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## Effectiveness of Reemployment Strategies

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## Effectiveness of Reemployment Strategies

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# Effectiveness of Reemployment Strategies

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# Effectiveness of Reemployment Strategies

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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

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

# Measuring Benefits of Reemployment

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## 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

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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

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## 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

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- 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

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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

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## 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

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## 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

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## 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

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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

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## 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

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## 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

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## 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

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

# Labor Supply Strategies

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- 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

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

# Labor Demand Strategies

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

# Self Employment Assistance

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- 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

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## Wage Subsidies

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



# Partial UI benefits as wage insurance

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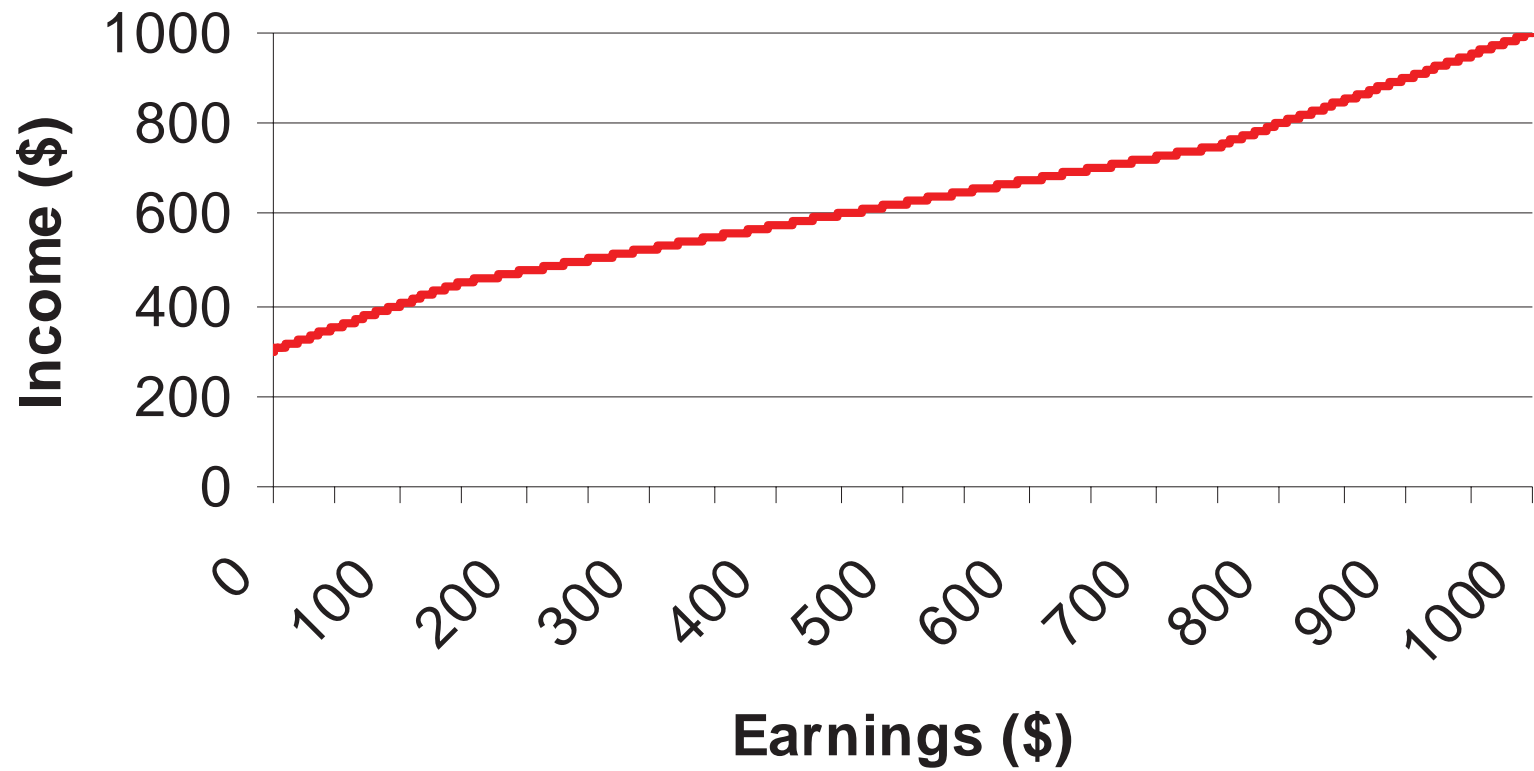
Earnings disregard 50% of WBA

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

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- 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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