers in the years immediately following implementation of TANF. Based on his survey of 3,000 employers in four large American cities between 1997 and 1999, he asserts that more claimants would qualify monetarily for UI than in earlier years. Nonetheless, Holzer warns that several remaining barriers

to UI eligibility could be significant. These include job separations due to voluntary quits and dismissals for cause, lack of availability for full-time work, and employment in informal jobs or others not covered by UI.

Kaye (2001) estimates the likelihood that workers at risk of public assistance receipt would meet UI monetary and nonmonetary eligibility requirements in 2000. Her analysis uses the nationally representative Survey of Program Dynamics. Annual waves of the survey include responses from about 16,000 households and 56,000 persons. She is able to simulate UI eligibility for all but the nine least populated states. She does not analyze welfare leavers, but rather those at risk of welfare receipt. She estimates that 81 percent of at-risk workers would meet the UI monetary eligibility requirements in 1998. Among these, Kaye estimates that less than three-quarters had a qualifying job separation, 40 percent were not available for full-time work, and 64 percent were unlikely to be both available and actively seeking work. The net result is a beneficiary rate of about 25 percent among likely UI applicants.

Rangarajan, Razafindrakoto, and Corson (2002) study the extent to which former welfare recipients are likely to be eligible for UI and the rate at which those who leave TANF for work file UI claims. Their analysis is based on data from the Work First New Jersey evaluation, which tracks a representative statewide sample of 2,000 TANF recipients who were paid benefits during the first 18 months after TANF started in July 1997. They find that nearly 75 percent of those who left TANF for employment would be monetarily eligible for UI at some point during the first two years after TANF exit. Among these, about 40 percent would satisfy nonmonetary eligibility requirements. UI ineligibility for nonmonetary reasons would be twice as high among TANF leavers as for all other UI claimants in New Jersey. This could be driven in part by the TANF requirement to claim UI before returning to TANF. Overall, about one-third of TANF

leavers would potentially satisfy both monetary and nonmonetary eligibility criteria. Potential monthly UI benefits for this group would average about \$866 per month, compared with maximum monthly TANF benefits of \$424 for a family of three. Relaxing monetary eligibility requirements would modestly raise the share of TANF leavers who would qualify. Relaxing the weeks of work requirement has a greater effect than relaxing the earnings requirement. Alternative base period rules that consider more recent earnings would allow TANF leavers to qualify for UI faster, but the proportion qualifying would not increase much.

Rangarajan and Razafindrakoto (2004) study the extent to which former welfare recipients would have monetary eligibility for UI if they were to experience a qualifying job separation. They use data from the national evaluation of the Welfare-to-Work Grants Program. The sample included those who left TANF for employment between September 1999 and August 2000. Employment and earnings were tracked for eight calendar quarters after TANF exit. Sample sizes ranged between 1,000 and 15,000 welfare recipients who exited welfare for work in five sites: Maricopa County, Arizona; Cook County, Illinois; Baltimore County, Maryland; Philadelphia County, Pennsylvania; and Tarrant County, Texas. The authors estimate that 90 percent would potentially attain UI monetary eligibility in the two-year period after TANF exit, while between 50 and 80 percent would qualify in any quarter during the two-year period. The rate of potential monetary eligibility was estimated to increase with the length of time from TANF exit to first jobless experience. Rates of expected monetary eligibility were not sensitive to changes in program eligibility rules. Changes examined included adjustments to consider more recent earnings when determining benefit eligibility and relaxing rules requiring availability for full-time work.



## **PREVIOUS RESEARCH ON THE USE OF ES BY WELFARE LEAVERS**

Before this study, there has not been research on the use of ES by TANF leavers in the United States. However, there has been recent research in Canada on the use of public employment services by leavers from social assistance. A Canadian field experiment found that financial incentives for leaving welfare alone did not result in significant reductions in dependency, but when combined with reemployment services the financial incentives yielded large and statistically significant reductions in rates of welfare receipt (Robins, Michalopoulos, and Foley 2008).

## **ELIGIBILITY FOR UNEMPLOYMENT AND WELFARE BENEFITS**

The introduction of TANF, with its lifetime limits and work requirements for continued receipt of cash assistance, meant that traditional employment and training programs would be key to self-sufficiency for TANF leavers. As background for the present research, I review UI and TANF eligibility rules in each of the four states analyzed.<sup>2</sup>

### **UI Eligibility**

UI eligibility rules ensure that beneficiaries are strongly attached to the labor force and are temporarily jobless through no fault of their own. To initially qualify for UI, a claimant must have sufficient prior earnings and employment—these are called monetary eligibility conditions. Furthermore, the job separation must be involuntary. Nonmonetary eligibility rules prohibit quits and discharge for misconduct or other causes justifiable by an employer. Employer discharge for cause is usually related to frequent tardiness, unexplained absences, misconduct, or poor job

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<sup>2</sup> This discussion relies on the exposition in O’Leary and Kline (2010)

performance.<sup>3</sup> UI applicants must also be able, available, and actively seeking full time work. For initial and continuing eligibility, beneficiaries may not refuse an offer of suitable work.

Monetary eligibility for UI is determined by base period earnings. The UI base period is normally the first four of the previous five completed calendar quarters before the date of claim for benefits.<sup>4</sup> Table 2 lists the minimum base period earnings required to qualify for the minimum UI weekly benefit amount. For 2000, base period earnings requirements in the four states studied ranged from \$1,872 in Georgia to \$3,400 in Florida.<sup>5</sup>

Monetary qualification for UI in many states requires earnings in the high calendar quarter of the base period to be above a specified level.<sup>6</sup> Most states with a high-quarter earnings requirement also have an earnings dispersion requirement—all of the four states studied require earnings in at least two calendar quarters of the base period. Ohio is one of the few states in the nation with a base period employment requirement, and it is a very restrictive rule.<sup>7</sup> The Ohio weeks of employment rule limits eligibility to those with at least 20 weeks of work in which earnings average at least 27.5 percent of the state average weekly wage in covered employment

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<sup>3</sup> In the case of benefit denial due to voluntary quit or discharge for cause, the UI applicant may requalify for UI benefits in the following manner: in Florida, by earning 17 times the client's weekly benefit amount (WBA); in Georgia, by earning 10 times the client's WBA; in Michigan, by earning the lesser of 7 times the client's WBA or 280 times Michigan's minimum wage ( $7 \times 40 \times \text{MI minimum wage}$ ); and, in Ohio, by having six weeks of work in covered employment with the amount of wages in each week at least 27.5 percent of the state's average weekly wage (USDOL 2001).

<sup>4</sup> For claimants not eligible based on earnings in the standard base period, earnings in an alternate base year (ABY)—the most recent four completed calendar quarters—is checked in Michigan and Ohio. Georgia does not have an ABY rule. An ABY amendment was considered by the 2002 Florida legislature but did not pass both houses.

<sup>5</sup> The base period earnings requirement is indexed to a multiple of the state average weekly wage in UI-covered employment or the state minimum wage in Michigan. The required level of earnings to qualify for UI is determined by legislative discretion in Florida, Georgia, and Ohio. In Georgia minimum required base period earnings are a multiple of the minimum weekly benefit amount.

<sup>6</sup> The minimum base period earnings level to qualify for UI is 1.5 times the minimum high-quarter earnings in Florida and Michigan.

<sup>7</sup> Three other states have employment requirements. New Jersey requires 20 weeks or a different earnings formula. Pennsylvania requires 16 weeks. The Washington rule requires 680 hours and one dollar of earnings.

(Table 2). For Ohio in 2000, a week of insured employment required earnings of at least \$172, which is more than 33 hours of work at the federal minimum wage of \$5.15 per hour.

**Table 2 Comparison of State Laws for UI and TANF for Program Year 2000**

	Florida	Georgia	Michigan	Ohio
UI minimum BPE <sup>a</sup> (\$)	3,400	1,872	2,020	2,640
UI-covered weeks of work			20 weeks at 30 x state minimum wage (\$101)	20 weeks at 27.5% of Ohio AWW (\$172)
State AWW <sup>b</sup> (\$)	578	668	726	624
Avg. weekly benefit amount (WBA) (\$)	220	212	244	236
Minimum/maximum WBA (\$)	32/275	39/264	87/300	77/279
BPE required for max. WBA (\$)	10,725	10,752	11,840	10,680
Entitled duration (weeks)	26	12–26	15–26	20–26
Average entitled duration (weeks) for TANF-leaver UI beneficiaries	18.4	18.5	22.1	25.4
Quit/discharge qualification	17 × WBA	10 × WBA	Lesser of 7 × WBA or (7 × 40 × state minimum wage)	6 weeks of wages at 27.5% of state AWW
TANF earnings disregard (\$)	200 plus 50% of remainder	120 plus one-third of remainder for 4 months, \$120 for next 8 months, \$90 thereafter	200 plus 20% of remainder	250 plus 25% of remainder
TANF monthly benefit <sup>c</sup> (\$)	303	280	459	373
TANF breakeven earnings <sup>d</sup> (\$)	806	540/400/370	774	996

<sup>a</sup> Base period earnings (BPE) is the sum of earnings in first four of the previous five completed calendar quarters. For Michigan, there is an alternative, flat requirement of 14 weeks of work and base period earnings that total 20 times the state's average weekly wage.

<sup>b</sup> State average weekly wage (AWW) earned by those working in UI-covered employment.

<sup>c</sup> Family of three (one adult and two children with no income).

<sup>d</sup> This is the point at which the TANF benefit is zero due to earnings. Breakeven earnings is computed as (TANF benefit amount) divided by (1 – disregard rate) plus the lump sum disregard

SOURCE: TANF (2000, Tables 12:2, 12:5); ET Financial Data Handbook 394; Comparison of State Unemployment Insurance Laws, 2000.

The studies summarized above suggest that TANF leavers would have a high probability of passing monetary eligibility requirements, but that nonmonetary eligibility requirements would eliminate a greater share of TANF leavers from UI eligibility. Regarding monetary eligibility, prior research has failed to recognize the importance of work hours requirements

separate from earnings requirements, and there has been little prior direct evidence on the job separation patterns for recent TANF leavers. The present study does not examine the sensitivity of UI eligibility to a more recent base period for earnings computation or relaxing the requirement that job-seeking be for full-time work. Prior research suggests modest impacts on UI eligibility for TANF leavers from such changes (Vroman 1998).

For those who qualify, UI pays benefits weekly; the cash amount increases with the level of prior earnings up to a state maximum. Table 2 lists the statewide average UI weekly benefit amounts. Also listed in Table 2 are average weekly wages of all workers covered by UI in calendar year 2000 in the states examined. This provides a sense of the average wage replacement rate provided by UI to regular full-time workers.

### **TANF Eligibility**

Needy families with dependent children and earnings below the breakeven thresholds listed in Table 2 may have qualified for cash TANF assistance. States set maximum monthly TANF grant amounts and resource levels. Resource limits apply to liquid financial and vehicle assets. There are also employment requirements for continued TANF eligibility. Work is required immediately upon receipt of benefits in 28 states, within 6 months in 9 states, and within 24 months in 13 states. States also impose lifetime limits between 24 and 60 months on receipt of benefits (Department of Health and Human Services 2000).

Regarding earnings, federal eligibility guidelines disregard a lump sum equal to the first \$90 in earnings and one-third of other earnings up to the breakeven level of income, at which point the household has worked off TANF.<sup>8</sup> Each state sets its own earnings disregard rate and

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<sup>8</sup> Breakeven earnings are computed as the TANF benefit amount divided by (1 – disregard rate) plus the lump sum disregard.

lump sum. Some states have adjusted parameters to permit continued support with household income at thresholds as high as four times the poverty level. Statutory TANF benefit levels across our cohorts are quite similar for Florida and Georgia, while being somewhat higher in Michigan and Ohio (Table 2). Breakeven levels of earnings are similar in Florida, Michigan, and Ohio but are lower in Georgia; the level in Georgia declines after four and eight months of continuous receipt of benefits.

For the present analysis, a key aspect of TANF eligibility is an administrative requirement that to qualify for additional cash public assistance, applicants must claim all other available sources of income, such as UI benefits. Rangarajan, Razafindrakoto, and Corson (2002) note that New Jersey had such a rule in place under AFDC and continued to apply it under TANF. Similar administrative rules are in place in Georgia, Ohio, and Michigan. These rules could lower measured UI eligibility rates among TANF-leaver UI applicants. Some persons with little expectation of qualifying for UI may be forced to jump this hurdle on their way back to TANF.<sup>9</sup>

The 2007 state TANF plan for Michigan, states that “clients must apply for other program benefits for which the group or a member of the group may be eligible, such as Supplemental Security Income, Social Security benefits or unemployment compensation. Failure to do so may result in group ineligibility (Michigan Department of Human Services 2007, p. 11).

Ohio administrative rules state that “the assistance group must apply for any monthly benefits to which it is entitled. Ineligibility to participate in Ohio Works First results if the

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<sup>9</sup> Program administrators suspect that TANF applicants with very low prior earnings might not be directed to UI if failure to qualify under UI monetary eligibility rules is highly likely.

assistance group refuses to accept unconditionally available income.”<sup>10</sup> Ohio Works First is the financial assistance portion of Ohio’s TANF program. It provides cash benefits to eligible needy families for up to 36 months. After that, a family cannot receive additional cash assistance unless a time extension for benefit receipt is approved by the relevant County Department of Job and Family Services official

### **ES Eligibility and Services**

Public employment services in the United States are funded under the Wagner-Peyser Act, which established the ES in 1933. Services provided by the ES are delivered in one-stop centers under the Workforce Investment Act (WIA), and are available free of charge to all job seekers. There are four main categories of ES services:

1) **Job referrals.** Job interview referrals for job seekers, job vacancy listings for employers, and job developers to link job seekers with employers.

2) **Job search assistance.** Resume preparation help, job search workshops, job clubs, labor market information, and job search plans.

3) **Assessment services.** Job interview practice, employment counseling, and testing for job aptitudes and of job skills.

4) **Training referrals.** Referrals to federally or state-funded training for job skills or job search skills. Depending on available funding, some ES offices also offer supportive services for job search or training including temporary assistance with transportation or child care costs. Data available for analysis of ES use in this study are limited to Wagner-Peyser–funded services during specific time periods in Georgia and Ohio.

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<sup>10</sup> Administrative policy requiring claiming of UI is stated in the Ohio Department of Job and Family Services *Cash Assistance Manual* (ODJFS 2007, p. 350).

## DATA FOR ANALYSIS

TANF exit and use of UI were studied with administrative data from Florida, Georgia, Michigan, and Ohio. Access to administrative data on UI and TANF for Florida and Ohio was provided through the ADARE consortium supported by the U.S. Department of Labor. Additional data were provided by Georgia, Michigan, and Ohio directly to the Upjohn Institute under separate bilateral data sharing agreements.

The samples for analysis include those voluntarily leaving TANF for employment. Samples exclude those who fail to receive a TANF cash payment because of a sanction or other involuntary reason. Because of the periodicity of some administrative data needed for the study, the time unit for analysis is the calendar quarter. Because of the uneven time periods for data available across the states, the sample time frames differ somewhat across the states. All were drawn from the time shortly after TANF was enacted in 1996. Key concepts in the analysis are as follows:

**TANF exit** for employment is defined as making zero cash TANF payment to the assistance unit in a calendar quarter and having earnings of at least \$100 in that calendar quarter or the next quarter. The zero payment must not be due to a sanction.

**Employment** is defined as earnings of at least \$100 in a calendar quarter. This definition is the same as that applied by the Social Security Administration when measuring the duration of insured employment to determine eligibility for retirement benefits.

**Unemployment** is defined as a calendar quarter with earnings of less than \$100.

All three of these concepts are measured using UI administrative records on earnings as reported quarterly by employers. The definition of unemployment is a very strict one and

certainly understates the true extent of experience with joblessness in the samples.

The state-specific TANF exit time frames (quarters) are as follows:

Florida: 1998Q4–2001Q1 (10 quarters),  
 Georgia: 1996Q2–2001Q4 (23 quarters),  
 Michigan: 2001Q1–2002Q1 (5 quarters),  
 Ohio: 2000Q2–2001Q3 (6 quarters).

Each of these time frames permits observation of UI claims and possible return to TANF for at least 12 calendar quarters after TANF exit. The sample sizes for TANF leavers analyzed are listed in Table 3. The four-state total sample size is 322,038. These data include adult grantees in TANF recipient households who left TANF for employment and represent a census of TANF leavers in the four states during the years included.

**Table 3 Summary of New Joblessness and UI Application among TANF Leavers**

	Florida	Georgia	Michigan	Ohio	Pooled
TANF leavers	59,726	152,278	27,172	82,860	322,036
Newly jobless	46,245	123,701	21,043	62,200	253,189
UI applicants	18,309	27,257	4,776	11,116	61,458
Monetarily-eligible for UI benefits	17,331	24,294	4,687	7,256	53,568
Nonmonetarily-eligible for UI <sup>a,b</sup>	8,406	13,100	1,874	3,498	26,878
UI beneficiaries	11,095	13,389	3,097	3,339	30,920
Newly jobless rate	0.774	0.812	0.774	0.751	0.786
UI application rate	0.396	0.220	0.227	0.179	0.243
Monetary-eligibility rate	0.947	0.891	0.981	0.653	0.872
Nonmonetary-eligibility rate	0.459	0.481	0.392	0.315	0.437
UI beneficiary rate	0.606	0.491	0.648	0.300	0.503

NOTE: Twelve quarters of data are available after TANF exit to check for the occurrence of new joblessness, UI application, eligibility, and benefit receipt for UI applications that occur from one quarter before new joblessness through three quarters after.

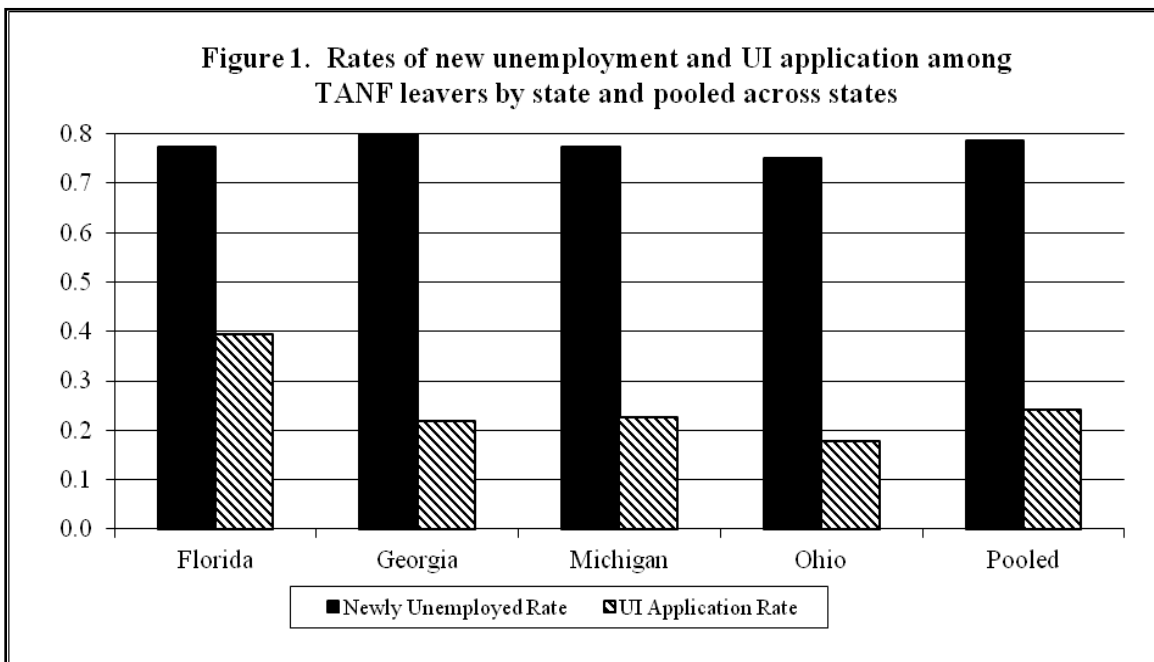
<sup>a</sup> The number of persons UI ineligible because of quits or employer discharge was imputed in the Georgia data using the quit and discharge rates in a subsample of 26,610 UI applicants with data on job separation reason.

<sup>b</sup> Ohio nonmonetary eligibility is based on claims filed on or before December 31, 2002. Claims beginning in 2003 did not include data on claimant characteristics needed to define nonmonetary eligibility.



## INCIDENCE OF JOBLESSNESS AND UI APPLICATION

Among TANF leavers, 253,189 experienced a new spell of joblessness within three years after leaving TANF. The cumulative rates of joblessness ranged from 75.1 to 81.2 percent in the states with a weighted mean cumulative joblessness rate of 78.6 percent in the four-state pooled data (Table 3, Figure 1). The pooled data on newly jobless TANF leavers include a population that is 37 percent youth, 58 percent prime-age, 82 percent female, 36 percent white, 59 percent African American, and 4 percent Hispanic. Average quarterly earnings in the three years before TANF exit were \$1,793, and average quarterly earnings from TANF exit to new joblessness were \$2,239 (Appendix Table A.1).



The UI application rates ranged from 17.9 to 39.6 percent of newly jobless in the four states within three years after leaving TANF (Table 3, Figure 1). The mean rate in the pooled data from all four states is 24.3 percent. Given the low average earnings level for the TANF leavers, this UI application rate compares reasonably with the 34.5 percent reported by Vroman

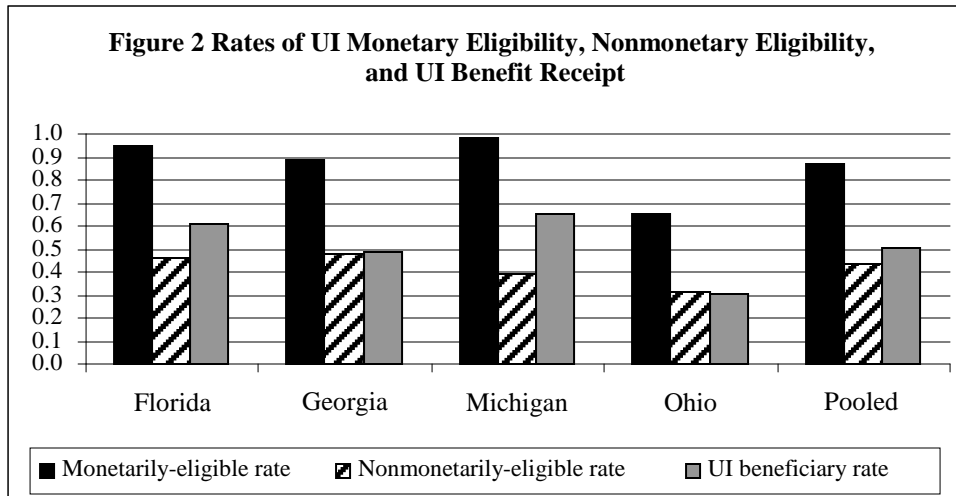
(2008, p. 5) based on a Current Population Survey supplement on unemployed UI nonfilers. Vroman also reports that the main reasons jobless people did not apply for UI were the belief that prior earnings were insufficient to qualify or that the job separation was due to a disqualifying reason, such as a job quit or employer discharge for cause (p. 23). Administrative data from Florida, Georgia, Michigan, and Ohio suggest that, compared to nonapplicants, newly jobless TANF leavers who apply for UI include higher proportions who are of prime age, are African American, have dependent children, have higher earnings before UI application, have more prior work experience (Appendix Table A.1).

## **UI ELIGIBILITY AND BENEFIT RECEIPT**

The general rules for monetary and nonmonetary eligibility for UI benefits are summarized above. This section examines the rates of achieving these requirements in the samples examined in this study and the rate of UI benefit receipt.

### **UI Monetary Eligibility**

Among TANF leavers who become newly jobless and apply for UI benefits, 87.2 percent were initially eligible for UI based on monetary requirements in the four-state pooled data (Table 3, Figure 2). The rates of monetary eligibility range from 65.3 percent of the Ohio sample to 98.1 of the Michigan sample. The lower monetary eligibility rates in Ohio result from the strict requirement for 20 or more weeks of work with average earnings being at least 27.5 percent of the state average weekly wage in UI-covered employment.



### UI Nonmonetary Eligibility

In addition to having sufficient levels of prior employment and earnings, applicants for UI must also have separated involuntarily from their previous jobs and must be currently able, available, and actively seeking work. In the sample of UI applicants pooled across four states, the rate of nonmonetary eligibility is 43.7 percent. Rates for individual states range from 31.5 percent in Ohio to 48.1 percent in Georgia (Table 3, Figure 2). For TANF leavers, higher rates of voluntary job quits and justifiable dismissals result in lower rates of nonmonetary eligibility.

### Receipt of UI Benefits

Among TANF leavers who are UI applicants, the proportions receiving UI benefits in the states examined range from 30.0 percent in Ohio to 64.8 percent in Michigan (Table 3, Figure 2). The overall mean rate of benefit receipt was 50.3 percent in the sample pooled across four states. Among TANF leavers who qualify for UI, mean weekly benefit amounts are \$159, mean entitled durations of UI benefits are 19.6 weeks, and on average 74.6 percent of entitled UI benefits are drawn (Table 4). Mean UI payments are \$2,442 over the full benefit year, or a mean of 14.5

weeks of UI at the average weekly benefit amount for this sample. Benefit entitlements are fully exhausted by 53.2 percent of TANF-leaver UI beneficiaries.

**Table 4 Summary of UI Entitlement, Benefit Receipt, and Exhaustion**

	Florida	Georgia	Michigan	Ohio	Pooled
Weeks of UI entitlement	18.4	18.4	22.1	25.4	19.6
Weeks of UI drawn <sup>a</sup>	14.7	12.6	18.7	18.0	14.5
Share of UI entitlement drawn	0.798	0.689	0.843	0.709	0.746
UI exhaustion rate	0.610	0.497	0.556	0.383	0.532
UI weekly benefit amount (\$)	165	145	201	157	159
UI compensation received in benefit year (\$)	2,528	1,959	3,806	2,824	2,442
UI monthly amount received <sup>b</sup> (\$)	535	411	683	453	487
TANF monthly amount received <sup>c</sup> (\$)	134	165	199	225	164
Ratio of mean UI to mean TANF	4.0	2.5	3.4	2.0	3.1

<sup>a</sup> This is full-time equivalent weeks of UI computed as total dollars of UI benefits received divided by the beneficiary's UI weekly benefit amount (WBA) for joblessness throughout a full week.

<sup>b</sup> Computed as benefit year dollars of UI divided by maximum entitled weeks of UI benefits times four.

<sup>c</sup> TANF payments received in the two calendar quarters completed prior to TANF exit divided by six.

## TANF LEAVERS' UI USE COMPARED TO OTHERS

Comparing TANF leavers to those not recently involved with TANF in the combined sample pooled across all four states, simple differences between the two groups reveal lower rates of monetary eligibility, nonmonetary eligibility, and benefit receipt for TANF leavers compared to all other UI applicants in the same time periods (Table 5). Simple unadjusted comparisons reveal similar rates of monetary eligibility in three of the four states, the exception being Ohio, where TANF leavers have a lower rate of monetary eligibility because of Ohio's strict requirement for prior earnings. Nonmonetary eligibility is lower for TANF leavers in all states, with the greatest difference being in Michigan. Rates of UI benefit receipt are lower in every state for recent TANF leavers compared to other UI applicants, with differences in the rate of receipt ranging from 10.5 percentage points in Florida to 36.5 percentage points in Ohio.

**Table 5 UI Monetary Eligibility, Non-Monetary Eligibility and Benefit Receipt Summary Comparing Newly Unemployed TANF-Leaver UI Applicants with Other UI Applicants Not Recently Involved with TANF**

State	Sample means		Simple difference			Regression adjusted		
	TANF	Non-TANF <sup>a</sup>	Difference	Standard Error	T-statistic	Difference	Standard Error	T-statistic
<b>Monetary eligibility rate</b>								
Florida	0.947	0.906	0.041	0.002	18.88	0.052	0.002	26.53
Georgia	0.891	0.903	-0.011	0.002	-6.32	0.028	0.002	18.12
Michigan	0.981	0.985	-0.004	0.002	-2.06	0.000	0.001	0.87
Ohio	0.653	0.844	-0.191	0.003	-55.22	-0.216	0.005	-41.60
Pooled	0.872	0.913	-0.041	0.001	-36.07	0.036	0.001	38.27
<b>Nonmonetary eligibility rate</b>								
Florida	0.459	0.629	-0.170	0.004	-47.42	-0.105	0.004	-28.95
Georgia	0.481	0.625	-0.145	0.003	-48.44	-0.056	0.003	-16.70
Michigan	0.392	0.789	-0.396	0.006	-66.96	-0.187	0.006	-33.72
Ohio <sup>b</sup>	0.315	0.465	-0.150	0.005	-27.67	-0.070	0.005	-13.24
Pooled <sup>c</sup>	0.442	0.654	-0.211	0.002	-106.73	-0.111	0.003	-43.03
<b>Quit</b>								
Florida	0.201	0.112	0.089	0.002	37.75	0.054	0.002	22.94
Georgia	0.174	0.132	0.042	0.002	20.00	0.015	0.002	6.44
Michigan	0.174	0.069	0.105	0.004	28.56	0.036	0.004	9.90
Ohio <sup>b</sup>	0.105	0.041	0.063	0.002	29.18	0.033	0.002	14.53
Pooled <sup>c</sup>	0.172	0.094	0.079	0.001	64.83	0.038	0.001	31.45
<b>Fired/discharged</b>								
Florida	0.340	0.259	0.081	0.003	25.04	0.051	0.003	15.13
Georgia	0.345	0.243	0.103	0.003	38.85	0.041	0.003	13.55
Michigan	0.434	0.142	0.291	0.005	57.47	0.151	0.005	30.33
Ohio <sup>b</sup>	0.209	0.081	0.127	0.003	42.65	0.070	0.003	23.30
Pooled <sup>c</sup>	0.331	0.192	0.139	0.002	84.47	0.070	0.002	42.48
<b>UI beneficiary rate</b>								
Florida	0.606	0.711	-0.105	0.003	-31.16	-0.027	0.003	-8.10
Georgia	0.491	0.690	-0.199	0.003	-70.67	-0.028	0.003	-9.02
Michigan	0.648	0.866	-0.217	0.005	-43.93	-0.044	0.004	-10.13
Ohio	0.300	0.665	-0.365	0.004	-81.29	-0.233	0.010	-23.04
Pooled	0.503	0.732	-0.229	0.002	-127.42	-0.131	0.002	-77.81

<sup>a</sup> Non-TANF UI applicants do not appear at any point in the individual state TANF payments file and the time period of UI claims selected for non-TANF persons is consistent with the periods in which TANF recipients leave TANF for employment and become newly unemployed.

<sup>b</sup> Estimates for Ohio are based on UI claims filed on or before December 31, 2002. New UI data received in December 2007 for claims filed from 2003 through 2005 did not include characteristic data needed to define quit and discharge or to derive regression-adjusted estimates.

<sup>c</sup> Pooled, regression-adjusted estimates across states control for age, gender, education, race, employment history in the three years prior to filing, wages in the base period, weekly benefit amount, unemployment rate at filing, industry of prior employment, and year and quarter of filing.

The pattern changes somewhat when comparisons are made while controlling for differences in observable characteristics (Table 5). Variables available as controls for comparisons are age, gender, race, ethnicity, family size, prior earnings, and prior employment patterns. Controlling for observable characteristics of UI applicants by regression models in computing differences, we see that TANF leavers have higher rates of UI monetary eligibility, given their circumstances, than other UI applicants. However, rates of nonmonetary eligibility and benefit receipt remain lower for TANF leavers even after controlling for observable differences in characteristics between the two groups. Failure to meet nonmonetary eligibility requirements is the main reason for lower rates of UI benefit receipt by TANF leavers in all four states. Rates of voluntary job leaving are higher for TANF leavers than for other UI applicants in all states examined (Table 5).

Regarding the reasons for higher rates failing nonmonetary eligibility requirements by TANF leavers in the pooled four-state sample, 17.2 percent of TANF leaver UI applicants voluntarily quit their prior jobs, compared to only 9.4 percent of other UI applicants. The difference of 7.9 percentage points means TANF leavers quit at almost double the rate of other UI applicants not recently involved with TANF (Table 5). A similar pattern is seen in rates of justifiable employer dismissals in the four-state pooled sample. Among non-TANF leaver UI applicants, 19.2 percent were fired from their prior jobs, while 33.1 percent of TANF leavers had been fired. Controlling for observable characteristics, TANF leavers were 3.8 percentage points more likely to quit and 7.0 percentage points more likely to get fired than other similar UI applicants (Table 5). That is, even when TANF leavers are compared to others having similar average age, gender, race, ethnicity, family size, prior earnings, and prior employment patterns; recent TANF leavers are still more likely to quit or get fired from their prior jobs.

In the pooled sample of 30,775 TANF leavers who become UI beneficiaries, the average duration of receipt was 14.5 weeks over the benefit year, with an average exhaustion rate of 53.2 percent (Table 6). Compared to all other 6.465 million UI beneficiaries in the four states in the same time frame, TANF leavers on average drew 2.0 more weeks of UI and had an exhaustion rate 25.4 percentage points higher. This same pattern was observed for each state separately, with the largest differences occurring in Michigan (5.8 weeks, 33.6 percentage points) and smallest in Florida (0.5 weeks, 17.8 percentage points). Controlling for observable factors, TANF leavers were estimated to draw 3.0 weeks more and to have exhausted their full benefit entitlements at a rate 17.2 percentage points higher than in an observationally comparable group of those not recently involved with TANF.

**Table 6 Comparison of UI Duration and Exhaustion among Newly Unemployed TANF-Leaver UI Beneficiaries with All Other UI Beneficiaries Not Recently Involved with TANF<sup>a</sup>**

	TANF leaver		Non-TANF		Simple difference	Adjusted difference
	Sample size	Mean	Sample size	Mean		
Full-time equivalent weeks						
Florida	11,079	14.7	1,439,720	14.2	0.5**	2.2**
Georgia	13,387	12.6	1,727,387	10.4	2.2**	1.9**
Michigan <sup>b</sup>	3,091	18.7	1,962,584	12.9	5.8**	2.7**
Ohio <sup>b</sup>	3,218	18.0	1,335,721	13.0	5.1**	4.7**
Pooled <sup>c</sup>	30,775	14.5	6,465,412	12.5	2.0**	3.0**
Exhausted benefits						
Florida	11,079	0.610	1,439,720	0.432	0.178**	0.151**
Georgia	13,387	0.497	1,727,387	0.277	0.220**	0.130**
Michigan <sup>b</sup>	3,091	0.556	1,962,584	0.220	0.336**	0.173**
Ohio <sup>b</sup>	3,218	0.383	1,335,721	0.190	0.193**	0.198**
Pooled <sup>c</sup>	30,775	0.532	6,465,412	0.277	0.254**	0.172**

NOTE: \*\* Significantly different from zero at the 95 percent confidence level in a two-tailed test.

<sup>a</sup> To allow for complete benefit-year information, claims must have occurred before the end of the second quarter of 2004 in Florida and the second quarter of 2005 for Georgia and Michigan. Benefit year data are complete for Ohio for all claims observed.

<sup>b</sup> In Michigan and Ohio, the number of persons with nonzero UI compensation received in the benefit year is greater than the number of persons for whom we observe nonzero weekly benefit amount (WBA) or maximum benefits payable. Because of this, the sample size for which full-time equivalent weeks and exhaustion are observed is 3,091 for Michigan and 3,218 for Ohio.

<sup>c</sup> Right-side variables in pooled models limited by characteristic data available for Ohio. The pooled model includes variables for the states, weekly benefit amount (WBA), WBA at maximum, base period earnings, employment history in the three years prior to UI filing and dummies for the year and quarter of UI filing. State-specific models for Florida, Georgia, and Michigan use a broader set of explanatory variables that differ between states.

## UI AND SELF-SUFFICIENCY

A goal of UI as social insurance is to prevent descent into poverty by those who are temporarily jobless through no fault of their own (Blaustein 1990, pp. 44–46). Among the newly jobless TANF leavers in the four-state pooled sample, 77.5 percent returned to employment, but 36.4 percent returned to TANF (Figure 3).<sup>11</sup> Following is a correlation analysis of the influence of UI benefit receipt on returning to employment or TANF. Naturally, in a period after joblessness some TANF leaver UI applicants both worked and received additional TANF benefits.

To measure the correlation between UI benefit receipt and return to employment or TANF, linear probability models were estimated controlling for observable differences among UI applicants. Models for both binary outcomes have the same general form, including binary indicator control variables for monetary eligibility, nonmonetary eligibility, benefit receipt, and whether the entitlement is at the state maximum weekly benefit amount. The complete list of other UI program, demographic, and labor market control variables are listed in the notes to Table 7, which presents results from estimation of models on the samples of TANF leaver UI applicants pooled across all four states. Controlling for observable characteristics, receipt of UI is estimated to increase return to employment by 4.8 percentage points and to reduce return to TANF by 10.5 percentage points compared to nonbeneficiary UI applicants.<sup>12</sup>

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<sup>11</sup> Using data from all four states, we have 12 calendar quarters after TANF exit for employment to observe joblessness, UI application, and return to employment and/or TANF. Regression-adjusted results discussed below control for the variation across individuals in the time from TANF exit to joblessness.

<sup>12</sup> O’Leary and Kline (2010) report on several attempts to correct for the endogeneity of UI benefit receipt as a predictor of employment and return to TANF. Various corrections did not significantly change impact estimates.



**Table 7 Correlation of UI Benefit Receipt with Return to Employment or TANF among Newly Unemployed TANF-Leaver UI Applicants Using Administrative Data from Florida, Georgia, Michigan, and Ohio**

Independent variables	Return to employment			Return to TANF		
	Parameter estimate	Standard error	t-Statistic	Parameter estimate	Standard error	t-Statistic
Pooled across all states						
UI beneficiaries	0.048	0.004	11.11	-0.105	0.005	-20.69
UI beneficiaries—not exhaustees	0.082	0.005	15.93	-0.140	0.006	-23.22
UI exhaustees <sup>a</sup>	0.017	0.005	3.38	-0.072	0.006	-12.33
State specific models						
UI beneficiaries, Florida	0.060	0.009	6.93	-0.079	0.010	-8.23
UI beneficiaries, Georgia	0.048	0.006	7.71	-0.097	0.008	-12.98
UI beneficiaries, Michigan	0.023	0.015	1.52	-0.094	0.018	-5.25
UI beneficiaries, Ohio	0.091	0.011	8.67	-0.151	0.012	-12.63

<sup>a</sup>Parameter estimates for UI exhaustees are significantly different from estimates for other UI beneficiaries who do not exhaust UI entitlement in both models at the 95 percent confidence level in a two-tailed test. Parameter estimates from linear probability regression models on TANF leaver UI applicants with covariates to control for observable differences between nonbeneficiary UI applicants and various categories of UI beneficiaries. In O’Leary and Kline (2010), see Table 4.2 for the pooled linear probability models, Appendix Tables A.12–A.15 for all parameter estimates in the full state specific models and for nonexhaustee beneficiaries and UI exhaustees, and Table A.16 for the full model with indicators for UI exhaustees and UI beneficiary nonexhaustees. State models include all control variables available from the following list: UI eligibility and entitlement amount and duration, age, sex, race, educational attainment, base period earnings, duration of employment before UI application, time from TANF exit to joblessness, if more than one base period employer, prior industry group of employment, prior occupational group, county unemployment rate at time of TANF exit, percentage change in unemployment rate from TANF exit to UI application, quarters of TANF receipt in the 2 years before TANF exit, eligibility for extended UI benefits, UI job search exemption, completed WPRS profiling, does not have a telephone number, child support payment withheld from UI check, year and quarter of UI application, and county of residence.

To investigate whether UI receipt affects return to employment or TANF differently for those who exhaust their UI entitlement compared to beneficiaries who do not exhaust their entitlement, the single UI beneficiary binary variable was replaced by a pair of indicator variables, one for nonexhaustee beneficiaries and the other for exhaustees of their UI benefit entitlement. The results summarized in Table 7 suggest that the effect of UI benefit receipt on return to employment declines with the duration of benefit receipt. That is, among nonexhaustees UI receipt increases return to employment by 8.2 percentage points, whereas the effect for UI exhaustees is only 1.7 percentage points. The correlation between UI receipt and a reduced rate of return to TANF is greatly diminished for UI exhausters. In the sample pooled across the four states, UI receipt reduces return to TANF by 14 percentage points for nonexhaustees but by only 7.2 percentage points for exhausters of their UI entitlement.

The state-specific models of return to employment and TANF suggest that in our unweighted pooled regression models the large samples from Georgia dominate. The state-specific effect estimates for Georgia on both outcomes are not significantly different from the pooled estimate, and both parameter estimates for Florida are consistent with the pooled results having similar sign, magnitude, and significance. The strongest response to UI benefit receipt on both outcomes is seen for Ohio, the state where UI receipt requires the strongest demonstration of labor force attachment. Relative to the estimate for the pooled sample, Ohio UI recipients have nearly double the odds of becoming reemployed, and are 50 percent less likely to return to TANF.<sup>13</sup> Compared to the other three states, UI receipt in Michigan correlated with similar reductions in return to TANF, but the weaker results for reemployment in Michigan reflect the severe slack in labor markets during the period.

By interacting return to employment with return to TANF we get a much more informative view of how UI receipt is correlated with *self-sufficiency*—return to employment without return to TANF. In our sample of newly unemployed TANF leavers pooled across four states, 47.6 percent remain self-sufficient in the 12 calendar quarters after TANF exit. In this section we examine the correlation of UI receipt with all of the four possible combinations of employment and TANF receipt outcomes as summarized in the two-by-two matrix given as Figure 3. In addition to the concept of self-sufficiency, we label employed with return to TANF as *working poor* (29.9 percent), no employment with return to TANF as *TANF-dependent* (6.5), and no employment with no return to TANF as *inactive* (16.0). The row totals in Figure 3 show

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<sup>13</sup> The results reported here are best regarded as descriptive of observed correlations. O’Leary and Kline (2010) investigated a variety of strategies to correct for sample selection in these analyses, but produced no convincing results. A focused regression discontinuity analysis by Leung and O’Leary (forthcoming) is more promising.

the overall rate of returning to employment or not in the pooled four-state sample, while the column totals show the overall rates of returning to TANF or not.

**Figure 3 Self-Sufficiency Matrix: Return to TANF and Employment within a Year among Newly Unemployed TANF Leavers (percentages)**

	No TANF	TANF	Totals
Employment	47.6 (Self-sufficiency)	29.9 (Working poor)	77.5
No employment	16.0 (Inactive)	6.5 (TANF dependent)	22.5
Totals	63.6	36.4	100.0

To measure the correlation between UI benefit receipt and the four measures of self-sufficiency controlling for observable differences, I estimated linear probability models on each of the four separate outcomes as summarized in Table 8. Controlling for observable characteristics, compared to nonrecipient UI applicants, I estimate that UI beneficiaries are 12.0 percentage points more likely to be self-sufficient, 7.2 percentage points less likely to be working poor, 3.2 percentage points less likely to be TANF-dependent, and 1.5 percentage points less likely to be inactive.

Parameter estimates on covariates in Table 8 suggest that self-sufficiency (employment without TANF) is most likely among those who are of prime age for the labor market (aged 25–49), male, white, with employment in more quarters before UI application, those with multiple employers in at least one of their UI base period quarters, and those with recent prior employment in the industries of agriculture, manufacturing, and administrative support, and in areas where joblessness is lower. Results also suggest that the working poor (employment with TANF) are most likely younger workers (under 25), female, and African American; have more

**Table 8 Rates of Self-Sufficiency after New Unemployment among UI Applicants**

Return-to-employment status Return-to-TANF status	Employed, no TANF	Employed, TANF	Not employed, TANF	Not employed, no TANF
	Self-sufficient	Working poor	TANF-dependent	Inactive
UI applicants				
UI beneficiaries	0.501	0.241	0.060	0.199
UI nonbeneficiaries	0.364	0.362	0.090	0.184
Simple differences	0.137	-0.121	-0.030	0.015
Adjusted differences	0.120**	-0.072**	-0.032**	-0.015**
Effects of independent variables on outcomes				
Age 24 or less	-0.003	0.070**	-0.019**	-0.048**
Age 25-49	0.003*	-0.015**	0.005**	0.007**
Age 50 or older	-0.023**	-0.114**	0.017**	0.121**
Gender, male	0.079**	-0.088**	-0.012**	0.022**
Gender, female	-0.013**	0.015**	0.002**	-0.004**
Race, white	0.043**	-0.054**	-0.006**	0.017**
Race, black	-0.019**	0.030**	0.001	-0.013**
Race, Hispanic	-0.002	-0.030**	0.006	0.025**
Race, other	-0.011	-0.017	-0.001	0.029**
4 or fewer qtrs. employment pre-BYB	-0.039**	-0.051**	0.026**	0.064**
5-8 qtrs. employment pre-BYB	-0.001	-0.007**	0.004**	0.005**
9-12 qtrs. employment pre-BYB	0.009**	0.016**	-0.008**	-0.017**
Qtrs. from TANF exit to unemployment	-0.010**	-0.036**	0.006**	0.040**
Multiple employers in any base pd. qtr.	0.020**	0.033**	-0.020**	-0.033**
Agriculture, forestry, fishing	0.131**	-0.052**	-0.010	-0.069**
Manufacturing	0.011*	0.001	0.001	-0.014**
Wholesale trade	0.008	-0.026**	0.001	0.017*
Retail trade	-0.001	0.005	0.001	-0.005
Administrative support waste mgmt.	0.014**	-0.001	-0.004	-0.009**
Health care/social assistance	-0.000	0.001	0.004	-0.005
Art, entertainment, recreation	0.051	-0.039	0.008	-0.020
Hotels and restaurants	-0.000	0.023**	-0.003	-0.020**
Unemployment rate, month of BYB	-0.012**	0.015**	0.005**	-0.008**
Unemployment rate change BYB to BYE	-0.014**	0.011**	0.005**	-0.003
Florida	0.019**	-0.016**	-0.007**	0.004
Georgia	0.001	-0.018**	0.003	0.015**
Michigan	-0.028**	0.069**	0.010*	-0.051**
Ohio	-0.024**	0.048**	-0.001	-0.023**

NOTE: This table summarizes results presented in Tables 4.5 and A.23. BYB = Benefit year begin date; BYE = Benefit year ending date.

\* Statistically significant in a two-tailed test at the 90 percent confidence level; \*\* statistically significant in a two-tailed test at the 95 percent confidence level.

SOURCE: Table 4.6 in O'Leary and Kline (2010, p. 56).

quarters of employment before UI application; have multiple employers in at least one UI base period quarter; are recently employed in the hospitality industry; and are located in areas with higher unemployment rates. Parameters in Table 8 suggest TANF dependency (TANF but no employment) is most likely among those aged 50 and over, female, with few quarters of

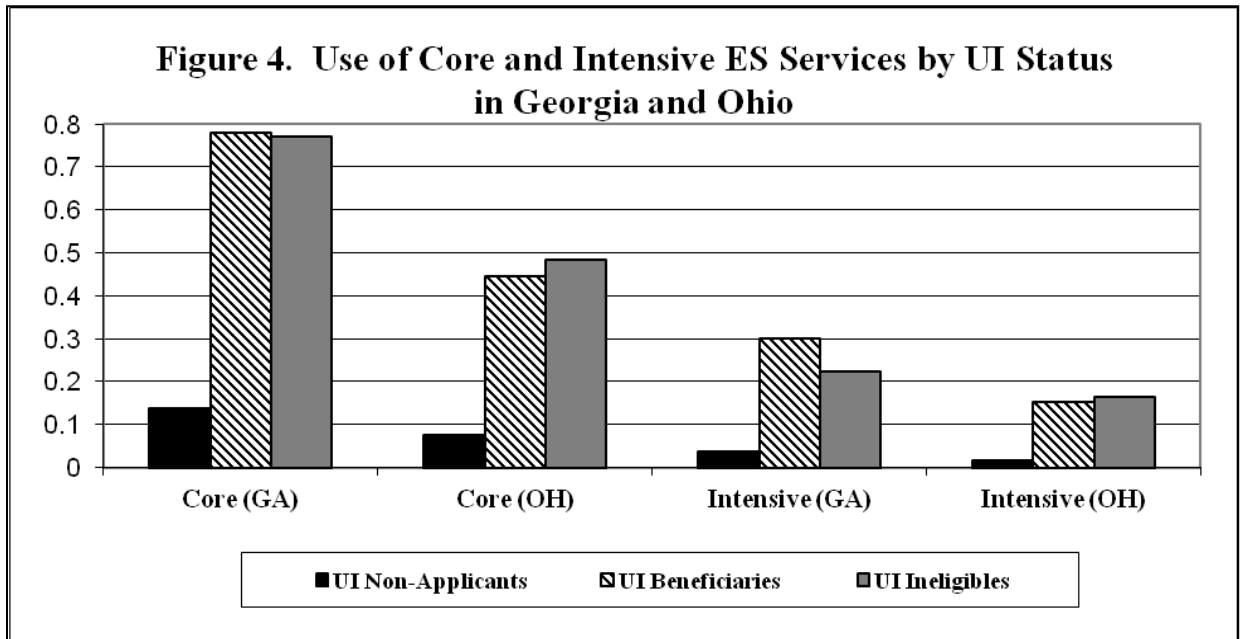
employment before UI application, and those in high unemployment areas. Finally the results suggest that inactivity (neither employment nor TANF) is most likely for those aged 50 and over, male, not African American, those having fewer calendar quarters with earnings before UI application, having new joblessness longer after TANF exit, and those in low unemployment areas.

### **USE OF THE PUBLIC ES BY JOBLESS TANF LEAVERS**

The public ES in the United States is funded through the Wagner-Peyser Act. One-stop career centers operating under the Workforce Investment Act deliver reemployment services divided into three increasing levels of service: core, intensive, and training. The core and intensive services at one-stops are commonly delivered by the ES with Wagner-Peyser funding. Participants typically use core services before progressing to intensive or training services. The ES and UI systems are closely linked by the work test for continued UI benefit eligibility (O'Leary 2006). The work test is administered by the ES. Using data from Georgia and Ohio, I examine the use of Wagner-Peyser-funded ES services by newly jobless TANF leavers and measure the correlations between ES services usage and labor market outcomes, controlling for the degree of UI involvement.

Evidence from these two states suggests that about one-quarter of newly jobless TANF leavers use public ES services. Among these, sizable numbers of UI nonapplicants use ES services, but usage rates are significantly higher among UI applicants. Importantly, ES services usage rates are similar between UI beneficiaries and nonbeneficiary UI applicants. This suggests that application for UI is a pathway to reemployment services provided by the ES even if cash UI benefits are not forthcoming.

Usage rates for any core or intensive service in Georgia are shown in Figure 4, together with usage rates for the most popular core and intensive type services in Ohio. The figure shows that in Georgia 14 percent of UI nonapplicants receive at least one core ES service after new joblessness, while a core service was used by 78 percent of UI beneficiaries and 77 percent of UI-ineligible applicants. The core service called “job seeker match” in Ohio was used by 8 percent of UI nonapplicants, 45 percent of UI beneficiaries, and 48 percent of ineligible UI applicants. While usage rates are lower across the board for intensive services, a similar pattern of usage can be seen in both states across the UI usage groups (Figure 4). A key contrast is the substantially higher rate of usage for both core and intensive services by ineligible UI applicants compared to UI nonapplicants.



## **EMPLOYMENT SERVICES, RETURN TO EMPLOYMENT, AND TANF**

For our samples of newly jobless TANF leavers in Georgia and Ohio, statistical analysis suggests that public ES services help to maintain connections with employment opportunities, particularly through job interview referrals for the working poor. This appears to be true regardless of the degree of involvement with UI. Also, despite the fact that UI applicants use ES services more often, this result still holds for UI nonapplicants. Additionally there is evidence that receipt of job interview referrals through the ES reduces rates of complete TANF dependency and inactivity.

Our measurement of correlations between service receipt and outcomes is affected by the time frames available for observation. Since core services are likely to be received earlier in a jobless spell than intensive services, there is a better chance to observe a positive outcome for core services. In particular, job interview referrals are most quickly dispensed, and their effects are more immediate than other services. Participation in intensive services happens only after exhausting more immediate reemployment opportunities offered by core services. Consequently there is less time to observe reemployment and earnings activity for intensive service recipients.

In regression models of ES services effects, the largest estimates are for the most popular core service: job referrals (Table 9). In Georgia, job referrals boost reemployment rates by 6.5, 4.9, and 10.7 percentage points, respectively, for UI nonapplicants, UI beneficiaries, and nonbeneficiary UI applicants. Job referrals impact estimates are also positive and significant on employment in Ohio for all three UI involvement groups. The point estimates are 5.7, 8.3, and 4.6 percentage points in increased employment rates, respectively, for UI nonapplicants, UI beneficiaries, and nonbeneficiary UI applicants.

**Table 9 Marginal Effects of Job Referrals (Core) and Job Search Planning (Intensive) Services on Return to Employment and TANF among Newly Jobless TANF Leavers in Georgia (GA) and Ohio (OH)**

Employment Service	Returned to employment			Returned to TANF		
	Non-applicant	UI beneficiary	Nonbeneficiary UI applicant	Nonapplicant	UI beneficiary	Nonbeneficiary UI applicant
Job interview referrals (GA)	0.065**	0.049**	0.107**	0.061**	0.035**	0.032**
Job interview referrals (OH)	0.057**	0.083**	0.046**	0.026**	0.078**	0.032
Customer service plan (GA)	-0.020	-0.033	-0.036*	-0.010	0.041	0.014
Job search planning (OH)	-0.005	-0.016	0.007	-0.032*	0.022	-0.028

Employment Service	Employment and no TANF (Self-sufficient)			Employment with TANF (Working poor)		
	Non-applicant	UI beneficiary	Nonbeneficiary UI applicant	Nonapplicant	UI beneficiary	Nonbeneficiary UI applicant
Job interview referrals (GA)	-0.013**	0.009	0.047**	0.077**	0.040**	0.061**
Job interview referrals (OH)	0.021*	-0.001	0.018	0.036**	0.084**	0.028
Customer service plan (GA)	-0.017	-0.047	-0.036	-0.003	0.014	0.000
Job search planning (OH)	0.014	-0.025	0.020	-0.019	0.008	-0.014

Employment Service	No employment, no TANF (Inactive)			No employment with TANF (TANF dependent)		
	Non-applicant	UI beneficiary	Nonbeneficiary UI applicant	Nonapplicant	UI beneficiary	Nonbeneficiary UI applicant
Job interview referrals (GA)	-0.048**	-0.044**	-0.078**	-0.017**	-0.005	-0.029**
Job interview referrals (OH)	-0.047**	-0.077**	-0.050**	-0.010	-0.006	0.004
Customer service plan (GA)	0.027**	0.005	0.023	-0.007	0.027**	0.013
Job search planning (OH)	0.019	0.003	0.008	-0.014	0.014	-0.015

NOTE: \* significantly different from zero at the 90 percent confidence level in a two-tailed test; \*\* significantly different from zero at the 95 percent confidence level in a two-tailed test.

Statistical analysis also suggests a positive correlation between ES job referrals and return to TANF in both Georgia and Ohio. These results reflect the fact that many in these groups remain poor despite working. These people are struggling to maintain adequate income from multiple sources, which may often mean combining income from earnings and TANF. The parameter estimates suggest that the core ES job referrals may be particularly useful for the working poor. I find significant positive correlations between use of ES services and return to work among those who continue to rely on TANF.



A uniformly favorable result following job referrals is a reduction in inactivity for all newly jobless TANF leavers. Inactivity means a lack of involvement with either employment or TANF. For Georgia, job referrals are measured as reducing inactivity by 4.8, 4.4, and 7.8 percentage points, respectively, for UI nonapplicants, UI beneficiaries, and nonbeneficiary UI applicants. For Ohio, estimates of the same effects were 4.7, 7.7, and 5.0 percentage points. Among all effect estimates for job referrals, results are particularly encouraging for nonbeneficiary UI applicants. The largest positive effects on employment and self-sufficiency (employment without TANF) are measured for these newly jobless TANF leavers who use the ES at dramatically higher rates than UI nonapplicants.

Few of the intensive services in Georgia and Ohio are measured to have statistically significant effects on employment and return to TANF. The Georgia intensive service called “customer service plan” is similar to the Ohio service called “job search planning.” Neither has a significant effect on employment or TANF for UI beneficiaries, but the respective programs measurably reduce return to TANF for UI nonapplicants in Ohio while modestly reducing the rate of return to employment for nonbeneficiary UI applicants in Georgia. The latter result may be due to the fact that customer service plans occur later in job search spells, permitting less time to observe return to employment in our restricted measurement period.

## **SUMMARY AND CONCLUSION**

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 changed welfare in the United States by establishing TANF. This law introduced lifetime limits on cash assistance and established work requirements for TANF cash benefits eligibility. These changes increased the importance of public employment and training programs for maintaining self-

sufficiency after TANF exit. Key among these programs are UI, which provides temporary partial wage replacement to the involuntarily jobless, and the ES, which provides job matching and other reemployment services.

Using program data from the ADARE consortium, I examine the rates at which adults in households recently receiving TANF become jobless, apply for and receive UI benefits, and participate in publicly funded employment services. I also investigate the correlation between UI and employment services receipt with maintenance of self-sufficiency through return to work and independence from TANF. The analysis is based on person-level administrative program records from four of the nine most populous states between 1997 and 2003: Florida, Georgia, Michigan, and Ohio.

The data suggest that three-quarters of new TANF leavers experience joblessness within three years, and one-quarter of the newly jobless apply for UI benefits. About 87 percent of UI applicants have sufficient prior earnings to qualify for UI benefits; however, only about 44 percent qualify based on their job separation reasons. Among all UI applicants, TANF leavers were found to have much higher rates of voluntary quits and employer dismissals than non-TANF leavers. About half of newly jobless TANF leavers who apply for UI end up getting benefits. Among TANF leavers who become jobless and apply for and receive UI, the rate of return to employment is higher and the rate of return to TANF is lower for those who receive UI benefits. These patterns of UI and self-sufficiency are strongest in Ohio, which has the highest prior work requirements for UI eligibility among the four states. However, the Ohio shares of newly unemployed TANF leavers who apply for and receive UI benefits are lowest among the four states.

Using data from Georgia and Ohio I examined usage of Wagner-Peyser–funded public employment services, and the correlation between service receipt and measures of self-sufficiency. In these two states, public employment services are used by about one-quarter of newly jobless TANF leavers. Among TANF leaver UI applicants, more than 75 percent use public employment services whether they receive UI benefits or not, but only 14 percent of newly jobless TANF leavers who do not apply for UI choose to use public employment services. So that application for UI appears to connect newly jobless TANF leavers with public employment services.

Welfare caseloads have declined dramatically since TANF was introduced in 1996. It is undeniable that TANF changed welfare as we knew it. Although caseloads have nearly vanished, need remains. Former TANF recipients and others vulnerable to welfare dependency are turning to multiple sources to replace cash public assistance. The roles of UI and ES services for low-income Americans in a post-TANF economy should be better understood. This paper provides some of the first evidence on the degree to which this population is served under current arrangements. Employment policy is the new welfare policy. As additional work requirements are added to various parts of the social safety net, research should continue into the interaction between programs and the net benefits to household well being.

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**Table A.1 Characteristics of TANF Leaver Samples by UI Applicant Status and by State**

Characteristics	Florida		Georgia		Michigan		Ohio		Pooled		Total
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Both
UI applicant status	18,309	27,936	27,257	96,444	4,776	16,267	11,116	51,084	61,458	191,731	253,189
Age at TANF exit <sup>a</sup>	31.9	—	30.0	29.1	29.7	27.6	30.0	27.5	30.5	28.5	29.0
Aged 18–24	0.219	—	0.308	0.369	0.326	0.459	0.289	0.436	0.279	0.399	0.366
Aged 25–44	0.720	—	0.633	0.572	0.623	0.498	0.661	0.530	0.663	0.552	0.582
Aged 45+	0.062	—	0.059	0.059	0.050	0.042	0.050	0.034	0.058	0.050	0.052
Gender, male	0.187	—	—	—	0.231	0.187	0.165	0.173	0.186	0.176	0.180
Gender, female	0.813	—	—	—	0.769	0.813	0.835	0.827	0.814	0.824	0.820
Race, white <sup>b</sup>	0.255	—	0.206	0.300	0.475	0.529	0.413	0.515	0.279	0.390	0.360
Race, black	0.432	—	0.781	0.683	0.466	0.417	0.545	0.445	0.610	0.582	0.590
Race, Hispanic	0.287	—	0.009	0.011	0.044	0.039	0.032	0.030	0.099	0.020	0.041
Adults on case at exit	—	—	1.20	1.25	1.08	1.10	1.29	1.33	1.21	1.26	1.250
Children < age 18	—	—	1.95	1.90	1.64	1.57	2.07	1.94	1.95	1.88	1.894
Children < age 6	—	—	0.88	0.90	0.74	0.79	0.84	0.84	0.85	0.87	0.867
Base period earnings <sup>c</sup>	\$11,880	\$8,239	\$9,946	\$7,640	\$12,531	\$7,260	\$10,267	\$6,766	\$10,781	\$7,462	\$8,268
High qtr. earnings <sup>c</sup>	\$4,233	\$3,266	\$3,851	\$3,096	\$4,620	\$2,988	\$3,803	\$2,753	\$4,016	\$3,020	\$3,262
BPE < \$10,000 <sup>c</sup>	0.485	0.688	0.615	0.753	0.438	0.754	0.578	0.783	0.556	0.752	0.704
Qtrs. TANF to unemp.	5.4	4.1	4.6	3.8	5.0	3.7	5.1	3.9	5.0	3.9	4.1
Qtrs. empl. pre-TANF exit	5.7	5.6	6.0	5.4	7.2	6.1	7.4	6.5	6.3	5.8	5.9
Qtrly. earn pre-TANF exit	\$2,197	\$1,994	\$1,916	\$1,721	\$2,501	\$1,818	\$1,913	\$1,509	\$2,045	\$1,713	\$1,793
Qtrly. earn post-TANF exit	\$3,037	\$2,244	\$2,683	\$2,154	\$3,272	\$1,960	\$2,654	\$1,775	\$2,829	\$2,050	\$2,239
Multiple employers from TANF exit to unemployed	0.520	0.480	0.465	0.422	0.445	0.384	0.529	0.480	0.491	0.443	0.455
Qtrs. employed before unemployment (of 12)	8.7	7.7	8.4	7.4	9.3	7.8	9.3	7.9	8.7	7.6	7.9

<sup>a</sup> In Florida, age data are available at TANF exit. We construct age start with age as of UI BYB which is 33.3 years. Since the average length of time from TANF exit to new unemployment is 5.4 quarters for UI applicants (or 1.4 years), the average age at TANF exit is set at 31.9 years.

<sup>b</sup> Because Florida uses Hispanic and non-Hispanic distinctions in its race categories (white non-Hispanic, white and Hispanic, black non-Hispanic, black and Hispanic, etc.) means are not strictly comparable to the other states.

<sup>c</sup> Defined for both applicants and nonapplicants as the first four of the five quarters preceding the quarter of new unemployment.