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Access to Employment-Based Insurance Among Welfare Recipients in Los Angeles County: Offering, Eligibility and Participation

Authors

Ong, Paul M.
McConville, Shannon

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PROJECT REPORT

ACCESS TO EMPLOYMENT-BASED INSURANCE AMONG WELFARE RECIPIENTS IN LOS ANGELES COUNTY:

OFFERING, ELIGIBILITY, AND PARTICIPATION

UCLA

THE RALPH & GOLDY LEWIS CENTER FOR REGIONAL POLICY STUDIES

Written by:
Shannon McConville and Paul Ong
The Ralph and Goldy Lewis Center for Regional Policy Studies
UCLA School of Public Policy and Social Research

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ACCESS TO EMPLOYMENT-BASED INSURANCE AMONG WELFARE RECIPIENTS:

OFFERING, ELIGIBILITY, AND PARTICIPATION

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EXECUTIVE SUMMARY

Employment-based health insurance is the primary source of coverage for the majority of workers and their families. Unfortunately, many welfare recipients making the transition to work do not have access to employment-based insurance (EBI), either because they:

- are not offered coverage by their firms (offering rates)
- are not eligible for coverage if it is offered (eligibility rates), or
- choose not to participate if they are eligible due largely to cost constraints (participation rates).

In order to determine the ability of EBI to cover welfare recipients and their families, this study incorporates employer benefits information and welfare recipient employment information to estimate offering, eligibility, and participation rates in EBI.

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) transformed the nation's welfare system by introducing strict work requirements and time limits for receiving cash assistance. As a result, millions of welfare recipients have transitioned into the labor force over the last several years. Due to low education levels and lack of work experience, recipients transitioning into the labor force are often relegated to the entry-level labor market, characterized by low wages, high turnover, and few benefits. Of particular concern is access to EBI, arguably the most important benefit provided through employment. As welfare recipients continue to move into the labor market as the result of welfare reform, the accessibility of employment-based insurance (EBI) will be an essential component to maintaining health care coverage and becoming independent from public programs. Additionally, the more recipients who are able to transition from Medi-Cal coverage to EBI coverage, the more state and local governments can save providing health care coverage to low-income families.

Employer-based health plans are the main source of insurance coverage for the vast majority of American workers and their families. In California, EBI covers 63 percent of the non-elderly population. Unfortunately, many workers, particularly low-wage workers, do not have access to EBI. Workers earning less than $7/hour are significantly less likely to work in firms that offer health insurance, less likely to be eligible for coverage if it is offered, and less likely to participate or 'take-up' the offer of insurance if they are eligible. Among California workers in households with incomes below the Federal Poverty Level (FPL), only about one-quarter are covered by employment-based insurance. Many of those without EBI rely primarily on public insurance programs, such as Medi-Cal and Healthy Families (for children), or join the ranks of the uninsured that depend primarily on county-based and community-based health care providers who are responsible for providing necessary care to the medically indigent.

Generally, welfare recipients transitioning into the labor market exhibit low coverage rates in EBI – only 25 to 33 percent of former welfare recipients receive health benefits through their employer. However, determining access to EBI among welfare recipients is a complicated issue made difficult by a lack of data and a thorough understanding of the various components affecting the availability of EBI. The multi-dimensional approach of this study addresses some

of these limitations and offers a unique perspective on the complicated relationship between employment-based insurance and welfare-to-work.

This report combines analysis of firm-level insurance data with welfare and employment information to explore the availability of employment-based insurance for welfare recipients who are transitioning into the labor market in Los Angeles County. To understand the complex and dynamic nature of this issue, multiple data sources are utilized to provide information from the perspective of both welfare recipients who are transitioning into the labor market (labor-supply side) and the firms that employ them (labor-demand side). The primary data sources include an employer benefits survey completed in 2000, administrative welfare and employment data covering a period from 1996 to 2001, and a survey of recent welfare recipients conducted in 2002/2003.

The Entry-Level Employer (ELE) Benefits survey collected information on insurance offerings from firms in Los Angeles County that had entry-level employment opportunities, where entry-level jobs were defined as those requiring a high school education or less and limited previous work experience. A majority of these firms had also hired a welfare recipient in the year prior to the survey (1998/1999). The Matched CalWORKs Recipient Survey collected information on insurance coverage and employment from recent welfare recipients, some of whom found employment at firms completing the ELE Benefits survey. Recent welfare recipients refers to single parents who received CalWORKs cash aid and were employed sometime between 1998 and 2000. The administrative welfare and employment data allow welfare recipients to be tracked over time in order to augment the survey data and provide additional information on work history, earning levels, and welfare usage.

Key Questions

The analysis and findings are presented in three major sections representing the primary factors affecting access to EBI among welfare recipients moving into the labor market:

1. offerings rates of firms where recipients find employment;
2. eligibility rates of recipient workers; and
3. participation or 'take-up' rates of recipient workers.

Offering Rates

- What types of firms hire welfare recipients?
- What are the offering rates of EBI at firms hiring welfare recipients and how do these differ by firm characteristics?
- Do welfare recipients find employment at firms that offer EBI and has this distribution changed since the implementation of welfare reform?
- Does the length of time away from welfare impact which recipients find employment at firms offering EBI?
- How do entry-level job requirements, such as education levels and previous work experience, affect whether firms offer EBI and how well do recent welfare recipients employed at these firm meet the job requirements?

Eligibility Rates

- What percentage of recent welfare recipients are eligible for EBI?
- What affects eligibility for EBI among recent welfare recipients?
- Why are recent welfare recipients who are employed at firms that offer EBI not eligible for coverage?

Participation Rates

- What percentage of recent welfare recipients participate in EBI and how does this compare with other workers?
- What are the sources of insurance coverage among recent welfare recipients who do not participate in EBI?
- What affects participation in EBI among recent welfare recipients?
- Why do recent welfare recipients who are eligible for EBI not participate?

Key Findings

Offering Rates

- Large firms with more than 250 employees and low-wage firms with average monthly employee wages below $1500 are more likely to have hired a welfare recipient, but there are no differences based on industrial sector.
- Offering rates among firms hiring welfare recipients vary considerably based on the size of the firm, industrial sector, and average wage levels. Service-sector firms and firms with low average monthly wages exhibit considerably lower offering rates of EBI.
- Nearly 80 percent of current and former welfare recipients (persons who received cash assistance in California between 1987 and 2001) find employment at firms that offer EBI, and this distribution changed little between 1996 and 2001. However, 65 percent are required to contribute to the insurance premium in order to participate in their employer's health plan. Employee premium contributions are very common, but will likely pose an additional barrier for welfare recipients because of their low earning levels.
- Welfare leavers and recent welfare recipients find employment at firms with similar EBI offering rates, but leavers experience slightly higher rates of employment at firms that offer EBI with no employee premium contribution.
- Firms offering better insurance benefits demand more from their entry-level labor force in terms of education levels, previous work experience, and oral communication skills.

Eligibility Rates

- Eligibility rates for EBI among recent welfare recipients range from 30 percent to 60 percent and increase over time as employment levels increase.
- Job tenure and previous work experience significantly affect eligibility for EBI among recent welfare recipients. Eligibility rates are more than 20 percentage points higher among recipients with high levels of previous work experience and more than one year at their current job.
- Among recent welfare recipients who are not eligible for their employer's health plan, 36 percent reported they do not work enough hours and 24 percent that they had not been employed long enough. The remaining 40 percent reported that their job title is not eligible,

although this is unlikely given IRS non-discrimination requirements for EBI. Workers who do not know specifically why they are ineligible may simply assume that their job title does not allow them access, when in reality it is a function of their part-time work status or low job-tenure.

Participation Rates

- Only one-quarter of recent welfare recipients participated in EBI at their current or most recent job, which is considerably lower than other workers employed in entry-level occupations.
- Among single parents who received welfare between 1998 and 2000, between 70 and 80 percent who do not participate in EBI are covered by Medi-Cal and another 17 to 21 percent are uninsured.
- Education levels, welfare usage, previous work experience, and job tenure all significantly impact whether welfare recipients participate in EBI.
- Nearly half of welfare recipients who are eligible but choose not to participate in EBI report that the cost is too high. Another 26 percent choose not to participate because they have another source of coverage, with the remainder citing other reasons for non-participation.

I. INTRODUCTION

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) fulfilled former President Clinton's promise to end welfare as "we know it," transforming it from an income entitlement program to a transition-to-work program.[1] Families receiving cash aid now face strict work requirements and time limits for maintaining eligibility for welfare. The outcomes have been dramatic. Nationwide, families receiving cash-aid public assistance dropped by nearly 60 percent, from about 12 million at the peak in 1994 to just over 5 million in late 2001. California experienced a smaller decline of 46 percent from the peak in caseloads in 1995 until the end of 2001 when just over half a million families received cash assistance.

Despite moving millions into the labor market, economic self-sufficiency—one of the touted goals of welfare reform—remains elusive. As increasing numbers of families approach and reach their time limits for receiving cash assistance (2 years, in any given spell and 5 years, lifetime), employment outcomes becomes an even more salient issue. Many former welfare recipients are in jobs that offer low wages and few benefits (Jindal and Winstead, 2002). Of particular concern is access to employment-based insurance (EBI), arguably the most important benefit provided through employment. The availability and affordability of employment-based insurance is key to the wellbeing of recipients and their families, and a key to lowering the cost of providing health care to the poor.

Employer-based health plans are the main source of insurance coverage for the vast majority of American workers. In California, about 63 percent of the non-elderly population are covered by EBI (Brown, et al., 2002). Unfortunately, many workers, particularly low-wage workers, are not offered insurance by their employers or cannot afford to enroll in their employer's health plan due to the costs of employee premium contributions. As a result, many join the ranks of the uninsured further straining county-based and community-based health systems that provide care to the medically indigent. Others without access to employer-based health coverage continue to depend on public insurance programs, predominantly Medi-Cal (California's Medicaid program), to provide their health care coverage if they are eligible. As welfare recipients and former welfare recipients further integrate themselves into the workforce, joining the ranks of the working poor, understanding the availability of and barriers to securing employment-based insurance is crucial.

This report combines analysis of firm-level insurance data with welfare and employment data to explore the availability of employment-based insurance for welfare recipients who are transitioning into the labor market in Los Angeles County. To understand the complex and dynamic nature of this issue, Multiple data sources provide information from the perspective of both welfare recipients who are transitioning into the labor market (labor-supply side) and the firms that employ them (labor-demand side). The primary data sources include an employer benefits survey completed in 2000, administrative welfare and employment data covering a period from 1996 to 2001, and a survey of recent welfare recipients conducted in 2002/2003.

[1] Prior to PRWORA, the Aid to Families with Dependent Children (AFDC) program provided cash aid to qualified families with no time limits or work requirements. Welfare reform created the Temporary Assistance for Needy Families (TANF) program, which replaced AFDC and instituted mandatory work requirements and time limited cash assistance. California's TANF program is the California Work Opportunity and Responsibility to Kids (CalWORKs) program.

The Entry-Level Employer (ELE) Benefits survey collected information on insurance offerings from firms in Los Angeles County that had entry-level employment opportunities, where entry-level jobs were defined as those requiring a high school education or less and limited previous work experience. A majority of these firms had also hired a welfare recipient in the year prior to the survey (1998/1999). The Matched CalWORKs Recipient Survey collected information on insurance coverage and employment from recent welfare recipients, some of whom were employed at firms completing the ELE Benefits survey. Recent welfare recipients refers to single parents who received CalWORKs cash aid and were employed sometime between 1998 and 2000. The administrative welfare and employment data allow welfare recipients to be tracked over time in order to augment the survey data and provide additional information on work history, earning levels, and welfare usage.

Previous Research on Welfare Recipients and Employment-based insurance

Existing research of health insurance coverage is derived primarily from survey data. Most studies focusing on access to health insurance coverage for welfare recipients rely on population-based and/or recipient-based surveys largely because this is the most readily available information. Population-based surveys, such as the Current Population Survey (CPS) and the National Survey of American Families (NSAF), provide valuable information on the insurance status of low-wage workers and low-income families, and their access to and enrollment in employment-based insurance (EBI). Recipient-based surveys, such as the RAND California Household and Social Services Survey (CHSSS) allow researchers to focus solely on welfare recipients to understand their potentially unique situations. Analysis of each of these data sources suggests that employed welfare recipients encounter significant barriers to securing EBI.

Nationwide, workers earning low wages (less than $7/hour) are significantly less likely to work for employers that offer health insurance, less likely to be eligible for coverage if it is offered, and less likely to take up an offer of EBI than higher wage workers. As a result, only one-third of low-wage workers nationwide received health insurance coverage through their own employer in 1999, and another one-third were uninsured (Garret, Nichols and Greenman, 2001). In California, only one-quarter of the non-elderly population living in households with incomes below 100 percent of the Federal Poverty Level (FPL) has employment-based insurance coverage, while 35 percent received some form of public insurance and about another one-third were uninsured. Adults in families with a single parent and children also have lower rates of employer-based coverage (Davidoff, et al., 2001). Since most welfare recipients are single parents with low incomes, these findings suggest that most current and former welfare recipients will have difficulty securing EBI.

Because population-based surveys generally have small numbers of respondents who receive public assistance, more focused studies rely on interviews of current and former welfare recipients to understand this specific population's access to health insurance. According to a recent report published by the Medi-Cal Policy Institute and prepared by the RAND Corporation, less than 20 percent of all former welfare recipients in California received health coverage through their own employer. Among employed recipients, slightly more than half were offered insurance by

their employer and about two-thirds of those offered coverage, accepted it. Thus the overall rate of former recipients enrolled in employment-based insurance in California is about 33 percent (Gresenz and Klerman, 2002). Analysis of other recipient-based surveys bears out similar findings. A survey of sanctioned welfare recipients—those recipients who saw a reduction in their cash grant because they failed to meet programmatic requirements such as work participation — in four California counties indicates that about one-third receive health insurance through their employer. Likewise, a survey of former welfare recipients in Los Angeles County who were owed back child support found that about 27 percent reported they were covered by employment-based insurance (Lewis Center for Regional Policy Studies, 2001).

While these data sources provide coverage information on individuals, population-based surveys typically do not contain firm-level information, or if they do, firm-level information is provided only by the respondent. Therefore, another commonly used method for examining the availability of EBI relies on firm-based data where the unit of analysis is the employer. The information gathered provides specifics on firm insurance offerings without relying on the individual worker's knowledge of his/her employer's health plan.

Firm-based studies indicate that certain characteristics of firms, such as their size and industrial sector correlate with offering rates of insurance. Small firms and firms in the retail trade and personal services sectors have significantly lower offering rates (Kaiser/HRET, 2002; National Center for Health Statistics, 2001). Further, firms with large proportions of low-wage and part-time workers are significantly less likely to offer health insurance than other firms (Long and Marquis, 2001). A study of Los Angeles County employers found that firms with low average employee wages and those with large proportions of entry-level workers were also less likely to offer coverage (McConville and Ong, 2000). One of the drawbacks to firm-based surveys is that they do not have the ability to examine the coverage of individual employees, only the firm as a whole.

II. DATA AND METHODS

Analytic Framework

Three primary factors affect whether workers secure EBI:

1. offering rates of firms;
2. eligibility rates of individual workers; and
3. participation or 'take-up' rates of individual workers.

The Current Population Survey, February Supplement provides a means of estimating each of these components (Currie and Yelowitz, 2000). Offering rates are defined as the percentage of workers employed at firms that offer insurance to at least some of their employees, eligibility rates as the percentage of workers that are eligible for their employer's health plan, and participation rates as the percentage of workers that are enrolled in their employer's health plan.[2] It should be noted that the terms, "firms" and "employers" are used interchangeably in this report.

Table 1 provides offering, eligibility, and participation rates in EBI for all employed, private-sector workers in the U.S., California, and Los Angeles County.[3] Workers in California and Los Angeles County have lower rates for each component, and these imbalances have persisted throughout the latter half of the 1990s.

Table 1: Offering, Eligibility, and Participation Rates of Employer-Based Health Insurance, Employed Private Sector Labor Force Age 18 - 64

	1995	1997	1999	2001
U.S.				
Offer Rate	78.3%	79.3%	80.1%	80.8%
Eligibility Rate	71.4%	72.3%	73.4%	74.8%
Participation Rate	59.9%	60.6%	61.5%	62.2%
California				
Offer Rate	70.6%	73.0%	74.5%	75.7%
Eligibility Rate	65.1%	66.2%	67.5%	69.5%
Participation Rate	55.5%	56.4%	58.0%	59.5%
Los Angeles County				
Offer Rate	NA	64.3%	67.2%	69.9%
Eligibility Rate	NA	57.7%	62.5%	64.3%
Participation Rate	NA	48.9%	54.6%	55.7%

SOURCE: Current Population Survey, February Supplements 1995, 1997, 1999, 2001

[2] Eligibility rates are calculated for all workers, not only those that are offered EBI. Likewise, participation rates are calculated for all workers, not only those that are eligible or offered EBI.

[3] Sample sizes for Los Angeles County are relatively small, about 400 respondents, which preclude detailed analysis and produce larger standard errors around the estimated rates.

While the determinants of EBI coverage are identical for all workers, rates of offering, eligibility, and participation are likely to be lower among those employed in the entry-level labor market. Entry-level employment in this study is defined as jobs that require no more than a high school education and limited work experience. Lower offering rates among entry-level workers result from their disproportionate concentration in firms that are less likely to offer EBI, such as low-wage firms and service and retail firms. Lower eligibility rates typically result from differences in work patterns including high rates of part-time work and high turnover rates. Part-time employment and high turnover lessens eligibility because employers often require that employees work a minimum number of hours and maintain employment past a probationary period in order to be eligible for EBI. Lower participation rates result, in large part, from cost-related issues. Employers in low-wage businesses—those with a high proportion of low-wage workers—contribute a smaller share toward the total insurance premium (Chernew, et al., 1997). Lower employer contributions to health plans increase the amount employees must contribute to enroll in EBI, and as premium contributions consume an increasing share of family income, participation rates decline (Ku and Coughlin, 1997).

Welfare recipients who are transitioning into the labor market will likely struggle with each of these components due to their employment experiences, characterized by low-wage levels, high rates of part-time work and low-job tenure (Drayse, et al., 2000; Ong and McConville, 2001). Unfortunately, insufficient sample sizes prevent estimations of offering, eligibility and participation rates for the welfare population from the CPS. However, it is possible to examine these components for workers in entry-level occupations that employ large numbers of welfare recipients.[4]

Table 2 confirms that workers employed in entry-level jobs have considerably lower offering, eligibility and participation rates in EBI. Generally, workers in entry-level occupations have rates about 10 percentage points lower than the total labor force. The most dramatic differences are in participation rates, which ultimately determine who is covered by EBI.

Table 2: Offering, Eligibility, and Participation Rates of Employer-Based Health Insurance, Entry-Level Occupations, Employed Private Sector Labor Force Age 18 - 64

	1995	1997	1999	2001
U.S.				
Offer Rate	68.3%	69.5%	69.9%	70.0%
Eligibility Rate	57.5%	57.7%	58.6%	59.6%
Participation Rate	44.2%	44.5%	44.6%	46.1%

Chart continues on next page

[4] Entry-level occupations are constructed using the detailed occupation recodes included in the CPS. These occupations include: Sales Workers, Retail and Personal Services; Sales Related Occupations; Secretaries, Stenographers, and Typists; Other Administrative Support Occupations, including Clerical; Private Household Service Occupations; Food Service Occupations; Cleaning and Building Service Occupations; Personal Service Occupations; Handlers, Equipment Cleaners, and Laborers. All of these occupations employ large proportions of welfare recipients in Los Angeles County (Ong and McConville, 2001).

Chart continued from page 9

	1995	1997	1999	2001
California				
Offer Rate	60.7%	61.9%	66.6%	61.7%
Eligibility Rate	51.4%	51.5%	55.1%	52.6%
Participation Rate	39.6%	39.8%	45.3%	42.0%
Los Angeles County				
Offer Rate	NA	54.9%	60.5%	56.5%
Eligibility Rate	NA	46.3%	52.5%	50.9%
Participation Rate	NA	35.5%	45.0%	41.7%

SOURCE: Current Population Survey, February Supplements 1995, 1997, 1999, 2001

Although these entry-level occupations provide many of the employment opportunities for welfare recipients, this group of workers has unique characteristics that may affect their outcomes. For one, the welfare-to-work population is composed predominantly of single women with children, which may affect their ability to maintain full-time employment. Another major difference is that many welfare recipients have an alternative source of health insurance coverage in Medi-Cal providing their income levels remain low (below 100% FPL) and they have dependent children. The availability of another source of insurance coverage may affect the participation rates of working welfare recipients. Although employment and earnings levels of working welfare recipients have risen considerably since the advent of welfare reform, many continue to have poverty-level incomes.

Data Sources

This study takes a unique approach to examining access to EBI among current and former welfare recipients. Firm-level information from an employer benefits survey is combined with a survey of recent welfare recipients and longitudinal administrative employment and welfare data to examine the various components of EBI. A description of the data sources used in this analysis follows.

Entry-Level Employment (ELE) Benefits Survey: Survey of over 570 firms in Los Angeles County that had entry-level employment opportunities, which are defined as positions that could be filled by a person with a high school education or less. Of these 570 firms, about two-thirds had employed at least one welfare recipient in the year prior to the survey, and between 1996 and 2001, over 90 percent had employed someone who received welfare at some point between 1987 and 2001.

The sampling frame was constructed from state administrative records and included all private-sector firms operating in Los Angeles County in 1999 that had at least one employee. The sample was stratified by firm size and whether firms had hired a recent welfare recipient. The response rate for the firm survey was 45 percent. Statistical weights were developed to adjust for the sampling stratification and differential response rates by firm size and industrial sector.

Only firms with entry-level job opportunities were interviewed. Entry-level jobs were defined as those positions that could be filled by someone with a high school education or less. Smaller firms were less likely to have entry-level opportunities, but the majority of firms had at least one

entry-level job. The survey was conducted between August, 1999 and February, 2000, and was funded by the California Program on Access to Care (CPAC). Respondents were human resource managers or the person in the firm most knowledgeable on employment and benefit levels. Information was collected on entry-level employment levels and composition, job requirements for entry-level employment, insurance offerings to entry-level employees, employee premium contributions, choice of health plans, and other employer-based benefits.[5]

Matched CalWORKs Recipient Survey: Survey of recent welfare recipients, some of whom, were employed by firms completing the ELE Benefits Survey. A comparison group of recipients employed and on welfare in the same time frame, was also interviewed. Of the 950 recipients included in the final sampling frame, 760 interviews were completed for a total response rate of 80 percent.

The sampling frame was constructed from merged welfare and employment state administrative records. To be included in the sampling universe for the Matched CalWORKs Recipient Survey, a person needed to receive CalWORKs single-parent aid (FG) at least one month in 1998 and 1999 and also have some employment during that time period. About one-third of the sample was also employed at one of the firms that completed the ELE Benefits Survey sometime between 1998 and 2000.

Weights were developed to adjust for differential response rates by age, length of time on welfare and previous work experience. Welfare usage and previous work experience are the two key dimensions expected to influence employment and insurance benefit outcomes and these two characteristics capture much of the difference by race and other demographic characteristics. The survey was conducted between August, 2002 and May, 2003 and was funded by the California HealthCare Foundation. Information was collected on employment status, health insurance coverage, health status, and utilization for adults and children. Although the survey of recipients was conducted approximately 2 years after the firm survey, the administrative welfare and employment data described below allow welfare recipients to be followed over time from job to job and from employer to employer.

Medical Eligibility Determination System (MEDS): State administrative data containing longitudinal information on persons who received welfare benefits in California from 1987 to 2001 was obtained from the California Department of Social Services. The MEDS data provide a means of tracking welfare usage over time and include information on sex, age, race, language and family composition. The MEDS data were used to construct the sampling frame for the Matched CalWORKs Recipient Survey and to augment the survey analysis.

UI/DI Base-Wage File: State administrative data containing longitudinal employment and earnings information for workers in industries covered by the state Unemployment and Disability Insurance (UI/DI) program was provided by the California Department of Social Services. A special extract of the Base-Wage File that contains only records for current and former welfare

[5] Firms were coded as offering insurance if at least one entry-level employee at the firm was offered EBI. For example, if the firm employed only part-time entry-level employees and did not offer them coverage, the firm was coded as not providing insurance. The firm survey distinguished between full-time and part-time entry-level employees and asked about insurance offerings for each group separately.

recipients were used to construct the sampling frame and also merged with the Matched CalWORKs Recipient Survey to analyze employment outcomes. The data cover a period from 1996 to 2001.

Methodology and Report Organization

These data sources are combined and analyzed in several different ways to examine the various components of EBI as they relate to welfare recipients who are transitioning into the labor market. The welfare population analyzed in this report represents single parents who received CalWORKs cash aid and were employed at some point between 1998 and 2000. The analysis and findings are organized in three major sections: Offering Rates, Eligibility Rates, and Participation Rates.

The first section analyzes insurance offering rates of firms hiring recent welfare recipients using three different methods. The first method is a firm-level analysis of the Entry-Level Employment (ELE) Benefits survey that estimates the percentage of firms that offer insurance by various firm characteristics such as firm size, industrial sector, average monthly wages, and whether the firm had hired a recent welfare recipient. The second method matches recipient workers to the firms completing the ELE Benefits Survey, and uses the firm-level information to conduct a cross-sectional analysis of recipient workers and insurance offerings. Annual cohorts of workers who received welfare sometime between 1987 and 2001 and were employed at an ELE firm in the year of interest are constructed for 1996 through 2001. Welfare and employment histories from the administrative files are merged with the cohort data to allow for analysis of insurance offerings by recency of welfare receipt and employment at an ELE firm. Finally, demand-side and supply-side determinants of EBI are examined by analyzing and combining the firm-level data with the Matched CalWORKs Recipient Survey.

The second section examines eligibility in EBI among recent welfare recipients in two different manners. First, a cohort of recipients who were on welfare sometime in 1998 or 1999 and employed at a firm completing the ELE Benefits Survey is analyzed. This is the group included in the sampling frame for the Matched CalWORKs Recipient Survey that was attached to ELE firms. Quarterly eligibility in EBI is estimated by comparing the employment levels of recipients with firm requirements for eligibility in their health plan. Weekly hours worked and job tenure at ELE firms are estimated for recipients from quarterly employment records. Eligibility in EBI is also estimated using the Matched CalWORKs Recipient Survey and analyzed by various characteristics of welfare recipient employees including education level, previous work experience, job tenure, and welfare history.

The final section investigates welfare recipient participation rates in EBI relying primarily on information provided by the Matched CalWORKs Recipient Survey combined with the administrative welfare and employment data. This information allows for analysis of factors affecting participation rates including education level, previous work experience, job tenure, and welfare history. Also included are sources of insurance coverage among recent welfare recipients and reasons why recipient workers who are eligible for EBI choose not to participate.

III. FINDINGS

The findings are presented in three major sections: Offering Rates, Eligibility Rates, and Participation Rates. These sections address the primary components that will affect access to EBI among welfare recipients who are transitioning into the labor force. Different policy interventions are required to address the different components underscoring the importance of understanding how each contributes to lack of EBI access among working welfare recipients.

OFFERING RATES

This section examines offering rates of EBI among firms that have entry-level job opportunities and have hired recent welfare recipients. These estimates rely on information provided by firms in the ELE Benefits Survey and reflect EBI offerings to entry-level employees at these firms.[6] Generally, the firm-based estimates of offering rates are higher than those based on individual survey respondents. It seems reasonable that these two methods would produce different estimates; workers who are not eligible or do not participate in their employer's health plan may not know about their employer's health insurance benefits.

Firms Hiring Welfare Recipients

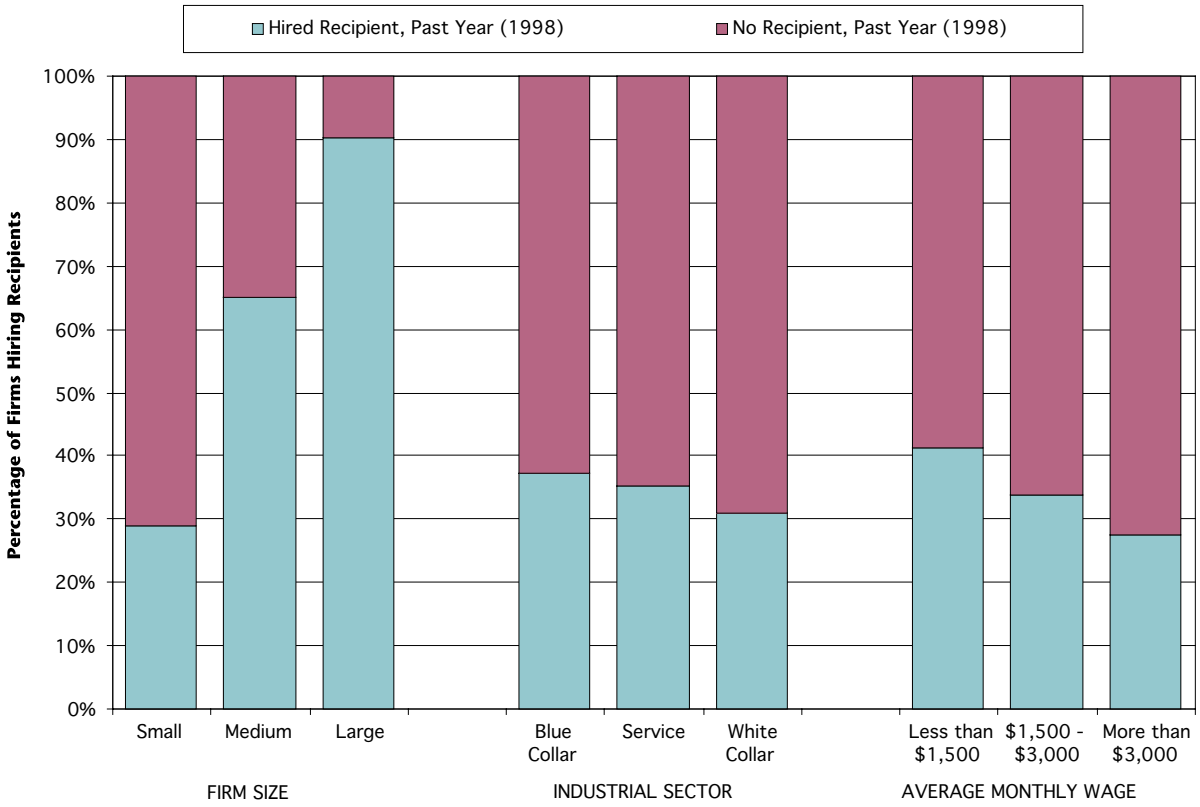
The ELE Benefits Survey provides a means of examining firm insurance offerings where recent welfare recipients have been hired in Los Angeles County. Characteristics of these firms, including firm size, industrial sector, and average employee wages are presented in Figure 1. Each of these firm characteristics has been linked to a firm's decision to offer health benefits. The results of the firm analysis presented in this section are weighted to account for sampling stratification and differential response rates by firm size and industrial sector.

What types of firms hire recent welfare recipients?

Small firms are less likely to have employed a recent welfare recipient compared to larger firms, which is intuitive given that these firms have fewer job opportunities compared to larger firms. Only about 3 in 10 small firms (less than 50 employees) had employed a current welfare recipient in the previous year, compared to nearly 9 in 10 large firms (more than 250 employees). While the bulk of total firms in operation are small firms, the vast majority of employment opportunities are actually in larger firms. For example, in Los Angeles County, about 80 percent of all firms have fewer than 50 employees; however, these small firms contain only about 20 percent of all entry-level jobs. Similarly, large firms with over 250 employees represent less than 5 percent of all firms, but large firms provide more than half of the County's total entry-level employment opportunities (McConville and Ong, 2000).

[6] The ELE Benefits Survey first asked questions about the composition of the entry-level workforce including number of full-time, part-time, and temporary entry-level employees currently employed and then asked about insurance offerings to each of these groups. In order for a firm to be coded as providing health insurance, it needed to offer to at least one of the entry-level employees.

Figure 1: Characteristics of Firms Hiring Recent Welfare Recipients, Los Angeles County Firms with Entry-Level Employment Opportunities, 2000 (N=557)



SOURCE: ELE Benefits Survey

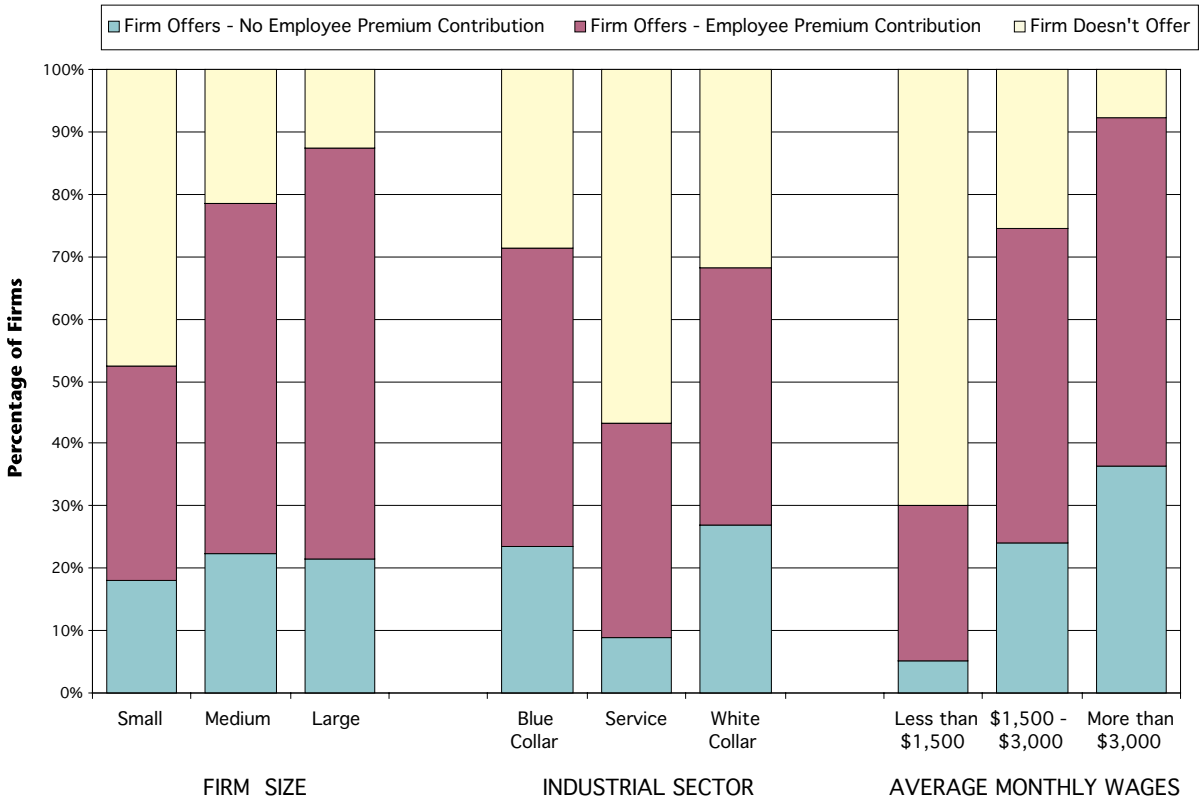
A firm's industrial sector has little impact on whether firms hired a recent welfare recipient; about 37 percent of blue-collar firms hired a recent welfare recipient, compared to 34 percent of service-sector firms and 30 percent of white-collar firms.[7] There do appear to be substantial differences based on the average employee wages. A significantly larger proportion of low-wage firms, firms where, on average, employees earn less than $1500 a month, hired a welfare recipient in the past year. While average employee wages is not a perfect measure of wage levels because it does not account for the number of hours worked or the mixture of high-wage and low-wage employees, it does provide a sense of the earnings levels of employees at a firm. Low average wage levels may also indicate large proportions of part-time workers at a firm.

[7] Industry categories were created based on Standard Industrial Classification (SIC) codes. Blue-collar industries include Agricultural, Forestry, and Fishing (01-09), Mining (10-14), Construction (15-16), Manufacturing (20-39), Transportation, Utilities, and Communications (40-49) and Wholesale Trade (50-51). Service industries include Retail Trade (52-59) and Services (70-79, 88). White-collar industries include Finance, Insurance, and Real Estate (60-69) and Services (80-87, 89).

What are the offering rates of EBI at firms hiring recent welfare recipients?

Figure 2 presents the distribution of insurance offerings by firm characteristics among those firms that had hired a recent welfare recipient. Firm insurance offerings are divided into three categories: 1) firms that do not offer insurance, 2) firms that offer insurance and require monthly premium contributions from the employee, and 3) those that offer insurance and do not require the employee to contribute to the monthly insurance premium.

Figure 2: Insurance Offerings of Firms Hiring Recent Welfare Recipients by Firm Characteristics, Los Angeles County Firms with Entry-Level Employment Opportunities, 2000 (N = 378)



SOURCE: ELE Benefits Survey

The patterns of insurance offerings based on firm characteristics displayed in Figure 2 are consistent with the firm-based literature on insurance offerings. Smaller firms, service sector firms, and low-wage firms have significantly lower rates of insurance offering, regardless of employee contributions. The low offering rates among service sector firms and low-wage firms is particularly pronounced and likely reflects the fact that these offering rates are for entry-level employees at firms that hired a recent welfare recipient.[8] Seven-in-ten firms in the lowest-wage category and about six-in-ten firms in the service-sector do not offer insurance to any entry-level employees. Only 10 percent of service-sector firms and 5 percent of low-wage firms offer insurance to their entry-level workforce with no premium contributions.

[8] See footnote 5.

While it is not clear why service sector and low-wage firms do not offer insurance, it is clear that welfare recipients who work for these employers have little chance of securing EBI. Larger firms appear to provide the best opportunities for recipients to access EBI and also provide the most employment opportunities. Eligibility restrictions, such as waiting periods or working too few hours, may prevent recipients at large firms from securing EBI coverage, but at least the opportunity exists. While there are limitations to firm-level analysis, it does provide some insights. Clearly, there are substantial differences in the likelihood that recipients will secure EBI based solely on the firms where they find employment.

EBI Offerings to Welfare Recipients

In this section, the lens of analysis changes from firms to the welfare recipients that find employment at these firms. By focusing on all current and former welfare recipients who worked for firms that completed the ELE Benefits Survey, a more detailed analysis of recipient access to EBI is possible.[9] Administrative data provides an expanded pool of current and former welfare recipients employed at these firms, and also provides the opportunity to highlight any changes that occurred since welfare reform was implemented.[10]

Do recent and former welfare recipients find employment at firms that offer EBI and how has this changed since the implementation of welfare reform?

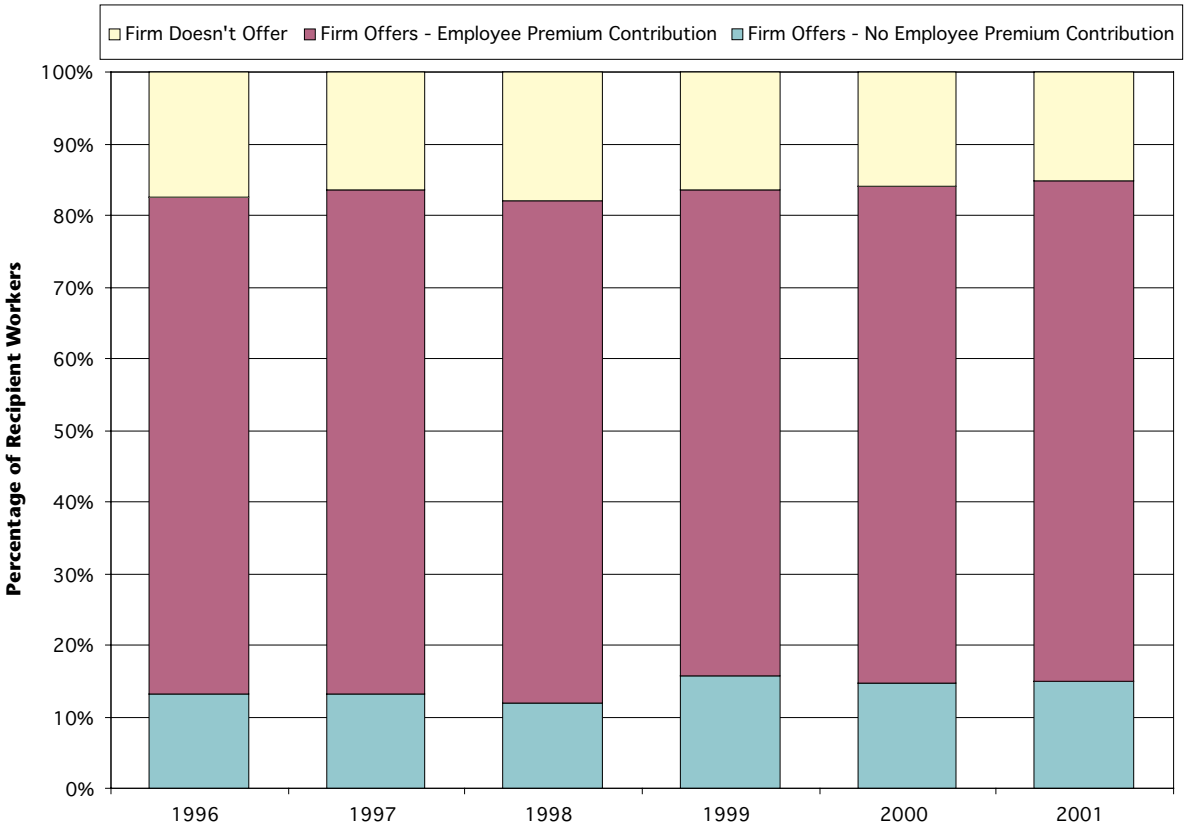
Figure 3 presents the distribution of working current and former welfare recipients by firm insurance offerings. Most recipients appear to be finding jobs at firms that offer insurance to at least some of their entry-level workforce. Over 80 percent of recipients find jobs at firms that offer health insurance, but the vast majority of these firms require employees to share the cost of the insurance premium. Employee cost-sharing has become a common feature of employment-based insurance, but will likely pose an additional barrier to welfare recipients because of their low income levels. These offering rates are higher than those presented in Tables 1 and 2 because they are derived from firm-level information, rather than information provided by workers.

As shown in Figure 3, the distribution of recipient employment by EBI offerings changed very little between 1996 to 2001. Slightly more recipients found employment in firms that offer health insurance with no employee premium contributions by the end of the six-year period and slightly fewer were in firms that did not offer insurance at all. Regardless, the vast majority of welfare recipients are finding jobs in firms that offer health insurance to at least some of their entry-level employees.

[9] Includes people who received welfare at least one month between 1987 and 2000 in California.

[10] The analysis is based on cross-sectional data of current and former recipients attached to firms in the ELE Benefits Survey in the year of interest. It does not track a group or cohort of recipients over a period of time. Additional information about this group of recipients is included in the Appendix.

Figure 3: Employment Distribution by Firm Insurance Offerings, Current and Former Welfare Recipients Employed at ELE Firms, 1996-2001 (N Varies by Year, Range 21,472 – 30,236)



SOURCE: ELE Benefits Survey, UI/DI Base Wage file, and MEDS file

Does the length of time off welfare impact which recipients find employment at firms offering EBI?

Other recent studies indicate that the length of time away from welfare is a strong predictor of access to EBI among employed welfare recipients. As former welfare recipients spend more time in the labor force and less time receiving public assistance, their ability to secure jobs with EBI improves (Gresenz and Klerman, 2002). In Figure 4, the distribution of recipient employment by firm insurance offerings is presented for recent welfare users and welfare leavers.[11] Larger proportions of welfare leavers are employed at firms that offer insurance with no employee premium contributions compared to recent welfare users. Unfortunately, it also appears that welfare leavers have higher proportions of employment at firms that do not offer insurance at all. Despite these differences, offering rates remain near 80 percent, although the vast majority must contribute out-of-pocket to the insurance premium, which will likely present a barrier to enrollment among recent welfare recipients.

[11] Recent CalWORKS users are defined as people who received TANF/AFDC benefits at least one month in the year of interest or the previous year. For example, recent CalWORKs users in 1996 received welfare at least one month in either 1996 or 1995. Welfare leavers are defined as people who have not received TANF/AFDC benefits for three years prior to the year of interest and all subsequent years up until 2000. For example, welfare leavers in 1996 did not receive welfare in any month in 1993, 1994, 1995, 1996, 1997, 1998, 1999, or 2000.

Figure 4: Employment Distribution by Firm Insurance Offerings and Time Off Welfare, Current and Former Welfare Recipients Employed at ELE Firms, 1996-2001 (N Varies by Year, Range 21,472 – 30,236)

SOURCE: ELE Benefits Survey, UI/DI Base Wage file, and MEDS file

Demand-Side and Supply-Side Determinants of EBI

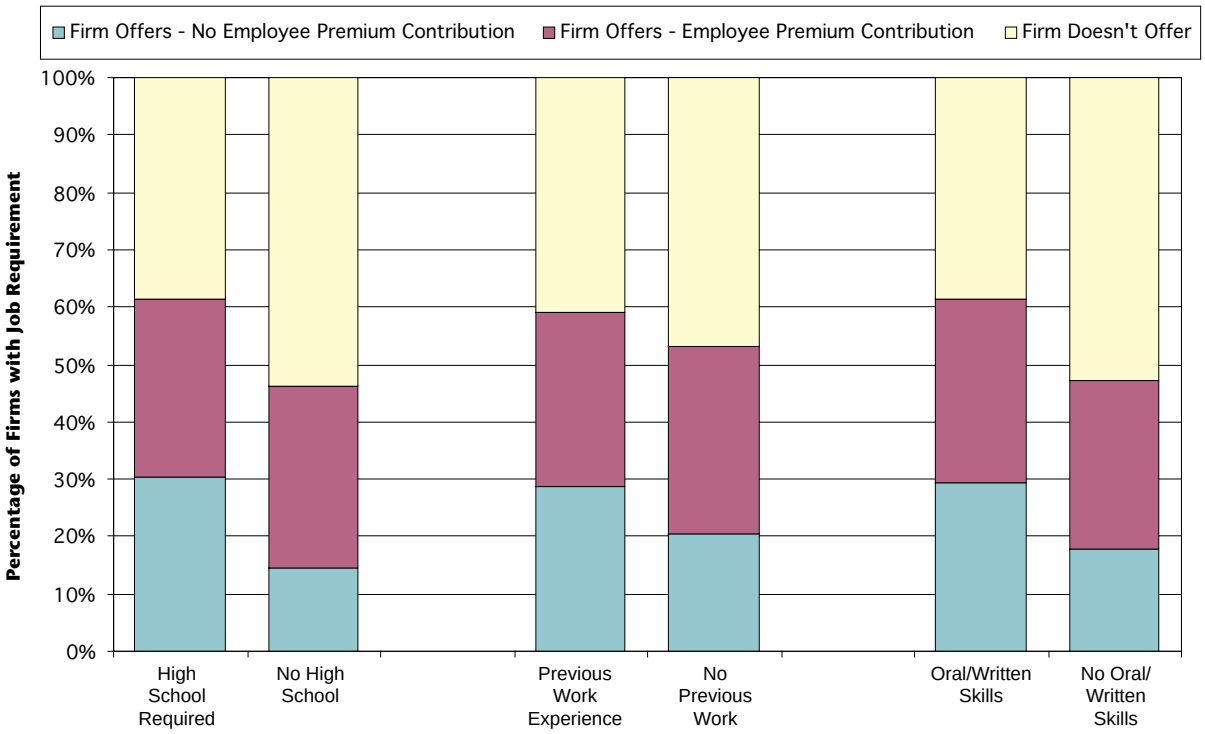
This section examines how the job requirements of firms affect their insurance offerings and how well recipient employees at these firms match these job requirements. Both firm characteristics (demand-side) and the personal and employment characteristics of recipient workers (supply-side) determine who becomes employed. It is expected that both firm and individual characteristics influence which recipients find work in better firms—those that offer EBI, particularly, those offering EBI with no employee premium contributions.

What do employers look for in their entry-level workforce and how does that affect EBI?

First, this issue is examined from the firm or labor-demand perspective to better understand what employers seek in their entry-level labor force and if job requirements vary by firm insurance offerings. Presumably, firms that demand more from their entry-level labor force will provide better employment benefits in order to attract good workers, particularly in a tight labor market. Firms offering better jobs can likely be more effective in applying employment criteria and thus more selective in their hiring for entry-level positions.

Figure 5 displays job requirements for entry-level employment by firm insurance offerings. The ELE Benefits Survey asked employers to judge the importance of certain skills and characteristics of entry-level job seekers. Skills and education were designated as requirements for entry-level jobs if employers rated them 'Very Important'.

Figure 5: Job Requirements for Entry-Level Employment by Firm Insurance Offerings, Los Angeles County Firms with Entry-Level Employment Opportunities, 2000 (N = 557)



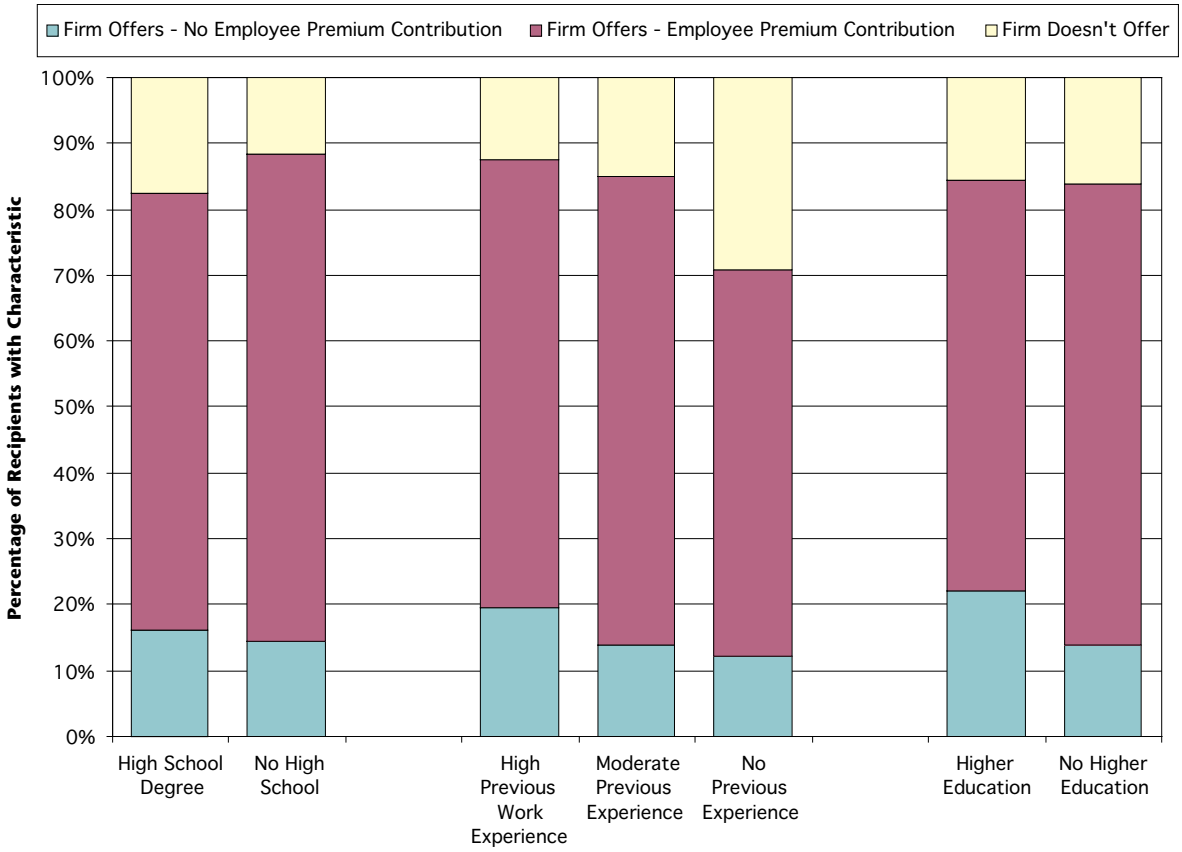
SOURCE: ELE Benefits Survey

Educational requirements are significantly associated with whether a firm offers EBI and requires employee premium contributions. Twice as many firms that require a high school education provide insurance with no premium contributions and less than half of firms that do not require a high school degree offer health insurance. One of the key areas of interest for recipient employment is "soft skills." Understanding workplace norms and expectations, including the need for clear communication, promptness, and appearance are crucial to recipient workers finding and maintaining employment. The best measure available to proxy soft skills is previous work experience. Presumably, recipients with labor market experience know more about what is expected at the workplace and should have better employment opportunities that may offer health benefits. There are slight differences in insurance offerings among firms that place a high level of importance on previous work experience and skill levels but these differences are not statistically significant.

How well do recent welfare recipients meet the entry-level job requirements of employers that offer EBI?

Next, the characteristics of recent welfare recipients who found employment at these firms is examined to assess the extent to which demand-side job requirements translate into different characteristics of the labor force. Figure 6 presents the characteristics of recent welfare recipients hired at ELE firms.

Figure 6: Characteristics of Recipient Workers by Firm Insurance Offerings, Recent Welfare Recipients Employed at ELE Firms, 2000 (N = 220)



SOURCE: ELE Benefits Survey and Matched CalWORKs Recipient Survey

Despite the fairly large differences in insurance offerings by educational job requirements presented in the previous figure, there are only slight and insignificant differences in the EBI offerings experienced by welfare recipients based on education level. Although previous work experience is not a signficant predictor of EBI offerings based on firm-level information, a welfare recipient's level of previous work experience, measured by combined total earnings in 1997, 1998, and 1999, does significantly impact whether they find employment at firms that offer health insurance. Welfare recipients with little to no previous work experience have much higher rates of employment at firms that do not offer EBI. Because there are no items available to directly measure oral and written communication skills, some amount of college education is used instead, but does not significantly impact firm insurance offerings.

ELIGIBILITY RATES

The second component of access to EBI among recent welfare recipients is eligibility for their employer's health plan. Even if welfare recipients find employment in firms that offer insurance, they may not be eligible to enroll due to their employer's eligibility requirements. Most often workers are not eligible for EBI because they do not work enough hours or have not worked at the firm long enough. Because of IRS non-discrimination requirements, employers cannot differentially offer health insurance based on wage levels. However, employers can restrict insurance offerings to full-time employees based on the number of hours they work and require that employees work a certain amount of time before becoming eligible for EBI. These eligibility restrictions are common throughout the labor market and will prevent some welfare recipients from being eligible for their employer's health plan.

According to the ELE Benefits Survey, over 90 percent of firms hiring recipients required at least a one-month waiting period before employees became eligible to participate in EBI, and the average waiting period was 3.25 months. In addition, the majority of ELE firms required that employees work at least 33 hours a week to be eligible for EBI. Studies of employment outcomes among former welfare recipients indicate that job tenure is low and many work part-time suggesting limited eligibility in EBI (Drayse, et al., 2000).

Eligibility in EBI among recent welfare recipients is examined using two different methods. The first relies on firm-level information that is matched with recent welfare recipients who received who received CalWORKs cash assistance and were employed at an ELE firm sometime between 1998 and 2000. The firm-level data provide information on eligibility restrictions and the recipient-level data contain information on employment levels and job tenure – the two primary determinants of eligibility in EBI. This approach enables analysis of a large sample of recent welfare recipients over a four-year time period. The other method for examining eligibility in EBI utilizes the information provided in the Matched CalWORKs Recipient Survey.

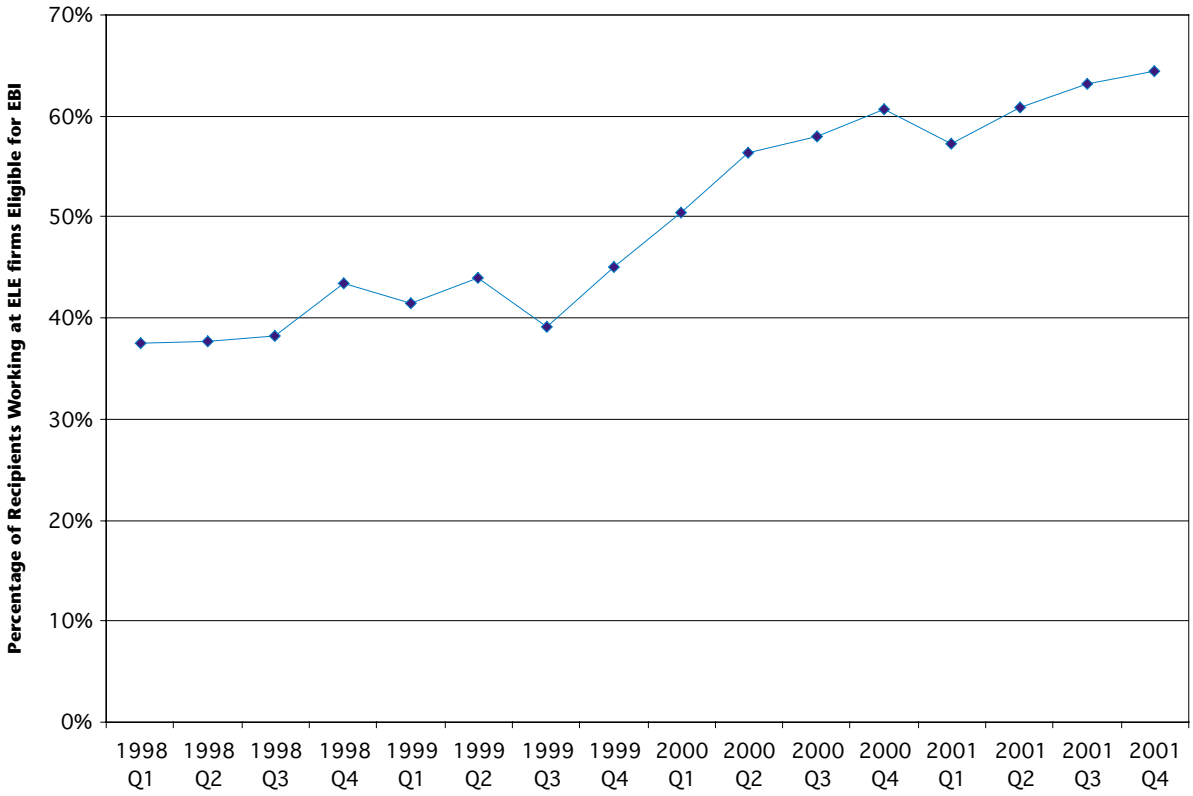
What percentage of recent welfare recipients are eligible for EBI and how does that change over time?

Eligibility rates for EBI among recent welfare recipients range between 30 percent and 60 percent, increasing steadily over time as employment levels increase. The estimated eligibility rates presented in Figure 7 are determined by comparing the estimated number of hours a recipient works and the length of time she has been employed at the firm with the eligibility qualifications for EBI provided by firms.[12] As is the case with offering rates, eligibility rates based on firm-level information may be higher than those calculated based on the knowledge of individual workers. In each quarter, only recipients working at ELE firms are included in the eligibility calculations.[13]

[12] Weekly hours were calculated using quarterly earnings and assuming an hourly wage rate of $7.00. To be included in the eligibility calculations, the recipient worker needed to be employed at the firm in the quarters prior and subsequent to the quarter of interest.

[13] In any given quarter between 40 percent and 15 percent of the group were employed at an ELE firm.

Figure 7: Estimated Eligibility in EBI among Recent Welfare Recipients Employed at ELE Firms, 1998-2001 (N=3687)



SOURCE: ELE Benefits Survey and UI/DI Base Wage file

Eligibility rates of EBI increase steadily over time as welfare recipients become more attached to the labor force. At the beginning of 1998, less than 40 percent of recent welfare recipients employed at an ELE firm were eligible for EBI. Eligibility rates start increasing towards the end of 1999, and continue to rise throughout 2000 and 2001, reaching levels around 60 percent at the end of the four-year period. Increases in eligibility are driven primarily by increases in the number of hours worked. In part this results from attrition among recipient workers, with those remaining at the firm more likely to have full-time work and be eligible for health benefits.

What affects eligibility for EBI among recent welfare recipients?

The Matched CalWORKs Recipient Survey also provides a source for estimating eligibility in EBI based on the respondent's knowledge of the insurance offerings at firms where they work.[14] This method provides a means for investigating how education levels and the employment experiences of recent welfare recipients impact their eligibility for EBI.

[14] This method is equivalent to the one used to calculate eligibility from the Current Population Survey presented in Table 1.

Overall, about half (51 percent) of recent welfare recipients report being eligible for EBI at their current or most recent job (Table 3). Eligibility rates are not significantly affected by personal characteristics of recipient workers, such as race, age, or language (not presented). Education levels of welfare recipients and length of time receiving welfare also do not impact eligibility for EBI, however, employment-related characteristics do. The most significant predictor of welfare recipient's eligibility for EBI is job tenure. Sixty percent of recipients employed more than one year at a job were eligible for EBI compared to 38 percent employed less than one year. Previous work experience, measured as total employment earnings between 1997 and 1999, also significantly affects eligibility. Recent welfare recipients with high levels of work experience have eligibility rates nearly 20 percentage points higher than recipients with little previous work experience.

Table 3: Eligibility for EBI by Education, Employment, and Welfare History, Recent Welfare Recipients (N=760)

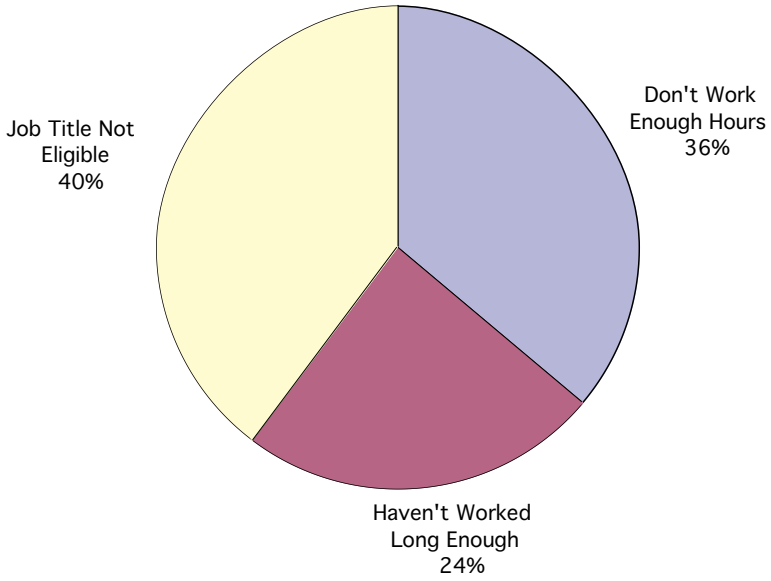
Education Level	
Less than High School	47.3%
High School/GED	50.6%
Some College	56.2%
Welfare Usage, 1987 - 2001	
Low (Less than 45 months)	54.3%
Moderate (45 to 90 months)	54.8%
High (More than 90 months)	48.3%
Previous Work Experience, 1997 - 1999**	
Low (Less than $2,000 total earnings)	39.8%
Moderate ($2,000 to $20,000 total earnings)	48.2%
High (More than $20,000 total earnings)	68.5%
Job Tenure, Current/Most Recent Job**	
Less than One Year	37.7%
More than One Year	60.2%
Total	51.2%

Chi-Square Significance Test: * p<0.05 ** p<0.01
SOURCE: Matched CalWORKs Recipient Survey, UI/DI Base Wage file, and MEDS file

Why are recent welfare recipients employed at firms that offer EBI not eligible?

Among welfare recipients employed at firms that offer EBI, more than a third were not eligible because they worked too few hours and another quarter because they did not work for their employer long enough (Figure 8). The remaining 40 percent indicated that their job title was not eligible for EBI. This may be a reflection of workers not understanding the determinants for eligibility in their employer's health plan. Workers who do not know specifically why they are ineligible may simply assume that their job title does not allow them access, when in reality it is a function of their part-time work status or low job-tenure.

Figure 8: Reported Reasons for Ineligibility in EBI, Recent Welfare Recipients in Firms that Offer EBI, 2002 (N=152)



SOURCE: Matched CalWORKs Recipient Survey

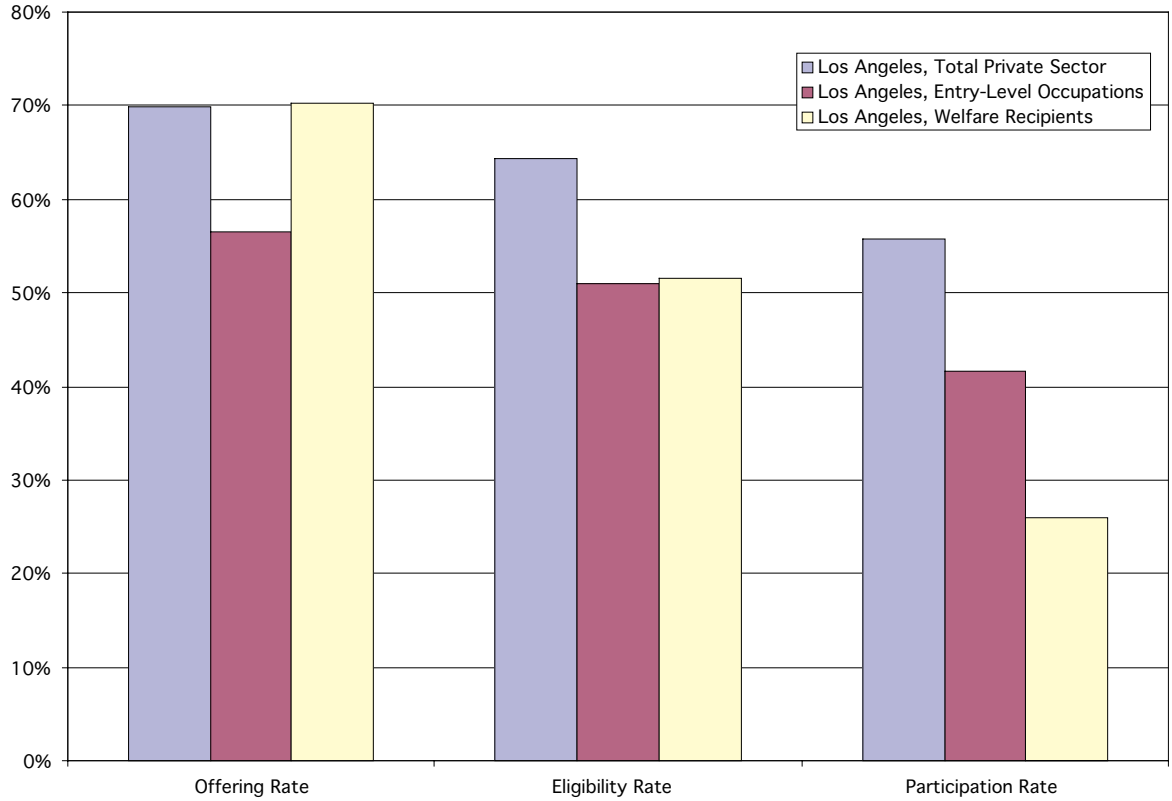
PARTICIPATION RATES

Ultimately, participation rates determine whether welfare recipients are covered by EBI. Research suggests that participation in EBI is low among welfare recipients with estimates of participation rates in EBI ranging between 25 and 33 percent. Figure 9 provides a summary of offering rates, eligibility rates and participation rates for workers in Los Angeles County. Estimated participation in EBI is presented for all workers and workers in entry-level occupations, calculated from the CPS and presented in Tables 1 and 2, and for recent welfare recipients, calculated from the Matched CalWORKs Recipient Survey.

What percentage of recent welfare recipients participate in EBI and how does this compare with other Los Angeles County workers?

Approximately one-quarter of recent welfare recipients participated in EBI at their current or most recent job. Recent welfare recipients appear to experience offering rates of EBI on par with all private sector workers and considerably higher than workers in entry-level occupations. This likely results from the fact that not all recent welfare recipients are employed in entry-level occupations. Eligibility for EBI is much higher for the total private-sector labor force, but about the same for workers in entry-level occupations and welfare recipients.

Figure 9: Offering, Eligibility, and Participation Rates in EBI, Los Angeles County Workers, 2001



SOURCE: CPS February Supplement, 2001 and Matched CalWORKs Recipient Survey

The major difference between recipient workers and other workers with regard to EBI appears to be in participation. Despite equivalent eligibility, participation in EBI among recent welfare recipients is 15 percentage points lower than workers in entry-level occupations and 30 points lower than all workers. The large gap in participation rates may be explained in part by continued Medi-Cal coverage due to low-income levels and the continued presence of dependent children.

What are the sources of insurance coverage among welfare recipients who do not participate in EBI?

The majority of recent welfare recipients entering the workforce continue to rely on Medi-Cal for their health insurance coverage. Figure 4 presents the insurance coverage sources of welfare recipients who are not offered EBI, who are offered but not eligible for EBI, and who are eligible but do not participate in EBI. Medi-Cal coverage rates and uninsurance levels are nearly identical among recent welfare recipients who are not offered EBI and those who are eligible for EBI, but do not participate. About 80 percent receive their health insurance coverage from Medi-Cal, and another 17 percent are uninsured. Recent welfare recipients who are offered EBI, but are not eligible have lower rates of Medi-Cal coverage and higher rates of uninsurance. Only 70 percent of this group are covered by Medi-Cal and over 20 percent are uninsured.

Table 4: Sources of Insurance Coverage by Availability of EBI, Recent Welfare Recipients Not Participating in EBI, 2002

Insurance Coverage		Not Offered EBI	Offered EBI, Not Eligible	Eligible for EBI Do Not Participate
Medi-Cal		79%	71%	78%
Uninsured		17%	21%	16%
Other		4%	7%	6%
	N	224	149	194

SOURCE: Matched CalWORKs Recipient Survey

What affects participation rates among recent welfare recipients?

Several factors influence whether welfare recipients participate in EBI including education levels, previous welfare usage and work experience, and job tenure (Table 5). Only 15 percent of welfare recipients with less than a high school education participate in EBI, while participation rates among welfare recipients with a high school education are 30 percent and among those with some college, 37 percent. Job tenure is also a significant indicator of participation in EBI. Twice as many welfare recipients with at least one year at a particular job participate in EBI compared to recipients employed less than one year. Both previous work experience and welfare history, measured as the number of months receiving welfare over a 15-year period (1987-2001), significantly affect participation in EBI. Welfare recipients with high levels of work experience and low levels of welfare usage exhibit considerably higher participation rates in EBI.

Table 5: Participation Rates of Recent Welfare Recipients by Education, Employment and Welfare History (N=760)

Education Level*	
Less than High School	18.7%
High School/GED	26.2%
Some College	30.9%
Welfare Usage, 1987- 2001**	
High (More than 90 months)	20.7%
Moderate (45 to 90 months)	31.2%
Low (Less than 45 months)	31.8%
Previous Work Experience, 1997-1999 **	
Low (Less than $2000 total earnings)	20.7%
Moderate ($2000 to $20000 total earnings)	23.8%
High (More than $20000 total earnings)	35.0%
Job Tenure, Current/Most Recent Job**	
Less than One Year	15.4%
More than One Year	32.7%
Total	25.8%

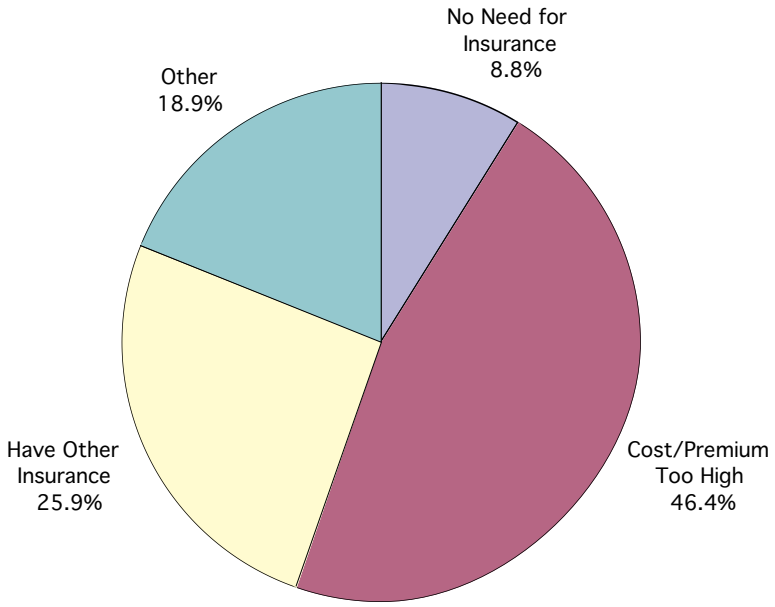
Chi-Square Significance Test: * p<0.05 ** p<0.01

SOURCE: Matched CalWORKs Recipient Survey, UI/DI Base Wage file, and MEDS file

Why do welfare recipients who are eligible for EBI not participate?

The primary reason for non-participation among workers eligible for their employer's health plan involves cost. Nearly half of recipient workers who were eligible for their employer's health plan but chose not to enroll indicated that they did so because the cost of participation was too high. On average, the monthly out-of-pocket cost to the worker to participate in EBI is about $38 for individual coverage and $90 for family coverage. Another 26 percent of recipient workers did not enroll in EBI because they had another source of coverage, while only 9 percent did not enroll because they indicated that they did not need health insurance.

Figure 10: Reasons for Non-Participation in EBI, Recent Welfare Recipients Eligible for EBI, 2002 (N=191)



SOURCE: Matched CalWORKs Recipient Survey

IV. IMPLICATIONS AND RECOMMENDATIONS

Three primary components affect whether welfare recipients who are transitioning into the labor market can secure EBI:

- offering rates of firms hiring recent welfare recipients,
- eligibility rates of recipient workers and
- participation or enrollment rates of recipient workers.

Improving Offering Rates

Firm insurance offerings vary considerably based on certain firm characteristics including size, industrial sector, and average employee wage levels, but they also vary by job requirements such as education levels and previous work experience. One way to improve the chance welfare recipients find employment in firms that offer EBI is simply to increase the number of firms that offer health insurance to their workers. To address low offering rates among firms, many state programs target employers, particularly small employers, to facilitate and encourage these businesses to offer coverage. To date, many of these programs, including California's Health Insurance Purchasing Consortium (HIPC), now called PacAdvantage, have met with only limited success (Wicks and Meyer, 1999; MRMIB, 1999).

Another means of improving access to EBI among welfare recipients involves improving the supply of recipient workers and the job matching that occurs between welfare recipients and employers. The beginning phases of welfare reform were dominated by a 'work-first' paradigm that focused on fast attachment to the labor force and represented a fundamental change from the prevailing 'human capital' model that focused on education and basic skills training. Most welfare-to-work programs encouraged, and, to some extent, required that recipients take any job, the assumption being that work experience was key to labor market success. However, the initial employment outcomes of welfare recipients suggested that many were simply moving from one low-paying job to another without finding better employment opportunities. As a result, many welfare-to-work programs are beginning to focus more on improving the quality of jobs welfare recipients secure, in part, by increasing their skill levels. Insurance offering rates based on firm-level information suggest that welfare recipients with at least a high school education should have better opportunities to secure employment at firms that offer EBI to their entry-level workforce. In addition, education levels significantly impact participation rates among recent welfare recipients, so improving educational outcomes would also improve the likelihood that welfare recipients are actually covered by EBI. Welfare-to-work programs can also improve opportunities for EBI coverage by focusing job placement efforts on certain types of firms that exhibit higher offering rates of EBI, such as large firms and blue-collar firms.

Improving Eligibility Rates

Lack of eligibility in EBI is more complex and involves increasing job tenure and the number of hours welfare recipients work. Again, many welfare-to-work programs are incorporating job retention and up-skilling into their programs in order to improve the employment outcomes of welfare recipients. Eligibility rates do increase over time as recipient workers increase their hours worked and job tenures. Unfortunately, it is not clear whether the increase in employment levels results from increased labor demand by the firm or desire on the part of welfare recipients to

work more hours. To the extent that it is driven by labor demand, recipient workers may experience more difficulty increasing their hours and thus eligibility in EBI, as the economy weakens and labor demand decreases. In order for welfare recipients to gain and maintain eligibility for EBI, they need to secure stable full-time employment. Many welfare-to-work programs are beginning to focus more attention on increasing job tenure and improving the quality of jobs welfare recipients workers find, rather than simply moving them into just any job.

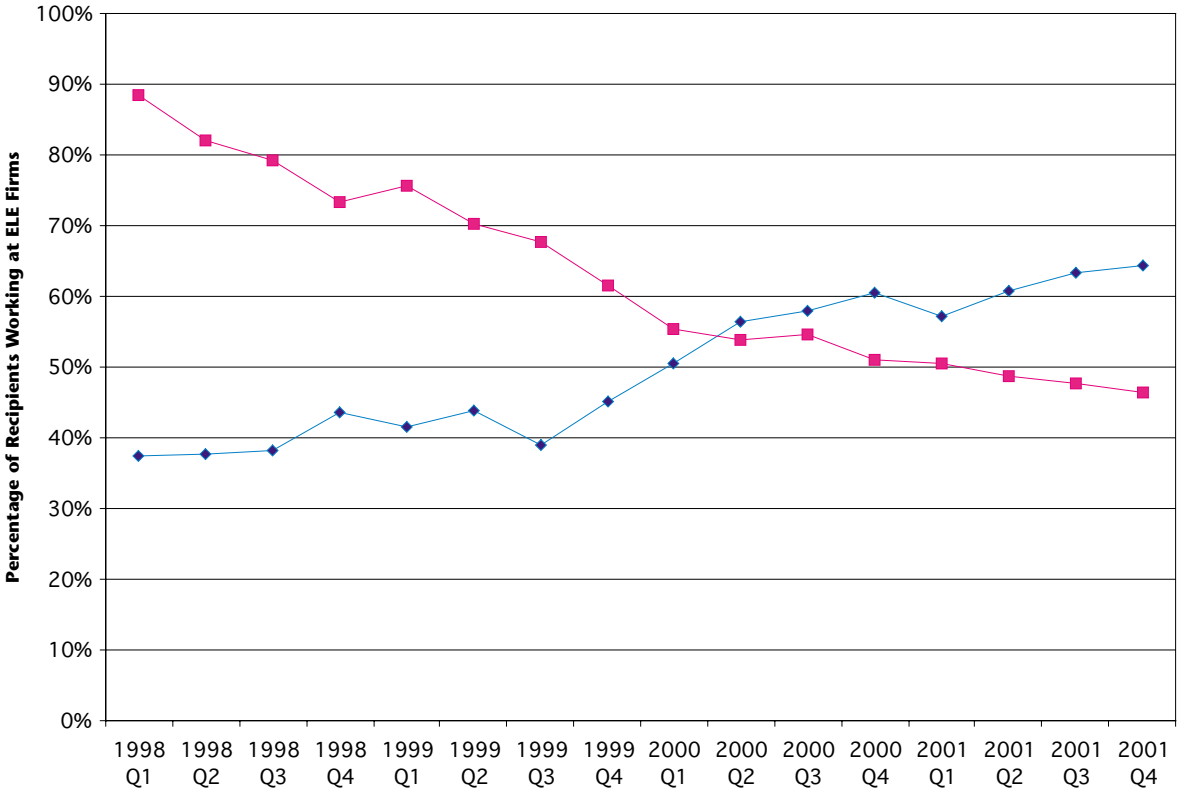
Improving Participation Rates

While offering rates and eligibility rates obviously affect coverage in EBI, participation or enrollment ultimately determines who will be covered. Several characteristics of welfare recipients impact participation in EBI, but the decision to participate hinges on two primary factors, the continued access to another source of insurance coverage and the out-of-pocket cost of coverage. Eligibility in Medi-Cal was not substantially altered by welfare reform and does not have work requirements or time limits attached to eligibility, providing families remain at low-income levels (below 100% FPL) and have dependent children in the household. Early studies indicated that Medi-Cal rates were dropping considerably as the result of welfare reform, but more recent reports suggest that Medi-Cal usage among women transitioning off welfare is on the rise (Gresenz and Klerman, 2002). Welfare recipients who remain eligible for Medi-Cal will likely use it due to their continued low incomes and the fact that Medi-Cal typically does not require cost sharing, unlike most employer health plans.

Figure 11 shows that many welfare recipients transitioning into the labor market continue to be eligible for Medi-Cal.[15] As expected, Medi-Cal eligibility declines and EBI eligibility increases over time as welfare recipients increase their employment levels. This, along with the significant gap between eligibility rates and participation rates among welfare recipients, suggests that there are opportunities for increasing the percentage of current and former welfare recipients who are covered by EBI.

[15] The Medi-Cal eligibility estimates presented in Figure 11 are based only on income from earnings and family composition and may over-estimate eligibility due to other possible sources of household income.

Figure 11: Estimated Eligibility in EBI and Medi-Cal among Recent Welfare Recipients, 1998 – 2001, (N=3687)



SOURCE: ELE Benefits Survey and UI/DI Base Wage file

To the extent that out-of-pocket costs in the form of monthly premium contributions impact participation in EBI among welfare recipients, a premium assistance (PA) program providing subsidization of insurance costs may increase participation rates. These programs, often designed and implemented by state and local governments, provide subsidies to either employers or employees to help cover the cost of the insurance premium. One of the goals of a subsidy program is to act as a bridge between Medi-Cal, which typically does not require cost-sharing, and EBI, which most often does.

The target group for a PA program geared towards welfare recipients would include those that are eligible for EBI at their current jobs. Overall, about half of recent welfare recipients are eligible for EBI at their current or most recent job, but only one-quarter, or half of those that are eligible, elect to participate. Due to equity issues, a premium assistance program should target all recipients who are eligible for EBI, regardless of whether they currently participate, so that effectively the increase in EBI coverage resulting from a PA program would be about 25 percent of recent welfare recipients. To better target those recipients that currently do not participate, the PA program could use income levels to determine the level of subsidy provided. Recipients with higher earnings are more likely to participate in EBI so that targeting recipients based on income levels will help to capture the group that currently chooses not to participate.

Increasing EBI coverage among welfare recipients who are transitioning into the labor market as the result of welfare will aid recipients to become more self-sufficient and also help to lower the costs of providing insurance coverage to low-income families with children. Premium assistance programs create an opportunity to combine employer and public funds to provide insurance coverage to workers, and, to the extent that premium contributions are less than Medi-Cal capitation rates, state governments could reduce their costs. As the numbers of uninsured continue to climb and state and local governments increasingly struggle with providing and funding health care for those without insurance, it is important to understand the availability and affordability of EBI for groups with low coverage rates.

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Distributions of Recipient Employment by Firm Insurance Offerings

Table A1 provides additional information that supplements the cross-sectional analysis provided in the second part of the Offering Rates Section. The information presented is based on insurance data from the ELE Benefits Survey merged with employment data from the UI/DI Base Wage file.

Table A1: Employment and Earnings Levels Among Current and Former Welfare Recipients Employed at ELE Firms

	All Firms	Offer Insurance No Co Pay	Offer Insurance Co-Pay	Do Not Offer Insurance
1996				
Total Number of Recipients Employed	21,472	3,202	14,307	3,963
Mean Qtrs Employed at ELE Firm	2.3	2.3	2.3	2.0
Mean/Median Annual Earnings at ELE Firm	$5825/$2414	$8073/$3689	$5998/$2693	$3385/$1290
1997				
Total Number of Recipients Employed	25,680	3,718	17,639	4,323
Mean Qtrs Employed at ELE Firm	2.3	2.4	2.3	2.2
Mean/Median Annual Earnings at ELE Firm	$6400/$2875	$8339/$4230	$6584/$3173	$3982/$1523
1998				
Total Number of Recipients Employed	28,637	4,194	19,472	4,971
Mean Qtrs Employed at ELE Firm	2.4	2.5	2.4	2.3
Mean/Median Annual Earnings at ELE Firm	$7036/$3266	$9400/$5554	$7221/$3581	$4317/$1686
1999				
Total Number of Recipients Employed	28,998	5,171	19,090	4,737
Mean Qtrs Employed at ELE Firm	2.4	2.3	2.4	2.3
Mean/Median Annual Earnings	$7428/$3516	$9047/$4533	$7357/$3877	$4737/$1747
2000				
Total Number of Recipients Employed	30,236	5,238	19,778	5,220
Mean Qtrs Employed at ELE Firm	2.3	2.5	2.3	2.1
Mean/Median Annual Earnings at ELE Firm	$7762/$3291	$11020/$6018	$7575/$3458	$5200/$1683
2001				
Total Number of Recipients Employed	28,419	5,042	18,612	4,765
Mean Qtrs Employed at ELE Firm	2.4	2.5	2.4	2.2
Mean/Median Annual Earnings at ELE Firm	$9132/$4184	$ 12629/$6862	$9027/$4621	$5845/$1817

SOURCE: ELE Benefits Survey and UI/DI Base Wage file

The total number of recipient workers employed at ELE firms increased over time as welfare reform imposed work requirements and then slightly decreased in 2001. The table also indicates that recipient workers in firms that offer insurance with no premium contributions constantly fare better in terms of annual earnings levels. There appears to be a distinct hierarchy in earnings based on firm insurance offerings, which is not surprising given the correlation between wage levels and insurance offerings.

Characteristics of Sampling Frame and Survey Respondents

The following table provides demographic information for the total sample, the ELE firm cohort, and the Matched Recipient Survey. Blacks appear to be over-represented, while Latinos are under-represented in the Matched Recipient Survey. To a lesser extent, Whites are slightly over-represented and Asians under-represented. Statistical weights were developed to adjust for differential response rates by age, length of time on welfare and previous work experience. Welfare usage and previous work experience are the two key dimensions expected to influence employment and insurance benefit outcomes and these two characteristics capture much of the difference by race and other demographic characteristics. As a result, the survey analysis is weighted so that it reflects the composition of the sampling frame. The ELE firm cohort, those welfare recipients who were employed by one of the firms completing the ELE Benefits survey are much more likely to have higher levels of previous work experience and less welfare usage.

Table A2: Characteristics of Sampling Frame, Firm Cohort, and Survey Respondents

	Sampling Frame	ELE Firm Cohort	Survey Respondents
Age			
19 - 25	33.3%	35.9%	32.9%
25 - 35	32.2%	39.4%	40.8%
Over 35	34.5%	24.7%	26.3%
Race			
White	12.1%	9.8%	14.4%
Latino	46.2%	51.9%	37.9%
Black	35.9%	34.8%	45.9%
Asian	5.2%	2.9%	1.5%
Education Level			
Less than High School	NA	NA	23.6%
High School/GED	NA	NA	45.2%
Some College	NA	NA	31.2%
Welfare Usage, 1987 - 2001			
Low (Less than 45 months)	18.9%	25.7%	18.9%
Moderate (45 to 90 months)	28.0%	32.3%	25.0%
High (More than 90 months)	53.1%	42.1%	56.1%
Previous Work Experience, 1997 - 1999			
Low (Less than $2000 total earnings)	25.4%	12.1%	23.1%
Moderate ($2000 to $20000 total earnings)	49.0%	51.4%	53.8%
High (More than $20000 total earnings)	25.6%	36.5%	23.1%
N	10,569	3,687	760

SOURCE: Matched CalWORKs Recipient Survey, UI/DI Base Wage file, and MEDS file

Employment Stability and Earnings Growth

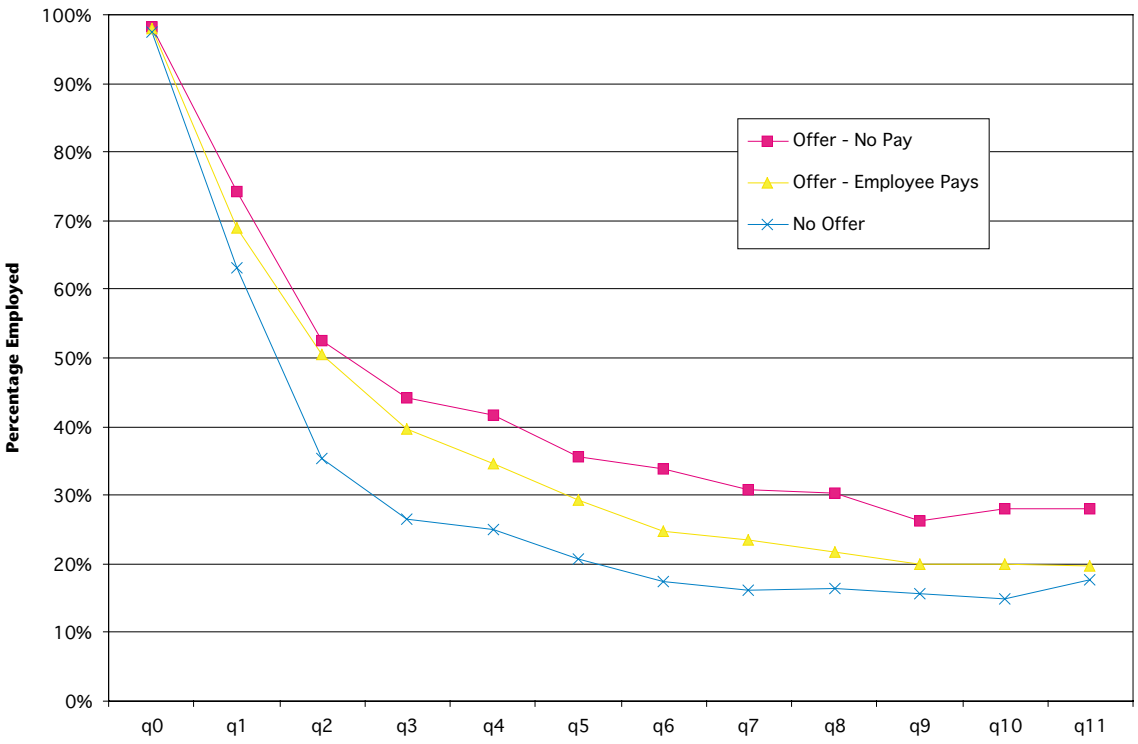
Employment stability and earnings growth are two important indicators of labor market success that will largely determine whether recipients are able to successfully transition from welfare to work. To the extent that firms offering EBI have better employment opportunities, recipient

workers who find employment at these firms may be more likely to stay at the job and experience higher earnings growth. This section examines the extent to which recipients that find jobs at firms providing EBI are more likely to stay at the firm and experience increased job tenure and earnings growth over time.

To analyze stability and earnings growth over time, a cohort of recipients employed at one of the ELE firms and on welfare in 1998 and 1999 is examined. This longitudinal analysis controls for start date at the firm and the results presented in Figures A1 and A2 are measured from Q0, the quarter the recipient worker started working at the ELE firm, through subsequent quarters of employment. The time period examined begins in 1998 and extends through 2001.

Job tenure among welfare recipients does appear to be affected by the insurance offerings of firms where they find employment. About 43 percent of recipients employed at firms offering insurance with no employee contributions remained employed after one year and about 30 percent were still there after three years. Recipient workers employed at firms offering EBI and requiring employee contributions exhibited longer job tenure through most of the period compared to workers at firms not offering EBI, however, at the end of three years only 20 percent of recipient workers were still at ELE firms regardless of whether the firm offered with employee contributions or did not offer at all.

Figure A1: Employment Stability at ELE Firm by Insurance Offerings

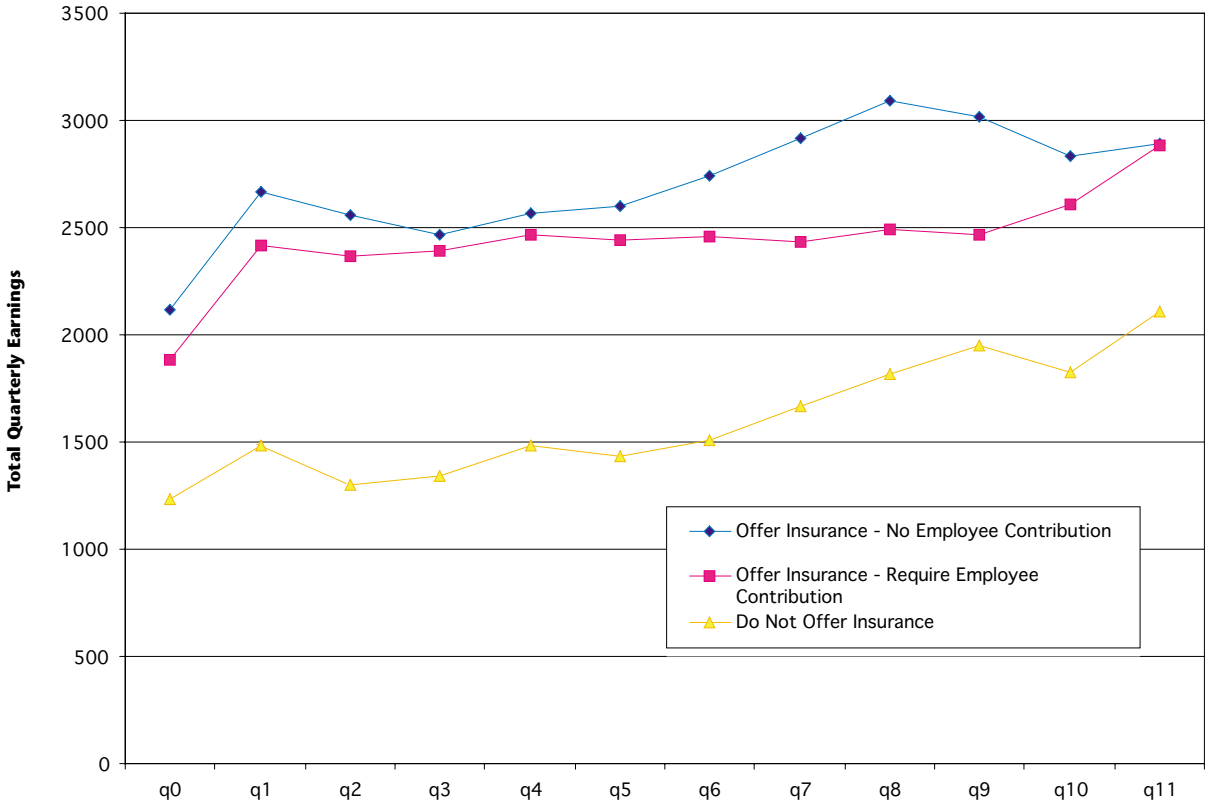


SOURCE: ELE Benefits Survey and UI/DI Base Wage file

To some extent, recipients employed at firms offering EBI should have higher earnings levels due to the correlation between insurance offerings and earnings levels. Low-wage firms are

significantly less likely to offer insurance than higher-wage firms. Figure A2 confirms that assumption. Firm offering rates impact total earnings growth over time. Earnings in Q0, the start quarter, are lower across the board because the worker likely did not work the entire quarter.

Figure A2: Total Earnings by Insurance Offerings



SOURCE: ELE Benefits Survey and UI/DI Base Wage file