Outcomes of Policies for Displaced Workers: An American Perspective

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Outcomes of Policies for Displaced Workers: An American Perspective

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Canadian Roundtable on Displaced Workers, Conference Centre, Human Resources and Skills Development Canada, 140 Promenade du Portage, Phase IV, Gatineau, Quebec, March 12, 2010.
Outline

• Origins of Displaced Worker Policies
• Context of Employment Policy
• Displaced Worker Programs Chronology
• Job Loss in the Great Recession
• Displaced Worker Interventions
• Review of Program Effects
• Current Policy Directions
Origins

- Policy action driven by economic crises
- Collaboration of liberals and conservatives

- Evaluation is key in recent compromises
  - Program sunset date
  - Evaluation required in legislation

- Chronology of programs
Origins

Federal leadership in employment policy during times of economic crisis
States reluctant to burden resident employers with taxes
Triad of public employment programs
• Employment Service
• Job Training
• Unemployment Insurance
Origins

Original public employment programs
1933 - U.S. Employment Service
1933 - Emergency Conservation Work Act
   – Civilian Conservation Corps (CCC)
1935 Unemployment Insurance
1935 Emergency Relief Appropriation Act
   – Works Progress Administration (WPA)
Post War Job Training Programs

1962 - Manpower Development Training Act (MDTA)
1973 - Comprehensive Employment and Training Act (CETA)
1982 - Job Training Partnership Act (JTPA)
1998 - Workforce Investment Act (WIA)
2009 - American Recovery and Reinvestment Act (ARRA)

==> Trends in US Unemployment
US Insured and Total Unemployment

![Graph showing the trend of US insured and total unemployment from 1960 to 2008.](chart.png)
Unemployment Trends

- Unemployment minimums during expansions
  - rising before 1982
  - falling after 1982
- Temporary layoffs more common before 1982
- Permanent layoffs rising after 1982
  - Reduced manufacturing employment and rising employment in services
Displaced Worker Programs Chronology

1988 – Worker Adjustment and Retraining Notification (WARN) Act
1988 – Economic Dislocation and Worker Adjustment Assistance (EDWAA) Act
1993 – Worker Profiling and Reemployment Services (WPRS) in UI reforms
1993 – Self Employment Assistance in NAFTA
UI Claims in Great Recession

Weekly Unemployment Insurance Claims in the United States, 2008-2010

- Weekly UI Claims
- Seasonally Adjusted
Weekly UI Claims in the Recession

- 2005 to 2007 weekly average: 322,000
- Oct. 2008 to Oct. 2009 average: 577,000
- Week ending January 10, 2009: 956,791
- President Obama inaugurated January 20, 2009
- American Recovery and Reinvestment Act (ARRA) signed in February, 2009
Changes from September, 2008 to September, 2009

Unemployment rose from 6.2% to 9.8%

- From 6.3% to 10.7% for full-time adults
- From 5.9% to 6.4% for part-time adults
  - Involuntary part-time work increased

- From 29.6% to 43.3% for full-time youths
- From 14.4% to 17.3% for part-time youths
Changes from September, 2008 to September, 2009

- Unemployment rose **higher** and **increased more** among men and youths.
- Short term (less than 5 weeks) share of unemployed **fell** from 30% to 20%.
- Long term (more than 26 weeks) share of unemployed **increased** from 21% to 36%.
- Exhaustion rate of regular UI benefits **increased** from 39% to 52%.
Permanent Layoffs as a Percentage of Unemployment

Permanent Layoffs as a Percentage of Monthly Unemployment in the US, 1970 to 2009
Prospects for Unemployment

- Will unemployment be slow to decline in the economic recovery?
- Permanent separations rose to 55.1% of all unemployed in October, 2009
- Small businesses with fewer than 50 employees have driven employment gains
- Small businesses led employment declines in this crisis due to credit crunch
Types of Training under WIA

- Classroom Training
  - Individual Training Accounts
  - Vouchers
- Customized Training
- Occupational Skills Training
- On-the-Job Training
- Remedial Training
WIA Principles and Practices

- “Work First” – the best training is a job
- One-stop centers coordinate services
- Training in high demand occupations
- Employer driven system—WIB leadership
- Common measures for performance
- No adjustment methodology—creaming
- Quasi-experimental impact evaluations
# Michigan WIA Training, 2000-2008

<table>
<thead>
<tr>
<th>Training Type</th>
<th>Frequency</th>
<th>Percent</th>
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<tbody>
<tr>
<td>Adult Education</td>
<td>198</td>
<td>0.3</td>
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<tr>
<td>Classroom Training</td>
<td>25,538</td>
<td>32.7</td>
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<tr>
<td>Customized Training</td>
<td>1,987</td>
<td>2.5</td>
</tr>
<tr>
<td>Entrepreneurial Training</td>
<td>18</td>
<td>0.0</td>
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<tr>
<td>Job Readiness</td>
<td>279</td>
<td>0.4</td>
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<tr>
<td>Literacy</td>
<td>96</td>
<td>0.1</td>
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<tr>
<td>Occupational Skills</td>
<td>33,118</td>
<td>42.5</td>
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<tr>
<td>On-the-Job</td>
<td>10,968</td>
<td>14.1</td>
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<tr>
<td>Skills Upgrade</td>
<td>3,860</td>
<td>4.9</td>
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<tr>
<td>Workplace Training</td>
<td>1,926</td>
<td>2.5</td>
</tr>
<tr>
<td>Totals</td>
<td>77,988</td>
<td>100.0</td>
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</table>
# Federal Funding for Job Training

<table>
<thead>
<tr>
<th>Category</th>
<th>2008</th>
<th>2009</th>
<th>ARRA</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult Employment and Training</td>
<td>$849,101</td>
<td>$861,540</td>
<td>$500,000</td>
<td>$861,540</td>
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<tr>
<td>Dislocated Employment and Training</td>
<td>1,323,373</td>
<td>1,341,891</td>
<td>1,450,000</td>
<td>1,413,000</td>
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<tr>
<td>Youth Activities</td>
<td>924,069</td>
<td>924,069</td>
<td>1,200,000</td>
<td>924,069</td>
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<tr>
<td>Green Jobs Innovation Fund</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>50,000</td>
</tr>
<tr>
<td>Workforce Data Quality Initiative</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>15,000</td>
</tr>
<tr>
<td>Reintegration of Ex-Offenders</td>
<td>73,493</td>
<td>108,493</td>
<td>0</td>
<td>115,000</td>
</tr>
<tr>
<td>Career Pathways Innovation Fund</td>
<td>122,816</td>
<td>125,000</td>
<td>0</td>
<td>135,000</td>
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<tr>
<td>Pilots, Demonstrations and Research</td>
<td>48,508</td>
<td>48,781</td>
<td>0</td>
<td>57,500</td>
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<tr>
<td>Evaluations</td>
<td>4,835</td>
<td>6,918</td>
<td>0</td>
<td>11,600</td>
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<tr>
<td>Women in Apprenticeship</td>
<td>983</td>
<td>1,000</td>
<td>0</td>
<td>1,000</td>
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<tr>
<td>Denali Commission</td>
<td>6,755</td>
<td>3,378</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Indian and Native American Programs</td>
<td>52,758</td>
<td>52,758</td>
<td>0</td>
<td>52,758</td>
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<tr>
<td>Migrant and Seasonal Farm workers</td>
<td>79,668</td>
<td>82,620</td>
<td>0</td>
<td>82,620</td>
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<tr>
<td>Youthbuild</td>
<td>58,952</td>
<td>70,000</td>
<td>50,000</td>
<td>114,476</td>
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<tr>
<td>Training for High Growth Industries</td>
<td>0</td>
<td>0</td>
<td>750,000</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>$3,545,311</td>
<td>$3,626,448</td>
<td>$3,950,000</td>
<td>$3,833,563</td>
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</table>
Displaced Worker Interventions

- Worker Notification - WARN
- Income Replacement – UI, TAA
- Reemployment Services – ES, WPRS
- Reemployment Bonuses
- Job Training - WIA
- Self Employment Assistance
- Wage Subsidies
Worker Adjustment and Retraining Notification (WARN) - 1988

• Advance 60 day notice of mass layoffs and plant closings by employers of 100+
• Mass Layoff: 500 or more employees, or at least 50 and 33% of workforce
• Plant Closing: loss of 50 or more employees in a 30-day period
• Notify workers, local government, state dislocated worker unit (like IAS)
Earnings Impacts of Displacement


- Future earnings losses average 25 percent per year and persist
- Losses begin before job separation
- Losses are large even for those who find new jobs in similar firms
- Empirical work based on UI earnings records from Pennsylvania, 1974-1986
Impact of Advance Notice

Folbre, Leighton and Roderick (1984)

- There were 107 plant closings in Maine affecting at least 100 workers 1971-1981
- Voluntary notification at least 30 days before and some severance pay
- Significantly reduced impacts on local economies through employment multiplier
- Reduced impact of plant closings on unemployment in the month of closing
Impact of Advance Notice

Ehrenberg and Jakubson (1988)

• Reduces the probability of unemployment
• However, there is no effect on jobless duration if become unemployed
• No evidence the most productive workers quit after WARN and before layoffs
  – Based on state notice rules before WARN
  – BLS 1984 Survey of Displaced Workers
Trade Adjustment Assistance, 2009

Trade Readjustment Allowances (TRA) after Exhaustion of Regular UI
- Up to 130 weeks of UI in full-time training
- Up to 156 weeks if also in remedial training

TAA Job Search Allowances
- 100% of allowable costs, up to $1,500
- TAA Relocation Allowances
- 100% of costs, up to Federal Employee limit
- Additional lump sum payment of up to $1,500

TAA Training Services
- Training may be full-time or part-time basis,
- but full-time training is required for TRA eligibility

TAA Health Coverage Tax Credit (HCTC)
- An 80% tax credit for health insurance premium
Reemployment Trade Adjustment Assistance

- Available to workers 50 years of age or older
- Does not require a separate certification of group eligibility
- Maximum benefit of $12,000 over a period of up to two years
- Participants are eligible for the health care tax credit up to 80% of premium
TAA Evaluation

Decker and Corson (1995)

• 1988 TAA reforms increased training benefits relative to value of UI extension

• National samples before and after 1988

• Participants displaced with big income loss

• Training had no statistically significant impact on earnings within 3 years after TAA training participation
Targeted Job Search Assistance

• JSA targeted to dislocated workers: -0.5 weeks. A cost effective intervention. These results led directly to WPRS implementation (Corson et al. 1989)

• DC and Florida, structured JSA targeted to at risk of long term joblessness. -0.5 weeks (Decker et al. 2000)

• 6 state WPRS: -0.00 to -0.98 weeks. Modestly shortens jobless durations (Dickinson et al. 1999)

• Kentucky WPRS: -2.2 weeks. Significantly shortens jobless durations (Black et al. 2003)
## Targeted Job Search Assistance

<table>
<thead>
<tr>
<th>Authors (year published)</th>
<th>Service</th>
<th>Findings</th>
</tr>
</thead>
</table>
| Corson, Decker, Dunstan and Gordon (1989) New Jersey | T1: JSA  
T2: JSA plus training  
T3: JSA plus a bonus | T1: $-0.47$**  
T2: $-0.48$**  
T3: $-0.97$** | 6T1: $-0.76$  
6T2: $-0.93$  
6T3: $-1.72$** |
| Decker, Olson, Freeman and Klepinger (2000) DC and Florida | T1: Structured JSA  
T2: Individualized JSA  
T3: T2 plus training | DC1: $-1.13$**  
DC2: $-0.47$**  
DC3: $-0.61$** | FL1: $-0.41$**  
FL2: $-0.59$**  
FL3: $-0.52$** |
| Dickinson, Decker, Kreutzer, and West (1999) CT, IL, KY, ME, NJ, SC | P: WPRS profiled and referred to early JSA | CT: $-0.25$**  
IL: $-0.41$**  
KY: $-0.21$* | ME: $-0.98$**  
NJ: $-0.29$**  
SC: 0.02 |
| Black, Smith, Berger and Noel (2003) Kentucky | T: WPRS profiled and referred to early JSA | T: $-2.2$** weeks of UI  
T: $-143$* UI benefits  
T: $1,054$* earnings |
<table>
<thead>
<tr>
<th>Service</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orientation</td>
<td>8,055,574</td>
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<tr>
<td>Assessment</td>
<td>5,820,316</td>
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<tr>
<td>Counseling</td>
<td>1,941,256</td>
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<tr>
<td>Placement Service</td>
<td>6,416,153</td>
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<tr>
<td>Job Search Workshop</td>
<td>4,884,388</td>
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<tr>
<td>Education &amp; Training</td>
<td>1,502,028</td>
</tr>
<tr>
<td>Self Employment Program</td>
<td>31,003</td>
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<tr>
<td>At Least One Reported Service</td>
<td>13,471,202</td>
</tr>
</tbody>
</table>
New Jersey Dislocated Workers

New Jersey UI Reemployment Demonstration
(Corson, Decker, Dunstan 1989)

- Targeted Dislocated Workers (UI payment, age, tenure, not temporary layoff, not referral union members) random assignment
- UI--ES--JTPA, denial of UI for refusal of service
- JSA only
- JSA with training or relocation assistance
- JSA with cash reemployment bonus, the cash bonus amount declined with duration
# New Jersey Reemployment Demo

<table>
<thead>
<tr>
<th></th>
<th>One Year</th>
<th>Six Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>JSA</td>
<td>-0.47*</td>
<td>-0.76</td>
</tr>
<tr>
<td>JSA + Training</td>
<td>-0.48**</td>
<td>-0.93</td>
</tr>
<tr>
<td>JSA + Bonus</td>
<td>-0.97***</td>
<td>-1.72***</td>
</tr>
<tr>
<td>Control Mean</td>
<td>17.9</td>
<td>31.9</td>
</tr>
</tbody>
</table>
Reemployment Bonus

Illinois UI Incentive Experiment  
(Woodbury - Spiegelman 1987)  
New Jersey UI Reemployment Demonstration  
(Corson - Decker 1989)  
Pennsylvania Reemployment Bonus Experiment  
(Corson - Decker 1992)  
Washington Reemployment Bonus Experiment  
(Spiegelman, O’Leary, Klein 1992)  
Target Bonuses to Likely UI Exhaustees  
(O’Leary, Decker, and Wandner 2005)
Reemployment Bonus

- Illinois  -1.15** weeks
- New Jersey  -0.69* weeks
- Pennsylvania  -0.5** weeks
- Washington  -0.5* weeks

- Targeted (New Jersey and Washington)
- Low Bonus, Long Duration, Top 50%
WIA Training with ARRA Money

Training emphasis changed from “work first” to career development
ARRA doubled funding for dislocated and disadvantaged adults job training under WIA
385,000 summer youth participants 2009
  – Average 8 weeks, 30 hours, ages 14 to 24
  – Wages $6.55 to $7.25 per hour, about $670 million
  – In some local areas summer youth was a larger share of ARRA spending
ARRA and Related Training

ARRA UI Modernization encouraged expanded approved training (3 States)
   – 26 additional UI weeks after exhaustion
   – Work search waiver while in approved training

Expanded Pell higher education grants use

High growth industries training $750 million

National emergency grants $200 million

Separate funds for retraining auto workers
# WIA Participants PY 2007

<table>
<thead>
<tr>
<th>Program Year 2007</th>
<th>Participants</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disadvantaged Adults</td>
<td>2,803,700</td>
<td>81.3</td>
</tr>
<tr>
<td>Dislocated Workers</td>
<td>396,158</td>
<td>11.5</td>
</tr>
<tr>
<td>Disadvantaged Youths</td>
<td>249,060</td>
<td>7.2</td>
</tr>
<tr>
<td>Total</td>
<td>3,448,918</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Evaluating Training

- Performance Measurement
  - Monitor gross outcomes
    - Employment, job retention, earnings
  - Cream skimming
  - Adjustment methodology – VAPIS for WIA

- Impact Evaluation
  - Comparison group designs
    - Random trials and quasi-experimental
WIA Performance Measures--Dislocated Adults

Entered Employment--Of those not employed at the date of participation:
• # of adult participants employed in the first quarter after the exit quarter (divided by)
• # of adult participants who exit during the quarter

Employment Retention--Of those employed in the first quarter after the exit quarter:
• # of adult participants who are employed in both the second and third quarters after the exit quarter (divided by)
• # of adult participants who exit during the quarter

Average Earnings--Of those adult participants who are employed in the first, second, and third quarters after the exit quarter:
• Total earnings in the second plus the total earnings in the third quarters after the exit quarter (divided by)
• # of adult participants who exit during the quarter
<table>
<thead>
<tr>
<th>Dislocated Workers</th>
<th>Negotiated</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entered Employment Rate</td>
<td>85.3%</td>
<td>72.5%</td>
</tr>
<tr>
<td>Employment Retention Rate</td>
<td>89.6%</td>
<td>87.2%</td>
</tr>
<tr>
<td>Average Earnings Q2+Q3</td>
<td>$14,149</td>
<td>$15,188</td>
</tr>
</tbody>
</table>
## WIA Quasi-Experimental Impacts

<table>
<thead>
<tr>
<th>WIA Training</th>
<th>States</th>
<th>Employment Rate</th>
<th>Quarterly Earnings</th>
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<tr>
<td>Hollenbeck and Huang (2003)</td>
<td>Washington</td>
<td>6.7**</td>
<td>$354**</td>
</tr>
<tr>
<td>Hollenbeck et al. (2005)</td>
<td>7 States</td>
<td>5.9**</td>
<td>$483**</td>
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<tr>
<td>Hollenbeck and Huang (2006)</td>
<td>Washington</td>
<td>4.2**</td>
<td>$391**</td>
</tr>
<tr>
<td>Heinrich, Mueser, and Troske (2008)</td>
<td>12 States</td>
<td>1.4</td>
<td>-$36</td>
</tr>
<tr>
<td>Hollenbeck (2008)</td>
<td>Indiana</td>
<td>15.9**</td>
<td>$394**</td>
</tr>
</tbody>
</table>
Self-Employment Assistance

- Massachusetts
  - British weekly -$900 UI (Benus et al. 1994)
  - Targeted to likely long term unemployed
- Washington
  - French lump sum
  - Not targeted
- NAFTA (1993) - targeted
- Permanent Option (1999) - targeted
- DE, ME, MD, NJ, NY, OR and PA
  - +$2,000 UI (Kosanovich et al. 2001)
Dayton Wage Subsidy Experiment (Burtless, 1985)
Illinois Employer UI Bonus Experiment (Woodbury and Spiegelman 1987)
New Jobs Tax Credit (Perloff and Wachter 1979)
Targeted Jobs Tax Credit (Hollenbeck and Willke 1991)
Minnesota Emergency Employment Development (Bartik and Bishop 2009)
Current Policy Directions

• Reemployment and Eligibility Assessments for UI beneficiaries
• Targeting reemployment services
• Wage Subsidies to Small Business for hiring the unemployed
• Transitions from long-term unemployment and benefit receipt to active employment or self-employment
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