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Effectiveness of Reemployment Strategies

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Effectiveness of Reemployment Strategies

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Effectiveness of Reemployment Strategies

Evaluations of active labor market programs across countries suggest (ILO 2001):

1. Job search assistance is most cost-effective,
2. Public service employment programs are the least effective and most costly, and
3. Job training programs and employment subsidies fall in between, with cost-effectiveness dependent on targeting.

Effectiveness of Reemployment Strategies

- Measuring Benefits of Reemployment
- Labor Supply Strategies
- Labor Demand Strategies

Measuring Benefits of Reemployment

Short Run Outcomes:

- Quick return to work
- Shorter UI durations
- Reduced UI payments

Long Run Outcomes:

- Return to steady employment
- Earnings gains and added tax contributions
- Reduced social assistance

Savings from Shorter UI Durations

How much savings from shorter UI durations?

- For the 12 months ending December 31, 2008
 - UI first payments in the US: 10,052,703
 - Average duration of benefit receipt: 15.2 weeks
 - Average weekly UI benefit amount of \$293
- A one week in average duration costs \$2.8 billion

Labor Supply Strategies

UI Beneficiaries

- UI Work Test
- WPRS -- reemployment services
- Reemployment Bonuses
- Personal Reemployment Accounts

Other Job Seekers

- Reemployment Services
- Training – Basic, Job Skill, OJT
- Summer Youth
- Job Corps

Labor Demand Strategies

- Work Sharing under UI (17 states)
- Self Employment Assistance (7 states)
- WIA entrepreneurial training
- Adult Community Service
- Wage Subsidies
 - Dayton, Employer Bonus, TJTC, WOTC
- Wage Insurance (UI partial benefits)

Labor Supply Strategies

Employment Service (ES)

Job Interview Referrals

Johnson et al. (1985)

- Cost effective; earnings gains for women

Jacobson and Petta (2000)

- -2.1 weeks Washington
- -1.1 weeks Oregon

Labor Supply Strategies

Work Test

Corson, Long, and Nicholson (1985) Charleston, SC

- Renewed link between UI and ES -0.55 weeks
- Renewed UI-ES link and Placement -0.61 weeks
- Renewed UI-ES link, Placement, and JSW -0.76 weeks

Klepinger et al. (1998) Maryland

- 4 Employer Contacts -0.70 weeks
- 2 Employer Contacts but no Reporting 0.40 weeks
- 2 Employer Contacts plus JSW -0.60 weeks
- 2 Employer Contacts both verified -0.90 weeks

Labor Supply Strategies

Remove the Work Test

- Johnson and Klepinger (1994)
 - Tacoma WA -- 3.30 weeks longer
- Mc Vicar (2008)
 - Northern Ireland -- 5.28 weeks longer

Labor Supply Strategies

Job Search Assistance (JSA)

- Corson et al. (1989) New Jersey
 - JSA -0.47 weeks
 - JSA plus Training -0.48 weeks
 - JSA plus Reemployment Bonus -0.97 weeks
- Decker et al. (2000) DC and Florida
 - DC Structured JSA -1.13 weeks
 - DC Individual Job Search -0.47 weeks
 - DC Individual Job Search plus Training -0.61 weeks
 - Florida Structured Job Search -0.41 weeks
 - Florida Individual Job Search -0.59 weeks
 - Florida Individual Job Search plus Training -0.52 weeks

Labor Supply Strategies

WPRS profiled and referred to services

- Dickinson et al. (1999)
 - Connecticut -0.25 weeks
 - Illinois -0.41 weeks (More hours of services)
 - Kentucky -0.21 weeks
 - New Jersey -0.29 weeks
 - Maine -0.98 weeks (More hours of services)
- Black et al. (2003)
 - Kentucky -2.20 weeks (Invitation effect)

Labor Supply Strategies

Recent Results on UI-ES Linkages

- WPRS in One-Stops
 - Almandsmith et al. (BPA, 2006)
 - Wisconsin -0.60 weeks
- REA
 - Benus (Impaq, 2008)
 - Minnesota -2.2 weeks
- Targeting Services – FDSS tools

Labor Supply Strategies

Reemployment Bonuses

- Reemployment period half the maximum entitlement
- Illinois -1.15 weeks
- New Jersey -0.69 weeks
- Pennsylvania -0.50 weeks
- Washington -0.50 weeks

WPRS Targeted Reemployment Bonuses (PA, WA)

- Low Bonus, Long Duration, Top 50%

Labor Supply Strategies

Personal Reemployment Accounts

- Lump sum grant
- Choices: Bonus, Services, Post Exhaust UI
- WPRS Profiling for Selection
- Simulations
- Parameters of offers
 - \$3,000, 60-40, 13 week search
- Field Tests
 - Supportive Services Chosen

Labor Supply Strategies

MDTA 1962	Institutional and on-the-job training (OJT)	Low income and welfare recipients	Quasi-Exp Char Matching 1970s
Job Corps 1964	1 year residential remedial and job skill training	Disadvantaged youth	Q-Exp 1980 Exp 2002
CETA 1973	Classroom skill, OJT, Work Experience, PSE	Low income, disadvantaged youth, welfare	Q-Exp 1980s
JTPA 1982	Classroom skill, OJT, Work Experience	Disadvantaged adults and youth Disloc. Workers	Performance Ind Exp 1995
WIA 1998	Classroom, OJT, Work Experience Customized	Disadvantaged Adults and youth Disloc. Workers	Performance Ind Q-Exp 2008

Labor Supply Strategies

- Job Training since the 1960s
 - Effective for women
 - Earnings gains
 - Sometimes effective for men
 - Maintained earnings
 - Expensive interventions work for youth
 - Educational attainment
 - Employment

Labor Supply Strategies

- Summer Youth
 - Resurrected in Stimulus
 - Performance measurement challenges
- Job Corps
 - Targeted
 - Long Duration
 - Expensive
 - Evaluations positive (1980, 2002)

Labor Demand Strategies

- Self Employment
- Work Sharing
- Wage Subsidies
- Wage Insurance
- Senior Community Service

Self Employment Assistance

- Field experiment cost effective (Profile targeted offers effective in Massachusetts)
- Targeting to older, educated, experienced, displaced – many of today's jobless
- Only 7 states have operational programs
- New York big program, but underutilized because of shortage of training funds
- New York had SBA training in early years
- No state has dedicated SEA training funds

Work Sharing

- Two comparison group design evaluations:
 - California poor data, National studies (BPA 1997)
- Preserved jobs but some layoffs continued
 - Problem: high administrative costs
- 16 states have programs, commonly used in 9 states
 - VT, RI, KS, AZ, CA, MA, MN, MO, NY
- Case-by-case program implementation is costly
- Massachusetts Internet based case management
- Public domain software to sent to Vermont and others
- Policy and staff support needed
- A model for Internet based programs (e.g., FDSS)

Labor Demand Strategies

Wage Subsidies

- Dayton Experiment
- Illinois UI Incentive Experiment
- TJTC – 3 percent gain but deadweight
- WOTC
- W-t-W

Partial UI benefits as wage insurance

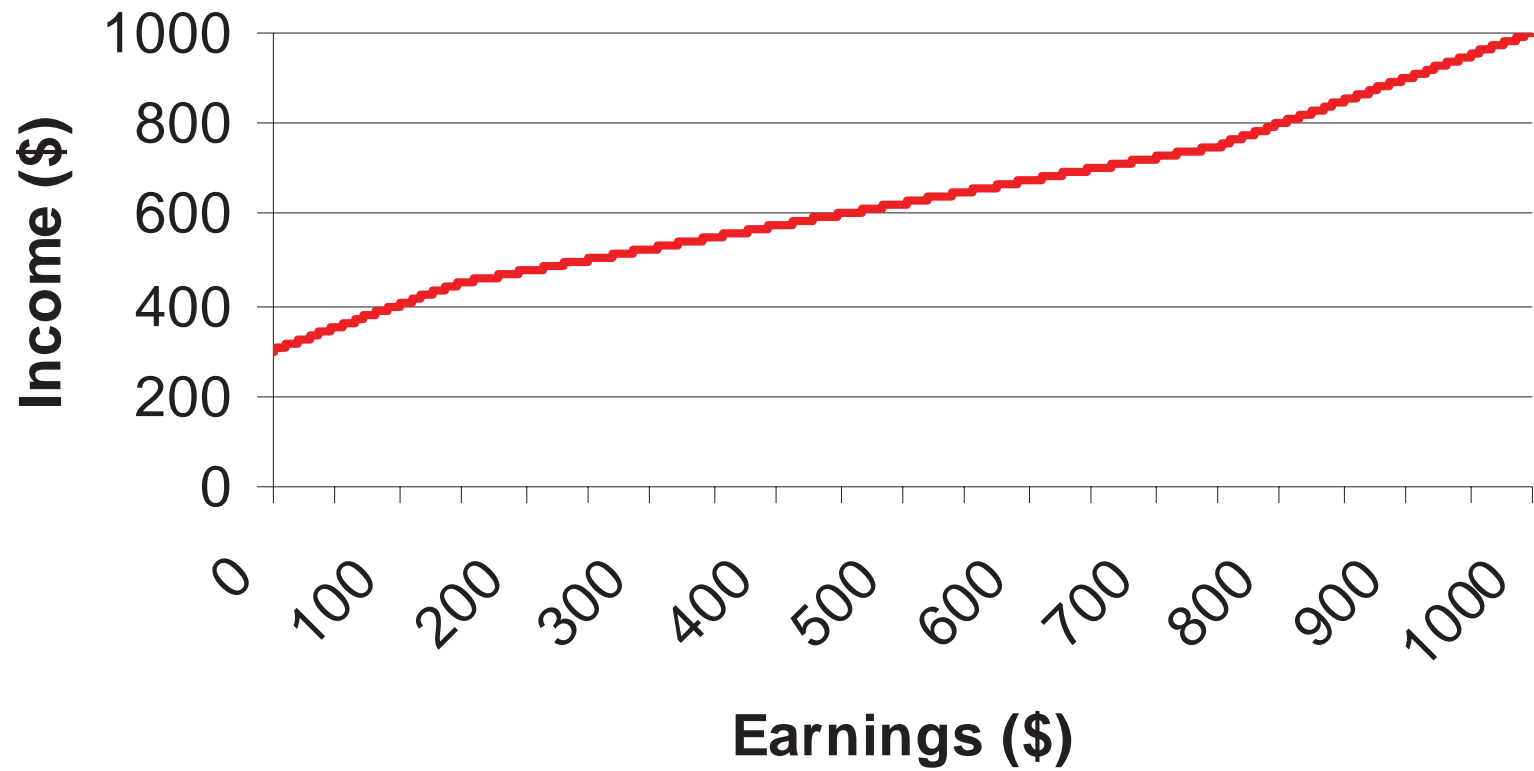
Earnings disregard 50% of WBA

Benefit reduction beyond disregard 50%

- For WBA = \$200, break-even = \$500
- For WBA = \$300, break-even = \$750
- For WBA = \$400, break-even = \$1,000
- Targeting with WPRS
- Sunset implementation with evaluation

UI Partial Benefits as Wage Insurance

$$\text{WBA} = \$300, R = .5 \cdot \text{WBA}, t = .5$$



Labor Demand Strategies

- Adult Community Service
- Income transfer
- Maintenance of workplace skills
- Contribution to local community services
- May reduce Medicare health care costs
- Depending on depth of the recession
 - Consider other direct job creation programs

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