

## Creating a Workforce Development Structure for All Working-Age Adults

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### Summary

The extremely low level of receipt of unemployment insurance (UI) by former welfare recipients suggests significant failings in the current UI system and the need to reconsider how attachment to the labor force and acceptable reasons for job separation are determined for purposes of UI eligibility. However, even with such modifications to UI monetary and nonmonetary eligibility rules, many low-wage workers will continue to be ineligible for UI. A new program of temporary, needs-based income assistance and employment services that supplements the UI system could be an important step in providing support for workers between jobs and in helping states moving toward a unified workforce development structure for all working-age adults.

### Unemployment Insurance and Low-Wage Workers

The legislation enacting the Temporary Assistance for Needy Families (TANF) block grant made no reference to the UI system and the recently enacted Workforce Investment Act of 1998 (WIA) makes only minimal references to UI. However, it is likely that state implementation of TANF and WIA will encourage policymakers to ask new questions: Who should qualify for UI? Should states develop a reemployment assistance structure that is coordinated with UI? How could states incorporate TANF and UI into a broader framework of workforce development?

Several studies have shown that women and low-wage workers are less likely than other workers to qualify for UI benefits. Consistent with those findings, recent research focusing on welfare recipients concludes that women who leave welfare because of employment have a very low likelihood of receiving UI. Studies suggest that between 10 percent and 13 percent of women leaving welfare because of employment will receive UI benefits after a job ends.<sup>1</sup>

Should the fact that welfare exiters earning low wages are not likely to receive UI benefits raise public policy concerns? Throughout its history, a basic premise of UI has been that the system is not intended to aid all unemployed workers. Rather, unemployment insurance has been available only to those who demonstrate sufficient connection to the labor force, who involuntarily lose employment, and who are able to and available for work. The very low level of receipt of UI benefits by former welfare recipients, as well as other low-wage workers, raises three distinct policy questions.

- Why do so few former welfare recipients qualify? Does their ineligibility suggest important gaps in the system's operation in light of the organizing principles of the UI system?

- If a large share of low-wage workers losing employment do not qualify for UI benefits, are there policy advantages to using TANF funds or other state resources to develop a structure of reemployment assistance for recent job losers who do not meet UI qualification requirements?
- If a large share of low-wage workers losing employment do not qualify for UI benefits, what are the implications for state efforts to develop a unified policy framework for workforce development?

### **The Need to Reconsider Unemployment Insurance Eligibility Rules**

The papers in this volume generally agree on the principal reasons why former welfare recipients are not likely to qualify for benefits. In roughly one-half to two-thirds of the cases, the parent does not meet monetary eligibility requirements, and, in most cases in which monetary eligibility is met, the parent does not meet nonmonetary requirements. Some of the principal reasons why individuals do not meet these requirements have been documented in existing research, but there also are important, unresolved questions.

#### ***Monetary Eligibility Requirements***

It is clear that some parents do not meet monetary eligibility requirements because of state administrative practices under which the most recent months of employment are not considered when a claimant applies for benefits. Parents in such circumstances would qualify if states' UI eligibility processes were to use an alternative base period approach that considers the claimant's most recent earnings, rather than using a base period that considers earnings in the first four of the five most recently completed quarters of work. The federal Advisory Council on Unemployment Compensation, as well as a number of other commentators, has urged states to adopt an alternative base period approach. Apart from administrative convenience, it is difficult to identify any policy argument for basing UI eligibility determinations on data that are three to six months old.

In addition, some parents who do not currently qualify would be eligible for UI benefits if states would calculate "connection to the labor force" based on how much the claimant worked, rather than how much the claimant earned. Currently, in all states except Washington, the method used to determine "connection to the labor force" measures workforce connection by how much an individual earned during the base period, rather than by hours or weeks of employment. If the purpose of the requirement is to measure workforce connection, it is difficult to find any policy rationale for treating two claimants with identical weeks of employment differently, simply because one was paid more than the other.

Allowing for an alternative base period and for individuals to demonstrate their workforce connection through hours or weeks of employment would be important changes that would result in more former welfare parents qualifying for UI. At the same time, a significant number of welfare exiters are not likely to qualify even with these modifications. One study found that 47 percent of welfare exiters with some earnings in the year after exit only worked in a single quarter; an additional 29 percent only worked in two quarters of the year.<sup>2</sup> Other research also suggests that high rates of job loss are concentrated in the first six months after welfare recipients enter employment.<sup>3</sup>

#### ***Nonmonetary Eligibility Requirements***

Two principal factors are likely to play a role in nonmonetary bases for denials of UI benefits.

- In most states, a parent who leaves employment because of family responsibilities is ineligible for UI benefits. The Advisory Council on Unemployment Compensation found that in thirty-eight states, leaving employment because of personal reasons not attributable to the employer results in ineligibility for UI benefits.<sup>4</sup> There are many factors that could lead to job loss for single parents and that many people would likely view as good reasons for job loss (e.g., child care breakdowns, sick children, and domestic violence-

related crises). However, such family-related reasons are not recognized as bases for qualifying for UI in most states.

- In most states, a parent who is only available for part-time work, or who restricts his or her hours of availability because of family responsibilities, is not eligible for UI benefits. For example, a single parent who is available for work, but who must restrict his or her hours of work or days or shifts to take care of children, will be ineligible for assistance.

If states elected to do so, they could address these concerns in a manner wholly consistent with the guiding premises of the UI system. Allowing “good cause” to include personal reasons is not inconsistent with the purposes of the UI system. In 1940 forty-three states had included personal reasons in their definitions of good cause.<sup>5</sup> Similarly, states could readily accommodate the needs and circumstances of part-time workers or parents not available for late-night shifts without impairing the premise that a claimant must be able to and available for work. Both of these changes would better adjust the functioning of the UI system to the realities of women’s participation in the labor market and, particularly, to the circumstances of single parents.

Although these changes would be desirable, it is not clear how much they would assist welfare exiters in qualifying for UI benefits. The available research is not able to determine the extent to which nonmonetary ineligibility involves family-related reasons for separation or other reasons. Other research on welfare exiters suggests that although family-related reasons may be a significant reason for loss of employment, workplace-related conflict is another significant reason. This separation factor would not be addressed by changes to UI eligibility rules.

Modifications to UI monetary and nonmonetary eligibility rules could ensure that UI benefit determinations are based on current data, address discrimination against low-wage workers, and better reflect the needs and circumstances of working parents. It is likely that these changes would also increase the share of former welfare recipients who qualify for assistance. However, even with these changes, a very substantial share of welfare exiters would probably continue to be ineligible for UI benefits.

### **Potential Advantages of Reemployment**

If a large share of parents losing low-wage jobs are not likely to qualify for UI, states could respond in three ways: States could provide no assistance at all; states could assist them through their TANF programs; or states could develop a new reemployment assistance program separate from their TANF program.

In our view, it would be desirable to provide means-tested income support for at least some parents who have lost their jobs without having engaged in misconduct but who do not qualify for unemployment insurance. In such cases, the same policy rationale that supports the UI system seems no less compelling: temporary income support helps ensure that families do not face eviction or other crises while a parent focuses on efforts to find a new job or engage in needed job-preparation activities.

States could provide such income support for recent job losers through their TANF program by developing specialized eligibility rules for families that have recently lost employment. Eligibility could be linked with rapid reemployment services. However, states wanting to use federal TANF funds to expand TANF eligibility for such families face several constraints. There are time limits attached to federal TANF dollars, and, over time, a larger number of families will reach or exceed their TANF time limits. States could address the time-limit problem by funding the TANF assistance with state funds, to which federal time limits do not apply. However, political and fiscal constraints built into the TANF structure strongly encourage caseload reduction and might make states hesitant to take actions that could increase their TANF caseload.

Still another problem with extending assistance to recent job losers through TANF is the extent to which many families that have left TANF would perceive a return to welfare after job loss as a failure. There would be advantages in developing a framework in which parents who have entered employment and left TANF can

think of themselves as workers, rather than welfare recipients, and in which workers in need of short-term income assistance between jobs need not turn to the welfare system. Therefore, it would be preferable to provide access to short-term income support between jobs outside of the traditional welfare system.

A reemployment assistance program operated in close coordination with the unemployment insurance system could provide access to short-term income support between jobs outside of the traditional welfare system. Assistance would be available to job losers either for a job search period or, as discussed below, for a period determined necessary by a one-stop workforce center operator to allow for training between jobs.

State maintenance-of-effort (MOE) funds under the TANF structure could be a funding source of such assistance for needy parents with children. The funding would involve state dollars outside of TANF, so the restrictions on TANF funds would not apply. Families would benefit from this short-term assistance because they would not need to enter or return to welfare. States would benefit because a broader group of recent job losers, whether or not they qualified for UI, could be provided services and needed income support within a unified structure. If states wanted to commit additional funds beyond state maintenance-of-effort funds, the program could be extended to other individuals—single persons, childless couples, and noncustodial parents—who might benefit from such assistance but who do not qualify for UI and for whom neither TANF nor MOE funds can be used.

Linking the administration of a reemployment assistance (RA) program with the current UI system may be desirable, but this approach also entails risks. The principal risks include the possibility that costs currently borne by employers in the UI system might be shifted to the public sources that would finance a RA program. In addition, desired policy results that could be achieved through liberalization of a state's UI eligibility rules might be harder to achieve if similar results could be achieved through a publicly financed RA program. Further, given the UI system's experience-based tax system, employers' conduct in hiring, setting wages and hours, and terminating workers might be affected in unintended ways once an alternative source of income support becomes available. Careful consideration of these risks and the measures that might be taken to reduce or eliminate them would need to be a critical part of the planning and implementation of any RA program.

### **Opportunities Provided by the Workforce Investment Act**

Ultimately, the most productive way for states to consider the potential virtues of a new structure of reemployment assistance may be in the context of implementation of the Workforce Investment Act of 1998. WIA envisions that states will seek to coordinate employment-related services and training funds and implement one-stop centers for which there is a single point of entry for new labor force entrants, those who have recently lost employment, and incumbent workers seeking further training and services. The law creates an opportunity for states to engage in unified planning across programs. It also envisions that one-stop centers will place a strong emphasis on rapid reemployment services while targeting training to those unable to attain employment and incumbent workers unable to earn enough to reach self-sufficiency.

WIA envisions that the determination of eligibility for UI and other benefits will be part of one-stop system operations. Consequently, implementation of WIA could allow a state to assess all claimants with two questions in mind: What are the services that can address employment or reemployment of the claimant? What, if any, income support might be available for the claimant during and after the process of seeking or preparing for employment? Claimants who qualify for UI benefits will typically have twenty-six weeks for job search and, to the extent allowed in the state, for participation in training programs between jobs. However, for those who do not qualify for UI but who have demonstrated sufficient workforce attachment, a reemployment assistance program could provide short-term income assistance during job search as well as income support outside of the welfare system for those the one-stop operator deems in need of additional training.

Families would not need to turn to welfare for short-term income support for job search or training between jobs. TANF could focus on providing assistance and services to families with the most serious, long-term barriers to employment and families for which a current expectation of employment is not appropriate.

## **Conclusion**

Although a reemployment assistance program offers some significant advantages, it is not the only way to think about the coordination and restructuring issues that arise as a result of TANF and WIA implementation. As states implement WIA, the significant overlap in the purposes of the UI system and the restructured welfare system will become apparent. In recent years, the welfare system has shifted away from maintaining income to providing short-term cash assistance and job placement and rapid employment and reemployment services. It does not make sense to have two substantially overlapping structures of reemployment services or to have reemployment services available through the welfare system that are more extensive and comprehensive than those available through the workforce system. The next step for states is to integrate the two systems into a unified workforce development structure for all working-age adults.

## Endnotes

<sup>1</sup> Cynthia K. Gustafson and Phillip B. Levine, “Less-Skilled Workers, Welfare Reform, and the Unemployment Insurance System,” *National Bureau of Economic Research Working Paper 6489* (Cambridge, Mass.: National Bureau of Economic Research, 1998); Kelleen Kaye, “Unemployment Insurance as a Potential Safety Net for Former Welfare Recipients” (Draft paper prepared for the 1997 National Association for Welfare Research and Statistics Conference, Atlanta, Ga., 1997); and Young-Hee Yoon, Roberta Spalter-Roth, and Marc Baldwin, *Unemployment Insurance: Barriers to Access for Women and Part-Time Workers* (Washington, D.C.: National Commission for Employment Policy, 1995).

<sup>2</sup> Kaye, 1997.

<sup>3</sup> Anu Ranagarajan, Peter Schochet, and Dexter Chu, *Employment Experiences of Welfare Recipients Who Find Jobs: Is Targeting Possible?* (Princeton, N.J.: Mathematica Policy Research, 1998).

<sup>4</sup> Advisory Council on Unemployment Compensation, *Unemployment Insurance in the United States: Benefits, Financing, and Coverage* (Washington, D.C., 1995), 110.

<sup>5</sup> Saul Blaustein, *Unemployment Insurance in the United States—The First Half Century* (Kalamazoo, Mich.: W.E. Upjohn Institute, 1993), 166.

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