Part 1

Transforming the U.S. Workforce Development System
3

Reemploying Unemployment Insurance Claimants

A Good Government Investment

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This chapter discusses a strategy to reemploy unemployment insurance (UI) claimants with dedicated and cost-effective eligibility assessments and job search assistance. Although evidence supporting this strategy began accumulating in the late 1980s, resources to implement it have not been fully or consistently allocated by the federal government. With “universal services” emphasized in the Workforce Investment Act (WIA) of 1998, resources were spread thinly, and opportunities to improve the efficiency of the UI system were missed. Here we review some of the challenges that have led the U.S. Department of Labor (USDOL) to propose this strategy, the evidence on cost-effectiveness, the new USDOL “Reemployment Vision,” and recommendations for improving federal policy in this area.

The phrase *good government investment* has a dual meaning. First, evidence shows the strategy is a good government investment because it can have a high government benefit-cost ratio, and substantial net government benefits in the form of budget savings if provided to many UI beneficiaries. Also, UI claimants benefit from reduced unemployment duration, increased employment, and perhaps increased earnings, and employers benefit from filling job vacancies more quickly and ultimately from lower unemployment taxes. Second, it is a *good-government* investment because it can help lower benefit overpayments, thereby improving the integrity of state programs. Assessing eli-
gibility and assisting UI beneficiary job search more closely can reduce major causes of overpayments, such as lack of job search documentation and the failure of some beneficiaries to report their return to work in a timely fashion.

In general, we recommend the following five improvements:

1) Promote and expand the “Reemployment Vision,” which was developed by a workgroup of federal, state, and local government and nonprofit organization officials convened by USDOL

2) More than quadruple the administration’s proposed investment in eligibility assessments and reemployment services for UI claimants to $800 million per year

3) Develop and apply new performance measures to encourage rapid reemployment of UI claimants

4) Research effective job search strategies

5) Increase grants to states for UI administration so they can provide more effective UI eligibility assessments

A PROPOSED STRATEGY FROM THE U.S. DEPARTMENT OF LABOR

In the USDOL fiscal year (FY) 2015 budget justification to Congress, the administration proposed to “build on the success” of existing efforts and establish an “. . . enhanced, integrated, and expanded Reemployment and Eligibility Assessments (REA) and Reemployment Services (RES) program in all states” (USDOL 2014). Based on a promising model and evidence in Nevada, the proposal would require about 1.3 million UI claimants estimated to be in the top quarter of those most likely to exhaust their UI benefits and an estimated 63,000 ex-service member claimants to participate in REA and RES. The integrated REA and RES would be “in-person interviews to review eligibility for UI benefits; provisions of labor market and career information to claimants to inform their career choices; support for the development of reemployment and work search plan(s); orientation to services available through ‘American Job Centers,’ also called local One-Stop Career
Centers; and provision of staff-assisted reemployment services, including skills assessments, career counseling, job matching and referrals, job search assistance workshops, and referrals to training as appropriate” (USDOL 2014).

The program names Reemployment and Eligibility Assessments and Reemployment Services are confusing but derive from federal law. Table 3.1 summarizes the main elements of each approach. Eligibility assessments should be conducted in normal UI administration, but this aspect has atrophied over the years as a result of cuts in funding of employment services and UI administration. Assessments of reemployment prospects, usually performed by One-Stop Centers, are the precursors to helping UI claimants find employment in a cost-effective manner. Reemployment services, such as job search workshops or job matching, also are administered by One-Stop Centers. They help UI claimants improve their search for work, an unfamiliar and daunting task for many dislocated workers. Reemployment services also help employers find qualified workers through job matching, a struggle for many employers who say they cannot find qualified workers at the wages they offer.

Although USDOL officials were aware of the accumulated positive evidence on the effectiveness of reemployment services for UI claimants, their budget justification cited only specific recent research results on an integrated REA/RES approach in Nevada that found

- claimants were significantly less likely to exhaust their benefits;
- claimants had significantly shorter UI durations and lower total benefits paid (1.82 fewer weeks and $536 lower total benefit outlays)¹;
- claimants were more successful in returning to work sooner in jobs with higher wages and retaining their jobs; and
- $2.60 of savings were produced for every $1.00 of cost (USDOL 2014).

In FY 2014, the federal government appropriated a total of about $80 million for REA in most states. The administration’s FY 2015 proposal would nearly double that to about $158 million for the integrated REA/RES approach in all states. Mandatory funding would be provided based on the projected number of targeted UI beneficiaries, at a cost of
Table 3.1  Comparison of Reemployment and Eligibility Assessments (REA) and Reemployment Services (RES)

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>REA 2010 grant requirements</th>
<th>RES requirements&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participant selection</td>
<td>REAs target claimants based on a range of factors including benefit week, location, likelihood to exhaust, and others.</td>
<td>RES target claimants based on likelihood of exhaustion and benefit duration.</td>
</tr>
<tr>
<td>Participation</td>
<td>• Identified claimants are required to participate fully in all REA components.</td>
<td>States determine participation requirements for RES; some made participation mandatory while others did not.</td>
</tr>
<tr>
<td></td>
<td>• Claimants must report to the One-Stop Career Center in person for staff-assisted services.</td>
<td></td>
</tr>
<tr>
<td>Activities and services</td>
<td>Required activities for REA claimants: participate in initial and continuing UI eligibility assessments; participate in individual labor market information sessions; participate in an orientation to One-Stop Career Center; register with the state’s job bank.</td>
<td>Allowable activities for RES claimants: job search and placement services; counseling; testing; occupational and labor market information; assessment; referrals to employers, training, and other services.</td>
</tr>
<tr>
<td>Plan development</td>
<td>Reemployment plan must be developed and include work search activities, appropriate workshops, or approved training.</td>
<td>Recommends reemployment plans for RES claimants who would benefit from additional RES and or referrals to WIA, particularly those who are not a viable candidate for job opportunities in the region.</td>
</tr>
</tbody>
</table>

<sup>a</sup>Under the American Recovery and Reinvestment Act.

Reemploying Unemployment Insurance Claimants

$150 per beneficiary, and state UI programs would be required to cooperate with state employment service agencies to implement the integrated approach. USDOL estimates its proposal would yield gross outlay savings to the federal unemployment trust fund in FY 2015 of about $420 million, for a net savings of about $262 million in the first year.

CHALLENGES TO REEMPLOYING UI CLAIMANTS

The strategy of emphasizing reemployment, and not just UI benefits, has a long history, but a plethora of system challenges has impeded its effective implementation. We have identified eight such challenges.

1) Slow and insufficient response to structural economic change.

The UI and employment service systems were slow to respond to a proportionate rise in permanent layoffs since the early 1980s (Groshen 2011) and the secular rise in long-term unemployment that was exacerbated by the Great Recession of 2007–2009. The federal government provided insufficient resources to reemploy the long-term unemployed after the early 1990s. Instead, it emphasized temporary benefit extensions, typified by added spending in response to the Great Recession of over $200 billion on emergency unemployment compensation for the long-term unemployed, and only an additional $250 million on reemployment services aimed at UI beneficiaries and $148 million for other labor exchange services under the Wagner-Peyser Act (Barnow and Hobbie 2013).

Under the Social Security Act of 1935 and the Federal Unemployment Tax Act of 1939, the federal-state UI system was designed to provide temporary and partial wage replacement to covered and eligible workers. All states established federally approved UI programs under these laws. State unemployment taxes finance the regular benefits, up to 26 weeks in most states, and all state unemployment tax revenue is deposited in the respective state accounts of the federal unemployment trust fund. States earn interest on their balances and regularly withdraw trust funds to pay state benefits. Federal grants to states for administration are authorized, and the Secretary of Labor is charged with providing enough funds to states for “proper and efficient administration” of
state UI programs. In addition, in response to recessions, the federal government usually covers the cost of emergency benefit extensions, beyond the state benefits and permanent federal-state extended benefits (up to 13 or 20 additional weeks of benefits, depending on state unemployment rates), out of general revenues.

State law and administration are supposed to ensure UI claimants have sufficient earnings in a base year to be “monetarily eligible” for unemployment benefits and that they meet certain “nonmonetary” qualification requirements, such as being able to work, available for work, and actively seeking work. State UI and employment service administrators are supposed to assure that claimants “certify” their ability to work, their availability for work, and their active work search, and to refer them for job search assistance provided by the state employment service or training provided by One-Stop Career Centers. State employment services are supposed to help these workers find new employment.

The system seemed to work well for temporary unemployment, but concerns about “structural unemployment,” the mismatch between the demand for labor and the supply of labor, grew beginning in the 1950s. It was thought that advancing production technologies and other economic changes were displacing workers, and that workers were remaining unemployed longer than expected.

It was not until the 1990s that the UI program was partly refocused on permanent layoffs and reemployment services for the long-term unemployed. In 1993, the federal government enacted the Emergency Unemployment Compensation Amendments, which, in part, provided for the establishment of “... a program encouraging the adoption and implementation of a system of profiling new claimants for regular unemployment compensation to identify which claimants are most likely to exhaust such benefits and who may be in need of reemployment assistance services to make a successful transition to new employment.”

The new policy was a response to the decline after the early 1980s in the proportion of temporarily laid-off unemployed workers during recessions (Groshen 2011), and new evidence showing that if the system could identify UI claimants who were likely to exhaust UI benefits and provide reemployment assistance early, they would return to work earlier than otherwise. Subsequently, profiling aimed at reducing long-term unemployment was implemented in states, but added funding for
reemployment services was not allocated from other employment and training programs as promised (Wandner 2010).

2) Inconsistent policy.

In 1997, the USDOL wrote an Employment Service Program Letter (USDOL 1997) to encourage states to improve reemployment services to profiled and referred UI claimants. In part, it said to

- provide job search assistance to UI claimants early;
- tailor services to the UI claimants’ reemployment needs; and
- provide more and better reemployment services, such as job search workshops, including employers, labor market information, job clubs, regular reassessment of UI claimants’ plans, job loss, financial and health insurance counseling, automated service plans, and collaboration with other service providers.

Many states and localities adopted such approaches, but resources were spread thinly, with an emphasis on universal services under WIA. Meanwhile, in the early 2000s federal reemployment policy swung away from RES to REA as policymakers took a more skeptical view of the effectiveness of RES. While this occurred, the National Association of State Workforce Agencies (NASWA) sent a letter to USDOL, urging the federal government to take a balanced approach of REA and RES (NASWA 2004). But the message went unheeded until February 2009, when the federal government enacted the American Recovery and Reinvestment Act (ARRA) of 2009, which provided one-time funds of $250 million for RES.

3) Decentralization of the workforce development system.

Decentralization of the workforce development system led to greater emphasis on serving all customers and to relatively less emphasis on reemploying UI claimants. The workforce development system became more of a federal-state-local partnership as it evolved under the Manpower Development and Training Act of 1962, the Comprehensive Employment and Training Act of 1973, the Job Training Partnership Act of 1982, WIA, and now the Workforce Innovation and Opportunity Act of 2014 (WIOA). WIA, which was enacted when the economy was at near full employment, emphasized “universal services.” With limited resources in the system, there also might have been a tendency to
focus on customers not receiving UI benefits or those most in need as the system was flooded with workers seeking help, particularly in the aftermath of the Great Recession.

WIA created local One-Stop Career Centers in which the employment service and the UI program are required partners. Local Workforce Investment Boards govern the One-Stop Centers, but the employment service and UI program are state programs. Local officials do not have the incentive that state officials have for saving state UI benefit outlays. This is one reason why the administration’s FY 2015 proposal requires state UI programs to cooperate with state employment service programs, but the cooperation needs to be mutual and might not be as forthcoming from One-Stop Centers with other priorities determined locally.

4) Reduced funding for Wagner-Peyser Act labor exchange services.

Since the mid-1980s, real (adjusted for inflation) federal grants to states for Wagner-Peyser Act labor exchange services, a primary source of federal funding for job search assistance for the unemployed, were cut by about half (see Figure 3.1). Even accounting for additional funding

Figure 3.1 Funding for Employment Service State Allotments (nominal and constant 2009 dollars)

![Graph showing funding for Employment Service State Allotments](image)

SOURCE: USDOL.
under ARRA, a recent study estimates average per participant spending on labor exchange services fell from $55 before the recession to $38 during the early stages of the recovery (Eberts and Wandner 2013). This made it difficult for states to provide job search assistance for all workers in general and UI claimants in particular (Wandner 2010). Localities might have picked up some of this loss by spending more WIA funds on labor exchange services instead of training. The federal government partially worked around this problem with limited funding for RES grants in FYs 2001–2005 of about $35 million per year (see Table 3.2 for REA/RES funding). However, the federal government ceased such funding in FY 2006, until a large one-time appropriation of $250 million in FY 2009 was provided under the ARRA (Barnow and Hobbie 2013), and temporary, mandatory funding was provided for long-term EUC claimants under the Middle Class Tax Relief and Job Creation Act. But, no more funds were appropriated for RES for regular UI claimants after ARRA.

### Table 3.2 Funding for Reemployment Services and Reemployment and Eligibility Assessments

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>RES funding ($)</th>
<th>Number of states</th>
<th>REA funding ($)</th>
<th>Number of states</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>35,000,000</td>
<td>53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>35,000,000</td>
<td>53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>34,773,000</td>
<td>53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>34,576,000</td>
<td>53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>34,290,000</td>
<td>53</td>
<td>17,794,479</td>
<td>21</td>
</tr>
<tr>
<td>2006</td>
<td>10,601,852</td>
<td>19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>16,056,832</td>
<td>19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>15,757,313</td>
<td>19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>247,500,000&lt;sup&gt;b&lt;/sup&gt;</td>
<td>53</td>
<td>39,280,972</td>
<td>34</td>
</tr>
<tr>
<td>2010</td>
<td>53,382,216</td>
<td>34</td>
<td>39,280,972</td>
<td>34</td>
</tr>
<tr>
<td>2011</td>
<td>48,734,731</td>
<td>38</td>
<td>39,280,972</td>
<td>34</td>
</tr>
<tr>
<td>2012</td>
<td>75,563,770</td>
<td>43</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>64,259,656</td>
<td>41</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup>States include Washington, D.C., Puerto Rico, and Virgin Islands.

<sup>b</sup>RES fiscal year 2009 is American Recovery and Reinvestment Act funding.

SOURCE: USDOL.
5) Elimination of America’s Job Bank.

In 2006, the federal government defunded America’s Job Bank (AJB), which was a nationwide system containing about half of the state job banks, which had job vacancy listings. This eliminated the ability of the participating states to access job vacancies in the other participating states. The conclusion to kill the AJB stemmed from a belief that a burgeoning commercial Internet job bank market provided extensive job vacancy listings and, therefore, there was no need for a nationwide public job bank. However, this ignored critical roles government can play in verifying legitimate employers advertising job vacancies, ensuring the job vacancies are in fact open, eliminating duplicate job vacancy listings often found on commercial Internet job sites, and protecting the health and safety of job seekers from dangerous or criminal job vacancy listings on the Internet.

The elimination of AJB was, however, a temporary setback. States reacted by creating the National Labor Exchange (NLx) through the efforts of NASWA and an alliance with DirectEmployers Association, whose more than 700 members are Fortune 1,000 companies. Today the NLx has over 1.5 million unique and current domestic job vacancy listings with verified employers that are updated daily, which is about 50 percent more than existed in the AJB at its peak. Also, unlike the AJB, all states, the District of Columbia, Guam, and Puerto Rico participate in the NLx.

6) Disconnection of UI claimants from reemployment services.

While the need for connecting UI claimants to job opportunities seemed to be growing, and evidence was mounting that providing job search assistance early in claims was cost-effective, new remote claims-taking technologies were implemented that substantially disconnected claimants from in-person job search assistance. Previously, claimants had to apply for UI in local offices where they might also seek job search assistance. USDOL initiated revolutionizing claims taking with the targeted funding of telephone call center technology in the mid-1990s, and that was quickly overtaken by Internet claims-taking technology. Soon nearly all initial and continued claims were being taken remotely.
7) Disproportionate emphasis on timely payment of benefits.

In the early 1970s, the federal government placed paramount importance on the prompt payment of unemployment benefits. The U.S. Supreme Court, on April 26, 1971, issued the California Department of Human Resources Development v. Java decision, which struck down a provision of California law that said, “If an appeal is taken from a determination awarding benefits, the benefits in issue are not to be paid until the appeal has been decided.” The court found the Social Security Act conditioned federal grants for state administration of UI on the state providing methods of administration that “. . . are found by the Secretary of Labor to be reasonably calculated to insure full payment of unemployment compensation when due.” Further, the court said Congress intended “when due” to mean “. . . at the earliest stage of unemployment that such payments were administratively feasible after giving both the worker and the employer an opportunity to be heard” (USDOL 1971).

In 1993, the federal government enacted the Government Performance and Results Act (GPRA). Late in the 1990s, USDOL responded with implementation of a new system, Unemployment Insurance Performance Measurement System, which reinforced the emphasis the Java decision placed on timely payment of benefits. The system had 10 core measures that emphasized timeliness and quality of administration but excluded reemployment. It was not until late 2006 that the department began reporting on a new core measure focusing on reemployment of claimants, the entered employment rate, which is defined as the percent of individuals receiving a first payment of UI in a quarter who were reemployed in the subsequent quarter.

Today, the three primary measures under the GPRA are 1) percent of intrastate payments made timely, 2) percent of recoverable overpayments that have been detected, and 3) entered employment rate. Some states believe they have struggled to meet federal standards set for these measures because they do not receive enough administrative funds from the federal government and have not been able to upgrade their 1970s or 1980s vintage computer benefit systems. Also, UI directors have complained about the reemployment performance measure because employment services and One-Stop Career Centers have responsibility for reemployment, not UI programs.
8) Reduced funding for base UI administration.

Since the mid-1990s, the base funding (adjusted for inflation and a fixed base workload) for federal grants to states for UI administration has declined to levels lower than those in the mid-1980s, at about $1.7 billion today (see Figure 3.2). Adoption of remote claims taking, such as over the telephone or the Internet, that might have increased efficiency could explain some of the decline in funding for the base, but the drop has made it difficult for states to administer their programs in general, which might also have affected their abilities to assess adequately the continued eligibility and reemployment prospects of claimants.

Meanwhile, the federal government has worked around the decline in base UI administrative funding with temporary supplemental funding through appropriations for REAs and supplemental budget request grants for information technology modernization. These “workarounds” have produced a limited and unpredictable stream of federal funding in lieu of more consistent and predictable annual base funding. Beginning in 2005, the federal government provided about $18 million in grants for REAs, which funded services that should have been funded with the base federal grants if there had been more funding for UI and

Figure 3.2 Appropriations for State UI Administration per 2.0 Million Average Weekly Insured Unemployment (adjusted into constant 2009 dollars)

SOURCE: USDOL.
employment services (see Table 3.2). These special grants have been provided each year since and have grown to $80 million in FY 2014, but the supplemental budget requests in particular are likely to shrink as unemployment declines.\textsuperscript{5}

Some states have tried to compensate for federal underfunding of base grants for state UI administration by supplementing federal grants with state funds. In FY 1994, for example, some states provided state supplements to federal base grants of about $50 million in total. Such aggregate supplements quadrupled to about $222 million in 41 states in FY 2013. However, not all states have been able to provide supplemental funds, and states disagree with USDOL that the federal grants alone are sufficient for proper and efficient administration of the program.

THE EVIDENCE

The research evidence to support mandating and funding both REA and RES for UI claimants has grown compelling in the past 25 years, beginning with the results of a New Jersey demonstration project reported in 1989, and ending with highly positive evaluations of Nevada’s integrated REA/RES program released in 2012 and 2013.\textsuperscript{6} Collectively, the evidence demonstrates that engaging claimants in REA and RES early in their unemployment spells, as a condition of continued eligibility for benefits,

• reduces the percent of claimants receiving UI and accelerates the return to work almost immediately;
• may enhance job search skills, depending on the design and delivery of the RES;
• reduces UI program spending by cutting the average number of weeks of UI benefit receipt;
• is low-cost and cost-effective, even during economic downturns, suggesting government can fund REA and RES from savings in UI benefit payments; and
• seems to help address the problem of long-term unemployment, as it reduces the percent of claimants who remain on UI for a long time and who exhaust benefits.\textsuperscript{7}
The evidence rests primarily on the findings of rigorous random assignment evaluations. Promising features include

- early intervention,
- the provision of REA and a comprehensive package of RES,
- integrated service delivery,
- mandatory participation and enforcement of participation requirements, and
- engagement of as many UI claimants as funding permits.

**2009 Nevada REA/RES Initiative**

The 2009 demonstration in Nevada of an integrated REA/RES program was cited by the administration as a basis for its FY 2015 proposal. The Nevada evidence came out of a USDOL review of the impact of its federal REA initiative, which it conducted during the Great Recession, when benefit extensions were available in response to the high unemployment rates. The review focused on REA initiatives in Nevada, Florida, Idaho, and Illinois. In Florida, Illinois, and Idaho, new UI claimants in the treatment group were required to participate in an REA interview (and received some limited RES during the REA interview) but were referred for most services to different staff in “operationally independent” employment and training programs.8 In Nevada, claimants in the treatment group were required to participate in both REA and RES, and the eligibility monitoring and services were provided “seamlessly by the same staff member.” In three of the four states—Nevada, Florida, and Idaho—the study measured reductions in duration of regular UI receipt ranging from a little less than 0.5 to 1.8 weeks, and for regular UI and extended benefits combined ranging from 1.1 to 3.0 weeks. Reductions in regular UI benefit payments ranged from $97 to $526 (Poe-Yamagata et al. 2011).9

Nevada’s program had the largest impacts, with reductions in regular UI benefit duration of 1.8 weeks, and in benefits of $526.10 It also demonstrated an impressive benefit-cost ratio of 2.6 (counting reductions in regular UI benefits only; it was 4.0 when counting both regular and extended benefits).11 The Nevada program reduced the percent of claimants exhausting benefits by 10.4 percentage points, or 15 percent,
providing support that the strategy would reduce long-term unemployment among UI claimants.

Poe-Yamagata et al. (2011) concluded that Nevada’s integration of REA and RES was a likely cause of the greater program effects. With this integration, Nevada provided “additional services, and with greater consistency, than other states.” Nevada spent an average of $201 per treatment group member on the REA ($53) and RES ($148). It should be noted this calculation is an underestimate of the cost per participant because it is an average that includes treatment group members who did not participate in REA and/or RES (because, for example, they found employment or exited the UI program before participating), as well as those who did.12

A subsequent, independent, and yet-to-be-published analysis of the Nevada program results by one of the original authors looked at UI exit patterns to determine what “underlying program mechanisms” contributed to the program’s effectiveness (Michaelides 2013).13 Did most of the effects occur early when notice of the REA/RES requirements raised the cost of staying on UI for some claimants and, perhaps, encouraged other claimants to focus more quickly on their job search efforts? Or, did most of the effects occur after claimants participated in the RES, suggesting the RES were “effective in enhancing the job search abilities of recipients, particularly of those with limited job search experience, thus helping them to get reemployed?” The author finds that the larger proportion of the impacts occurred after claimants appeared for the initial REA/RES meeting, and concludes that “. . . the personalized services offered by the Nevada REA/RES program were themselves effective in enhancing job search efforts of recipients and in helping them to exit UI earlier than they would have in the absence of those services.” Thus, while the Nevada study shows independent effects from REA and RES, an integrated approach that includes REA and comprehensive RES likely yields the biggest impacts (Michaelides et al. 2012, Michaelides 2013).

Evidence from Earlier Studies

Earlier evidence on the effectiveness of REA and RES steadily accumulated through demonstrations conducted from the mid-1980s by USDOL, individual states, or both.14 In the demonstrations, UI claim-
ants were required to participate early in their UI claims, but timing and strategies differed. While some of the studies targeted specific categories of UI claimants, such as those most likely to exhaust benefits, others were not restricted substantially. However, most often claimants with employer recall dates or some claimants belonging to unions were exempt from targeting, which also was consistent with state law and practice.

The demonstrations varied in their emphasis between UI eligibility and work search monitoring on the one hand and reemployment services on the other, but the distinctions between the two approaches were not always substantial. First, mandatory job search assistance, or RES, naturally facilitates greater oversight of UI eligibility (Wandner 2010). Second, if the RES that claimants are required to participate in are minimal or not of high quality, if the RES do not differ much from what claimants could and would have accessed on their own, or if few claimants actually receive the RES (e.g., due to weak enforcement of participation mandates), most effects (on UI exit rates) of RES will stem from the inconveniences and encouragements for work search that are associated with mandatory participation requirements, rather than from enhanced job search skills of claimants. In fact, in the earlier demonstrations in which UI exit rates were examined, unlike the Nevada demonstration of 2009, the majority of impacts on UI exit rates occurred before or concurrently with the RES interventions. This suggested to some that the RES, while effective at deterring UI receipt, were not helpful in enhancing the effectiveness of UI claimants’ job search skills, which some researchers have surmised is at least partly due to the minimal RES provided in many of the demonstrations (Michaelides 2013; Wandner 2010).

Two of the earlier studies, in Maryland and Washington, demonstrated the importance to the integrity of the UI program of intensive monitoring of UI claimant eligibility through the continued claims process. These studies found that UI eligibility monitoring on its own is highly cost-effective to government and important for reducing UI duration.

The Maryland UI Work Search Demonstration conducted in 1994 found UI benefit receipt fell nearly one week for those required to make more employer contacts, or who were told their employer contacts would be verified, while benefit receipt rose nearly a half week in cases
where the requirement to document employer contacts was eliminated (Benus 1997). The earlier Washington Alternative Work Search Experiment, conducted in 1986 and 1987, found eliminating the requirement to report employer contacts and attend an eligibility review increased UI duration an average of two to three weeks (Johnson 1991).

Collectively, these earlier studies also demonstrated that early and mandatory engagement of UI claimants in the job search activities of the workforce system is a cost-effective strategy that reduces UI duration and accelerates reemployment.\(^{16}\) (See Appendix 3A for summaries of the evidence.) Across most of the studies, reductions in UI duration ranged from nearly a half week to four weeks, with typical impacts toward the lower half of that range. Many of the studies measured impacts for the first year only, so long-run returns on investments may be higher than the short-term findings suggest.

Overall, these one-year impacts, plus the generally low costs of the services, resulted in high government benefit-cost ratios in most of the sites, even just from the perspective of the workforce system (comparing reductions in UI benefit payments to the costs of the services, and not accounting for potential increases in tax revenues or broader social benefits).

**THE U.S. DEPARTMENT OF LABOR REEMPLOYMENT VISION**

**Regional Summit on Reemployment**

From March to June of 2009, USDOL held regional forums on reemployment of UI claimants to provide “timely and regionally-customized technical assistance to the system” (USDOL 2009). This effort was a follow-up to a national January 2009 “Reemployment Works!” Summit held in Baltimore, Maryland, which “identified key reemployment principles and areas of focus.”\(^{17}\) General findings from the summit indicated that the system needed to collect, analyze, and provide workforce information to job seekers, employers, economic developers, educators, and other interested parties and groups; invest in
information technology and tools; assess job seeker skills; and have flexibility in service delivery. The report on the summit said the following:

- Many states increased their use of profiling (i.e., identifying specific target groups, such as those most likely to exhaust benefits) and were trying to match job openings with claimants’ skills, knowledge, abilities, experience, and interests.
- Some state UI programs increased collaboration with One-Stop Career Center staff through cross-training.
- Some states tried to integrate labor market information more into career counseling.
- Some states reduced duplicate data collection and shared more data.
- Some state rapid response teams introduced workers to the workforce system earlier.
- Some states used data mining to link job seekers to employers not engaged in the workforce system.
- Some states used social media for outreach, job vacancy referrals and other services.
- Many states increased availability of online tools for skills assessments, resume writing, and interviewing.

After ARRA funds were spent by the end of 2011, however, service levels for targeted reemployment services for UI claimants (and training) resumed their downward trend (Wandner 2013).

The National Reemployment Vision

The National Reemployment Vision was developed by a group of federal, state, local government, and nonprofit organizations called the “National UI Connectivity Workgroup” (USDOL 2010). The workgroup included state UI and workforce agency staff, local Workforce Investment Board and One-Stop Career Center staff, and NASWA staff to work with USDOL national and regional staff members. The Vision emphasizes the UI claimant is foremost a job seeker. It has four main elements, which are being developed and demonstrated in selected states in a joint effort by USDOL and NASWA:
1) An Integrated Workforce Registration tool to allow job seeker information to be collected once for all programs, thereby avoiding duplicate data entry and streamlining the process for customers and program staff. This also includes a Workforce Integrated Profile Page for each job seeker that provides personalized, real-time information on job openings, services, training and other activities, messages, and UI claims functions.

2) Real-time triage of services aims to provide the job seeker and staff with personalized and continuously updated job vacancy listings, skills assessments, career information, and labor market information to guide job searching.

3) Job matching and assessment of skills transferability involve continuously connecting job seekers’ knowledge, skills, abilities, experiences, and interests with job vacancy listings. It also involves assessing whether job seekers could transfer their employment characteristics to other occupations and whether some skills training might assist such transfers.

4) Social networking involves use of such applications as email, Facebook, Twitter, and LinkedIn to facilitate continuous communications of job seekers with the workforce system, employers and other job seekers through, for example, virtual job clubs and job search communities.

Two efforts are ongoing to demonstrate and spread the elements. First, New York and Mississippi are participating in the UI/Workforce Connectivity Pilot project. Mississippi has implemented the Integrated Workforce Registration and Workforce Integrated Profile Page in six One-Stop Career Centers, and New York will implement it in late 2014 in selected counties. Second, New Jersey joined this effort as the third pilot state in mid-2014.

Idaho and Minnesota also are involved in developing other elements of the Vision. Social media contributions include such examples as online job clubs and job coaching, virtual career fair software, live chats, talent communities, training in the use of social media, and communities of practice for workforce practitioners. Six additional states (California, Illinois, Kansas, Kentucky, Iowa, and Georgia) have joined this effort and are receiving technical assistance from the original four states and the NASWA Information Technology Support Center.
RECOMMENDATIONS FOR IMPROVEMENT

Promote and Expand the USDOL Reemployment Vision

The technologies needed to connect UI claimants to the workforce system are necessary, albeit not sufficient, for reorienting the UI system in a cost-effective way toward reemployment. In a period of constrained budgets, with high levels of long-term unemployment and heightened expectations for high-quality self-service options, it is important that federal and state partners continue to advance the Reemployment Vision and the information technologies currently being piloted. This is an ongoing process with a high level of interest and commitment by many states and the Office of Unemployment Insurance at USDOL, but progress will depend on a continued focus, as well as funding for future information technology investments by federal and state governments, and sufficient administrative (including technical staff) capacity in the states.

Given the decentralized nature of the workforce system, states also should seek ways to assist and encourage localities to make reemployment of UI beneficiaries a high priority, even though beneficiaries have temporary income support that other job seekers might not have. The improved job matching and other technological tools piloted in the Reemployment Vision should help that effort.

Quadruple the Administration’s FY 2015 Funding Proposal

The administration’s FY 2015 proposal is for a REA/RES program of about $158 million that would help 1.3 million UI claimants at a per beneficiary cost of $150. Instead of serving only the top one-fourth of claimants most likely to exhaust their UI benefits, we suggest serving all claimants profiled. Assuming constant returns to scale and the benefit/cost ratios implicit in the administration’s estimates, a program four times the size of its proposal would have a gross cost of $632 million, gross savings of $1.68 billion, and a net savings of $1.048 billion. It would serve over 5 million UI claimants. In addition, we suggest increasing the amount provided per claimant based on the Nevada evidence to at least $200. That would raise the gross cost to $800 million or more.
Congress presents a gauntlet of divided Committee jurisdictions for this proposal. The tax writing committees, the House Committee on Ways and Means, and the Senate Committee on Finance have jurisdiction over UI taxes and mandatory spending on benefits; the workforce committees, the House Committee on Education, and the Workforce and the Senate Committee on Health, Education, Labor and Pensions have jurisdiction over the Workforce Innovation and Opportunity Act and the Wagner-Peyser Act; and the Committees on Appropriations have jurisdiction over discretionary spending.

There also is strong political resistance to additional mandatory federal spending, even if it leads to net saving for the federal budget, a decline in UI benefit outlays, a reduction in the federal budget deficit in the near term, and perhaps an eventual decline in state UI taxes to finance benefits. The congressional budget process does not recognize the attendant savings. Instead, it demands offsetting tax increases and/or spending cuts elsewhere in mandatory spending under its pay-as-you-go requirements. Without recognition of the short-run savings potential, it will be very hard for Congress to enact such a program. For mandatory spending, either formal recognition of the savings as offsets, equivalent offsets, or a waiver of the pay-as-you-go requirements would be needed. On the discretionary side, additional spending for REA/RES would have to fit under the discretionary budget caps, which would require cuts in other discretionary spending to avoid breaching the caps.

**Apply New Performance Measures for Reemployment of UI Beneficiaries**

State UI directors have complained about the reemployment performance measure for the UI program. They say the program should not be evaluated on the basis of reemployment because they have no control over the reemployment of UI beneficiaries. They say reemployment is the responsibility of One-Stop Career Centers in general and the Wagner-Peyser Act employment services function in particular. The administration should not only require state UI programs to coordinate with employment service programs on reemployment programs, but it also should devise an entered employment measure for UI beneficiaries to place the onus of reemployment on the entities providing reemploy-
The state of Texas saw improvement in UI claimant reemployment performance after adopting such an approach to performance measurement. The state devised a “rapid reemployment” measure, the percent of UI claimants reemployed within 10 weeks, that was included in contracts with local workforce boards. The state data show that adoption of the measure, coupled with other policies and the use of technology, seemed to result in significant improvements in the system’s focus on UI claimant reemployment. The rapid reemployment rate, which was 40 percent when the measure was adopted in 2003, was significantly higher (between 42 and 55 percent) during the Great Recession and the period since (Miller 2013).

Conduct Research on Effectiveness of Alternative Job Search Strategies

While the research evidence shows that REA and RES are cost-effective approaches to accelerating UI claimant reemployment and addressing long-term unemployment, the variation in research results and in state approaches to RES suggests a need to evaluate the effectiveness of various job search strategies included in state RES efforts. Why, for example, did Nevada’s 2009 reemployment demonstration seem to show greater effects of RES on the success of job search efforts than earlier studies that evaluated UI claimant exit rates (and mainly found RES deterred UI receipt)?

Evidence on the effectiveness of job search assistance for a different target population, welfare recipients, also has accumulated. This began with job search assistance studies in Louisville in the early 1980s that were the “most independent and robust” to that point and led to further studies and the widespread adoption of job search assistance as a strategy for state welfare reform efforts (Gueron and Rolston 2013, p. 83; Greenberg, Deitch, and Hamilton 2009, pp. 23–28). To learn more, the Office of Planning, Research, and Evaluation at the U.S. Department of Health and Human Services is currently undertaking a multiyear effort designed to learn more about the “effectiveness of various job search methods and the components of (job search assistance) programs” for
the population served by the Temporary Assistance Needy Families program (Klerman et al. 2012, p. 1).

Ideally, a similar effort focused on UI claimants would shed light on the value of various job search assistance (RES) strategies for different groups of UI claimant job seekers. This information is needed even more if the system continues to operate with highly constrained budgets.

**Increase State UI Administration Funding**

Part of the reason there is a need for added funding for UI eligibility assessments is that the federal government has been underfunding state grants for employment services and UI administration. If the federal government appropriated sufficient funds for state administration of UI—say, about $200 million more per year—there might be no need to fund UI eligibility assessments separately because these could be part of normal UI program administration, if only states had enough administrative funding each year to execute them fully and properly.

This option faces the same political challenges as REA/RES and even more difficult budgetary challenges. The grants to states for UI administration category are defined as discretionary spending as opposed to the mandatory spending for UI benefits and the proposed REA/RES program funding. Discretionary funding is subject to budget caps on spending by functional category. Any additional spending on state UI administration or employment services could not be offset by taxes or mandatory spending cuts, but rather would have to be within the discretionary spending caps as allocated to the respective Labor, Health and Human Services, and Education and Related Agencies Subcommittees in the Appropriations Committees of the United States House of Representatives and Senate (Collender 1993).

None of these recommendations are easy to enact or implement. However, each of them could help to improve the efficiency and the integrity of the UI system, and could cut government costs and, ultimately, employer unemployment taxes.
The authors thank our colleagues Jim Van Erden, for acquiring and displaying some of the data in the text, and Josie Link, for research assistance. We also thank Rick McHugh, an attorney with the National Employment Law Project, who reviewed an earlier draft and gave us some valuable suggestions. The authors' recommendations are their own and do not reflect the policy positions of the National Association of State Workforce Agencies.

1. These impact data are from a U.S. Department of Labor follow-up study (Michaelides 2013) that extended an original analysis (Poe-Yamagata et al. 2011) “using updated data on UI receipt and wages.” The follow-up study made only slight changes to the impact estimates of the original study.

2. This is in contrast to the usual “discretionary spending,” under which an aggregate amount would be appropriated for services and then allotted among the states. The mandatory funding is modeled after a recent, temporary REA/RES program that provided $85 per beneficiary. It was added to the Emergency Unemployment Compensation (EUC) program under the Middle Class Tax Relief and Job Creation Act of 2012 (P.L. 112-96).

3. The Congressional Budget Office (CBO) has not developed estimates on this proposal. Such estimates would be developed if the House Committee on Ways and Means were preparing to mark up a bill including such a program or if the CBO were producing a report on such reemployment programs.

4. The average weekly number of insured unemployed is a measure of workload that is calculated by dividing the total number of continued weeks of UI claimed by 52 weeks.

5. Supplemental budget requests are likely to decline because their source of funding, the difference between the projected funding that is needed and the actual funding for realized workload in the fiscal year, will shrink. This tends to happen as unemployment falls and projections overshoot actual costs.

6. REA and RES are terms that derive from recent federal statutes; they are used here regarding initiatives of earlier periods, even though the terms did not apply then. Loosely, REA includes assessing and enforcing UI eligibility and work search requirements, and RES includes job search assistance services (see Table 3.1). Several researchers and research organizations have catalogued and synthesized this evidence, including Wandner (2010) and Balducci, Eberts, and O’Leary (2004).

7. Benefit-to-cost ratios presented here are from the perspective of the workforce system (taking into account reductions in regular UI benefit payments) and not the government at large (also taking into account increases in tax revenue from boosted earnings). They ranged from about 1:1 to 4:1, with most estimates in the bottom half of that range. These high returns reflect the relatively low cost of services and relatively large reductions in UI benefit payments.

8. The federal REA grant program requires states to exclude claimants who seek
work only through their union hiring hall and claimants with a definite return-to-
work date. Illinois targeted claimants with high-demand skills. All states limited
REA to claimants who had received at least the first UI benefit payment and were
able to work and available for work.
9. There was no impact in Illinois. The Illinois results are not conclusive because
the REA program suffered from inconsistent implementation, and the evaluation
was based on a small sample. Illinois restricted the program to claimants with
high-demand skills. The Emergency Unemployment Compensation program was
in effect during this period.
10. Based on the strong impacts in Nevada, USDOL conducted a follow-up study
(Michaelides et al. 2012) that extended the Nevada analysis “using updated data
on UI receipt and wages.” The results of the original study held up, with only
slight changes in the impact estimates (for example, the average reduction in regu-
lar UI benefit duration was 1.8 weeks, and the reduction in regular UI payments
was $536).
11. A USDOL (2011) report included the following statement: “...cost information in
the study, except for Nevada, does not include the cost of providing reemployment
services or training. These costs could not be evaluated because they were not
tracked for either the control or treatment groups. Nevada differs from the other
states in this respect because the State, on its own initiative, decided to track the
information to ensure an understanding of both the overall savings and to better
understand how REAs assist claimants.”
12. Email from Eileen Poe-Yamagata, of IMPAQ International, to Yvette Chocolaad,
NASWA, June 22, 2014.
13. This study has been submitted to a labor economics journal.
14. The impetuses for these studies were changing labor market conditions (with pro-
portionately more permanent layoffs during recessions that triggered concerns
about structural unemployment, as outlined in the previous section) and federal
budget constraints that required greater evidence-based justification for additional
program investments (Wandner 2010).
15. For example, in the New Jersey demonstration, among other activities, claimants
were notified by letter of a requirement to participate, to attend an orientation, and
to make periodic contact to discuss job search activities. These activities are com-
mon to many UI eligibility monitoring initiatives, such as the REA initiatives of
the current era.
16. Also, while earnings outcomes have not been the primary focus of the studies,
collectively the studies show no or small and positive impacts on earnings and/or
wages.
17. See the USDOL workforce3one.org Web site link: https://reemploymentworks.
workforce3one.org/ws/reemploymentworks/pages/summit.aspx?pparams=
(accessed November 7, 2014).
Appendix 3A


Table 3A.1

- Strengthening Connections between UI and One-Stop Delivery Systems (2004). A USDOL-funded demonstration in Wisconsin tested the combination of enhanced UI eligibility oversight with either of two intensities of job search assistance for claimants screened in through the Worker Profiling and Reemployment Services initiative. Profiled claimants less-prepared for job search or with few transferable skills were required to participate in comprehensive job search assistance, while those with better job search skills or more transferable skills were given minimal assistance. Overall, comparing treatment and control groups, the program reduced average UI duration by 0.6 of a week and UI benefits by $147. For those in the first treatment group (intensive services), average UI duration fell nearly a week and benefits by $233 (Almandsmith, Adams, and Bos 2006).

- Evaluation of WPRS Systems (1996–1997). This six-state demonstration found that an intervention of minimal, mandatory job search assistance targeted on individuals screened as most likely to exhaust UI benefits reduced UI duration in five of the six states, from one day to one week. In the five states, UI benefits were reduced an average of from $21 to $140. The following was one conclusion from the study:

  “Our customer satisfaction survey found that customers highly valued more extensive services, and those who received such services found [them] much more helpful than other claimants . . . [S]tates in which [the intervention] reduced UI receipt were also states with large impacts on claimants’ receipt of services. Improving [services], therefore, is likely to both increase customer satisfaction and result in greater UI savings” (Dickinson, Decker, and Kreutzer 2002, pp. 77–78).

- Job Search Assistance Demonstration (1995–1996). A demonstration in Washington, D.C., and Florida, targeted on those with the highest probabilities of exhausting benefits, tested two different job search assistance interventions and found that they reduced average UI duration by nearly a half week (Florida) and one week (D.C.), and UI exhaustion rates by 4 percent (Florida) and 8 percent (D.C.). Note that in Florida, participation requirements were not strongly enforced. The authors recommended that

  “If states want to expand services received by claimants . . . states should make particular services mandatory for all claimants referred to [the intervention], or at least encourage local offices to be aggressive in using individual service plans to set and enforce service requirements.” (Decker et al. 2000, p. xxvi)
Table 3A.1

- Worker Profiling and Reemployment Services in Kentucky (1994–1996). A demonstration in Kentucky to gauge the effects of targeting RES on those most likely to exhaust benefits required that profiled UI claimants attend an in-person orientation. The claimants were referred to a minimal package of job search assistance services. The program reduced UI duration an average of over two weeks and UI benefits by $143, and appears to have been highly cost-effective (no formal analysis was done, but the reported cost of the intervention was $22 per recipient, on average) (Black et al. 2003).

- Maryland UI Work Search Demonstration (1994). This demonstration that did not involve targeting was focused on examining the cost-effectiveness of various work search policies. It found that new UI claimants required to participate in a time-intensive job search assistance workshop received UI for an average of a half week less than claimants in a control group, and received an average of $75 less in UI benefit payments (Benus 1997).

- Reemploy Minnesota (1988–1990). A state-funded demonstration in Minnesota provided personalized and intensive job search assistance modeled after the New Jersey demonstration (see below). It targeted all UI claimants except those on short-term layoff, with union membership, or enrolled in training. The job search assistance intervention reduced UI duration an average of four weeks, with a benefit-cost ratio of 2.0 from the perspective of the workforce system (Greenberg and Shroder 2004).

- Nevada Claimant Employment Program (1988–1989). A demonstration in Nevada that was not restricted to permanently separated workers or those most likely to exhaust UI tested the idea that intensive services are cost-effective and emphasized “adequate time to deal with claimants.” It found that intensive, staff-assisted job search assistance reduced UI duration an average of two weeks, more than paying for itself with a benefit-cost ratio of over 2.0 considering reductions in UI benefit payments (Hanna and Turney 1990).

- New Jersey UI Reemployment Demonstration (1986–1987). This demonstration tested identifying displaced workers early in their UI claims and providing RES to speed reemployment. UI claimants over 25 who had been with their previous employer three or more years (but not on short-term layoff or with union membership) were required to participate in job search assistance composed of comprehensive, personalized services. The intervention reduced UI duration by an average of a half week, and the UI benefit exhaustion rate by 6.7 percent. Benefit payments declined an average of $87. The intervention paid for itself when taking into account reductions in UI benefit payments. Subgroup findings suggested the intervention had the

“...greatest impact on workers who had readily marketable skills and experience ... the demonstration might have had an even greater impact on UI receipt if the eligibility requirements had been set whereby a wider range of claimants were enrolled, including those whose reemployment prospects were relatively good” (USDOL 1989, 1990, 1996).

NOTE: See also Balducci, Eberts, and O’Leary (2004); Greenberg and Shroder (2004); and Wandner (2010).
References


