Effectiveness of Reemployment Strategies

Christopher J. O’Leary
W.E. Upjohn Institute, oleary@upjohn.org

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Effectiveness of Reemployment Strategies

Christopher J. O’Leary
W.E. Upjohn Institute for Employment Research

www.upjohn.org

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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

- 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 (Invocation 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

<table>
<thead>
<tr>
<th>Program</th>
<th>Year</th>
<th>Description</th>
<th>Target Population</th>
<th>Evaluation Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>MDTA</td>
<td>1962</td>
<td>Institutional and on-the-job training (OJT)</td>
<td>Low income and welfare recipients</td>
<td>Quasi-Exp Char Matching 1970s</td>
</tr>
<tr>
<td>Job Corps</td>
<td>1964</td>
<td>1 year residential remedial and job skill training</td>
<td>Disadvantaged youth</td>
<td>Q-Exp 1980 Exp 2002</td>
</tr>
<tr>
<td>CETA</td>
<td>1973</td>
<td>Classroom skill, OJT, Work Experience, PSE</td>
<td>Low income, disadvantaged youth, welfare</td>
<td>Q-Exp 1980s</td>
</tr>
<tr>
<td>JTPA</td>
<td>1982</td>
<td>Classroom skill, OJT, Work Experience</td>
<td>Disadvantaged adults and youth</td>
<td>Performance Ind Exp 1995</td>
</tr>
<tr>
<td>WIA</td>
<td>1998</td>
<td>Classroom, OJT, Work Experience Customized</td>
<td>Disadvantaged Adults and youth</td>
<td>Performance Ind Q-Exp 2008</td>
</tr>
</tbody>
</table>
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

$WBA = $300, R = 0.5 \times WBA, t = 0.5$
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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