

Modest outreach increases employer awareness and use of Short-Time Compensation (STC)

Study Brief – Demonstration and Evaluation of Interventions to Increase Awareness and Use of STC Programs in Iowa and Oregon

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In this brief, we present findings on the effects of 12-month information campaigns designed to increase employer awareness of STC programs in Iowa and Oregon. The states ran their campaigns starting in mid-September 2014 in Iowa and late October 2014 in Oregon, and we tested the effects of this outreach using a random controlled trial (RCT) design in Iowa and the Portland metropolitan area of Oregon and a quasi-experimental design (QED) in Oregon outside of Portland.

KEY FINDINGS

Our findings support the hypothesis that employers’ lack of knowledge about STC is an impediment to use:

- **The campaigns, primarily consisting of mailings, significantly raised awareness in both states.** Among employers who were targeted by the outreach, awareness increased by an estimated 15.6 percentage points in Iowa, 17.8 percentage points in Portland, Oregon, and 30.4 outside of Portland.
- **In Oregon, the outreach significantly increased STC adoptions.** The estimated increase was, conservatively, 58 percent (19 plans) in the Portland study and 100 percent (28 plans) in the study outside Portland.
- **In Iowa, increased awareness did not translate into greater take-up.** The lack of change was likely due to a variety of reasons, including the strong economy prevailing in Iowa during the study.

Short-Time Compensation is an optional program available within 26 states’ Unemployment Insurance (UI) system. Under STC, instead of laying off workers, employers experiencing a temporary reduction in business reduce workers’ hours, and affected employees receive prorated unemployment benefits.

Study Background

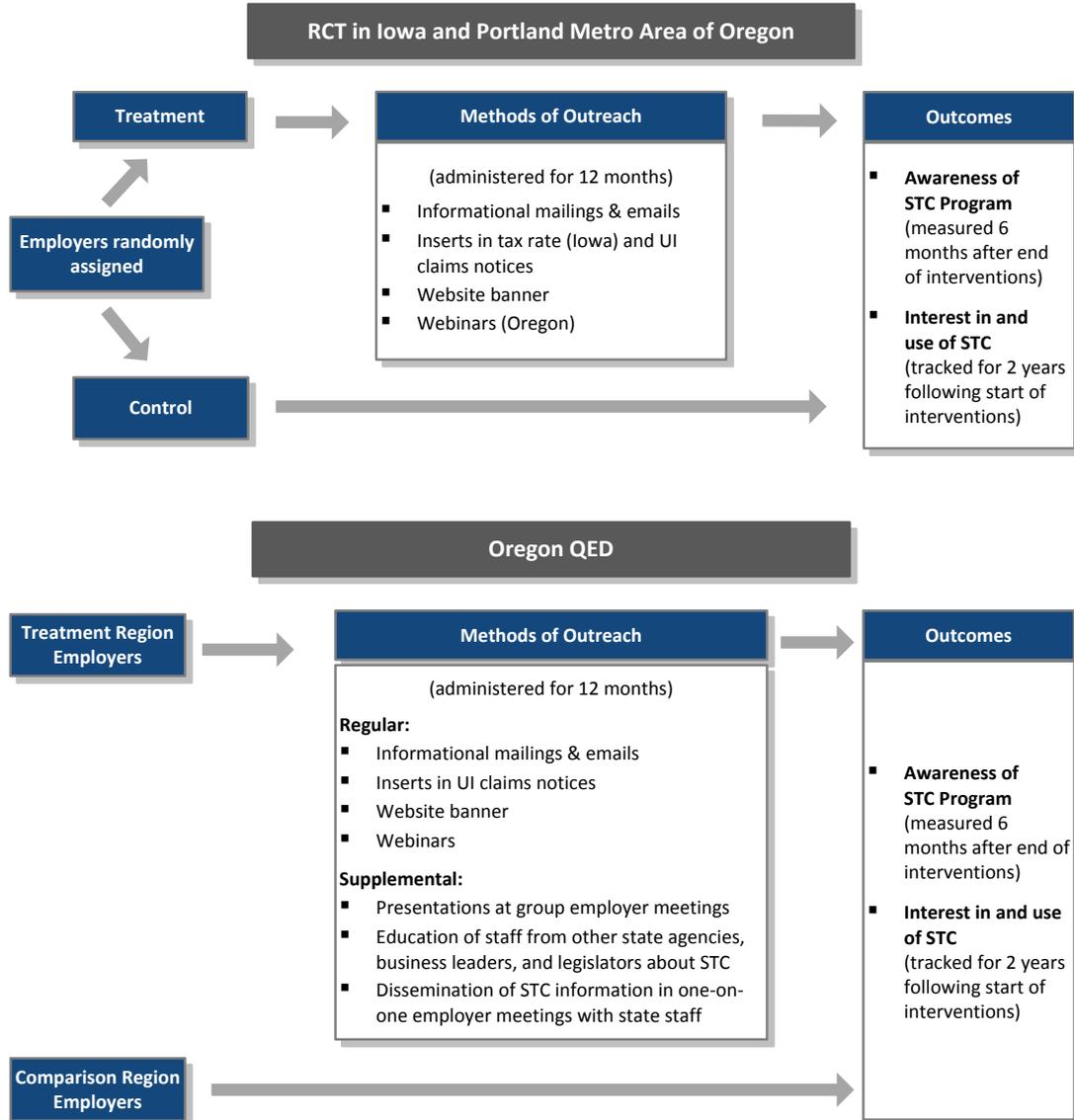
Although STC is a potentially important mechanism for mitigating unemployment, employer use of the STC option has been low in states with the program, and lack of awareness among employers about the STC program has long been hypothesized as a major reason for the low take-up.

The deep recession in 2008-2009 renewed interest in STC, and federal legislation enacted in 2012 included funding to promote awareness of STC. The demonstrations in Iowa and Oregon test the effectiveness of STC information campaigns and provide potential models for states seeking to increase awareness of STC.

STUDY DESIGN

In the RCT studies in Iowa and the Portland metropolitan area of Oregon, employers were randomly assigned to treatment or control groups. Employers in the treatment group received information about the STC program while those in the control group did not receive this additional information. For the QED study in Oregon, we divided the balance of the state into a treatment region and a comparison region, which were closely comparable in size, industry composition of employers, and prior use of STC. Employers located in the treatment region received the same information as treatment employers in the Portland study, but state staff supplemented that outreach with presentations to employer groups. In addition, stakeholders, including staff outside of the UI office who had regular contact with employers in the treatment region, were trained on the STC program so they could disseminate program information to employers. Figure 1 provides an overview of the RCT and QED designs in Iowa and Oregon.

Figure 1. Schematic of Study Design



We designed the study to test rigorously whether the outreach in each state was effective in raising awareness and whether increased awareness translated into significantly greater program use. We also provide descriptive evidence on the effectiveness of specific methods of outreach in increasing awareness and on the costs of the information campaigns. Finally, to place our study’s findings in context, we explored other possible barriers to STC use.

FINDINGS

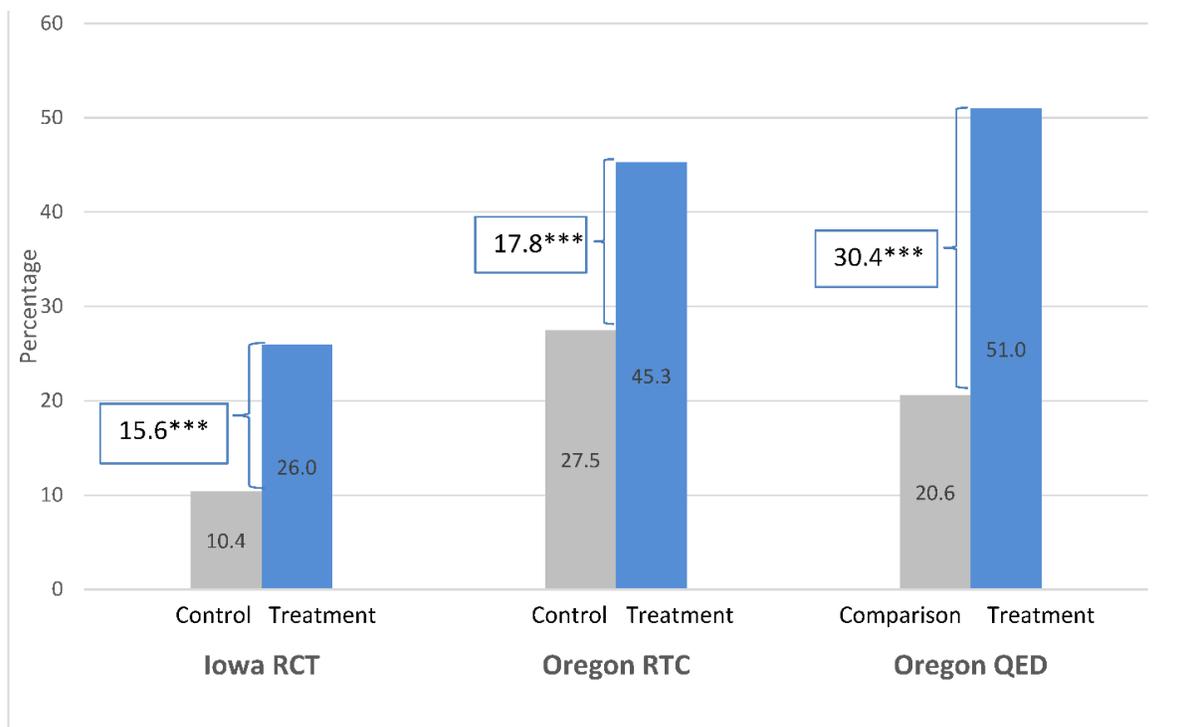
What were the effects of the outreach on STC awareness?

In both states, evidence from a short employer survey shows that the outreach was highly effective at increasing employer awareness of the STC program, as depicted in Figure 2.

Data collections to support study analyses

- Effects on STC awareness**
 Data Sources: A short employer survey in each state six months following end of interventions; tracking mechanisms that link website hits and employer queries to specific methods of outreach.
- Effects on STC use**
 Data sources: Detailed UI administrative data for approximately two years before and two years following the start of demonstrations.
- Intervention costs**
 Data sources: Records of staff time and direct expenses associated with demonstrations.
- Other barriers to use**
 Data sources: An employer survey of prior STC users in each state and conducted in-depth interviews of selected employers and state staff.

Figure 2. Difference in employer awareness of STC program in Iowa and Oregon by assignment group and study



In Iowa, the share of treatment employers who responded that they were aware of the state's STC program was 26.0 percent, compared to only 10.4 percent of control employers, indicating that the outreach more than doubled employers' awareness of the program. The outreach also roughly doubled employer awareness in Oregon. In the Portland RCT study, the share of respondents who reported knowing about the STC program was 45.3 percent among treatment employers, compared to 27.5 percent of control employers; in the Oregon QED study, respondents in 51.0 percent of treatment establishments reported knowing about the program, compared to 20.6 percent of respondents in comparison group establishments. All differences between treatment and control or comparison group establishments are significant at the 99 percent level of confidence.

Consistent with the outreach having a large effect on awareness, treatment employers were much more likely than control or comparison group employers to report that they had learned about the program following the start of the demonstrations. Similarly, ***in Iowa, the number of treatment employers contacting the state for additional information about the STC program was almost double the number of control employers, and in Oregon, it was four times higher.***

Tracking data and employer survey data show that the mailings, which were the main form of outreach in both states, were effective in increasing awareness. Our surveys also show that employers who are aware of the program often learned about it through informal channels, such as by word-of-mouth from other employers or employees. Through presentations to employer groups and other stakeholders, the supplemental outreach in the Oregon QED study was designed to develop networks for disseminating information on the STC program. Staff and employer feedback on this effort was positive, and although the presentations reached relatively few employers during the one-year demonstration, we expect that Oregon's work to develop these networks will pay off over time.

What effects did the outreach have on program use?

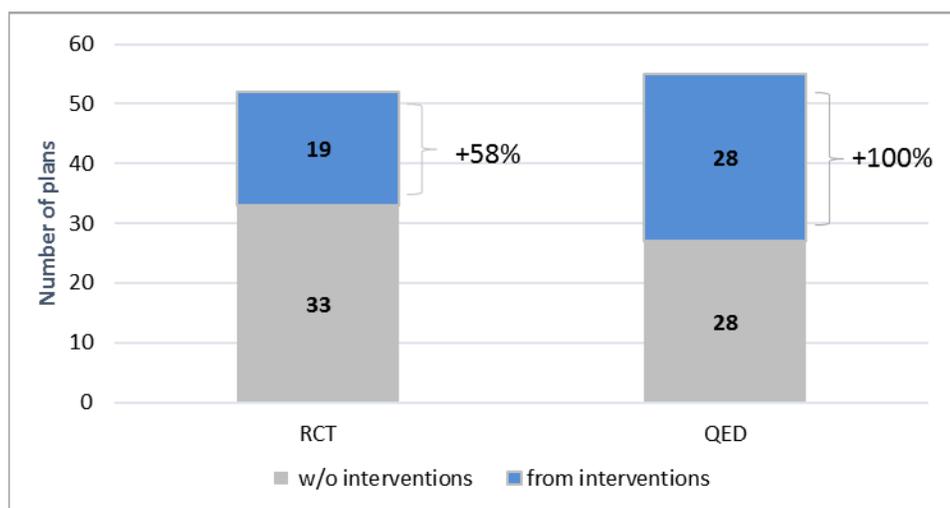
The information campaign in Oregon had an economically large and statistically significant effect on plan use in both the RCT and QED studies. (See Figure 3.) Our most conservative estimates for the Portland metro area, which made up our RCT study, indicate that outreach resulted in 19 additional plans among treatment employers during our observation period, which amounts to a 58 percent increase over baseline. For the QED study, we estimate that the outreach resulted in an additional 28 plans during our observation period, which represents a 100 percent increase over baseline. Employers' use of the STC program is highly sensitive to economic conditions, rising during contractions and falling during expansions. It is notable, therefore, that the take-up rate in the year when the outreach was done was greater among RCT and QED treatment employers than it had been 2 years earlier, when the unemployment rate was about 2 percentage points higher.

Few Iowa employers established STC plans during the study, and the information campaign had no effect on overall STC use among treatment employers. The absence of any effect likely reflects the strength of the state's economy, the low historical use of STC in the state, and possibly factors related to the program's administration that may have discouraged STC adoption.

What were the costs of information campaigns?

We estimate that direct costs and costs of staff time were \$100,000 or less in Oregon and, because the nature of the outreach was less time-intensive for state staff in Iowa, were considerably less than this figure in that state. The experiences from the Iowa and Oregon demonstrations suggest that the federal STC grants provided to 16 states should enable these states to raise awareness substantially among employers about the program and, when economic conditions are weak, increase STC use.

Figure 3. Estimates of increase in STC plans resulting from interventions, Oregon RCT and QED studies



Note: Values derived from models to show estimated number of plans over the two-year period following the start of the interventions.

What other barriers may impede STC use?

Besides lack of awareness among employers, the administrative costs that both employers and state agencies incur in operating STC plans are often cited as a reason for the low use of the program. Although we find little evidence that administrative burdens are a major deterrent to program use among employers, administrative costs to states may pose a significant barrier to program expansion in some states:

- ***The overwhelming majority of employers who have participated in the STC program view it positively, indicating that there is considerable scope for expanding participation.*** Nearly all prior STC users surveyed in Iowa and Oregon reported that the STC program was very important or somewhat important in helping them survive a business downturn, that they would consider using the program again, and that they would recommend the program to other employers. Our survey evidence also indicates that employers generally do not see administrative costs as a major deterrent to program participation, though during interviews some employers mentioned the desirability of reducing the administrative costs.

- ***The cost to states of administering STC plans may pose a significant barrier to program expansion, and improvement in IT systems may need to accompany information campaigns in some states.*** A large program expansion may stress staff resources, particularly if administrative systems are not automated and thus are labor-intensive. In our study, this issue appeared to be especially significant in Iowa, which restricted large employers' ability to vary weekly hours of workers on STC owing to the administrative burden of processing weekly changes in STC benefit claims.

IMPLICATIONS OF THE DEMONSTRATIONS

Our findings indicate that employers' lack of awareness about the STC program is a significant constraint on its use. Although the overwhelming majority of prior-STC users report positive experiences with the program, relatively few employers in Iowa and Oregon know about the option. The demonstrations showed that, with relatively modest expenditures and staff time, employer awareness of STC and, in Oregon, employer use of the program could be significantly increased. The interventions developed for these demonstrations provide potentially useful models for other states seeking to promote their STC programs.

This study brief is based on the Final Report on the Demonstration and Evaluation of the Short-Time Compensation Program in Iowa and Oregon, prepared for the U.S. Department of Labor (DOL), Chief Evaluation Office under contract number DOLQ129633252 (March 2013 – June 2017). The views expressed are those of the authors and should not be attributed to the federal government or the U.S. Department of Labor. The final report is available online at <https://www.dol.gov/asp/evaluation/completed-studies/STC-in-Iowa-and-Oregon-Final-Report.pdf>

