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## UI as a Safety Net for Former TANF Recipients: Final Report

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## UI as a Safety Net for Former TANF Recipients: Final Report

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# UI as a Safety Net for Former TANF Recipients

## Final Report

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Kalamazoo, Michigan  
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## Executive Summary

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) established Temporary Assistance for Needy Families (TANF) in 1996 as the main federally funded program for cash assistance to needy families. Since that time, the number of benefit recipients has declined dramatically. While many TANF recipients left for employment, a substantial proportion experienced subsequent joblessness within the first few years following their exits. Using program administrative data, this study examines the role of regular unemployment insurance (UI) benefits in maintaining self-sufficiency for TANF leavers who experience subsequent job loss.

To receive UI, both monetary and non-monetary requirements must be met. Eligibility for UI benefits requires that claimants have adequate recent employment and earnings, and involuntary job separations not due to things like poor job performance or misconduct. Furthermore, UI beneficiaries must be able, available, and actively seeking full-time work.

Among TANF recipients who left the program for employment, this study examines subsequent joblessness, application for UI benefits, eligibility for UI benefits, and rates of UI benefit receipt. The levels of TANF and UI income support are compared, and the rate of return to TANF is contrasted between UI beneficiaries, non-applicants, and ineligible applicants. Findings are compared to results from earlier studies measuring UI eligibility and receipt among those who left social assistance programs.

### Data for Analysis

TANF exit and UI receipt were studied with administrative data from four of the eight largest states: Florida, Ohio, Michigan, and Texas. Access to administrative data on UI and TANF for Florida, Ohio, and Texas was provided through the Administrative Data Analysis and Research (ADARE) consortium. Michigan directly provided the Upjohn Institute administrative data for research under a separate data sharing agreement.

Analysis cohorts were set up within time ranges covered in two or more states. Cohorts include TANF receipt and exit in the years 1997, 2000, and 2001. To provide additional evidence on a key relationship concerning job separations, a 2003 Texas cohort was added. These years witnessed a growing aggregate economy with tightening labor markets, a recession with rising unemployment, then the beginnings of a modest economic recovery. Eleven cohorts of TANF leavers were examined. For the purpose of this study, we define TANF leavers as those who left the TANF program for employment. These samples totaled 556,427 TANF leavers with 406,481 newly unemployed within 3 years after leaving TANF (Table E1). They represent a census of TANF leavers in the states studied during these years. Each of the analysis cohorts studied is composed of adult grantees in TANF recipient households who left TANF for employment.<sup>1</sup>

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<sup>1</sup>Child-only TANF cases were not included in the analysis.

**Table E1. Summary of Unemployment, UI Application, UI Eligibility, and UI Benefit Receipt Across a Combined Sample of All TANF Leaver Cohorts**

	All Cohorts
TANF Leavers	556,427
Newly Unemployed	406,481
UI Applicants	98,760
Monetarily Eligible for UI Benefits	89,806
Non-monetarily Eligible for UI Benefits	35,661
UI Beneficiaries	54,341
Newly Unemployed rate	73%
UI Applicant rate for New Unemployment	24%
Monetarily Eligible rate for UI Applicants	91%
Non-monetarily Eligible rate for UI Applicants	36%
UI Beneficiary rate among Applicants	55%
Weeks of UI Entitlement (mean)	19
Weeks of UI Drawn (mean) (*1)	15
Percentage of UI Entitlement Drawn	80%
UI Exhaustion Rate	56%
UI Weekly Benefit Amount (mean)	\$167
UI Payments received over the full Benefit Year (mean)	\$2,545
UI Actual Monthly Amount Received (mean) (*2)	\$533
TANF Actual Monthly Amount Received (mean) (*3)	\$148
Ratio of Mean Actual UI to Mean Actual TANF	3.6

Note: Percentages and means in this table are rounded to the nearest whole number.

(\*1) 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.

(\*2) Computed as total dollars of UI received in the benefit year divided by maximum entitled weeks of UI benefits times four. The duration of entitlement and level of WBA depend directly on the level and duration of recent prior earnings and employment.

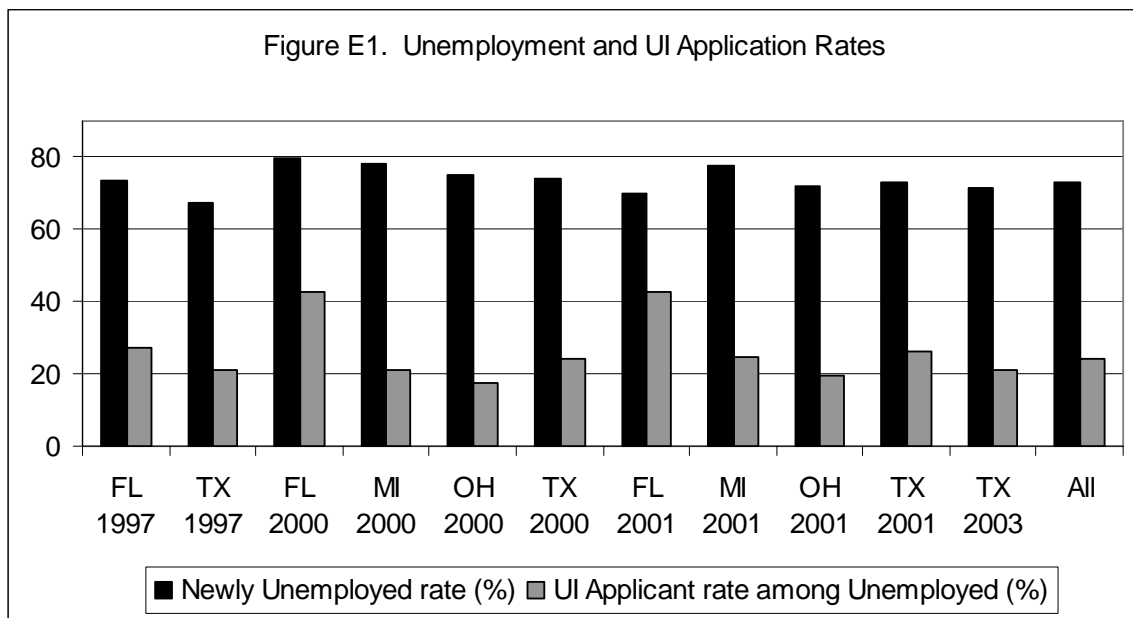
(\*3) TANF payments received in the two calendar quarters completed before TANF exit divided by six.

## Incidence of Unemployment

To learn about the relationship between UI and return to TANF, cohorts of TANF leavers experiencing unemployment were created. Within three years after TANF exit, the cumulative rates of TANF leavers ever experiencing unemployment ranged from 68 to 80 percent across the analysis cohorts with a weighted mean rate of 73 percent of all TANF leavers experiencing a new spell of unemployment. Figure E1 shows the nearly uniform distribution of cumulative unemployment rates across the analysis cohorts.

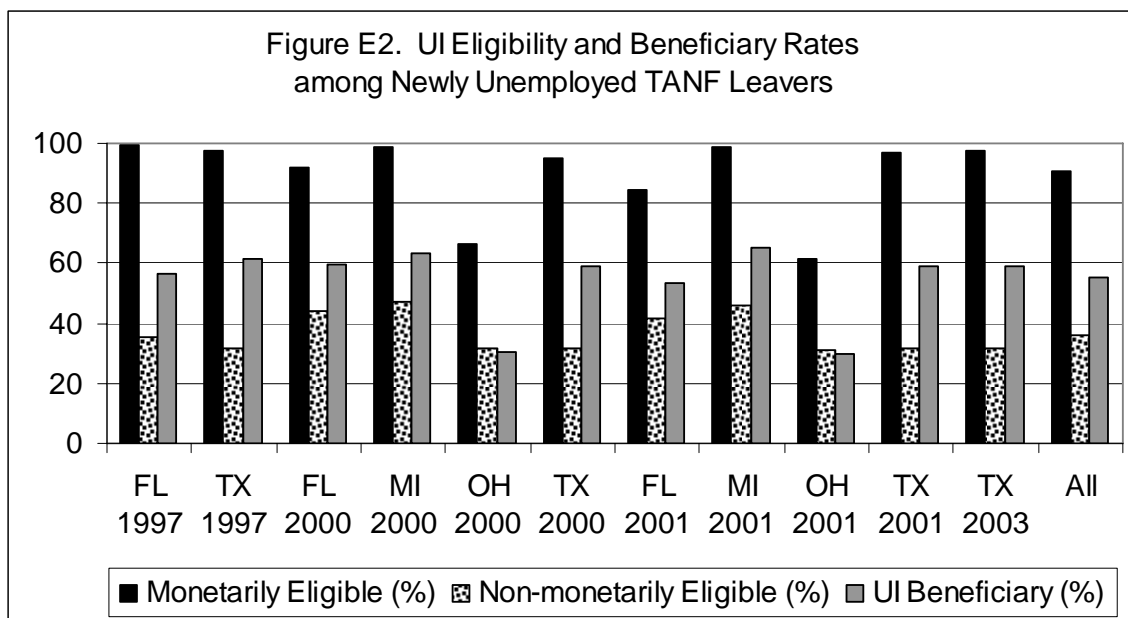
## UI Application

Across the cohorts, between 18 and 43 percent of newly unemployed TANF leavers applied for UI benefits within 3 years after leaving TANF (Figure E1). There is wide variation across the cohorts in UI application rates with the mean across cohorts being 24 percent. UI application rates tend to be considerably higher when the first instance of unemployment occurs in the second year after TANF exit than in the first, suggesting that jobless TANF leavers may understand that sufficient employment and earnings are required to qualify. Based on data from states for which the date of job separation is available, the mean lag from job separation to the date of application for UI benefits is 5.8 weeks with a median of 2.0 weeks.



## UI Eligibility

Among TANF leavers who become newly unemployed and apply for UI, the percentages who are initially eligible for UI based on monetary requirements were above 90 percent in eight of the eleven cohorts analyzed (Figure E2). The rates were 85 percent in the Florida 2001 cohort, 66 percent in the Ohio 2000 cohort, and 61 percent in the Ohio 2001 cohort. The lower monetary eligibility rates in Ohio result from the strict requirement for 20 or more weeks of work earning at least 27.5 percent of the state average weekly wage in UI covered employment. For Ohio in the year 2000 a week of insured employment required earnings of at least \$172, or more than 33 hours of work at the federal minimum wage of \$5.15 per hour. Including Ohio, the mean rate of UI monetary eligibility across all cohorts is 91 percent.



While TANF leavers compare favorably to those not recently involved with TANF in terms of monetary eligibility for UI, they have much lower rates of UI eligibility based on initial non-monetary eligibility factors. These relate to circumstances surrounding the job separation. For TANF leavers, higher rates of voluntary job quits and justifiable dismissals result in lower rates of non-monetary eligibility (Figure E2). UI claimants must also be able, available, and actively seeking full-time work. Among newly unemployed TANF leavers who applied for UI, the weighted mean rate of initial qualification for UI based on non-monetary factors across all cohorts was 36 percent.

### Receipt of UI Benefits

Among TANF leavers who are UI applicants, the proportions receiving UI benefits in the analysis cohorts range from 30 percent in the Ohio 2001 cohort to 65 percent in the Michigan 2001 cohort (Figure E2). The overall mean rate of benefit receipt was 55 percent (Table E1). Note that to receive benefits, claimants must satisfy both monetary and non-monetary requirements.

For monetary eligibility, TANF leavers with more employment and earnings in their UI base period satisfy monetary eligibility requirements at higher rates than those with less employment and earnings. The UI base period is the first four of the five completed calendar quarters preceding UI application. Therefore, we find that UI beneficiary rates among applicants in the first year after TANF exit are lower than among those who apply for UI benefits in their second or third year after leaving TANF. That is, those for whom more time has elapsed between leaving TANF and applying for UI may have had more employment and earnings to help them meet monetary eligibility requirements.

UI applicants who are denied for non-monetary reasons may qualify at a later point in their benefit year. Thus, UI beneficiary rates can be higher than initial rates of non-monetary eligibility. The UI benefit year is the 52-week period starting with the week of UI application. Those who are initially denied UI for non-monetary reasons can become eligible later in their benefit year if they satisfy state-specific requirements for re-employment and earnings. These denied applicants can qualify for UI if they acquire adequate additional employment and earnings and satisfy non-monetary eligibility requirements after a new job separation.

Comparing TANF leaver UI applicants to all other applicants, beneficiary rates among TANF leavers were uniformly lower than for those not recently involved with TANF. This is true even though, as noted above, some TANF leaver UI applicants eventually receive benefits after being initially denied for non-monetary reasons.

Among TANF leavers who qualify for UI, mean weekly benefit amounts are \$167, mean entitled durations of UI benefits are more than 19 weeks, and on average 80 percent of entitled UI benefits are drawn. Mean UI payments are \$2,545 over the full benefit year, or a mean of about 15 weeks of UI at the average weekly benefit amount for this sample. Benefit entitlements are fully exhausted by 56 percent of TANF leaver UI beneficiaries, which is a higher rate of UI benefit exhaustion than among UI beneficiaries not recently involved with TANF.

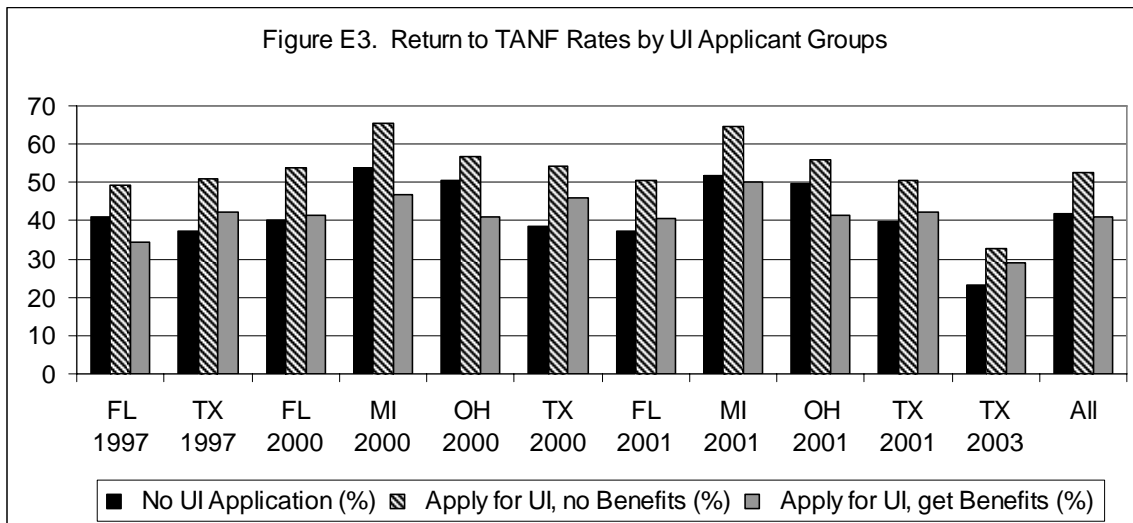
Eligibility rates for monetary and non-monetary reasons, together with UI beneficiary rates are summarized graphically in Figure E2 for newly unemployed TANF leavers. Over time, rates are stable within states, but differ across states. There are very high rates of monetary eligibility exceeding 90 percent in Florida, Michigan, and Texas. Beneficiary rates hover around 60 percent for these three states. Non-monetary eligibility rates for the Ohio cohorts are low at around 30 percent, but on par with Texas. Beneficiary rates in Ohio are slightly below the non-monetary eligibility rates. In all other states, however, the UI beneficiary rates far exceed the non-monetary eligibility rates.

### **Relationship between UI receipt and return to TANF**

Among newly unemployed TANF leavers who apply for UI benefits, receipt of UI compensation is correlated with a significantly lower rate of return to TANF. Figure E3 summarizes rates of return to TANF among the three key groups of newly unemployed TANF leavers: (1) those who do not apply for UI, (2) those who apply for UI, but do not receive UI benefits, and (3) UI applicants who become beneficiaries. For each of the eleven cohorts, the rate of return to TANF is highest for UI applicants who do not receive benefits. This result holds for every cohort regardless of the state rules for monetary and non-monetary UI eligibility and no matter what phase of the business cycle.

The mean rate of return to TANF among newly unemployed TANF leavers in our combined samples is 43 percent (Table E2). Among those who apply for UI, the return to TANF rate is 41 percent for beneficiaries, and 53 percent for non-beneficiaries, a statistically significant difference of 12 percentage points. This simple unadjusted difference of means is consistent





**Table E2. Return to TANF Summary Across All TANF Leaver Cohorts by UI Application and Benefit Receipt Status**

	All Cohorts
Total Newly Unemployed TANF Leavers	406,481
No UI Application	307,721
Apply for UI but no Benefits	44,419
Apply for UI and get Benefits	54,341
Total Returns to TANF by Leavers	173,717
No UI Application	128,494
Apply for UI but no Benefits	23,370
Apply for UI and get Benefits	22,388
Total Return to TANF Rate	43%
No UI Application	42%
Apply for UI but no Benefits	53%
Apply for UI and get Benefits	41%

Note: Figures rounded to nearest whole percentage point for this table.

with estimates computed on samples pooled across cohorts and controlling for claimant characteristics and UI program parameters. The percentage point difference in rates of return translates into a 22 percent lower rate of return to TANF among UI beneficiaries than non-beneficiary UI applicants. This result could be driven partly by some returning TANF applicants instructed to claim UI to demonstrate the absence of alternative income sources. That question requires further investigation.

## **Contrasting TANF and UI as Income Support**

Among TANF leavers who experience unemployment, those who qualify for and draw UI benefits receive income replacement at rates much higher than is paid by TANF. Across the analysis cohorts the mean monthly TANF payment is \$148 while the mean monthly UI payment is \$533. The UI-to-TANF ratio of mean payments is 3.6 (Table E1).

Mean monthly TANF payments range from \$113 to \$226 across cohorts, while monthly UI receipt ranges from \$389 to \$693. The ratio of UI-to-TANF ranges from 2.0 to 4.6. The UI-to-TANF ratio in Ohio is about half that of Florida, however the rates of return to TANF are similar in the two states. The ratio for Michigan lies between Florida and Ohio, but the rate of return in Michigan is significantly higher than either of the other two states.

A very small correlation was estimated between the UI-to-TANF ratio and the rate of return to TANF using regression models. This suggests that UI benefit receipt might be serving as a proxy for strong labor force attachment. In other words, it might not be the income replacement function of UI that reduces return to TANF, but more importantly those who receive UI benefits have better prospects for maintaining self-sufficiency through employment.

## **Trends in UI and TANF Caseloads**

In the states studied, the numbers of TANF recipients declined since 1996 with rates of decline faster before the year 2000 than after. Influenced by trends in aggregate business activity, counts of UI recipients tended to rise in the quarters leading up to the start of 2002 then gradually declined.<sup>2</sup> But there is no identifiable link between aggregate declines in TANF recipients and trends in total UI recipients at the state level.

Person-level analysis suggests, however, that UI plays an important role in supporting TANF leavers, but only a small fraction of TANF leavers receive UI benefits. Among TANF leavers, about 73 percent become unemployed within 3 years, 24 percent of these apply for UI benefits, with 55 percent of applicants becoming beneficiaries. This suggests that about 10 percent of TANF leavers receive UI benefits.

Analysis of the composition of UI claims showed that the numbers of recent TANF recipients among UI applicants were steady over the period of years examined (O'Leary 2007). Furthermore, the share of UI beneficiaries who previously held high paying jobs increased sharply between 1997 and 2003, meaning that recent TANF recipients declined as a share of all UI beneficiaries.

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<sup>2</sup>The UI counts include all beneficiaries in the states and are not limited to TANF leavers.

## Conclusions and Future Research

This study estimates that among TANF leavers who become newly unemployed and apply for UI benefits, nearly 91 percent will be eligible for monetary reasons, 36 percent will be eligible for non-monetary reasons, and 55 percent will ultimately draw UI benefits. In previous research, the highest estimated rate of UI benefit receipt among TANF leavers was 33 percent. Our results suggest that UI may serve as a safety net for TANF leavers.

We also find evidence that receipt of UI benefits is associated with a lower rate of return to TANF. Among TANF leavers who apply for UI, receipt of benefits reduces the rate of return to TANF by 22 percent compared to the rate observed for applicants who do not qualify and receive UI benefits.

On a monthly basis, UI benefits are two to five times more generous than TANF payments. But small changes in the relative generosity of UI-to-TANF do not affect the rate of return to TANF. Taken together, these results suggest that UI benefit receipt might be serving as a proxy for strong labor force attachment. It might not be the income replacement function of UI that reduces return to TANF, but instead those who receive UI benefits might simply have better prospects for maintaining self-sufficiency through employment. Further investigation into the relative importance of UI income support and labor force attachment could inform policy.

Also, it is worth investigating why rates of return to TANF are similar after a new spell of unemployment for UI beneficiaries and those who do not apply for UI benefits. What characteristics do these two groups share and how are they different from TANF leavers who apply but fail to receive UI benefits?

Finally, among all UI applicants, TANF leavers have lower rates of qualifying for UI benefits. The main reasons for lower rates of UI eligibility among TANF leavers are voluntary job quits and dismissals for cause by employers. Analysis of the characteristics of TANF leavers who voluntarily quit or get fired from new jobs could provide guidance for efforts to promote job retention and advancement among recent TANF leavers.

## 1. Introduction

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 replaced federal Aid to Families with Dependent Children (AFDC) with Temporary Assistance for Needy Families (TANF). The new law changed the character of public cash support by introducing lifetime limits and adding work requirements for continued benefit eligibility. Incentives and rewards were established for states to encourage self-sufficiency through employment. These changes combined with a strong economic expansion to induce a mass exodus from TANF rolls (King and Mueser 2005). This trend was slowed but not arrested by the 2001-02 economic recession.<sup>3</sup> Recent years have seen TANF rolls continue to decline during a modest recovery from the recession.

Investigations into the maintenance of self-sufficiency for new TANF leavers have identified traditional government funded employment and training programs as an important part of the story. Among these programs unemployment insurance (UI) has been singled out as a possible reason why TANF leavers remained self sufficient during the 2001-02 recession (Isaacs 2005). Using state administrative data from four of the eight largest states, this study expands on prior knowledge about the use of UI by recent TANF leavers (Kaye 2001, Rangarajan and Razafindratoko 2004). Direct measures of UI application, eligibility, and benefit receipt from administrative data matched with TANF payment data illuminate clear patterns of client use and flows between the two programs.

Access to administrative data on UI and TANF for Florida, Ohio, and Texas was provided through the Administrative Data Analysis and Research (ADARE) consortium supported by the U.S. Department of Labor and managed by the Jacob France Institute at the University of Baltimore.<sup>4</sup> Bilateral data sharing agreements were concluded between each state and the Upjohn Institute. Texas provided UI administrative records to the Upjohn Institute, but Texas TANF records were acquired and analyzed at the Ray Marshall Center, University of Texas. Michigan provided the Upjohn Institute administrative data for research outside the ADARE consortium under a separate data sharing agreement.

## 2. Background

The introduction of TANF with lifetime limits and work requirements for continued receipt of cash assistance increased the importance of employment and training programs for achieving self-sufficiency for TANF leavers. Research before TANF suggested that few leavers from cash assistance would qualify for UI, but analysis after TANF was in place estimated higher UI reciprocity rates (Gustafson and Levine 1997, Rangarajan, Razafindrakoto, and Corson, 2002). As background for the present research, we examine UI and TANF eligibility rules in each of the four states analyzed and review prior research on use of UI by TANF leavers.

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<sup>3</sup>National Bureau of Economic Research (2001).

<sup>4</sup>These three states are representative of the nine state ADARE consortium, which includes California, Florida, Georgia, Illinois, Maryland, Missouri, Ohio, Texas, and Washington.  
<http://www.ubalt.edu/jfi/jfi/index.htm>.

Isaacs (2005) reported that between 2000 and 2003, the proportion of low-income single mothers receiving UI benefits at some point in the year increased from 4.6 to 6.7 percent. It is not surprising to see an increase in receipt of UI in times of rising unemployment. What is noteworthy is that the higher UI reciprocity rate has continued since 2000, despite the 2001-02 slowdown in aggregate economic activity.

## **2.1 UI eligibility and benefits**

Unemployment insurance eligibility rules are set to ensure that those compensated are strongly attached to the labor force and temporarily jobless through no fault of their own. To qualify initially for UI, a claimant must have sufficient prior earnings and employment – these are called monetary eligibility conditions. Furthermore, the job separation must be involuntary. Non-monetary 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 performance.<sup>5</sup> UI applicants must also be able, available, and actively seeking full-time work, as defined by UI rules. 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>6</sup> Table 1 lists the minimum base period earnings required to qualify for the minimum UI weekly benefit amount. For 1997, base period earnings requirements in the four states studied ranged from \$1,628 in Texas to \$3,400 in Florida. By 2003, the requirement remained at \$2,640 in Ohio, had not changed in Florida, and had risen to \$2,997 in Michigan, and to \$1,887 in Texas.<sup>7</sup>

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<sup>5</sup> In the case of benefit denial due to voluntary quit or discharge for cause, the UI applicant may re-qualify for UI benefits in the following manner: In Florida, by earning 17 times the client's weekly benefit amount (WBA); In Michigan, by earning the lesser of seven times the client's WBA or seven times 40 times Michigan's minimum wage (7 x 40 x MI minimum wage); 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; and for Texas, by earning six times the client's WBA. Source: "Comparison of State Unemployment Insurance Laws (2001)," U.S. Department of Labor, Employment and Training Administration, Tables 401 and 402.

<sup>6</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. In Texas an ABY may be considered where work is missed due to a medically verifiable illness, injury, disability, or pregnancy during a major portion of the usual base period. An ABY amendment was considered in the 2002 Florida legislature, but did not pass both houses.

<sup>7</sup>The Base Period Earnings (BPE) requirement is indexed to a multiple of the state average weekly wage (AWW) in UI covered employment or the state minimum wage in Michigan, and to a multiple of the minimum WBA in Texas. The required level of earnings to qualify for UI is set by the legislatures in Florida and Ohio.

**Table 1. Comparison of State Provisions for UI and TANF Programs**

	Florida	Michigan	Ohio	Texas
UI Minimum Base Period Earnings				
(*1)	\$3,400	\$2,020	\$2,640	\$1,628
1997	3,400	2,020	2,640	1,739
2000	3,400	3,219	2,640	1,776
2001	3,400	2,997	2,640	1,887
2003				
UI Covered Weeks of Work (*2)	-	-		-
1997			\$3,058	
2000			3,432	
2001			3,504	
2003			3,680	
State Average Weekly Wage (*3)				
1997	\$497	\$636	\$556	\$579
2000	578	726	624	687
2001	596	731	637	708
2003	630	767	669	719
UI Average Weekly Benefit Amount				
1997	\$192	\$222	\$208	\$196
2000	220	244	236	227
2001	223	261	248	241
2003	225	291	252	261
TANF Earnings Disregard (Table does not show small changes in rules over time or other disregards that may affect benefits.)	\$200 plus 50% of remainder	\$200 plus 20% of remainder	\$250 plus 25% of remainder	\$120 plus 90% of remainder (33% for eligibility), \$120 after 4 mos.
TANF Breakeven Earnings (*4)				
1997	\$806	\$774	\$932	\$1568 / 308
2000	806	774	996	1581 / 321
2001	806	774	996	1581 / 321
2003	806	774	996	1593 / 333
TANF Monthly Benefit (*5)				
1997	\$303	\$459	\$341	\$188
2000	303	459	373	201
2001	303	459	373	201
2003	303	459	373	213

NOTE: (\*1) Base period earnings (BPE) is the sum of earnings in the first four of the previous five completed calendar quarters. For Michigan in 1997 and 2000, the requirement is for at least 20 weeks in which the person earns 30 times the state minimum wage (\$101). An alternative, flat requirement is 14 weeks of work and base period earnings that total 20 times the state's average weekly wage. High quarter earnings requirement is \$2,667 for Florida for all years and is \$1,998 in 2002-2003 for Michigan.

(\*2) For Ohio, the weeks of work requirement is 20 weeks at 27.5 percent of the state's average weekly wage. The earnings requirements implied by the Ohio rule are listed in the UI covered weeks of work row.

(\*3) State average weekly wage (AWW) earned by those working in UI covered employment for study states.

(\*4) 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. Texas has a \$1,400 cap on the earned income that can be subject to the 90 percent disregard for 4 of 12 months of TANF receipt (HHS 2006, Table 12-5, footnote 8).

(\*5) Family of three (one adult and two children with no income).

SOURCES: HHS (2006) Tables 12-2 and 12-5; USDOL (2008); USDOL (1997, 2000, 2001, 2003).

Some states have a high quarter earnings requirement.<sup>8</sup> Most states 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 a few states in the nation with a base period employment requirement, and it is a very restrictive rule.<sup>9</sup> The Ohio weeks of employment rule limits eligibility to those with at least 20 weeks of work in which earnings each week are at least 27.5 percent of the state average weekly wage in covered employment (Table 1). 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.

For those who qualify, UI pays benefits weekly with the cash amount increasing with the level of prior earnings up to a state maximum. Table 1 lists the state-wide average UI weekly benefit amounts. Also listed in Table 1 are average weekly wages of all workers covered by UI in the states examined for the years of our analysis cohorts. This provides a sense of the average wage replacement rate provided by UI to regular full-time workers.

Prior research has suggested that TANF leavers would have a high probability of passing monetary eligibility requirements, but speculates that non-monetary 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 employment requirements separate from earnings rules, and there has been little prior direct evidence on the job separation patterns for recent TANF leavers.

## **2.2 TANF eligibility and benefits**

Needy families with dependent children and earnings below the breakeven thresholds listed in Table 1 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 six 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 (HHS 2000).

Regarding earnings, each state sets its own rules. Over half the states disregard a lump sum and a portion of the rest of the earnings up to the breakeven level of income, at which point the household has worked off TANF.<sup>10</sup> Other states disregard a portion of earnings. In addition, these disregards are often time limited. Some states have adjusted parameters to permit continued support with household income at thresholds as high as four times the poverty level. In computing benefits, other disregards may apply, such as for child care. TANF benefits and earnings levels across our cohorts are quite similar for Florida, Michigan, and Ohio. For Texas,

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<sup>8</sup>The minimum base period earnings to qualify for UI is 1.5 times the minimum high quarter earnings in Florida and Michigan.

<sup>9</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.

<sup>10</sup>Breakeven earnings are computed as the TANF benefit amount divided by (1-disregard rate) plus the lump sum disregard.

benefits are lower but earnings eligibility is much higher for the first four months and severely limited thereafter (Table 1). In some cases, these rules changed over the period covered by this study.

For the present analysis, a key aspect of TANF eligibility in the study states is an administrative requirement that to qualify for additional cash assistance, applicants must claim all other available sources of income. 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 Michigan, Ohio, and Texas.

The TANF eligibility manual for the State of Michigan, Department of Human Services states that, “clients must apply for benefits for which they may be eligible. ... refusal by a program group member to pursue a potential benefit results in group ineligibility” (State of Michigan 2007, PEM 270, pp. 1-6).<sup>11</sup> The Michigan manual specifically identifies UI as a potential source of cash payments to an unemployed person, and lists instructions on how to file an application for UI.

Ohio administrative rules state that “the assistance group must apply for any monthly benefits to which it is entitled. Ineligibility to participate in OWF results if the assistance group refuses to accept unconditionally available income” (ODJFS 2007, p. 350).<sup>12</sup> Ohio Works First (OWF) is the financial assistance portion of Ohio’s TANF program. Ohio Works First provides cash benefits to eligible needy families for up to 36 months. After 36 months, a family cannot receive additional cash assistance unless the County Department of Job and Family Services approves an extension of benefits.

The Texas Administrative Code permits return to TANF before all other sources of income are exhausted, but application for any other available income must be made within 90 days to maintain TANF eligibility.<sup>13</sup> The Texas Health and Human Services Commission (HHSC) requires TANF applicants/recipients to pursue and accept all income to which they are legally entitled. HHSC does not require a TANF applicant to apply for UI benefits or provide proof that they have applied for UI benefits before their TANF application is approved. The policy guidance suggests that a reasonable time, at least three months, is allowed for pursuit of other income. This particular policy is not recent; it dates to prior administration of the AFDC program.

These rules could lower measured eligibility rates among TANF leaver UI applicants. Some with little expectation of qualifying for UI may be forced to jump this hurdle on their way back to TANF. Knowing this could help us understand an important pattern in the data.

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<sup>11</sup>Legal basis for this policy by the Michigan Department of Human Services is set forth in Michigan Public Act 280 of 1939, as amended, which is known as the Social Welfare Act.

<sup>12</sup>Administrative Legal basis for this policy by the Michigan Department of Human Services is set forth in Michigan Public Act 280 of 1939, as amended, which is known as the Social Welfare Act. Policy requiring claiming of UI is stated in the Ohio Department of Job and Family Services (ODJFS) Cash Assistance Manual.

<sup>13</sup>Legal basis for this policy is in the Texas Administrative Code, Title 1, Part 15, Chapter 372 (Texas Works), Subchapter B (Eligibility), Division 7 (Income).



Consider the three groups of TANF leavers who experience joblessness: (1) UI applicants who get benefits, (2) UI applicants who don't get benefits, and (3) non-applicants for UI. Rates of return to TANF are similar for groups (1) and (3), while the return to TANF rates for group (2) are much higher. This result may be partly driven by TANF eligibility requirements to claim UI benefits. It is important to consider these rules when interpreting estimates of the relationship of UI with the rate of return to TANF.

### ***2.3 Previous research on employment and earnings of TANF leavers***

Acs and Loprest (2004) survey and synthesize results from 18 TANF leaver studies done in 14 states covering activity from 1996 to 2000. They examine work among leavers, characteristics of leavers who are not working, and the well-being of TANF leaver families. They account for differences in methodologies when drawing conclusions from the studies. Acs and Loprest (2004) find that a majority (about 60 percent) worked after leaving TANF. When working, TANF leavers tend to earn above the federal minimum wage, but less than half of all working leavers receive a full set of employment benefits like paid sick leave, health insurance, and paid vacations. During the year after leaving TANF, 70 percent worked at some time, but only 40 percent worked in every quarter throughout the year. They estimated that about 20 percent of TANF leavers returned to TANF within a year. Another 10 percent have no observable earnings, but did not return to TANF. On average, leaver families had relatively low earnings, with 40 to 50 percent living below the official poverty level of income in the first year after leaving TANF.

King and Mueser (2005) observe that welfare caseloads in the U.S. hit a peak of over 5 million households in 1994, then rapidly declined by more than half in five years. They studied the impact of welfare reform on caseloads and the labor market success of TANF leavers in six major metropolitan areas in the U.S. (Atlanta, Baltimore, Chicago, Fort Lauderdale, Houston, and Kansas City). To understand the whole picture, King and Mueser looked beyond TANF exit rates to impacts on long-term welfare recipients, new entrants to TANF, employment of TANF recipients, employment of TANF leavers, and the characteristics of jobs held by those involved with TANF. They found that during the 1990s work increased substantially among TANF recipients and also increased among TANF leavers. The kinds of jobs obtained, however, by TANF recipients and leavers did not change much from earlier periods. Furthermore, job stability was low among those involved in work and most jobs obtained did not provide wages and benefits adequate to assure self-sufficiency.

### ***2.4 Previous research on use of UI by TANF leavers***

Some research was done on the interaction between cash assistance and UI before enactment of TANF. Based on employment patterns of women who received Aid to Families with Dependent Children (AFDC) and then left the program, Spalter-Roth, Hartman, and Burr (1994) estimated that only about 10 percent of those who left AFDC for employment would actually collect UI benefits if they subsequently became jobless. Kaye (1997) estimated that about 13 percent of women leaving AFDC would actually draw a UI benefit, while about 35 percent would accumulate sufficient earnings and work experience to qualify for UI (Table 2).

**Table 2. Previous Estimates for Welfare Leavers of Percentage Rates for UI Monetary and Non-Monetary Eligibility and UI Benefit Receipt**

Authors	Samples	Monetarily UI Eligible	Non-Monetarily UI Eligible	Beneficiary of UI
Gustafson and Levine (1997)	National Longitudinal Survey of Youth aged 14 to 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 4 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%	-	-

Gustafson and Levine (1997) examined leavers from AFDC using data from the National Longitudinal Survey of Youth and estimated the proportion who would satisfy simulated UI monetary eligibility in data spanning 1979 to 1994. Among those leaving welfare, they estimated that 70 to 85 percent would satisfy the monetary eligibility requirements for UI and about 25 percent of women with job separations would satisfy non-monetary eligibility requirements for UI. Since only a fraction of UI eligible unemployed actually draw UI compensation, they estimate 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) examined average earnings rates and UI eligibility requirements across states at the time TANF was implemented. He reported that about 35 percent of all unemployed persons receive UI benefits with that rate higher at the beginning of recessions and in states with weaker eligibility criteria. He speculated 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 inferred that among jobless

TANF leavers only about 20 percent will qualify for UI benefits. He warns 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 1998, p. 5)

Holzer (2000) examined 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 asserted that more claimants would qualify monetarily for UI than in earlier years. Nonetheless, Holzer warned 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 non-monetary eligibility requirements in 2000. Her analysis uses the nationally representative Survey of Program Dynamics (SPD). Annual waves of the SPD 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) studied 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 (WFNJ) 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 found 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 non-monetary eligibility requirements. UI ineligibility for non-monetary 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 non-monetary 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.

Sanford et al. (2003) did a correlation analysis of factors related to UI monetary eligibility for a sample of 3,085 of the 3,097 welfare recipients in Wisconsin who left TANF for work in the second quarter of 1998. They found that monetary eligibility for UI had a strong

positive correlation with being a high school graduate, and having access to child care and medical insurance coverage. They estimated a negative correlation between UI monetary eligibility and the presence of a child less than 6 years of age.

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 used data from the national evaluation of the Welfare-to-Work (WtW) Grants Program. The sample included those who left TANF for employment between September 1999 and August 2000. Employment and earnings were tracked for 8 calendar quarters after TANF exit. Sample sizes ranged between 1,000 and 15,000 welfare recipients who exited welfare for work in five sites in Maricopa County, Arizona; Cook County, Illinois; Baltimore County, Maryland; Philadelphia County, Pennsylvania; and Tarrant County, Texas. They estimated that 90 percent would potentially attain UI monetary eligibility in the two-year period after TANF exit, while between 50 percent 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.

### **3. TANF Leaver Samples for Analysis**

Samples of TANF leavers were created from administrative data on recipients of public cash assistance in each of the states. The samples 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. Due to 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, a cohort approach was taken for defining samples for analysis. A total of eleven cohorts were examined across the four states. Definitions of the time frames for the analysis cohorts are listed in Appendix A.

#### **3.1 *Criteria for sample inclusion***

Leaving TANF for employment is defined as: zero cash TANF payment to the assistance unit in a calendar quarter (with no sanction) and with earnings of at least \$100 in that calendar quarter or the next quarter.

Key concepts in the analysis are:

**TANF exit** for employment is defined as zero cash TANF payment to the assistance unit in a calendar quarter with 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 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.

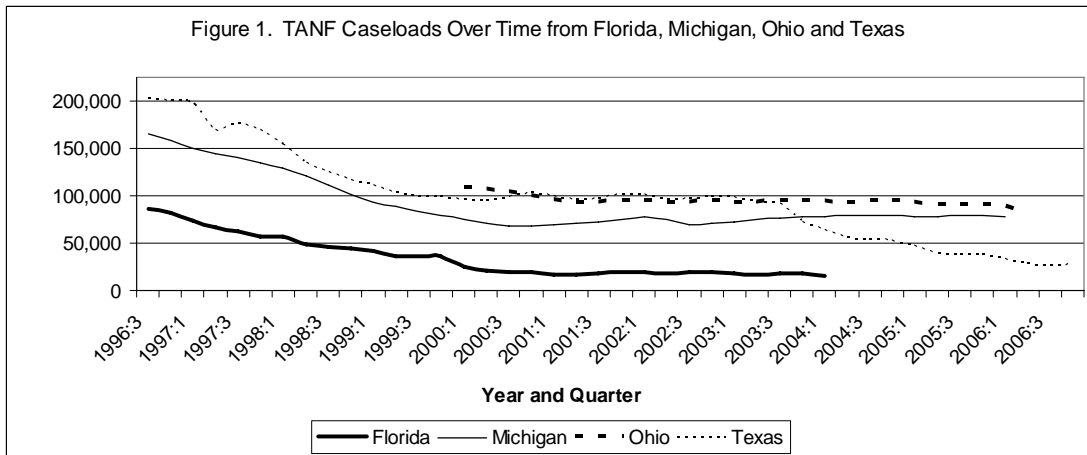
Samples from all states involved in the study are analyzed for calendar year 2000 TANF receipt cohorts. These samples include TANF recipients in calendar year 2000 who exit from TANF for employment by the first calendar quarter of 2001. Analysis is conducted on earlier and later TANF exit cohorts where data are available for other states. The four alternative TANF exit time frames are: (1) TANF receipt 1997Q2 to 1998Q1 and exit by 1998Q2, (2) TANF receipt 2000Q1 to 2000Q4 and exit by 2001Q1, (3) TANF receipt 2001Q1 to 2001Q4 and exit by 2002Q1, and (4) TANF receipt 2003Q1 to 2003Q4 and exit by 2004Q1. TANF leavers in each cohort are followed for 3 years after TANF exit to check for the start of any jobless spells.

### **3.2 Characteristics of samples for analysis**

The states involved in this study are four of the eight most highly populated states in the nation. Consequently, the TANF caseloads and levels of UI claims are large enough to reliably measure outcomes and impacts of interest. For the analysis, we are first interested in a sample of those who leave TANF for employment. Table 3 lists the total number of adults in TANF households in the data provided by states for calendar years starting with 1996 for Texas. Figure 1 shows that the numbers of TANF caseloads declined dramatically in Florida, Michigan, and Texas up until 2000. Following 2000, yearly declines in the numbers of TANF caseloads were much smaller in the data for all four states.

TANF leaver sample sizes are listed in the middle panel of Table 3 for the 1997, 2000, 2001, and 2003 cohorts. The bottom panel of this table lists the shares of TANF recipients in each of the 11 analysis cohorts who leave for employment. TANF recipients and leaver counts are presented in the bar graph Figure 2. The figure illustrates a steady volume of caseloads in 2000 and after. For Florida and Michigan counts of TANF leavers were relatively high in 1997, with the numbers of leavers successively smaller in both states in 2000 and 2001. Numbers of both TANF recipients and TANF leavers declined in Ohio between 2000 and 2001. In Texas, the numbers of TANF recipients declined sharply from 1997 to 2000 then remained relatively flat until 2003. Counts of Texas TANF leavers renewed an upward trend in 2000.

The TANF exit rates vary across state and over time. Figure 3 illustrates that exit rates tended to rise from 1997 to 2000 and then decline thereafter. Exit rates were highest in the Florida 2000 cohort (62.4 percent) and lowest in the Michigan 1997 cohort (27.9 percent) with other Michigan, Ohio, and Texas cohort exit rates somewhat above the lower end of the range.

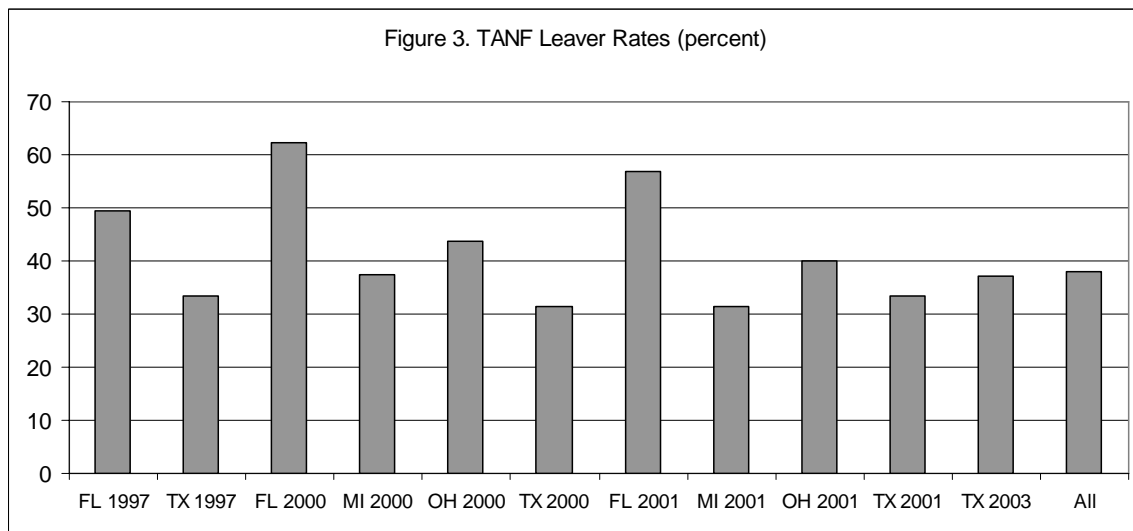
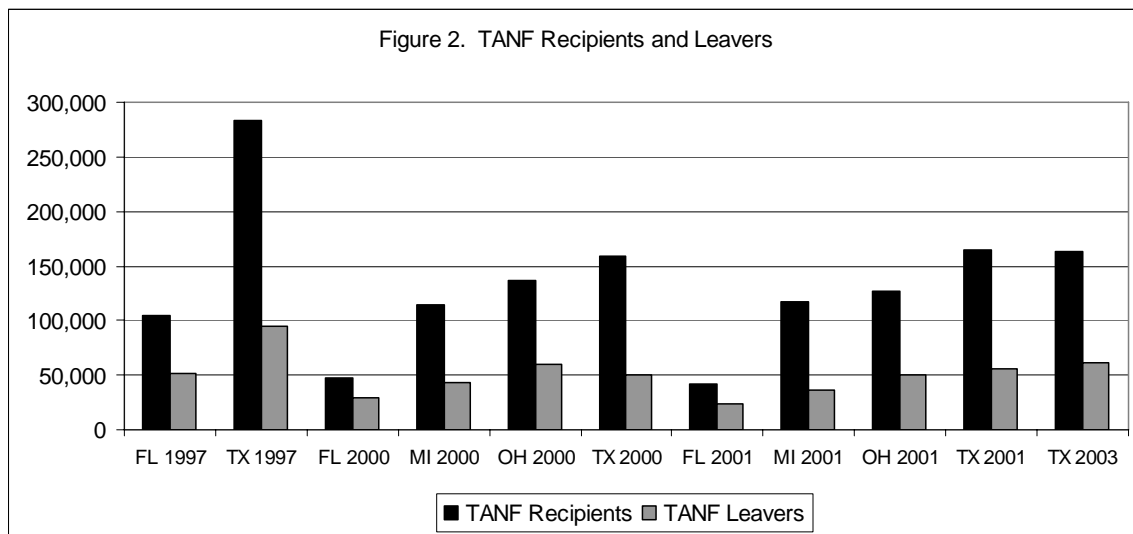


**Table 3. TANF Recipients, TANF Leavers, and Rates of Leaving TANF for Employment**

Cohort	Florida	Michigan	Ohio	Texas
<b>TANF Recipients</b>				
1996				318,760
1997	103,960	207,055		282,729
1998	87,534	174,664		213,639
1999	71,080	134,202		170,220
2000	47,880	114,324	137,253	159,104
2001	41,698	117,399	126,989	164,845
2002	44,030	118,348	125,633	168,772
2003	40,273	118,802	123,797	163,465
2004		123,486	124,368	118,741
2005		122,531	119,980	86,501
2006				61,996
<b>TANF Leaver Cohorts</b>				
1997	51,276	57,860		94,662
2000	29,873	42,883	59,881	50,229
2001	23,706	36,934	50,823	55,259
2003				60,901
<b>TANF Leaver Rate Among Cohorts (%)</b>				
1997	49.3	27.9		33.5
2000	62.4	37.5	43.6	31.6
2001	56.9	31.5	40.0	33.5
2003				37.3

**NOTES:**

The 1997 cohort includes TANF recipients in 1997Q2 to 1998Q1 who exit by 1998Q2.  
 The 2000 cohort includes TANF recipients in 2000Q1 to 2000Q4 who exit by 2001Q1.  
 The 2001 cohort includes TANF recipients in 2001Q1 to 2001Q4 who exit by 2002Q1.



To understand demographics for our analysis cohorts we summarize characteristics of UI claimants among TANF leavers. Consistent data on demographic characteristics are only available on a limited number of variables. These data are gathered in applications for benefits compiled in UI administrative records. Table 4 presents sample percentages on subgroups by age, sex, race, and educational attainment, and the mean value for base period earnings.<sup>14</sup>

Based on three broad age categories, the distributions for the TANF leaver cohorts are similar across the states with the bulk of the samples in the middle range aged 25 to 44. TANF

<sup>14</sup>The UI base period is typically the first four of the five calendar quarters immediately preceding the quarter of UI application for benefits. For those who fail this first test, UI eligibility can be evaluated alternatively based on the four most recent calendar quarters.

leavers in the Michigan sample tend to be slightly older than for the other states. Over the years, from 1997 to 2001 the mean age in all cohorts tends to get younger, providing some evidence that older TANF recipients left the roles sooner after introduction of the PRWORA reforms.

Since our analysis cohorts are samples of TANF leavers, it is not surprising to see female percentages ranging from 81.2 in the Michigan 2001 cohort to 87.8 in the Florida 1997 cohort. The gender compositions are relatively stable across all cohorts.

Percentages of African Americans in analysis cohorts are fairly steady within states over time. While similar between Florida and Michigan, percentages are somewhat higher in Ohio and lower in Texas. The percentages of African Americans range from 35.5 in Texas 2001 to 55.5 in Ohio 2000.

The distribution of educational attainment is skewed toward the low end for all of the cohorts analyzed. The highest levels of educational attainment are observed in Michigan where more than a quarter of the 2000 and 2001 cohorts have received some formal education beyond high school.

For all of the four states analyzed, base period earnings declined over time in the cohorts examined. Nonetheless, given the modest monetary eligibility requirements discussed above, these figures suggest high rates of UI monetary eligibility for the TANF leaver cohorts. Average earnings levels for TANF leavers are similar in Florida and Texas, somewhat higher in Michigan, and somewhat lower in Ohio.

Data available on dependents of household heads indicates that the great majority of TANF leaver households include three persons with two children, including one under the age of six.

### ***3.3 Employment and earnings before and after TANF exit***

Employment as a route to self-sufficiency is the emphasis of the PRWORA reforms. Employment patterns in the cohorts analyzed indicate that the great majority of TANF leavers have customary attachment to the workforce which is observed to increase following TANF exit.

By definition, persons in our TANF exit cohorts must be working either in the quarter of TANF exit or the quarter immediately thereafter. For these cohorts, observed employment rates



**Table 4. Characteristics of TANF Leaver UI Applicants (Sample Percentages and Means)**

	1997 Cohorts		2000 Cohorts				2001 Cohorts				2003 Texas	All Cohorts
	Florida	Texas	Florida	Michigan	Ohio	Texas	Florida	Michigan	Ohio	Texas		
Age (%)												
18-24	20.4	14.9	23.9	20.5	28.6	24.6	26.4	21.7	30.7	31.5	34.6	24.6
25-44	76.6	76.6	73.4	71.6	66.5	69.5	70.9	71.6	64.6	63.9	61.3	69.7
45+	3.0	8.5	2.6	7.8	4.9	5.9	2.6	6.6	4.7	4.7	4.1	5.7
Female (%)	87.8	84.9	86.8	84.7	84.7	85.2	85.4	81.2	82.4	83.0	82.1	84.2
African American (%)	47.1	37.9	48.7	46.0	55.5	36.5	47.0	43.2	53.8	35.5	36.4	40.1
Education (%)												
Less than HS	35.5	34.1	34.9	27.6	47.4	36.9	33.5	26.8	48.7	36.4	35.3	35.7
HS Grad or GED	52.3	55.0	50.3	47.3	47.3	53.7	50.6	46.4	46.5	53.9	54.6	52.9
Some College	10.1	9.0	12.0	22.3	4.8	8.0	13.2	23.6	4.5	8.2	8.4	9.6
Bachelors or Higher	2.1	1.7	2.8	2.7	0.6	1.3	2.8	3.1	0.4	1.4	1.5	1.7
Prior Earnings (\$, *1)	11,123	12,093	10,774	12,185	9,445	10,751	9,649	10,948	8,908	10,606	10,807	11,031
Dependents (*2)												
Under Age 18		2.08		1.98	1.90	2.10		1.95	1.88	2.07	2.04	2.05
Under Age 6		0.87		0.94	0.84	1.01		0.95	0.86	1.08	1.08	0.97

NOTE: Variable means summarized in this table were calculated over the full time range of UI data available for states.

(\*1) Mean earnings in the UI base period prior to filing the UI claim. The base period is the first four of the five completed calendar quarters before a UI claim.

(\*2) Mean numbers of dependents. Data are available on dependents in TANF recipient households only for Michigan and Ohio.

are usually highest in the quarter of exit, and are typically higher after exit than before. What is surprising is just how high employment rates are in the four years preceding TANF exit.

Employment rates are summarized in Table 5 at annual intervals for up to 4 years (16 calendar quarters) before and after the quarter of TANF exit (also see Figures 4a, 4b, and 4c). The table also lists the employment rates in the quarters immediately preceding and following the quarter of TANF exit. Employment rates in the quarter of TANF exit exceed 85 percent for nearly all cohorts.

Texas presents a notably distinct pattern in employment rates that is clearly visible in Figures 4a, 4b, and 4c. Peak employment rates tend to occur in the quarter before TANF exit, then decline thereafter. This pattern is most likely a result of the unique Texas earnings disregard rules for TANF recipients. As summarized in Table 1, in the first 4 months of receiving TANF cash assistance, up to \$1,593 dollars can be earned before benefits fall to zero. In the fifth month, the breakeven level of earnings drops to \$333. This emerges as a strong incentive for TANF exit.

Across all TANF leaver cohorts, employment rates gradually rise in the years preceding TANF exit, and then diminish in the years afterward. Part of the observed pattern in earlier years may be due to the rather young average age of persons in the analysis cohorts. The stronger labor force attachment observed after TANF exit may be due to maturation and accumulated work experience. However, the 1996 PRWORA reforms also introduced strong incentives for staying employed and off TANF.

One year after TANF exit, more than 60 percent are employed in each of the cohorts and two years later more than 57 percent showed employment income. Typically, at least half were working a year before TANF exit while at least 45 percent worked two years before leaving TANF.

Average annual earnings were uniformly higher in years after TANF exit than before. Earnings summarized in Table 6 and Figures 5a, 5b, and 5c are reported in current dollars--not adjusted for inflation. Wage inflation averaged less than 3 percent per year from 1997 to 2003.<sup>15</sup> In that period earnings increases in the TANF leaver cohorts averaged more than double the rate of wage inflation. The increase in observed earnings most likely resulted from an increase in hours worked per year after TANF exit compared to before.

As Table 6 shows for all cohorts, mean annual earnings among working TANF leavers continue to rise in the four years observed after the TANF exit quarter. However, mean earnings for each year after TANF exit in all cohorts are at rates near poverty thresholds for three-person households.<sup>16</sup>

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<sup>15</sup>National Compensation Survey means across all occupations 1997 to 2003 (BLS 2008).

<sup>16</sup>Mean household sizes include two one adult and two children with one under age six. Three person family poverty thresholds were \$12,931 for 1997, \$13,874 for 2000, and \$14,949 for 2002 (Census 2007).

**Table 5. Employment Rates (percent) in Calendar Quarters Before and After Quarter of TANF Exit**

	1997 Cohorts		2000 Cohorts				2001 Cohorts				2003 Texas	All Cohorts
	Florida	Texas	Florida	Michigan	Ohio	Texas	Florida	Michigan	Ohio	Texas		
Qtr Relative to Exit												
-16	36.2		40.8		39.1	40.2	48.4		45.9	44.3	50.3	43.0
-12	41.2		49.6	41.2	44.8	46.3	56.3	56.8	52.8	49.7	55.0	48.9
-8	45.3	45.4	57.5	57.5	52.0	50.2	61.9	62.9	59.3	52.9	54.1	52.9
-4	50.5	45.3	59.0	60.8	57.2	47.7	60.5	63.1	61.6	50.8	47.5	53.3
-1	76.3	86.5	73.9	80.9	76.0	86.0	75.6	79.9	72.8	87.0	83.8	80.9
Exit Quarter	86.6	88.2	85.8	88.8	88.1	85.7	87.0	87.8	86.7	84.9	82.9	86.6
1	88.3	77.3	86.6	84.0	85.0	74.1	84.9	83.1	83.5	72.9	70.1	79.9
4	79.1	69.5	73.1	66.8	67.4	64.1	70.7	67.4	66.0	62.9	62.1	67.8
8	74.2	67.2	66.7	60.8	61.0	58.3	63.3	59.9	61.5	57.3	60.5	63.0
12	73.2	65.3	61.1	56.3	58.0	54.5		57.5		56.1	59.5	60.7
16	68.3			54.0		53.8						59.0
Sample Size	51,276	94,662	29,873	42,883	59,881	50,229	23,706	36,934	50,823	55,259	60,901	556,427

Figure 4a. Percentage of the 1997 TANF Leaver Cohorts Who Are Employed in the Indicated Quarter Relative to TANF Exit

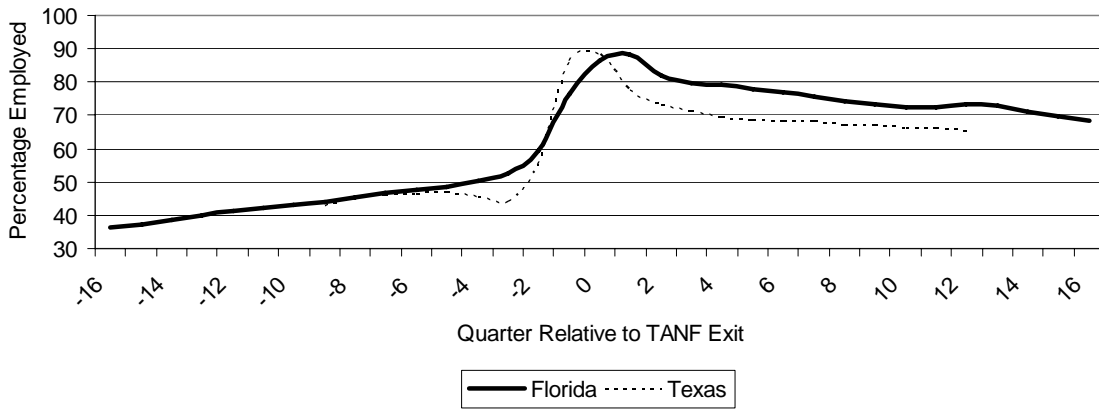


Figure 4b. Percentage of the 2000 TANF Leaver Cohorts Who Are Employed in the Indicated Quarter Relative to TANF Exit

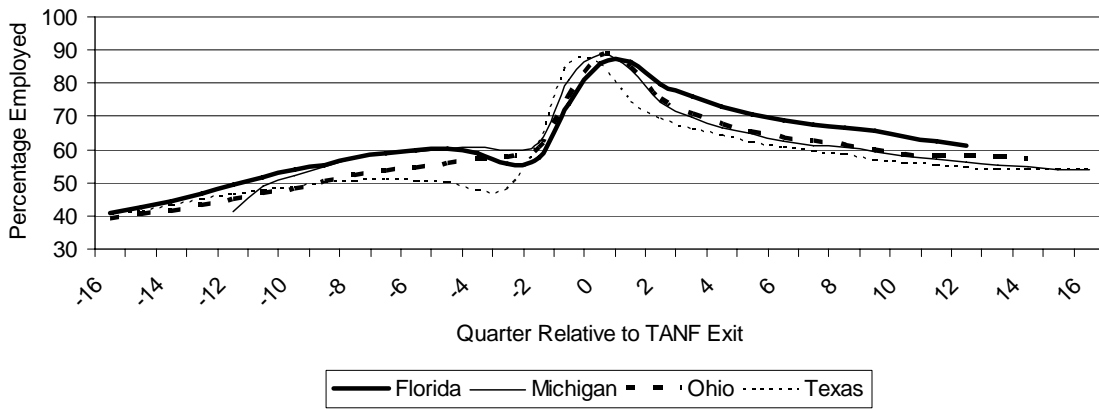
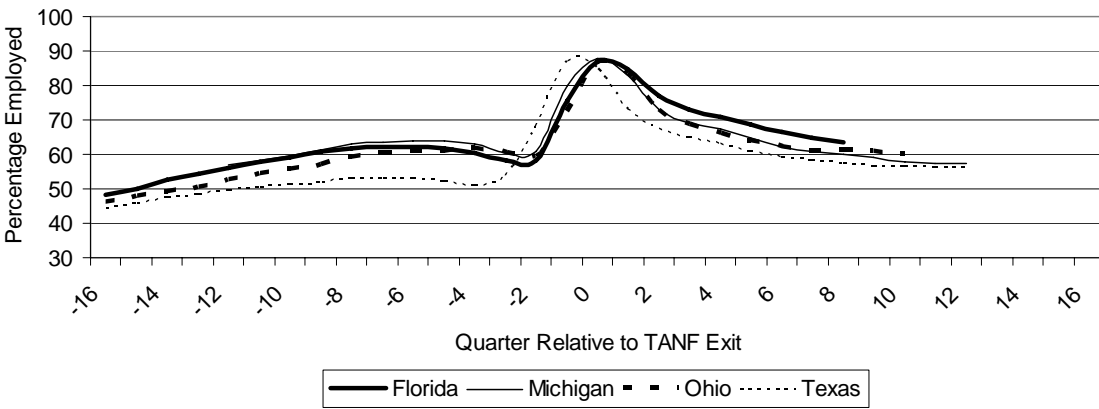


Figure 4c. Percentage of the 2001 TANF Leaver Cohorts Who Are Employed in the Indicated Quarter Relative to TANF Exit



**Table 6. Earnings (in current dollars, not adjusted for inflation) Before and After TANF Exit**

	1997 Cohorts		2000 Cohorts				2001 Cohorts				2003 Texas	All Cohorts
	Florida	Texas	Florida	Michigan	Ohio	Texas	Florida	Michigan	Ohio	Texas		
Year Relative to Exit												
-4	8,101		9,098		7,769	8,010	10,183		8,852	8,417	10,180	8,721
-3	8,151		9,633	8,205	8,426	8,376	10,763	9,662	9,546	8,734	10,559	9,108
-2	8,087	7,337	9,951	8,748	8,728	8,277	11,063	10,085	9,384	8,776	9,906	8,842
-1	7,456	6,544	8,527	8,213	7,709	7,248	9,188	8,627	8,103	7,581	7,808	7,687
Exit Quarter												
+1	10,747	10,295	11,986	11,612	10,979	11,018	15,144	11,965	11,079	11,049	11,522	11,266
+2	12,067	11,699	13,045	12,973	12,230	11,986	20,140	13,376	12,464	12,020	12,919	12,693
+3	13,262	13,137	13,800	13,957	13,268	12,778		14,324		12,856	14,421	13,464
+4	14,110			14,858	13,828	13,534						14,043
Sample Size	51,276	94,662	29,873	42,883	59,881	50,229	23,706	36,934	50,823	55,259	60,901	556,427

Figure 5a. Annual Earnings of the 1997 TANF Leaver Cohorts by Year Relative to TANF Exit

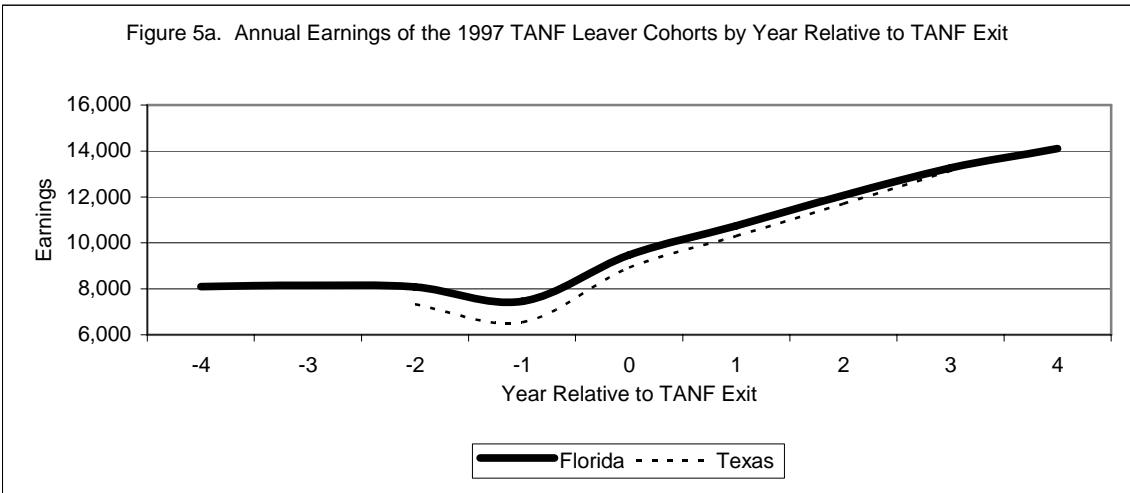


Figure 5b. Annual Earnings of the 2000 TANF Leaver Cohorts by Year Relative to TANF Exit

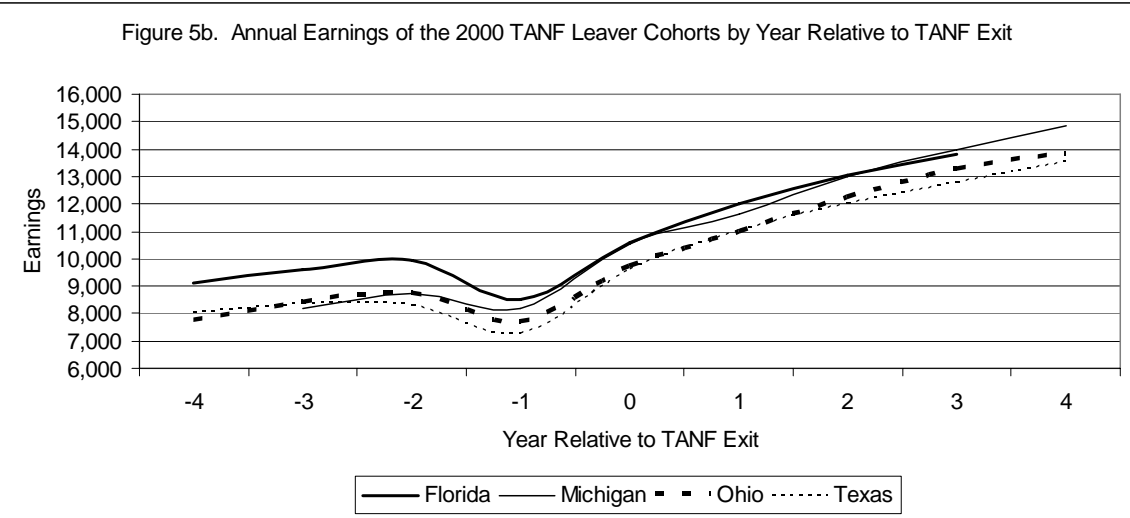
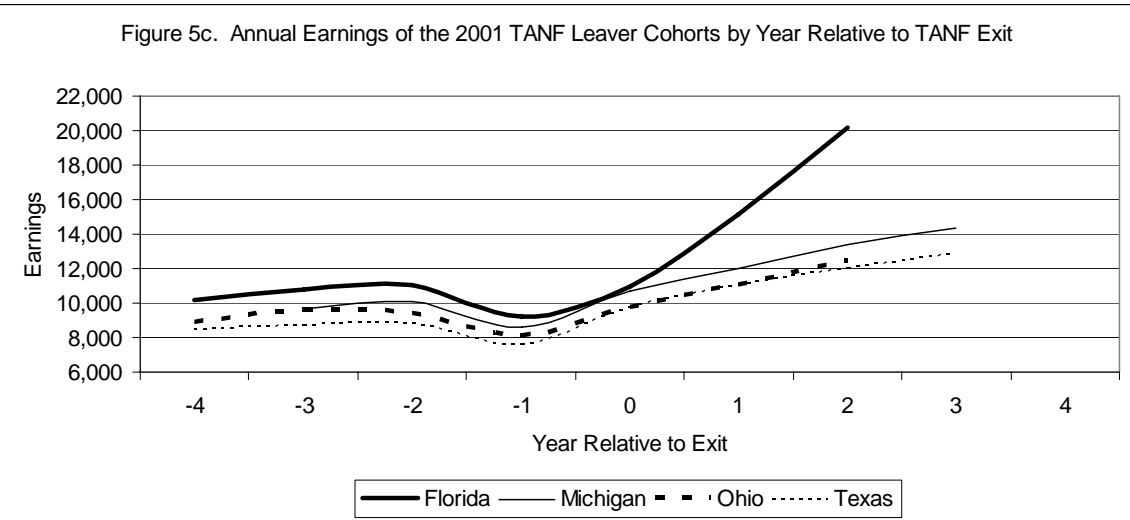


Figure 5c. Annual Earnings of the 2001 TANF Leaver Cohorts by Year Relative to TANF Exit



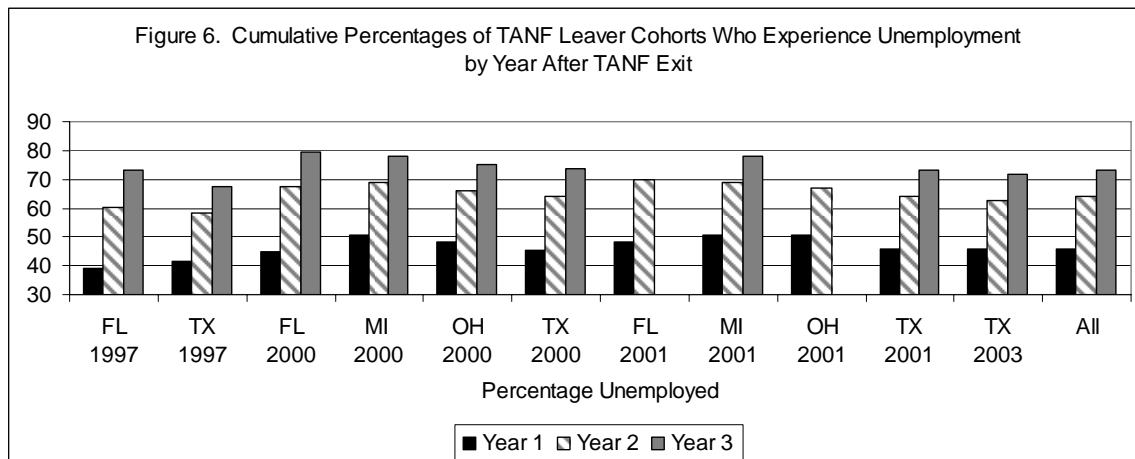
## 4. To What Extent Do Former TANF Recipients Participate in the UI Program?

Since we are interested in whether UI income support helps prevent return to TANF among those who lose jobs, from the cohort samples of those leaving TANF for employment we identify sub-samples of leavers beginning new spells of unemployment. Use of UI is examined among those experiencing unemployment. The definition of unemployment applied is as defined above: a calendar quarter with less than \$100 in earnings.

### 4.1 Unemployment among TANF leavers

Mean quarterly rates of new unemployment among TANF leavers are reported in Table 7. Also listed in the table are the cumulative annual rates of unemployment in the first three years after leaving TANF. Quarterly percentages of new unemployment are highest in the first year after TANF exit in the range 10.5 to 13.8 across cohorts. Rates are similar across states and rising as the labor market softens in the economic slowdown after 2000. The quarterly unemployment rates decline in the second year after TANF exit to a range from 8.2 to 10.5, and fall to slightly lower levels in the third year to a range from 7.6 to 9.8. Falling unemployment rates in the second and third years are observed despite the softening labor market in 2001.

Cumulative annual rates indicate the percentage experiencing unemployment in the first year after TANF exit ranged from 39.2 to 50.8 (see Figure 6). The cumulative unemployment rates for TANF exiters rise in the second year to a range from 58.1 to 70.0 percent. By the third year after TANF exit, the cumulative percentages experiencing joblessness ranged between 67.5 and 77.9 of TANF exiters in the cohort samples. Annual and cumulative rates of unemployment are similar across the four states. Rates rose slightly with the economic slowdown.



**Table 7. Unemployment Rates (percent) after TANF Exit**

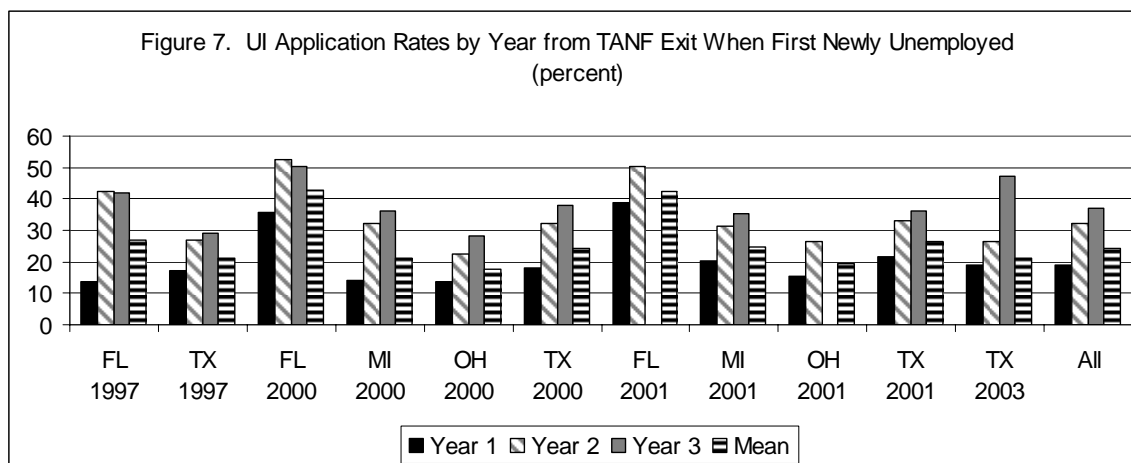
	1997 Cohorts		2000 Cohorts				2001 Cohorts				2003 Texas	All Cohorts
	Florida	Texas	Florida	Michigan	Ohio	Texas	Florida	Michigan	Ohio	Texas		
<b>Mean of Quarters</b>												
Year 1	10.5	11.6	12.1	13.8	13.1	12.3	13.1	13.8	13.7	12.9	13.2	12.6
Year 2	9.5	8.2	10.5	9.9	9.6	9.4	10.4	9.5	9.2	9.2	8.5	9.2
Year 3	9.6	7.6	9.8	8.4	8.2	8.3		8.1		7.9	7.8	8.3
<b>Cumulative (*1)</b>												
Year 1	39.2	41.3	44.8	50.6	48.3	45.4	48.4	50.8	50.5	45.7	46.0	45.9
Year 2	60.0	58.1	67.4	69.1	66.1	64.3	70.0	69.0	67.1	64.2	62.8	64.2
Year 3	73.4	67.5	79.5	78.0	74.9	73.8		77.9		73.2	71.9	73.4
<b>Sample Size</b>	51,276	94,662	29,873	42,883	59,881	50,229	23,706	36,934	50,823	55,259	60,901	556,427

NOTE: (\*1) The cumulative unemployment rate is the percentage of persons in the cohort who become newly unemployed at any time after TANF Exit. For example, in the Florida 1997 cohort, 73.4 percent of persons in the cohort had become newly unemployed at some point in the first 3 years after TANF exit. Also, the mean cumulative unemployment rate through 3 years across all cohorts (73.4 percent) is computed over only those cohorts for which data are observed for a full 3 years after TANF exit. If all cohorts were used, including the 2001 cohorts for Florida and Ohio for which only eight and ten quarters of data are respectively observed after TANF exit, then the mean cumulative rate across all cohorts would be 73.1 percent as reported in Table 11.



## 4.2 UI claims among unemployed TANF leavers

Among those identified as newly unemployed in each of the analysis cohorts we examine patterns of application for UI benefits. Table 8 lists UI application rates for each of the TANF leaver cohorts in the first three years after TANF exit (see also Figure 7). Also, reported in the table is the total number from the cohort experiencing a new spell of unemployment and the total proportion of them applying for UI benefits combined over the three years after leaving TANF.



Analysis of involvement with UI is restricted to those leaving TANF for employment who subsequently experience unemployment. For the cohorts listed in Table 8, between 16,599 and 63,937 experienced new spells of unemployment. UI application rates range from 17.6 percent to 42.7 percent. In the second year after leaving TANF, UI application rates tend to be higher than in the first year. This may be due to an understanding that adequate earnings are required to qualify for UI benefits and such earnings only accrue after a longer period of labor market experience. There are much smaller differences in UI application rates between the second and third year after TANF exit.<sup>17</sup>

Within states, cumulative UI application rates showed an increase in Florida between 1997 and 2000 cohorts, but were fairly stable over time among the cohorts. There were only small increases in cumulative UI application rates between the 2000 and 2001 cohorts despite the economic slowdown in 2001. A clear ranking of UI application rates over the 3 year period following TANF exit emerges across states. Among newly unemployed TANF leavers, the highest UI application rates were observed for Florida, followed by Texas, Michigan, and Ohio.

<sup>17</sup>Application rates among TANF leavers may be influenced by state rules requiring UI application to re-qualify for TANF cash assistance.

**Table 8. UI Application Rates (percent) by Year from TANF Exit When First Newly Unemployed**

	1997 Cohorts		2000 Cohorts				2001 Cohorts				2003 Texas	All Cohorts
	Florida	Texas	Florida	Michigan	Ohio	Texas	Florida	Michigan	Ohio	Texas		
Time from Exit												
Year 1	13.8	17.2	35.8	14.2	13.8	18.1	38.9	20.4	15.6	21.5	19.0	19.0
Year 2	42.2	27.0	52.3	32.2	22.4	32.1	50.5	31.5	26.3	33.3	26.4	32.0
Year 3	42.1	29.3	50.2	36.3	28.4	38.1		35.1		36.0	47.4	37.0
Unemployed	37,621	63,937	23,755	33,460	44,835	37,072	16,599	28,756	36,515	40,469	43,462	406,481
UI Applicants	10,158	13,616	10,136	7,022	7,885	8,984	7,051	7,089	7,045	10,646	9,128	98,760
Rate (*1, percent)	27.0	21.3	42.7	21.0	17.6	24.2	42.5	24.7	19.3	26.3	21.0	24.3

NOTE: (\*1) Based on applications for UI benefits relative to the first unemployment after TANF exit. A five calendar quarter period is checked for a new UI claim starting with the quarter before the quarter of new unemployment through three quarters after new unemployment. The UI application date is the first UI benefit year begin (BYB) date in that time period.

### 4.3 Time from job separation to UI claim

To learn how quickly TANF leavers contact the UI system after becoming unemployed, the time lag from job separation to the date of UI application – also called the UI benefit year begin (BYB) date – was measured.<sup>18</sup> Necessary data were available only for UI claimants in Florida, Michigan, and the Texas 2003 cohorts. Some of these claimants did not receive UI benefit payments, but we used the BYB records showing their date of UI claim. The time lag was measured in weeks. Table 9 summarizes the time lags from job separation to UI application (BYB date) among cohorts overall and grouped by year after TANF exit when new unemployment occurred (see also Figure 8).

**Table 9. Time Lag (in weeks) from Job Separation when First Newly Unemployed to UI Benefit Year Begin Date**

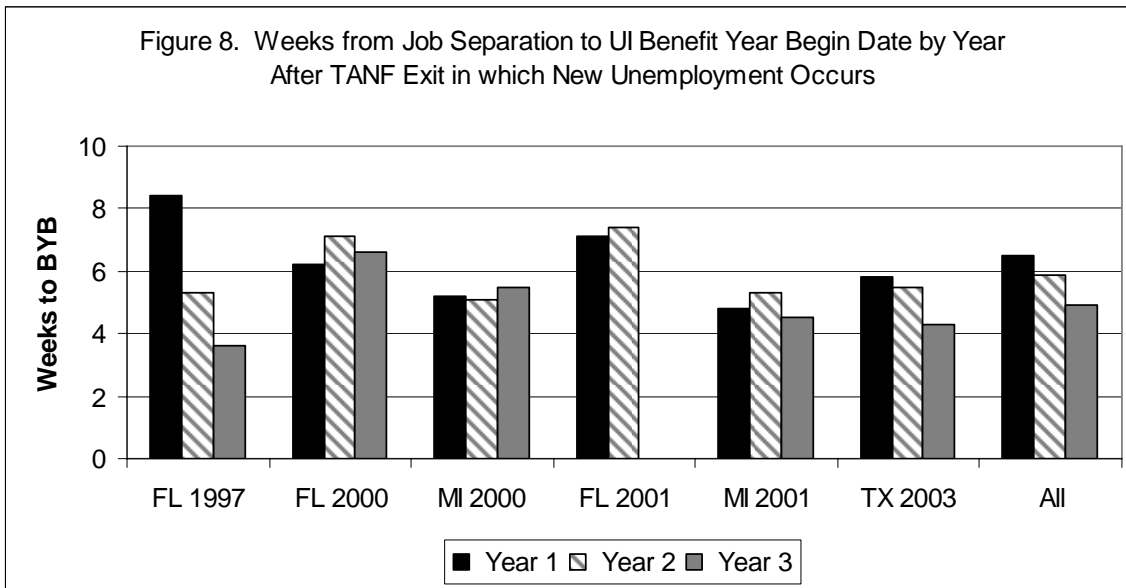
New Unemployment	1997	2000 Cohorts		2001 Cohorts		2003	All Cohorts
	Florida	Florida	Michigan	Florida	Michigan	Texas	
Year 1 after Exit	8.6	6.2	5.2	7.1	4.8	5.8	6.5
Year 2 after Exit	5.3	7.1	5.1	7.4	5.3	5.5	5.9
Year 3 after Exit	3.6	6.6	5.5		4.5	4.3	4.9
Year 4 after Exit	5.2		4.6				5.0
Total UI Applicants (*1)	11,915	9,601	7,796	6,499	6,921	3,738	46,470
Overall Mean Lag	5.6	6.6	5.2	7.2	4.9	5.1	5.8
Overall Median Lag	2.0	2.0	1.0	3.0	1.0	1.0	2.0

NOTE: (\*1) Based on the quarter prior to new unemployment through three quarters after new unemployment using the Benefit Year Begin date (BYB) of the first UI application that occurs in that time period. This excludes persons who did not have a job separation date, had a separation date prior to TANF exit, or had a separation date that occurred after the Benefit Year End date (BYE) of the UI claim. For the Florida 1997 and Michigan 2000 cohorts, mean UI application lags are also reported for persons who become newly unemployed for the first time in the fourth year after TANF exit.

UI claimants with BYBs in the first year after TANF exit tend to have longer lags between their job separation date and BYB. TANF leavers who become unemployed in the first year after TANF exit may delay UI application because they have a lower expectation of qualifying for UI benefits with low accumulated earnings. Similarly, inferior job matches may end sooner and be associated with contentious job separations resulting in lower expectations for UI benefit eligibility by the jobless.

Across the TANF leaver cohorts analyzed, the overall mean lag from job separation to BYB ranged from 4.9 to 7.2 weeks. But the median lags were either 1.0 or 2.0 weeks in five of the six cohorts examined. This means that at least half of newly unemployed TANF

<sup>18</sup>The UI benefit year is the 52 week period starting with the benefit year begin (BYB) date. It is the time period during which available benefits resulting from a UI claim can be collected. The BYB date is the Sunday date in the week during which an application, or claim, for UI benefits is submitted to the state UI agency.



leavers filed their UI claims quickly. The mean lag being longer than the median results from relatively small shares of the TANF leaver cohorts waiting for longer periods before they file UI claims.

Mean time lags from job separation to BYB were much shorter for UI applicants who were not TANF leavers. Table 10 reports the time lags to be between 2.0 and 3.2 weeks among non-TANF leavers during the timeframes matched to analysis cohorts. The simple unadjusted differences from TANF leavers were between 1.9 and 4.6 weeks.

**Table 10. Time Lag (weeks) from Job Separation to UI Application for TANF Leavers and Differences from Other UI Applicants (\*1)**

	1997 Florida	2000 Cohorts		2001 Cohorts		2003 Texas
		Florida	Michigan	Florida	Michigan	
TANF	5.7	6.6	5.2	7.2	4.9	5.1
Non-TANF	2.0	2.2	2.4	2.6	2.4	3.2
Simple Difference	3.73**	4.45**	2.77**	4.59**	2.54**	1.90**
Adjusted Difference	1.33**	0.43**	1.56**	-1.11**	1.02**	0.83**

NOTE: (\*1) These estimates are computed applying the constraint that new unemployment occurred within three years of TANF exit. This explains why the mean time lag for the Florida 1997 cohort TANF leavers differs slightly from that reported in Table 9 where UI claims following new unemployment in the fourth year after TANF exit are included.

\*\* Difference significantly different from zero at the 95 percent confidence level for a two-tail test.

Estimates of adjusted differences in UI claim lags between TANF leavers and others were computed in regression models controlling for observable characteristics, UI program parameters, and labor market conditions. The regression-adjusted differences tended to be smaller than unadjusted differences, but were in the same direction with TANF leavers waiting longer to apply for UI. The smaller, regression-adjusted estimates suggest that much of the apparent difference in timing of UI application relative to job separation is explained by differences in observed characteristics between TANF leaver UI applicants and UI claimants without recent TANF involvement. Even after accounting for differences between the two groups, however, TANF leavers delayed UI application longer in 5 of the 6 TANF leaver cohorts compared with UI applicants not recently involved with TANF. The single exception was the Florida 2001 cohort wherein the regression-adjusted estimate suggests that TANF leavers established BYBs sooner than otherwise similar, non-TANF leavers. The result in Florida was likely a consequence of the onset and aftermath of the economic slowdown that started in 2001.

#### **4.4 Eligibility for UI**

Among TANF leavers who become newly unemployed and apply for UI, more than 90 percent were initially UI eligible based on monetary requirements in eight of the eleven cohorts analyzed (Table 11). Rates in the other three were 66.3 percent in the Ohio 2000 cohort, 61.4 percent in the Ohio 2001 cohort, and 84.6 percent in the Florida 1997 cohort. These rates are based on actual monetary determinations by UI agencies in the four states. The lower monetary eligibility rates in Ohio result from the requirement for 20 or more weeks of work earning at least 27.5 percent of the state average weekly wage in UI covered employment. Including Ohio, the mean rate of monetary eligibility across all cohorts is 90.9 percent.

In the time periods examined, UI monetary eligibility rates in half the TANF exit cohorts analyzed are at least as high as among UI claimants not previously involved with TANF. To contrast monetary eligibility between the two groups, Table 12 reports simple differences and regression-adjusted differences between UI applicants who were TANF leavers and those who were not.<sup>19</sup> For Ohio, UI claimants not previously involved with TANF have significantly higher monetary eligibility rates for UI than TANF leavers computed either as a simple difference or while controlling for observable characteristics in regression models. For the cohorts from the other states, there is no clear pattern of advantage for either TANF leavers or non-TANF leavers in terms of monetary eligibility.

While TANF leavers compare to non-TANF leavers favorably in terms of monetary eligibility for UI, TANF leavers have much lower rates of UI eligibility based on initial non-monetary factors. TANF leavers have much higher rates of unfavorable job separation circumstances concerning voluntary job quits and dismissals for cause. A summary of UI denial rates for quit or discharge from the prior employer is given in Table 12 which contrasts rates for TANF leavers with other UI claimants. Among TANF leaver UI applicants, rates of quit or discharge ranged from 53.1 percent to 69.4 percent across the cohorts. Disqualification rates in

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<sup>19</sup>Regression-adjusted differences are computed in models that include controls for: age, sex, race, multiple prior employers, number of quarters of TANF receipt prior to exit, change in county unemployment rate, indicator variables for occupational groups, calendar quarter time dummy variables, and regional indicator variables.

**Table 11. UI Entitlement and Benefit Receipt Among TANF Leavers**

	1997 Cohorts		2000 TANF Cohorts				2001 Cohorts				2003 Texas	All Cohorts
	Florida	Texas	Florida	Michigan	Ohio	Texas	Florida	Michigan	Ohio	Texas		
TANF Leavers	51,276	94,662	29,873	42,883	59,881	50,229	23,706	36,934	50,823	55,259	60,901	556,427
Newly Unemployed	37,621	63,937	23,755	33,460	44,835	37,072	16,599	28,756	36,515	40,469	43,462	406,481
UI Applicants	10,158	13,616	10,136	7,022	7,885	8,984	7,051	7,089	7,045	10,646	9,128	98,760
Monetarily Eligible	10,088	13,251	9,295	6,916	5,227	8,512	5,966	6,986	4,329	10,319	8,917	89,806
Non-monetarily Eligible (*1)	3,627	4,303	4,500	3,294	2,500	2,839	2,920	3,239	2,191	3,364	2,884	35,661
UI Beneficiaries	5,743	8,332	6,018	4,460	2,398	5,288	3,761	4,606	2,081	6,274	5,380	54,341
Newly Unemployed Rate (%)	73.4	67.5	79.6	78.0	74.9	73.8	70.0	77.9	71.8	73.2	71.4	73.1
UI Application Rate (%)	27.0	21.3	42.7	21.0	17.6	24.2	42.5	24.7	19.3	26.3	21.0	24.3
Monetarily Eligible Rate (%)	99.3	97.3	91.7	98.5	66.3	94.7	84.6	98.5	61.4	96.9	97.7	90.9
Non-monetarily Eligible Rate (%)	35.7	31.6	44.4	46.9	31.7	31.6	41.4	45.7	31.1	31.6	31.6	36.1
UI Beneficiary Rate (%)	56.5	61.2	59.4	63.5	30.4	58.9	53.3	65.0	29.5	58.9	58.9	55.0
UI Entitlement (weeks)	18.8	18.0	17.9	22.6	25.5	17.6	17.0	22.0	25.4	17.1	19.3	19.3
UI Received (weeks)	14.7	13.8	14.5	19.0	18.2	12.4	13.7	18.9	18.6	11.8	11.5	14.6
Entitlement Received (%)	78.9	83.6	80.8	79.3	71.6	83.4	80.8	80.7	73.0	82.8	78.4	80.4
Exhaustion Rate (%)	58.4	58.7	63.5	50.2	38.9	58.1	64.3	52.0	41.1	56.4	50.5	55.6
Weekly Benefit Amount	\$159	\$163	\$160	\$203	\$157	\$162	\$156	\$198	\$163	\$158	\$159	\$167
Benefit Year UI Received	\$2,441	\$2,359	\$2,421	\$3,919	\$2,877	\$2,096	\$2,240	\$3,780	\$3,027	\$1,928	\$1,922	\$2,545

Note: UI received weeks are computed as dollars of UI received in the benefit year divided by the entitled UI weekly benefit amount. Entitlement received percentage is the mean share of entitled UI benefit year dollars received by UI beneficiaries. (\*1) Due to limited data availability for Texas, the numbers of non-monetarily eligible UI claims for the 1997, 2000, and 2001 cohorts were imputed using the non-monetary eligibility rate for the Texas 2003 cohort. For all Ohio cohorts, the number and rate of non-monetary eligibility for UI is based on claims with benefit year begin (BYB) dates on or before December 31, 2002. More recent UI data for Ohio received in December 2007, with BYB dates beginning January 1, 2003, did not contain characteristic information from which to determine non-monetary eligibility.

**Table 12. Monetary Eligibility, Quit or Discharge, and UI Beneficiary Rates (percent) Among Newly Unemployed TANF Leaver UI Applicants and Other UI Applicants Not Recently Involved with TANF**

	1997 Cohorts		2000 Cohorts				2001 Cohorts				2003
	Florida	Texas	Florida	Michigan	Ohio (*1)	Texas	Florida	Michigan	Ohio (*1)	Texas	Texas
<b>Monetary Eligibility Rate</b>											
TANF	99.3	97.3	91.7	98.5	66.3	94.7	84.6	98.5	61.4	96.9	97.7
Non-TANF	94.1	95.5	92.8	98.5	83.5	96.3	90.9	98.5	82.2	96.7	96.9
Simple Difference	5.2**	1.8**	-1.1**	0.0	-17.2**	-1.6**	-6.3**	0.0	-20.8**	0.2	-0.8**
Adjusted Difference	3.8**	-0.4**	3.3**	0.0	-8.0**	0.6**	1.1**	0.0	-14.4**	0.2*	0.0
<b>Quit or Discharge Rate</b>											
TANF	64.3		55.6	53.1	68.3		58.6	54.3	68.9		69.4
Non-TANF	40.9		40.3	15.9	53.7		39.5	15.9	52.8		51.9
Simple Difference	23.4**		15.3**	37.2**	14.6**		19.1**	38.4**	16.1**		17.5**
Adjusted Difference	14.5**		7.9**	20.7**	6.8**		8.6**	20.6**	8.1**		9.4**
<b>Beneficiary Rate</b>											
TANF	56.5	61.2	59.4	63.5	30.4	58.9	53.3	65.0	29.5	58.9	58.9
Non-TANF	71.3	69.1	70.9	86.6	66.5	67.9	70.1	86.6	65.0	67.6	67.2
Simple Difference	-14.8**	-7.9**	-11.5**	-23.1**	-36.1**	-9.0**	-16.8**	-21.6**	-35.5**	-8.7**	-8.3**
Adjusted Difference	-6.8**	-5.5**	-2.4**	-4.6**	-20.1**	-6.6**	-5.1**	-2.8**	-21.7**	-6.6**	-6.8**

NOTES: Tabulated means for TANF leavers are based on UI applications related to new unemployment occurring within three years after TANF exit for employment. Means for UI claimants not recently involved with TANF summarize all available data for each cohort. Similarly, the estimated adjusted differences fully exploit all available data for each cohort.

(\*1) In the Ohio data there were multiple sources of information on job separation reasons. The estimates presented here are based on the UI applicant's presence in the non-monetary determination file containing information about non-monetary eligibility issues to be resolved. Since we do not know the resolution of the issues, the mean quit and discharge rates are most likely overstated.

\*\* Significantly different from zero at the 95 percent confidence level for a two-tail test.

\* Significantly different from zero at the 90 percent confidence level for a two-tail test.

Texas and Ohio were highest, but more than 50 percent failed non-monetary eligibility in each of the Florida and Michigan TANF leaver cohorts. Among newly unemployed TANF leavers who applied for UI the weighted mean rate of initial qualification for UI based on non-monetary factors across all cohorts was 36.1 percent (Table 11).

#### **4.5 Receipt of UI**

Among TANF leavers who are UI applicants, the proportions receiving UI benefits in the analysis cohorts are presented in Table 11. Final rates of UI benefit receipt within three years of leaving TANF for employment range from 29.5 percent in the Ohio 2001 cohort to 65.0 percent in the Michigan 2001 cohort.

Compared to the first year after TANF exit, UI beneficiary rates tend to be higher in the second and third years after leaving TANF (Table 13). Final beneficiary rates can be high despite initially high rates of disqualification for non-monetary separation reasons since state UI laws deny UI benefit entitlement for only a fixed term, or until re-qualification occurs – usually through reemployment with additional earnings exceeding a required level.<sup>20</sup> Claimants disqualified for failing non-monetary eligibility requirements can also appeal the denial. However, the appeal rate and the success rate among appeals is likely to be low among TANF leavers.

Among all UI applicants, beneficiary rates for TANF leavers were uniformly lower than for those not recently involved with TANF. Table 12 shows the simple unadjusted differences in UI beneficiary rates to be between 8.3 percent and 36.1 percent lower for recent TANF leavers. Controlling for characteristics that influence UI eligibility, the beneficiary rates are between 2.4 percent and 21.7 percent lower for recent TANF leavers.<sup>21</sup>

Among TANF leavers who qualify for UI in the 1997 to 2003 cohorts, Table 11 shows the ranges of mean values for UI entitlement and benefit receipt. UI weekly benefit amounts (WBA) range from \$156 to \$203, entitled durations of UI benefits range from 17.0 to 25.5 weeks, and mean UI compensation received over the benefit year ranged from \$1,891 to \$3,919. The percentage of entitled benefits drawn ranged from 71.6 to 83.6, while the rates of exhausting UI benefit entitlements ranged from 38.9 to 64.3 percent.

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<sup>20</sup>The principle involved is that while an initial disqualification may be due to unacceptable behavior on the part of the claimant, continued joblessness is a consequence of conditions in the labor market. Each state has specific rules for UI monetary qualification after a definite denial for benefits. For the four states involved in this study the rules are: Florida, earnings of 17 times the client's weekly benefit amount (WBA); Michigan, earning the lesser of seven times the client's WBA or seven times 40 times Michigan's minimum wage (7 x 40 x MI minimum wage); Ohio, 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; and for Texas, by earning six times the client's WBA (USDOL 2001). Additionally, after a definite denial and adequate additional earnings and employment, the job separation must satisfy non-monetary eligibility requirements.

<sup>21</sup>Regression-adjusted differences are computed in models which include controls for: age, sex, race, multiple prior employers, number of quarters of TANF receipt prior to exit, change in county unemployment rate, indicator variables for occupational groups, calendar quarter time dummy variables, and regional indicator variables.



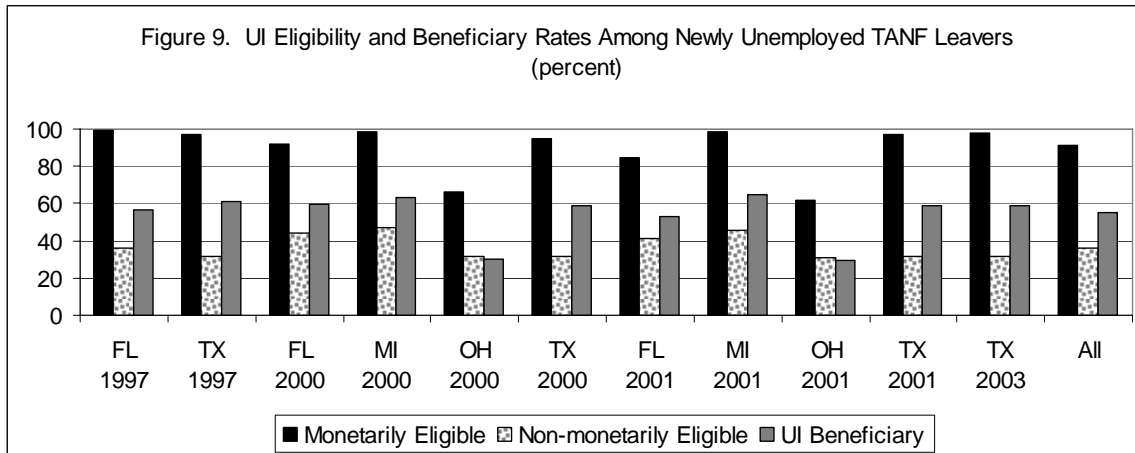
**Table 13. Beneficiary Rates (percent) Among UI Applicants by Year After TANF Exit When Newly Unemployed**

	1997 Cohorts		2000 Cohorts				2001 Cohorts				2003 Texas	All Cohorts
	Florida	Texas	Florida	Michigan	Ohio	Texas	Florida	Michigan	Ohio (*1)	Texas		
Year 1	52.7	60.5	53.3	60.0	29.2	55.7	49.0	64.0	22.3	56.9	57.6	51.5
Year 2	56.3	62.3	63.8	66.0	28.1	60.6	60.8	65.4	35.7	60.1	60.2	56.6
Year 3	60.6	61.3	66.8	66.7	37.3	63.1		67.4		62.9	63.3	61.1
Applicants (*2)	10,158	13,616	10,136	7,022	7,885	8,984	7,051	7,089	7,045	10,646	9,128	98,760
Average Rate	56.5	61.2	59.4	63.5	30.4	58.9	53.3	65.0	29.5	58.9	58.9	55.0

NOTE: (\*1) To observe new unemployment following TANF exit, eight and ten quarters are checked for the Florida 2001 and Ohio 2001 cohorts respectively. For all other cohorts, twelve quarters subsequent to TANF exit are checked for new unemployment.

(\*2) UI application is identified in a new spell of unemployment by checking for a UI benefit year begin (BYB) date in the period starting with the quarter prior to new unemployment through three quarters after new unemployment.

Rates of monetary and non-monetary eligibility together with UI beneficiary rates are presented graphically in Figure 9 for newly unemployed TANF leavers. Over time, rates are stable within states, but there are some noteworthy differences across states. The very high rates of monetary eligibility exceeding 90 percent in Florida, Michigan, and Texas are prominent. Beneficiary rates hover around 60 percent for these three states. Non-monetary eligibility rates for the Ohio cohorts are low at around 30 percent, but on par with Texas. Beneficiary rates in Ohio are slightly below the non-monetary eligibility rates. But in all other states the UI beneficiary rates far exceed the non-monetary eligibility rates.



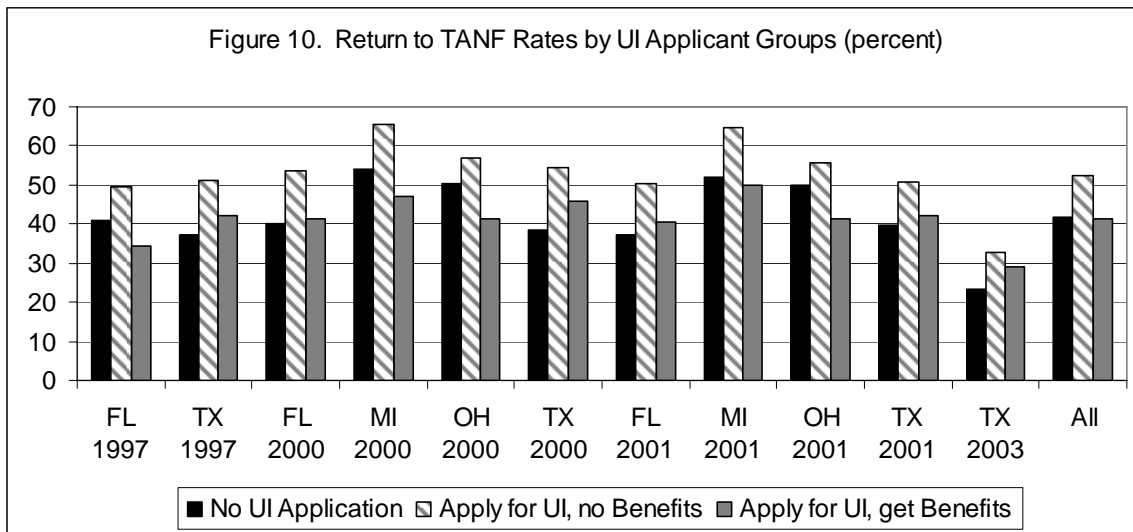
## 5. Relationship Between UI Receipt and Return to TANF

As background for understanding the relationship between UI benefit receipt and return to TANF, Table 14 summarizes across all cohorts the observed rates of return to TANF by UI application and beneficiary status for TANF leavers who become unemployed. Rates of return to TANF are highest for UI applicants who do not become UI beneficiaries (see Figure 10). Rates of return to TANF by applicants who become UI beneficiaries are on par with TANF leavers who do not apply for UI after becoming unemployed. There are some variations across cohorts in mean rates of TANF return, but the across cohort, summary means are indicative of the relative rates of return to TANF for the three groups of interest: non-UI applicants, UI applicants who do not get benefits, and UI beneficiaries.

The overall mean rate of return to TANF among all newly unemployed TANF leavers is 42.7 percent. Considering subsets of this group, the mean TANF return rates are: 41.8 percent among those who do not apply for UI, 52.6 percent for those who apply for UI but do not get benefits, and 41.2 percent for those who apply for UI and do get benefits. The difference in mean rates of return to TANF among UI applicants who received benefits and those who did not was 11.4 percentage points. This suggests that among TANF leavers who become newly unemployed and apply for UI, beneficiaries return to TANF at a 21.7 percent lower rate than those who do not receive UI benefits.

**Table 14. Rates of Return to TANF by UI Application and Benefit Receipt Status**

	1997 Cohorts		2000 Cohorts				2001 Cohorts				Texas 2003	All Cohorts
	Florida	Texas	Florida	Michigan	Ohio	Texas	Florida	Michigan	Ohio	Texas		
Newly Unemployed TANF Leavers	37,621	63,937	23,755	33,460	44,835	37,072	16,599	28,756	36,515	40,469	43,462	406,481
No UI Application	27,463	50,321	13,619	26,438	36,950	28,088	9,548	21,667	29,470	29,823	34,334	307,721
Apply for UI, no Benefits	4,415	5,284	4,118	2,562	5,487	3,696	3,290	2,483	4,964	4,372	3,748	44,419
Apply for UI, get Benefits	5,743	8,332	6,018	4,460	2,398	5,288	3,761	4,606	2,081	6,274	5,380	54,341
Return to TANF - Total	15,422	24,935	10,150	18,007	22,716	15,014	6,744	15,160	18,325	16,552	10,692	173,717
No UI Application	11,279	18,820	5,447	14,237	18,615	10,786	3,557	11,249	14,694	11,810	8,000	128,494
Apply for UI, no Benefits	2,179	2,700	2,212	1,678	3,114	2,011	1,663	1,604	2,767	2,217	1,226	23,370
Apply for UI, get Benefits	1,964	3,508	2,491	2,092	987	2,432	1,524	2,307	864	2,648	1,571	22,388
Return to TANF Total Rate (%)	41.0	39.0	42.7	53.8	50.7	40.5	40.6	52.7	50.2	40.9	24.6	42.7
No UI Application	41.1	37.4	40.0	53.9	50.4	38.4	37.3	51.9	49.9	39.6	23.3	41.8
Apply for UI, no Benefits	49.4	51.1	53.7	65.5	56.8	54.4	50.5	64.6	55.7	50.7	32.7	52.6
Apply for UI, get Benefits	34.2	42.1	41.4	46.9	41.2	46.0	40.5	50.1	41.5	42.2	29.2	41.2



In addition to comparing unadjusted mean rates of return to TANF, the relationship of UI benefit receipt and the probability of return to TANF was estimated on cohort samples of TANF leaver UI applicants in regression models. Besides estimating the parameters on UI beneficiary variables, parameters on aspects of UI eligibility were estimated in the same models. Results presented in Table 15 suggest that among TANF leavers who are UI applicants, either quitting or being discharged from the prior job is associated with an increased probability of returning to TANF. On the other hand, receiving UI benefit payments is associated with a reduced probability of returning to TANF. Controlling for observable characteristics, receiving UI benefits was associated with a rate of return to TANF that was between 2.0 and 11.1 percentage points lower among UI applicants in the TANF leaver cohorts. These estimates are based on behavior up to four years after TANF exit. Any level of UI benefit receipt in that time is associated with a lower probability of returning to TANF.

Regression models were also estimated to measure the association between the future amount of TANF benefits received and job quit, discharge, UI monetary eligibility, and UI benefit receipt (Table 15). Results from these models suggest that quitting the prior job is not associated with a change in the amount of TANF received, but getting fired tends to be associated with an increase in the amount of future TANF benefits. There was no correlation between UI monetary eligibility and the amount of future TANF, but receiving UI benefit payments was strongly associated with reduced future TANF benefits. The estimated mean reduction was as large as \$1,204 which was estimated for the Michigan 2001 cohort.

The relationship between UI benefit receipt and the probability of return to TANF was also estimated in regression models on a pooled sample of 19,758 observations constructed from the 2000 TANF leaver cohorts for Florida, Michigan, and Ohio (see Table 16, Model I 2000). Similar regression models, excluding variables for quit, discharge, and job search exemption, were estimated on pooled data from Florida, Michigan, and Ohio for the 2000 and 2001 cohorts

**Table 15. Percentage Effects of Key UI Variables on the Probability of Returning to TANF and on the Dollar Amount of TANF Received by those Returning to TANF Estimated in Regression Models on Samples of UI Applicants**

	1997 Cohorts		2000 Cohorts				2001 Cohorts				2003 Texas
	Florida	Texas	Florida	Michigan	Ohio (*1)	Texas	Florida	Michigan	Ohio (*1)	Texas	
Return to TANF (%)											
Quit	6.8**		3.4**	3.5**	2.1		5.1**	2.6*	2.9		4.1
Discharged	1.5**		1.9**	3.5**	3.7**		1.3	4.5**	3.3		4.4
Monetarily Eligible	10.1	8.0**	4.8**	4.4	5.9**	1.9	3.6**	-20.2	3.5*	5.2**	0.0
UI Beneficiary	-7.5**	-3.3**	-9.6**	-7.8**	-11.1**	-4.5**	-6.5**	-7.0**	-10.9**	-2.6**	-2.0*
Amount of TANF (\$)											
Quit	9		-29	-54	293		14	4			-49
Discharged	4		36	394**	288*		10	233**			-7
Monetarily Eligible	-249	181*	64	1,374	96	-25	-30	2,999	127	97	73
UI Beneficiary	-104	-148**	-108**	-708**	-720**	-81**	-101*	-1,204**	-700**	-165**	-13

NOTES: The dependent variables in the return to TANF models take the value of one for return to TANF, else zero. These linear probability models were estimated by ordinary least squares regression, as were the amount of TANF models. The latter were estimated on samples of TANF returnees. (\*1) For the Ohio 2000 and 2001 cohorts, the regression parameter estimates on indicator variables for quit and discharge are based on UI benefit year begin (BYB) dates on or before December 31, 2002. However, the estimation samples also include new UI payment data received by the Upjohn Institute in December 2007 for UI claims with BYB dates between January 1, 2003 and December 31, 2005. These data included information on monetary eligibility and beneficiary status, but not on job separation reason or other characteristics. While there were sufficient observations to estimate parameters on quit and discharge for both models on the 2000 Ohio cohort and the model of probability of return to TANF for the 2001 Ohio cohort, there were not enough observations to estimate similar parameters in the amount of TANF model for the Ohio 2001 cohort. Characteristics variables in models on all cohorts are specific to each state and take advantage of all administrative data available. Variables included in all models are: age, educational attainment, race, prior earnings, local labor market conditions, and year:quarter of BYB.

\*\* Difference significantly different from zero at the 95 percent confidence level for a two-tail test.

\* Difference significantly different from zero at the 90 percent confidence level for a two-tail test.

(see Table 16, Model II 2000 and Model III 2001). The estimation samples were 21,377 and 17,343 for the 2000 and 2001 cohorts respectively. Variables for quit, discharge, and job search exemption were not included in the latter models, because data on these variables were not sufficiently available for the Ohio 2001 cohort.<sup>22</sup>

Model I provides additional evidence that job quits and discharges increase the likelihood of returning to TANF. In all three pooled models, UI benefit receipt was associated with a reduction in the mean rate of return to TANF. Parameter estimates on the UI beneficiary variable range between -9.6 and -11.6 percentage points. This range includes the simple unadjusted difference of means, -11.4 percentage points, computed between UI beneficiaries and non-beneficiary UI applicants (Table 14). Collectively, these estimates suggest that among TANF leavers who apply for UI, beneficiaries rate of return to TANF is about 20 percent lower than the 52.6 percentage rate for UI applicants who do not receive benefits.

## **6. UI as Income Replacement for TANF Leavers**

Among TANF leavers who experience unemployment, those who qualify for and draw UI benefits receive income replacement at rates much higher than those paid by TANF. Levels of income replacement from TANF and UI are compared on a monthly basis. The influence of the UI-to-TANF benefit ratio on rates of returning to TANF is also estimated.

To compare levels of income support provided by TANF and UI, we look only at beneficiaries who received both. Restricting the TANF beneficiary sample to include only those who also received UI benefits does not significantly alter the mean estimated monthly TANF benefit level. The mean level of UI compensation is estimated from actual payment data rather than simply by using the full entitled weekly benefit amounts. Our relative measure of generosity applies the most inclusive measure of TANF benefits and the most conservative measure of UI benefits. The UI/TANF generosity ratio is based on 6 months of prior TANF payments and actual UI payments over the full UI benefit year.

Measures of TANF, UI, and TANF to UI relative generosity are summarized in Table 17 (see also Figure 11). Across the eleven cohorts for analysis, monthly TANF benefits range from \$113 to \$226, monthly UI benefits range from \$389 to \$693, and ratios of monthly UI-to-TANF range from 2.0 to 4.6.

The relationship between the UI-to-TANF benefit ratio and the rate of return to TANF was estimated in linear probability models. The results suggest that among newly unemployed TANF leavers who become UI beneficiaries, an increase in the ratio of UI-to-TANF might slightly reduce the likelihood of returning to TANF. However, the parameter estimate on UI-to-

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<sup>22</sup>Demographic variables for age, gender, and educational attainment are included in the three regression models by sets of indicator variables (Table 16). To represent each demographic variable a full set of categorical indicators was included with the restriction that the sum across all categories for a variable of the sample proportion times the category indicator is constrained to zero. OLS estimation with this restriction permits inclusion of a separate intercept term in each model. Estimated coefficients on categorical indicator variables are interpreted relative to the variable mean.

**Table 16. Model of Return to TANF Based on Pooled UI Applicant Data for 2000 and 2001 TANF Leaver Cohorts from Florida, Michigan, and Ohio**

Variable	Cohort Parameter Estimates (*1)		
	Model I 2000	Model II 2000	Model III 2001
Intercept	0.637**	0.668**	0.631**
UI Beneficiary	-0.096**	-0.116**	-0.102**
Florida TANF Leaver	-0.063**	-0.067**	-0.080**
Michigan TANF Leaver	0.086**	0.079**	0.073**
Ohio TANF Leaver	-0.005	0.013	0.020**
Job Separation Reason, Quit	0.055**		
Job Separation Reason, Discharged/Fired	0.064**		
Age 18-24	0.046**	0.051**	0.041**
Age 25-44	-0.004*	-0.006**	-0.010**
Age 45+	-0.100**	-0.105**	-0.047**
Male	-0.144**	-0.155**	-0.155**
Female	0.026**	0.028**	0.033**
Education, Less than High School Graduate	0.029**	0.023**	0.014**
Education, High School Graduate or GED	-0.008**	-0.006*	-0.005
Education, Some College	-0.024**	-0.023**	-0.013
Education, Bachelors Degree or Higher	-0.079**	-0.082**	-0.034
Weekly Benefit Amount (WBA, \$10)	0.001**	0.002**	-0.001*
WBA at Maximum	-0.035**	-0.043**	-0.032
Entitlement Length of UI Benefits (Weeks)	-0.001	0.000	-0.001
Earnings in UI Base Period (\$1,000)	0.001	0.001	0.003**
Earnings Total less than \$10,000 in UI Base Period	0.013	0.017	-0.031**
Earnings in High Quarter of UI Base Period (\$1,000)	-0.005	-0.005*	-0.008**
Multiple Employers in Any Base Period Quarter	0.022**	0.020**	0.021**
Employed in 0 or 1 Consecutive Quarters Before BYB	-0.049**	-0.047**	-0.069**
Employed in 2 to 4 Consecutive Quarters Before BYB	-0.034**	-0.034**	-0.009
Employed in 5 to 8 Consecutive Quarters Before BYB	0.005	0.006	0.010
Employed in 6 to 12 Consecutive Quarters Before BYB	0.026**	0.028**	0.024**
Job Search Exempt	-0.104**		
Unemployment Rate as of the UI BYB Month	0.011**	0.009**	0.019**
Unemployment Rate Change Over Benefit Year	0.021**	0.020**	0.011*

NOTES: The dependent variables in these models take the value one for return to TANF, else zero. These linear probability models were estimated by OLS. (\*1) For Model I 2000 the Ohio data include UI claims with benefit year begin dates (BYB) on or before December 31, 2002. For Model II 2000 and Model III 2001 additional UI data was used for Ohio with BYB dates between January 1, 2003 and December 31, 2005. However, the added Ohio data included only payment information from UI administrative files. Therefore, variables for quit, discharge and job search exemption were excluded from Model II 2000. Data on other exogenous characteristics for Ohio in Model II 2000 and Model III 2001 were obtained from the TANF and wage record data sets. Characteristics variables included age, educational attainment, race, prior earnings, local labor market conditions and year: quarter of BYB. Sample sizes are: 19,758 (Model I 2000), 21,377 (Model II 2000) and 17,343 (Model III 2001). Adjusted R-squares are: 0.11 (Model I 2000), 0.10 (Model II 2000) and 0.11 (Model III 2001).

\*\* Significantly different from zero at the 95 percent confidence level for a two-tail test.

\* Significantly different from zero at the 90 percent confidence level for a two-tail test.

**Table 17. UI-to-TANF Relative Generosity and the Percentage of UI Beneficiaries Who Return to TANF**

	1997 Cohorts		2000 Cohorts				2001 Cohorts				2003
	Florida	Texas	Florida	Michigan	Ohio	Texas	Florida	Michigan	Ohio	Texas	Texas
Monthly TANF (\$,*1)	145	124	123	212	226	124	113	203	220	123	125
Benefit Year UI Pay (\$)	2,441	2,359	2,421	3,919	2,877	2,096	2,240	3,780	3,027	1,928	1,891
Entitled Weeks of UI	18.8	18.0	17.9	22.6	25.5	17.6	17.0	22.0	25.4	17.1	19.5
Actual Monthly UI (\$,*2)	520	546	540	693	452	477	526	686	476	525	389
UI-to-TANF Benefit Ratio	3.6	4.4	4.4	3.3	2.0	3.9	4.6	3.4	2.2	4.3	3.1
Return to TANF Rate (%,*3)	42.0	42.1	41.4	46.9	41.2	46.0	40.5	50.1	41.5	42.2	29.2
UI-to-TANF Parameter (*4)	-0.0008	-0.001**	-0.0015**	0.0000	-0.0022	-0.0022**	-0.004**	0.0000	0.0004	0.0000	-0.0012

NOTE: (\*1) Monthly TANF is the sum of payments in the two quarters before leaving TANF divided by six.

(\*2) Monthly UI compensation is four times actual UI compensation received in the benefit year divided by weeks of entitlement (potential duration).

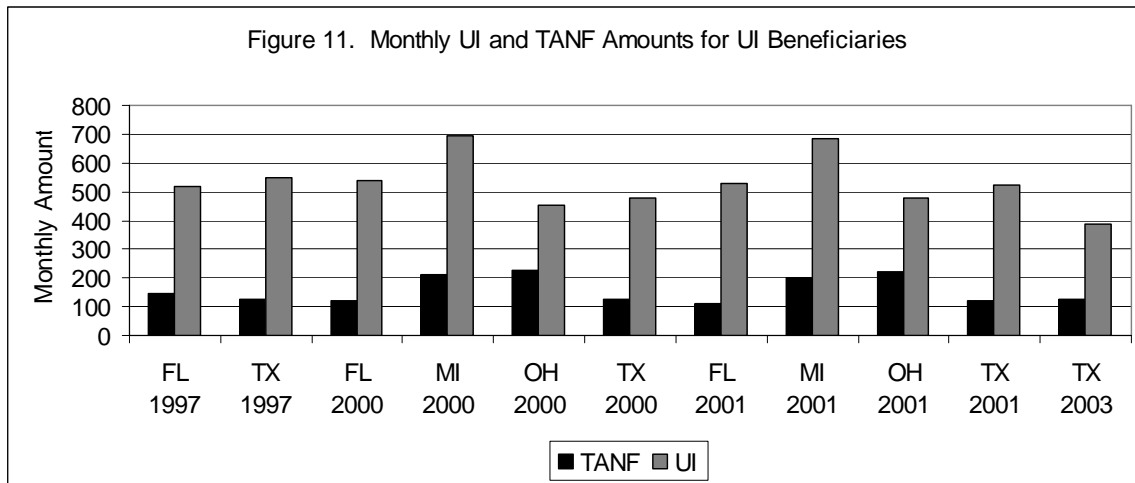
(\*3) Return to TANF rates are computed for all cohorts applying sample restrictions to permit comparisons across cohorts. New unemployment must have occurred within three years of TANF exit, and checking for return to TANF is done for three years after the last possible cohort exit date. There are only two exceptions to these rules. For the Florida 2001 cohort, two years after TANF exit are checked for new unemployment, and checking for return to TANF is done for two years after the last possible cohort exit date. For the Ohio 2001 cohort, checking for new unemployment is limited to ten quarters after TANF exit, but return to TANF is checked for the normal three years after the last possible cohort exit date.

(\*4) These are parameter estimates on the UI-to-TANF benefit ratios in single state models similar to the pooled linear probability models summarized in Table 16 explaining the probability of return to TANF based on observable factors.

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

\* Significantly different from zero at the 90 percent confidence level for a two-tail test.





TANF relative generosity was statistically significant only for four of the eleven cohorts. The parameter estimates suggest that a one unit increase in the UI-to-TANF ratio decreases the rate of return to TANF by between 0.15 and 0.40 percentage points. Given that the return to TANF rate is 41.2 percent among TANF leaver UI beneficiaries (Table 14), an increase in monthly UI benefits by the mean TANF amount reduces return to TANF by between four tenths and one percentage point—an extremely small effect.<sup>23</sup>

Combined with our earlier observation that UI receipt is associated with a lower rate of return to TANF, this evidence that increases in UI-to-TANF relative generosity are not generally associated with the rate of return to TANF, suggests that UI benefit receipt might be serving as a proxy for strong labor force attachment. In other words, it might not be the income replacement function of UI that reduces return to TANF, but more importantly those who receive UI benefits have better prospects for maintaining self-sufficiency through employment.

## 7. Do State-Level Trends in UI Benefit Receipt Help Explain Trends in TANF Caseloads?

Summaries of state level trends in numbers of TANF caseloads, UI beneficiaries, and those who are low income and unemployed are presented in Table 18 and Figures 12, and 13. Counts for each quarter are listed by state over the full range of data available; some data series are longer than others. Numbers of those who are low income and unemployed are counted among UI beneficiaries. Low-income unemployed are defined as having earnings of less than \$2,500 in the quarter before the starting date of the UI benefit year.<sup>24</sup>

Trends in UI beneficiaries and the low-income unemployed are illustrated graphically in Figures 12 and 13. To eliminate seasonal fluctuations, the figures present data smoothed by

<sup>23</sup>An increase in the UI-to-TANF ratio by one is equivalent to an increase in monthly UI benefits by the mean TANF amount. There are differences in the UI-to-TANF ratio larger than one across the cohorts examined, so this degree of variation is within the observed range.

<sup>24</sup>Also called the UI benefit year begin date (BYB). See the glossary in Appendix B.

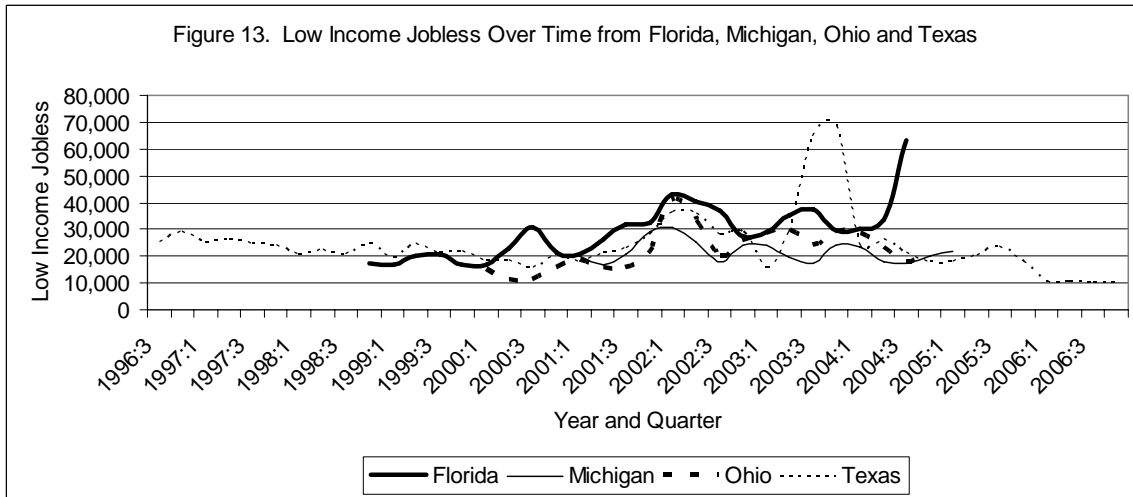
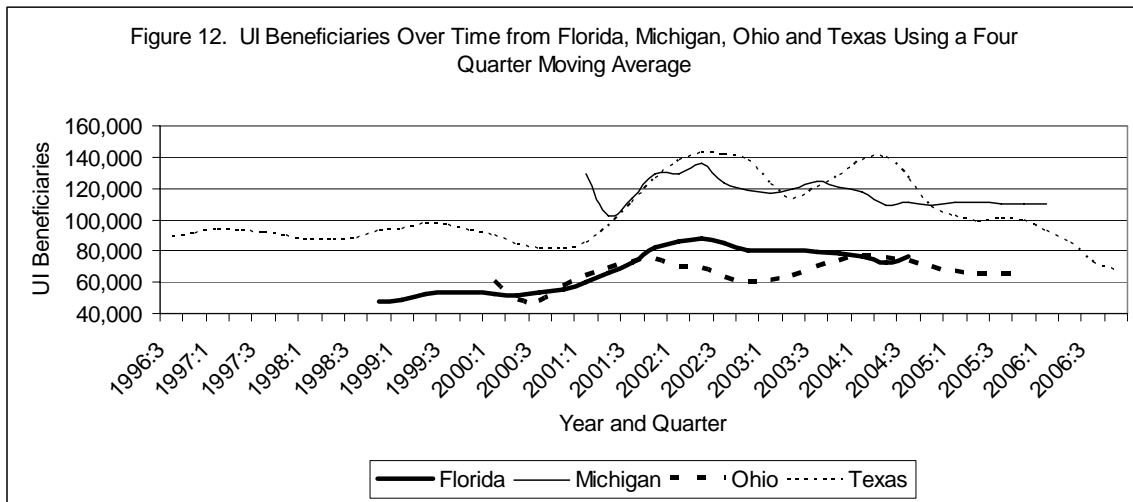
**Table 18. TANF Caseloads, UI Beneficiaries, and Low Income Jobless (\*1) Over Time**

	Florida			Michigan			Ohio			Texas		
	TANF Caseloads	UI Beneficiaries	Low Income Jobless	TANF Caseloads	UI Beneficiaries	Low Income Jobless	TANF Caseloads	UI Beneficiaries	Low Income Jobless	TANF Caseloads	UI Beneficiaries	Low Income Jobless
19963	86,208			164,865						202,604	88,783	25,191
19964	82,022			158,393						199,815	93,810	29,062
19971	73,560			150,269						197,831	98,836	25,100
19972	67,261			144,134						170,118	89,251	26,361
19973	62,968			140,185						176,275	86,223	24,388
19974	57,114			135,401						169,213	83,517	23,859
19981	56,327			128,759						154,395	91,068	20,676
19982	48,911			120,438						135,010	86,751	22,150
19983	46,469			110,549						124,463	91,190	20,819
19984	45,021	47,454	17,212	101,651						117,027	101,795	24,780
19991	41,666	50,642	16,852	92,967						111,003	96,632	19,460
19992	36,395	59,193	19,929	88,382						102,200	100,506	24,612
19993	35,657	58,340	20,822	83,844						99,037	87,395	21,100
19994	35,422	44,719	16,689	78,988						98,391	87,342	21,954
20001	24,626	47,020	16,846	74,901			108,954	61,293	14,987	95,464	83,357	18,239
20002	21,218	57,099	23,121	71,412			106,312	36,380	11,328	94,746	79,813	18,188
20003	19,636	65,246	30,976	68,592			103,918	45,478	11,157	98,852	75,101	15,778
20004	20,012	52,123	21,298	68,428			100,383	85,564	15,865	102,287	88,442	20,029
20011	17,291	64,453	20,515	69,400	129,575	20,215	95,344	87,745	18,455	100,059	97,826	17,744
20012	16,515	80,201	26,372	70,855	74,569	16,712	92,858	56,514	15,798	95,809	122,047	21,396
20013	18,241	93,551	31,673	72,473	136,625	20,631	93,604	60,952	15,575	96,605	135,685	22,726
20014	20,050	91,155	32,452	75,669	174,453	29,247	94,670	91,903	21,925	100,941	148,831	27,854
20021	19,348	80,870	43,072	77,217	130,758	30,868	94,724	70,188	41,011	101,643	144,747	36,315
20022	17,743	86,491	40,220	74,572	102,415	24,998	93,255	51,843	33,695	96,057	142,933	35,854
20023	19,127	83,766	37,064	69,720	86,027	17,768	93,117	37,360	19,891	96,678	132,006	27,973

**Table 18. (Continued)**

	Florida			Michigan			Ohio			Texas		
	TANF Caseloads	UI Beneficiaries	Low Income Jobless	TANF Caseloads	UI Beneficiaries	Low Income Jobless	TANF Caseloads	UI Beneficiaries	Low Income Jobless	TANF Caseloads	UI Beneficiaries	Low Income Jobless
20024	19,840	71,735	27,135	70,333	157,160	23,842	94,061	81,625	25,985	98,758	132,170	29,305
20031	18,092	77,763	28,943	72,644	121,782	24,145	93,227	74,280	28,384	98,355	82,792	15,752
20032	16,371	86,699	35,491	74,610	113,856	19,526	93,056	63,941	29,472	93,161	105,860	29,215
20033	18,150	81,828	37,219	76,806	103,231	17,305	94,542	60,704	24,293	91,257	161,146	64,746
20034	17,905	65,552	29,850	77,837	141,973	24,112	94,937	94,238	28,947	72,693	162,496	68,768
20041	15,357	69,940	30,404	77,483	113,637	23,586	94,406	88,846	28,597	63,414	120,934	23,887
20042		75,023	33,608	78,808	77,591	17,790	93,708	59,483	23,687	54,907	115,906	26,057
20043		94,514	63,005	78,761	112,215	17,317	94,225	52,651	17,906	54,119	106,264	21,079
20044				79,503	132,402	20,009	94,529	79,472	20,282	53,120	88,641	18,148
20051				78,340	120,968	21,861	92,423	77,812		47,290	99,121	17,898
20052				78,140	76,761		90,194	50,584		39,565	100,157	19,975
20053				78,523	109,038		90,648	51,665		37,951	115,567	23,698
20054				79,128	132,097		90,704	77,441		37,506	85,105	17,756
20061				77,630	122,592		88,265			32,799	70,794	10,810
20062							80,030			27,898	68,305	10,896
20063										27,024	66,016	9,910
20064										27,570	66,943	10,227

NOTE: (\*1) Earnings of less than \$2,500 in the quarter prior to BYB.



four-quarter moving averages. Numbers of TANF caseloads declined steadily over the years observed, with rates declining faster before the year 2000 than after. Influenced by trends in aggregate business activity, counts of UI recipients tended to rise in the quarters leading up to the start of 2002 then gradually declined.<sup>25</sup> The numbers of low-income unemployed rose in two of the states up to the start of 2002, but were flat or declining in all states after that time.

State trends in UI benefit receipt do not help explain trends in TANF caseloads. There is no identifiable link between aggregate declines in TANF caseloads and trends in total UI recipients at the state level. A regression was run on the counts data listed in Table 18 for Florida, Michigan, and Ohio. As reported in Table 19, there was no measurable influence of the aggregate level of UI beneficiaries on the number of TANF caseloads. The parameter estimate on the number of beneficiaries is not statistically significantly different from zero.

<sup>25</sup>The UI counts include all beneficiaries in the states and are not limited to TANF leavers.

**Table 19. Macro Model of TANF Caseloads Over Time Using Pooled Data from Florida, Michigan and Ohio**

Variable	Parameter Estimate	Standard Error	T-statistic
Intercept	36,982	5,721	6.46
Number of UI Beneficiaries	-0.004	0.031	-0.14
Unemployment Rate	2,033	1,183	1.72
Ohio	76,053	1,085	70.11
Michigan	56,101	2,072	27.07
Year and Quarter = 1999:1	-3,421	4,243	-0.81
Year and Quarter = 1999:2	-8,363	4,260	-1.96
Year and Quarter = 1999:3	-9,810	4,262	-2.30
Year and Quarter = 1999:4	-8,866	4,263	-2.08
Year and Quarter = 2000:1	-16,587	3,718	-4.46
Year and Quarter = 2000:2	-18,893	3,732	-5.06
Year and Quarter = 2000:3	-21,216	3,729	-5.69
Year and Quarter = 2000:4	-21,696	3,884	-5.59
Year and Quarter = 2001:1	-29,278	3,673	-7.97
Year and Quarter = 2001:2	-29,451	3,544	-8.31
Year and Quarter = 2001:3	-28,782	3,704	-7.77
Year and Quarter = 2001:4	-28,061	4,060	-6.91
Year and Quarter = 2002:1	-29,810	4,210	-7.08
Year and Quarter = 2002:2	-30,808	3,891	-7.92
Year and Quarter = 2002:3	-31,833	3,812	-8.35
Year and Quarter = 2002:4	-30,367	3,902	-7.78
Year and Quarter = 2003:1	-32,598	4,293	-7.59
Year and Quarter = 2003:2	-32,088	4,131	-7.77
Year and Quarter = 2003:3	-30,229	4,086	-7.40
Year and Quarter = 2003:4	-28,421	3,904	-7.28
Year and Quarter = 2004:1	-31,158	4,188	-7.44
Year and Quarter = 2004:2	-29,531	4,247	-6.95
Year and Quarter = 2004:3	-29,361	4,290	-6.84
Year and Quarter = 2004:4	-28,393	4,323	-6.57
Year and Quarter = 2005:1	-31,928	4,814	-6.63
Year and Quarter = 2005:2	-31,334	4,175	-7.50
Year and Quarter = 2005:3	-30,368	4,072	-7.46
Year and Quarter = 2005:4	-29,249	4,091	-7.15
Year and Quarter = 2006:1	-29,641	5,063	-5.85

Note: Observations = 67; R-square = 0.9954; Adjusted R-square = 0.9909.

Only a small fraction of TANF leavers receive UI benefits. Among TANF leavers observed in this study, about 73 percent become unemployed within 3 years, 24 percent of these apply for UI benefits, with 55 percent of applicants becoming beneficiaries. This suggests that about 10 percent of TANF leavers receive UI benefits.

When asking if UI receipt helps to explain the downward trend in TANF caseloads, the implicit question is whether UI benefits act as a source of household income in place of TANF income support, thereby preventing return to TANF by newly unemployed TANF leavers. Three paths were examined after leaving TANF for work and then subsequently becoming unemployed: (1) those who did not apply for UI return to TANF at a mean rate of 41.8 percent, (2) UI applicants who do not receive UI benefits return to TANF at a mean rate of 52.6 percent, and (3) UI beneficiaries return to TANF at a rate of 41.2, similar to the rate for non-UI applicants. Among TANF leaver UI applicants, those who received UI returned to TANF at significantly lower rates.

The person-level analysis identifies an important role for UI in supporting TANF leavers. But the significantly larger scale of the UI program makes it difficult to establish a clear statistical relationship between TANF caseload declines and numbers of UI beneficiaries at the aggregate level. A compositional analysis of UI claims showed that the numbers of recent TANF recipients among UI applicants were flat over the period of years examined (O'Leary 2007). Furthermore, the share of UI beneficiaries who lost high paying jobs increased at the same time, meaning TANF recipients actually declined as a share of all UI beneficiaries. In the years 1997 to 2003, the UI program operated to support self-sufficiency of TANF leavers, but the mass exodus from TANF did not overburden the federal-state UI system.

## 8. Summary

Since PRWORA established TANF in 1996 as the main federally funded program for cash assistance to needy families, the number of TANF recipients has declined dramatically. Approximately 73 percent of TANF leavers experience unemployment within three years of their exit. Between 18 and 43 percent of newly unemployed TANF leavers apply for UI benefits.<sup>26</sup>

Among TANF leavers applying for UI, more than 90 percent had sufficient prior earnings to qualify for UI benefits in Florida, Michigan, and Texas. In Ohio a strict employment requirement results in monetary eligibility rates of about 60 percent.

For TANF leavers who apply for UI, between 31 and 47 percent qualify for UI based on the circumstances of their job separation. Among UI applicants, TANF leavers had much higher rates of voluntary quits and discharges for cause than did other UI applicants. Among TANF leavers who apply for UI, between 30 and 65 percent ultimately receive benefits. The rate of UI receipt among TANF leavers increases with the time since TANF exit that application for benefits occurs. TANF leavers who apply for UI in the first year after exit have lower

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<sup>26</sup> Application rates among TANF leavers may be influenced by state rules requiring UI application to re-qualify for TANF cash assistance.

beneficiary rates than those who apply in the second or third year after TANF exit. Longer employment after TANF exit means higher earnings to qualify for UI.

Among TANF leavers who become unemployed and apply for UI, receipt of UI benefits reduces the rate of return to TANF. Across all cohorts, the mean rate of return to TANF among UI applicants who do not become UI beneficiaries is 52.6 percent and is the highest among TANF leaver groups. Rates of return to TANF by UI beneficiaries (mean 41.2 percent) and TANF leavers who do not apply for UI after becoming unemployed (mean 41.8 percent) are both significantly lower (Table 14). Pooling data across states on samples of TANF leavers who become unemployed, UI benefit receipt was associated with a reduction in the mean rate of return to TANF of 11.4 percentage points or about 22 percent from the 52.6 percent mean rate of TANF return to TANF among UI applicants who do not receive benefits.

Among TANF leavers who experience unemployment, those who qualify for and draw UI benefits receive income replacement at rates much higher than the income support provided by TANF. Across the analysis cohorts, the ratio of UI-to-TANF ranges from 2.0 to 4.6 with a mean of about 3.6 across all cohorts. While UI receipt reduces the rate of return to TANF, controlling for observable characteristics, higher benefit levels of UI relative to TANF have only a modest association with a reduction in rate of return to TANF. Nonetheless, the example of Ohio merits further investigation. The ratio of monthly UI to monthly TANF is much lower in Ohio. While the observed rate of return to TANF in Ohio is no higher than the other states, the rate of initial exit from TANF appears to be lower. We have identified the weeks of work component of the Ohio UI monetary eligibility test as the main cause of lower UI eligibility rates, the lower relative generosity of UI-to-TANF also merits investigation as a factor influencing movement to self-sufficiency.

The numbers of TANF recipients declined since 1996 with rates of decline faster before the year 2000 than after. Counts of UI recipients tended to rise in the quarters leading up to the start of 2002 then gradually declined.<sup>27</sup> There is no identifiable link between aggregate declines in TANF recipients and trends in total UI recipients at the state level. The numbers of TANF leavers who are UI beneficiaries has remained steady in the years since 1996. Over that period, the share of UI beneficiaries who lost high paying jobs has increased, meaning that the share of all UI beneficiaries who were TANF recipients has declined.

Aggregate analysis may not be sufficient to understand fully if a trend toward declining numbers of TANF recipients was reinforced by the availability of UI benefits. The person-level analysis identifies an important role for UI in supporting TANF leavers. The significantly larger scale of the UI program makes it difficult to establish a clear statistical relationship between total TANF caseloads and numbers of UI beneficiaries at the aggregate level.

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<sup>27</sup>The UI counts include all beneficiaries in the states, and are not limited to TANF leavers.

## 9. Directions for Future Research

This study finds evidence that receipt of UI benefits is associated with a reduction in the rate of return to TANF. On a monthly basis, UI benefits are two to five times more generous than TANF payments. But small changes in the relative generosity of UI-to-TANF do not affect the rate of return to TANF. Taken together, these results suggest that UI benefit receipt might be serving as a proxy for strong labor force attachment. In other words, it might not be the income replacement function of UI that reduces return to TANF, but more importantly those who receive UI benefits have better prospects for maintaining self-sufficiency through employment. Further investigation into the relative importance of UI income support and labor force attachment could inform policy.

Among all UI applicants, TANF leavers have lower rates of qualifying for UI benefits. The main reasons for lower rates of UI eligibility among TANF leavers are voluntary job quits and dismissals for cause by employers. Analysis of the characteristics of TANF leavers who voluntarily quit or get fired from new jobs could provide guidance for efforts to promote job retention and advancement among recent TANF leavers.

Earlier studies estimated small increases in UI eligibility rates among TANF leavers for changes in state policies governing alternate UI base year computations and waiver of the rule requiring availability for full-time work. The Ohio 20 weeks of work requirement severely limits eligibility, while earlier researchers did not find similar effects for the 20 weeks of work rule in New Jersey. The difference is the Ohio required level of earnings in each of the 20 weeks. The interaction of this rule with TANF work requirements should be investigated.

It is also worth investigating why rates of return to TANF are similar after a new spell of unemployment for UI beneficiaries and those who do not apply for UI benefits. What characteristics do these two groups share and how are they different from TANF leavers who apply but fail to receive UI benefits?

Analysis in this study was done on a series of 11 state and year cohorts of TANF leavers. This approach was driven by the way data gradually became available during the course of the project. Given the current accumulation, these data could be reorganized into five, six, and seven year series for each of the states. This new structure would permit more efficient estimation of state specific effects, and computation of reliable point estimates of year effects within states. Additionally, new data from 1996 to the present are now available for the state of Georgia. In addition to TANF payment, UI payment, and quarterly wage records, the Georgia data include histories of employment and employment services use. Employment and training services are increasingly important instruments supporting self-sufficiency for TANF leavers. Knowing the value of UI and reemployment services together in supporting family independence will help inform policy in these areas.



## Appendix A: Time Frames Defining Analysis Cohorts

For the 2000 TANF cohort, the time frame for observing TANF receipt is calendar year 2000. TANF exit must have occurred on or before the first calendar quarter of 2001. This definition yields sample sizes adequate to reliably estimate the influence of UI on return to TANF. Applying this rule, the other TANF exit cohorts are defined as:

1997 Cohorts: TANF receipt 1997Q2 to 1998Q1 and exit by 1998Q2  
2000 Cohorts: TANF receipt 2000Q1 to 2000Q4 and exit by 2001Q1  
2001 Cohorts: TANF receipt 2001Q1 to 2001Q4 and exit by 2002Q1  
2003 Cohort: TANF receipt 2003Q1 to 2003Q4 and exit by 2004Q1

After the quarter of TANF exit, exactly 12 quarters are checked for the first episode of new unemployment. For each cohort, return to TANF is checked for up to 12 quarters after the last exit quarter from TANF for that cohort. That is:

1997 Cohorts check until 2001Q2  
2000 Cohorts check until 2004Q1  
2001 Cohorts check until 2005Q1  
2003 Cohort check until 2007Q1

This means that return to TANF is checked for at least 12 quarters (and up to 15 quarters) after exit from TANF.

The presence of UI claims are checked for in quarters (Q-1) to (Q+3) relative to the quarter of new unemployment. This means checking for UI claims could be done after the last quarter of checking for return to TANF. However, in regression models presented in this report no UI data is used from after the last quarter for checking return to TANF. That is, for the four cohort times the upper limits on measuring variables for regression models respectively are: 2001Q2, 2004Q1, 2005Q1, and 2007Q1.

## Appendix B: Glossary of UI Related Terms and Acronyms

Adjusted Difference	This is the difference in means from two samples adjusting for the differences in observable characteristics of individuals in the two samples. For example, the adjusted difference in the UI beneficiary rate between TANF and non-TANF persons accounts for differences across the two groups in age, gender, race, educational attainment, UI qualification criteria, industry and occupation of past employment, local labor market conditions, and county of residence. Adjusted differences are often computed in a multiple regression model with a binary indicator variable for inclusion in one of the samples, or after statistical matching.
Base Period	Typically, the first four of the five quarters prior to UI filing that are used to determine if the individual has sufficient wage credits to qualify for UI.
Beneficiary	Someone who received a UI payment.
Benefit Year	The 52 week period starting with the BYB date. It is the time period during which available benefits resulting from a UI claim can be collected.
BYB	Benefit year begin (BYB) date is the Sunday date in the week an application, or claim, for UI benefits is submitted to the state UI agency.
BYE	Benefit year end (BYE) date is the Saturday date in week 52 weeks after the BYB date of an application for UI benefits.
Cohort	A data sample for analysis that has been constructed using clearly specified selection criteria. For example, in this study the Michigan 2000 cohort includes persons who received TANF benefits in Michigan at some point in 2000 and left TANF for employment by the first quarter of 2001.
Entitled Duration	The maximum number of weeks an individual can collect UI benefits. The duration of UI entitlement depends directly on the level of base period employment and earnings up to a maximum set by the state legislature. Most states provide a 26 week maximum duration of entitlement; Massachusetts and Washington provide up to 30 weeks.
Exhaustee	Someone who collects all available UI benefits, the maximum benefits payable (MBP), during their benefit year.
FTE Weeks	Full-time Equivalent Weeks of UI is defined as the total amount of UI compensation someone received in their benefit year divided by their weekly benefit amount (WBA).

MBP	Maximum Benefits Payable is the maximum amount of UI benefits someone could collect during their benefit year and is computed as the weekly benefit amount (WBA) multiplied by entitled duration in weeks.
Monetary Eligibility	A UI claimant has sufficient employment and earnings history to qualify for UI benefits.
New Unemployment	The first quarter with earnings less than \$100 for someone who exited TANF for employment.
Non-Monetary Eligibility	A UI claimant had a job separation that did not disqualify him or her from collecting UI benefits. That is, the job separation did not involve a voluntarily quit or justifiable dismissal for cause. Furthermore, that claimant is able, available, and actively seeking full-time work.
OLS	Ordinary Least Squares is a statistical technique to estimate parameters of a linear relationship between an outcome of interest (such as returning to TANF) and factors (variables) thought to influence that outcome.
Simple Difference	The result from subtraction of one sample mean from another. It is simple in contrast to an adjusted difference that measures the difference in means across two samples while controlling for observable characteristics of sample observations.
TANF	Temporary Assistance for Needy Families.
TANF Exit	After TANF receipt, the first quarter in which TANF payments are zero while earnings are \$100 or more in that or the following calendar quarter.
TANF Leaver	Someone who satisfies the conditions for TANF exit.
UI	Unemployment Insurance
UI Eligible	An applicant for UI who satisfies both monetary and non-monetary eligibility conditions to receive UI benefits.
WBA	Weekly Benefit Amount or the amount of UI paid to someone who is unemployed and does no paid work in a particular week. The WBA for an individual increases with the prior level of earnings and is set between minimum and maximum limits determined by state legislatures based on considerations of social adequacy and sufficiency. Modest earnings during a UI benefit year week can result in a weekly UI compensation payment less than the full WBA for an individual.

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