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Profiling Unemployment Insurance Beneficiaries

During the past two years, state employment agencies have begun an innovative approach to providing reemployment services to the unemployed. In response to legislation enacted by Congress, states have implemented Worker Profiling and Reemployment Services (WPRS) systems. Through these systems, states are taking preemptive action to help unemployment insurance (UI) beneficiaries shorten their time out of work. A state WPRS identifies those UI recipients who are most likely to exhaust benefit entitlements and refers them to required reemployment services. The goal of the WPRS initiative is to focus UI beneficiaries on finding jobs quickly by tailoring reemployment services to meet their specific needs. This new program marks a significant change in the way state employment security agencies allocate resources and deliver services. As a result, a new reemployment system is emerging with increased emphasis on cost effectiveness and better coordination of unemployment compensation, employment service, and public retraining activities.

The Upjohn Institute helped to implement the WPRS in Michigan by providing technical assistance in developing the profiling methodology. In addition, the Institute is currently evaluating the effectiveness of the Michigan WPRS system. After providing a brief general background, this article describes Michigan's profiling system and outlines the Institute's plan for evaluating the system.

Background

Congress enacted profiling legislation to help UI beneficiaries find suitable work and wages more quickly. Laid-off workers who become eligible for UI can draw up to 26 weeks of benefits in most states. During their period of benefit eligibility, workers are expected to search actively for work, but a large percentage are not successful in finding a job before their benefits run out. For example, during the first quarter of 1996, 34 percent of workers who received unemployment compensation did not become reemployed before exhausting their benefits. This percentage is as high as it was during the 1990-91 recession and only a few percentage points below the 40 percent reached during the 1980-82 recessions.

A series of field experiments has shown that providing more intensive job search assistance reduces the duration of insured unemployment and UI expenditures. (Bloom 1990; Corson et al. 1989; Johnson and Klepinger 1994). In these experiments, the duration of UI benefits was reduced at least half a week and sometimes more than two weeks. In all cases, the programs paid for themselves, with government benefit-to-cost ratios often exceeding two. The response to reemployment assistance depended upon how soon the intervention took place, the amount of contact with staff and the extent of monitoring job search efforts. A recent assessment of employment assistance concludes that "job search assistance should be the core service on the menu of adjustment assistance services offered displaced workers" (Leigh 1990, p. 108).

Encouraged by the prospect of reducing unemployment and saving UI tax dollars, Congress mandated states to implement WPRS systems. Michigan began profiling unemployment compensation recipients in November 1994. The program is a joint project of the Michigan Employment Security Commission (MESC), the Michigan Jobs Commission, and local Job Training Partnership Act (JTPA) service delivery agencies. During the first three months of operation, more than 120,000 UI recipients were profiled, and approximately 10,000 were referred to reemployment services in Michigan.

UI Profiling in Michigan

Profiling entails a two-stage process. First, unemployment insurance recipients who are expecting recall or who are members of a union hall are excluded from the process because they are not expected to undertake an active independent job search. Second, the remaining unemployment insurance recipients are ranked by their likelihood of exhausting regular unemployment insurance benefits. Beneficiaries are then referred to reemployment services in order of their ranking until the capacity of local agencies to serve them is exhausted.

To profile workers, MESC adopted a statistical methodology that assigns a probability of exhaustion to each UI recipient who is eligible for profiling. The probability is derived from estimating the effects of personal characteristics and economic factors on the likelihood that a UI recipient will exhaust benefits. In essence, the probability assigned to each eligible UI recipient is a weighted average on the effect of each characteristic on the chance of that individual exhausting his or her UI benefits.

The profiling model was estimated on a recent sample of Michigan UI beneficiaries. It indicates that UI recipients are more likely to exhaust regular benefits if they have more education, more job experience, work at less-complex tasks, work in clerical and sales occupations, and work in retail and wholesale trade, and financial, insurance, and real estate industries. Also, the likelihood of exhausting benefits varies substantially across local labor markets. These results from Michigan are similar to what other researchers have found using a national sample (Corson and Dynarski 1990).

Once a week, each local MESC office receives a list of profiled and ranked UI recipients who are beneficiaries through that office. The list includes the name, social security number, and estimated probability of exhausting UI benefits for each profiled beneficiary. Those estimated to be most likely to exhaust are placed at the head of the queue for reemployment services.

The number of UI recipients actually referred to reemployment services at any specific local office depends upon the amount of resources received by that office to provide WPRS. Since funding to local offices is largely based on labor market conditions, local offices with the greatest need should be able to serve a larger proportion of their UI claimants. UI recipients from local offices with tight labor markets or with industries experiencing few layoffs will have statewide rankings much lower than those from local offices with high unemployment rates. Offices located in these areas will serve a smaller proportion of beneficiaries through the WPRS.

Reemployment Services in Michigan

After the Michigan Employment Security Commission identifies and ranks profiled UI beneficiaries, those most likely to exhaust benefits are referred to reemployment services. Participation is mandatory for those referred and benefits are withheld until the individual participates in the program. Participants in the Michigan WPRS program have access to a wide range of services to aid them in gaining reemployment (table 1). Services may vary by office but frequently include orientation to the reemployment services, training in job search and interviewing skills, work skills assessment, resume writing, personal appearance tips, teamwork skills, conflict resolution methods, and an overview of resources available at Employment Service (ES) locations. In most localities, service providers work with participants to develop individualized plans that include services that best meet the worker's needs.

Table 1. Michigan WPRS Activity (January 1995 through March 1995)

Profiled claimants referred to and completed services	
Total profiled	120,871
Number referred to services	10,527
Number completing services	3,090
Orientation	2,926
Assessment	1,139
Counseling	972
Job placement services; referrals to employers	231
Job search workshops and job clubs	1,963
Education and training	1,026
SOURCE: Michigan Employment Security Commission, ETA 9048.	

Design of the Michigan Evaluation

The primary purpose of the WPRS is to speed the reemployment of those most likely to exhaust benefits and thereby to reduce the length of time workers draw unemployment insurance benefits. The Institute's evaluation of Michigan's profiling effort will assess how local offices implement profiling, the types and extent of services offered by local offices, and the effectiveness of these reemployment services in reducing the duration of insured unemployment and the benefits paid to claimants. The evaluation is based on information gathered through surveys mailed to ES and SDA offices, on-site interviews, and administrative records.

The referral of UI recipients to reemployment services will be evaluated on the basis of (1) the promptness with which recipients are referred to reemployment services after being ranked, (2) the propensity of referred clients to participate in the reemployment service, and (3) the types of services used by the claimants. The effectiveness of the reemployment services will be

measured by (1) the duration of UI benefit receipt, (2) the amount of UI benefits paid in the benefit year, and (3) the UI benefit exhaustion rate. Program impacts will be estimated by comparing these outcomes for a randomly selected WPRS participant group[with a comparison group randomly selected from beneficiaries with similar characteristics who were not referred to WPRS.

Conclusion

Worker Profiling and Reemployment Services present a new model for government agencies to allocate resources and coordinate services. Instead of providing services to clients on a first-come first-served basis or after applying a static eligibility requirement, the profiling system targets those individuals who are most likely to be unemployed long term. In essence, the profiling system is a triage, attempting to direct services to those who need and will benefit from them the most.

The success of UI profiling as an effective allocation system could have far-reaching implications for other government programs. In the current political climate in which entitlements for government services are being scaled back, profiling may be seized as an efficient mechanism for allocating resources. The new welfare system is a likely candidate for such a model. With dwindling entitlements and fewer funds, the success of welfare reform may rest on identifying those welfare recipients who are most likely to benefit from reemployment services. Bane and Ellwood (1983) offered a similar suggestion over a decade ago, but at that time a profiling-type method was untested and appeared to be too radical a departure from accepted procedures. If profiling is effective in Michigan and other states, this innovation in the delivery of reemployment services could be extended to improve the effectiveness of other social programs.

Randall W. Eberts is Executive Director and Christopher J. O'Leary is Senior Economist at the Upjohn Institute.

Suggested Readings

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