

1-1-2010

Introduction in **Solving the Reemployment Puzzle: From Research to Policy**

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Citation

Wandner, Stephen A. 2010. "Introduction." In Wandner, Stephen A. *Solving the Reemployment Puzzle: From Research to Policy*. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, pp. 1-29.

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Introduction

This book examines how research and evaluation have been conducted, and what public policy use has been made of research with respect to employment and training programs over the past 25 years. It focuses particularly on a series of social science experiments that were conducted in the 1980s and 1990s and their relationship to public policy, legislation, and programs. The book also looks more broadly at the effect of a larger body of research on public policy regarding reemployment services and training. Mostly it focuses on the research and programs designed to help dislocated workers become reemployed. The theme throughout the book is that rigorous research can have, and has had, a strong and positive impact on public policy.

But this book also examines instances in which the research findings have been ignored, contravened, or suppressed. A summary conclusion of this book is that federal policymakers made good use of sound research findings in the mid-1980s and again in the mid-1990s, but frequently misused research findings in the 2000s. To a significant extent, the book follows the story of the employment and training social science experiments that identified three cost-effective, targeted interventions: 1) comprehensive job search assistance, 2) self-employment assistance, and 3) reemployment bonuses. All three were pursued as policy options, and two were enacted into federal law.

Much of this book deals with issues with which I have been closely associated during my tenure at the U.S. Department of Labor (USDOL). I was in charge of unemployment insurance (UI) research during the 1980s and 1990s, when I developed and managed the UI Experiments.¹ As deputy director of the office that conducted research, actuarial analysis, and legislative activities, I sought to have the results of applied research guide policy and legislation. I later directed research for the department's Employment and Training Administration (ETA). As a result, this book follows the flow of policy development from research to legislation and on to program operations.

BACKGROUND

Worker dislocation emerged as a problem in the 1970s. At first, the problem was largely experienced by blue-collar workers as the United States deindustrialized. Later, worker dislocation became more widespread, affecting a broad spectrum of workers. Today, most layoffs are permanent, and there are relatively fewer temporary layoffs even during recessionary periods.

The Federal-State Unemployment Insurance Program is the first line of defense for dislocated workers—i.e., experienced workers who permanently lose their jobs. Because of dislocated workers' strong attachment to the labor force, they are nearly all eligible for UI, and if they are unemployed for any length of time, nearly all of them collect UI.

As a result, UI policymakers began to explore ways that UI, together with other workforce development programs, could adapt and facilitate the transition of dislocated workers into new jobs. Researchers and policymakers explored numerous ways to accomplish this goal. This book examines a wide variety of reemployment services research, but it focuses mainly on reemployment services that researchers have tested using experimental methods. Specifically, the UI Experiments examined five different ways to help UI claimants return to work: 1) comprehensive job search assistance, 2) reemployment bonuses, 3) short-term training, 4) relocation assistance, and 5) self-employment assistance. Each of these approaches was tested one or more times during the life of the UI Experiments.

The experiments received guidance from two secretaries of labor—Bill Brock and Robert Reich. Brock became secretary of labor in April 1985. That September, he approved the New Jersey Experiment and provided it with funding. He also secured funding for other experiments through a new initiative in the fiscal year 1987 federal budget. While he was secretary, he gave speeches in which he emphasized the potential importance of these experiments in developing policies to assist dislocated workers, even though he would no longer be secretary at their completion.

In early 1993, Reich became secretary of labor. He and his staff examined the results of the experiments that had been authorized by Secretary Brock and transformed them into legislative proposals. In his

first year as labor secretary, Reich supported two legislative provisions, one that provided comprehensive job search assistance to dislocated workers and another that made self-employment assistance available to these workers if they wanted to start their own microenterprises. Congress enacted legislation including these initiatives before the end of Reich's first year in office.

The UI Experiments generated a number of policy initiatives. In 1993, Congress enacted Worker Profiling and Reemployment Services (WPRS) legislation, which authorizes the provision of comprehensive job search assistance services that were tested in the New Jersey Experiment. Congress also made Self-Employment Assistance (SEA) a temporary UI program in 1993 based on the Massachusetts self-employment experiment. The program was made permanent in 1998 (Table 1.1).

Table 1.1 The Unemployment Insurance Experiments: Evaluations and Legislative Activity

Intervention	Experiment site	Evaluation	Legislation
Job search assistance	New Jersey	1989—final report 1991—four-year follow-up 1995—six-year follow-up	1993—Worker Profiling and Reemployment Services (enacted)
Self-employment assistance	Massachusetts	1991—interim report 1995—final report	1993—Self-Employment Assistance (enacted for five years) 1998—Self-Employment Assistance (permanently enacted)
Reemployment bonuses	Illinois New Jersey Pennsylvania Washington	1987—final report 1989—final report 2002—final report 2002—final report	1994—Reemployment Act (not enacted) 2003 and 2005—Personal Reemployment Accounts (not enacted)
Individual Training Accounts	Multiple locations	2006—first “final” report 2009—second final report	2006—Career Advancement Accounts (not enacted)

Although four reemployment bonus experiments and subsequent analyses made the case for enacting reemployment bonuses as part of the Unemployment Insurance Program as an incentive to speed reemployment, no reemployment bonus provision was ever enacted. The Clinton administration proposed reemployment bonuses as part of the Reemployment Act of 1994—a legislative proposal that was an unsuccessful attempt to replace the Job Training Partnership Act (JTPA). Reemployment bonus policy was reborn in George W. Bush’s administration, which twice proposed Personal Reemployment Accounts (PRAs), once as a free-standing bill and again as part of a bill reauthorizing the Workforce Investment Act (WIA). Neither proposal was enacted.

The Individual Training Account (ITA) Experiment tested three approaches to training, including a “free choice” model that the Bush administration used to justify its 2006 Career Advancement Accounts (CAA) proposal as the centerpiece for WIA reauthorization. But because there was little prior research or usage of the model, the justification was weak, and the legislative proposal went nowhere.

A work sharing experiment was planned, but it was never carried out. Nevertheless, work sharing was enacted as a temporary federal program in 1982 and as a permanent program in 1992. Wage supplement experiments were proposed twice, but they were never conducted. Despite the lack of testing, wage supplements became part of the Trade Adjustment Assistance (TAA) program in 2002.

Other policy initiatives were made that flew in the face of research findings. Despite findings that reemployment services are cost-effective, funding for the Reemployment Services Grants to states—used to provide services under the WPRS program—were eliminated in June 2006. Although the Employment Service’s (ES) provision of job matching and other employment services had been found to be cost-effective, the Bush administration repeatedly proposed eliminating the ES and rolling its funds into block grants to the states. Similarly, the national automated labor exchange system—America’s Job Bank—was evaluated and found to be cost-effective. Nevertheless, it was eliminated in June 2007.

The umbrella term “Unemployment Insurance Experiments”—described below—is used for several reasons. The experiments all involved dislocated workers who applied for and were eligible for UI.

The experiments mostly were administered by staff in the Unemployment Insurance Service rather than elsewhere in the Department of Labor.² The policy recommendations that have stemmed from evaluations of the experiments generally have involved amendments to federal UI legislation. The demonstration designs of two UI Experiments have been translated into programs and have been enacted as permanent provisions of UI law—the WPRS and the SEA programs.

This book reviews a wide spectrum of research—experimental and nonexperimental—that sheds light on the effectiveness of reemployment services and reemployment incentives that have implications for public policy. Research other than the UI Experiments that is relevant to public policy also is included. Going beyond the research itself, this book examines the public policy response to these experiments and other related research. In general, this book considers both the effects on public policy when research results are considered, and the effects on public policy when research results are ignored.

OVERVIEW OF THE EXPERIMENTS

The UI Experiments represented an enormous effort by the USDOL. The experiments all used rigorous evaluation methods to try to develop practical, cost-effective policies. They involved a substantial commitment of the department's research funds and staff. They were based on close and cooperative relationships between departmental staff, computer contractors, research contractors, and state and local staff from state workforce agencies.

Random Assignment

From a federal policy perspective, random assignment experiments offer the best hope of determining what works and what does not work. Once researchers agree that an approach works, it becomes easier to forge a consensus among policymakers on whether to implement interventions.

There is broad consensus among researchers that random assignment experiments are a valuable tool for developing public policy.

There is, however, disagreement about when and where to use experiments, what the balance should be between the use of experimental and quasiexperimental (comparison group) methods, and which econometric methods to use (Berlin 2007; Burtless 1995; Heckman, LaLonde, and Smith 1999; Nathan and Hollister 2008). The department has used a mixed approach to its program evaluations—a combination of experimental, quasiexperimental, and econometric methods to evaluate programs, depending on a number of different factors (Balducchi and Wandner 2009).

The UI Experiments were conducted at a time when employing experimental methods was highly desirable if legislative change was going to be accomplished. Sustaining old programs or developing new programs required convincing policymakers in the executive branch and Congress, as well as stakeholders in the programs, that policy changes were justified. During most of the period in which the experiments were conducted, the executive branch and Congress were controlled by different political parties. Divided government made it particularly difficult to obtain consensus on new policy directions. Random assignment experiments facilitated gaining agreement on the policy options that were tested.

Overview of the Demonstration Projects

The UI Experiments tested a number of different interventions that were designed to help displaced UI claimants. The interventions included comprehensive job search assistance (JSA), reemployment bonuses, training and training vouchers, and self-employment assistance. The experiments stemmed from a desire to both improve existing interventions (such as JSA and training) and test new interventions (such as reemployment bonuses, self-employment assistance, and training vouchers). In addition, the Department of Labor sought to use random assignment methods to test work sharing and wage supplements, but neither of those experiments came to fruition.

The UI Experiments were expensive to conduct and represented a significant but minority portion of the department's research budget for employment and training programs. The cost of the UI Experiments can be broken down into operational costs and research costs. The operational costs were paid directly to the state workforce agencies or Work-

force Investment Boards (WIBs) that participated in the demonstration projects. These agencies agreed to carry out the interventions that were proposed. Research funds were provided to private research firms that were selected to design, monitor, and evaluate the projects. Operational costs were approximately \$24 million for the 11 demonstrations, for an average of approximately \$2.2 million per demonstration, and varied from no cost to nearly \$6 million (Table 1.2). Those costs included the treatments themselves as well as administrative funds for the states or localities that operated the demonstrations.

In addition to the operational costs, total research costs for the 11 experiments amounted to more than \$18 million, or an average cost per experiment of less than \$1.7 million. However, the last three demonstration projects cost much more than those that were operated in the late 1980s and early 1990s. Funding for the experiments initially came largely from JTPA funds and later from WIA appropriations for research and evaluations. The UI Experiments staff obtained USDOL research and demonstration funding. In two cases, however, the funding for the experiments came from the federal portion of the Unemployment Trust Fund (UTF). Federal legislation mandated UTF funding both for the JSA Demonstration in Florida and Washington, DC, and for the Massachusetts SEA Demonstration. The UTF was available as a funding source because the demonstrations provided reemployment services to UI beneficiaries.

The responsibilities of the research contractors consisted of designing, implementing, monitoring, and evaluating costs. To facilitate project monitoring and evaluation by the research contractors and departmental staff, project tracking systems were developed; they were used for operational purposes, for random assignment of individuals into the treatment and control groups, and for gathering administrative data for project evaluation. Because the data was entered in real time, the tracking system allowed constant monitoring of the quality of the operations. Moreover, in the case of the reemployment bonus demonstrations, tracking was used to determine when to stop project enrollment to ensure that the project did not go over budget. Evaluation costs included the collection of project and administrative data, the administration of telephone surveys, and the conducting of implementation, net impact, and cost-benefit analyses.

Table 1.2 U.S. Department of Labor Experiments, 1986 to Present: Descriptive Information

Experiment	Dates	Number of treatments	Sample size ^a	Number of sites	Partners	Funding (millions \$)
UI Experiments						
New Jersey Experiment	1986–87	3	T = 8,675; C = 2,385	10	State	3.4 ^b
Pennsylvania Reemployment Bonus Experiment	1988–89	4	T = 11,410; C = 3,595	12	State	2.2
Washington Reemployment Bonus Experiment	1988–90	6	<i>N</i> = 17,000	21	State	1.1 ^c
Massachusetts SEA Experiment	1990–93	1	T = 755; C = 752	7	State	UTF ^d
Washington SEA Experiment	1989–91	1	T = 614; C = 608	6	State	ca. 5.0
D.C. JSA Experiment	1995–96	3	<i>N</i> = 8,071	1 ^e	State	UTF = 1.3 ^{d,f}
Florida JSA Experiment	1995–96	3	<i>N</i> = 12,042	10	State	UTF = 1.4 ^{d,f}
Maryland Work Search Experiment	1994–95	4	<i>N</i> = 27,000+	6	State	ca. 0.25 ^g
Other Related Experiments						
Lifelong Learning Experiment	1995–97	1	T = 104,668	12 ^h	Educational	0.0 ⁱ
ITA Experiment, original	2000–04	3	T = 7,922; C = 0	8	Local boards	4.3
Project GATE	2003–04	1	T = 2,097; C = 2,104	5	3 states	4.0

^aT = treatment group; C = control group; *N* = sample.

^bMathematica Policy Research was funded by the New Jersey Department of Labor from an overall grant to conduct the New Jersey Experiment. The total cost of \$4.7 million was split between research costs of \$1.3 million and operational costs of \$3.4 million.

^cThe Washington Reemployment Bonus Experiment was originally funded from USDOL research funds in the amount of \$1.0 million. The Upjohn Institute conducted the design, monitoring, and evaluation of the experiment with its own funds, but it received supplemental research funding in the amount of \$90,000 from the Alfred P. Sloan Foundation.

^dUTF = Unemployment Trust Fund. For the Massachusetts SEA and the Florida and District of Columbia JSA experiments, the states were able to draw funds from their state UTF accounts to pay for self-employment allowances and for job search assistance. In both cases, the states participating in these experiments were given this authority through federal legislation.

^e JSA services were provided by one site, but participants were selected based on their UI claims at all local UI offices, including those in suburban Maryland and Virginia, where D.C. claimants could file D.C. claims for D.C. benefits.

^f For the JSA Experiment, the funding source was the Unemployment Trust Fund. Decker et al. (2000, p. 68) put the total UTF-funded demonstration costs at \$1,301,267 for D.C. and \$1,356,659 for Florida. Greenberg and Shroder (2004) put the combined cost of the two demonstration projects at \$2.68 million.

^g For the Maryland Work Search Experiment, Greenberg and Shroder (2004) put the cost at \$250,000. But in an e-mail message to me on November 16, 2007, Michelle Wood said that all funding went to Abt, in the amount of \$248,000. There is no indication of funding provided to Maryland to conduct the demonstration. This figure was confirmed by a February 25, 2008, telephone interview with Tom Wendell, Maryland UI director.

^h Twelve Baltimore-area institutions participated, including community colleges, private career colleges, and four-year colleges and universities.

ⁱ A portion of the funding provided to Abt for the Lifelong Learning Demonstration was used to operate the project, but no funding was given directly to the state of Maryland or to the educational institutions, so the amount is shown as 0.

SOURCE: Greenberg and Schroder (2004); UI Experiment evaluation reports; USDOL grant and contract files; research contractor files.

The UI Experiments generally tested a single intervention, but they frequently included multiple treatment groups to test design features such as the method of providing the treatment or the payment level for a reemployment bonus. The New Jersey Experiment, however, was more ambitious and tested three different treatments: 1) comprehensive job search assistance, 2) training (and relocation allowances), and 3) reemployment bonuses.

Most of the UI Experiments offered reemployment services or incentives to a large group of individuals. Sample sizes of the treatment and control groups had to be sufficiently large to allow for evaluation of treatment impact both in the aggregate and with respect to important subgroups. Workers were randomly assigned to treatment or control groups in all experiments except the training voucher experiment. In that case, training vouchers had already been mandated by the WIA, so three different approaches to providing training vouchers were compared to one another rather than to a control group.

The Players and the Process: The Executive Branch and Congress

The UI Experiments would not have been carried out without the support of departmental policymakers, Congress, and state and local workforce agencies. The department took the lead in initiating the experiments, administering them, proposing policy initiatives, and implementing the two new programs that flowed from them. In 1985, I had proposed the experiments for consideration by the incoming secretary of labor, William Brock.³ Secretary Brock previously had been United States Trade Representative, the country's chief trade negotiator; in that capacity, he had been concerned about the plight of American workers dislocated by the effects of international trade. He quickly supported the experiments as a new departmental initiative. Indeed, he went to the Office of Management and Budget and gained support for a special appropriation to begin the experiments. A number of assistant secretaries for Employment and Training and many other policymakers and staff also supported the experiments.

The final evaluation of the New Jersey Experiment was completed in 1989, and an interim evaluation of the SEA experiments was completed in 1992. In 1993, Secretary Reich used these findings to propose two new pieces of legislation: 1) WPRS, which was based on the

job search assistance component of the New Jersey Experiment, and 2) SEA, based on the Massachusetts SEA Demonstration. The Clinton administration supported these two initiatives, and administration staff members were able to gain bipartisan congressional support for both initiatives. General confidence in the integrity of the evaluations of these two interventions helped them to garner widespread support.

Congress supported the UI Experiments at their inception in 1985 and appropriated \$5.0 million to fund some of the experiments in 1986. Later, Congress relied on evaluations of the JSA and the Massachusetts SEA experiments, and the project designs were the basis for the federal legislative proposals. Congress supported the proposals for JSA and SEA programs and enacted them into law in 1993. The SEA program was enacted with a five-year sunset provision. In 1998, Congress made the program permanent. In contrast, Congress considered reemployment bonuses in 1994 and 2003 but did not authorize states to offer them as a means of encouraging the unemployed to return to work.

Cooperative Effort

Setting up and operating the UI Experiments was a cooperative effort between state, federal, and contractor staff. Labor Department staff generally selected the participating state workforce agencies and the research contractor with the concurrence of the assistant secretary for Employment and Training. State workforce agencies and local offices were recruited, although in cases where many states were interested in participating, competitive selection processes were established. The research contractor and USDOL staff secured the interest and support of states for random assignment methods and the experimental design of the project. Participating state and local staff were trained so that they could carry out the experimental design. State and local staff then operated the demonstration project.

Close monitoring of the experiments by USDOL staff and the research contractors helped ensure that they were carried out as they had been designed. In many cases, state work agency staff from the state central office also participated in the monitoring.

The evaluations of the experiments were conducted by research contractors but with the close cooperation of Labor Department staff. Evaluations required the gathering of high-quality project and adminis-

trative data from the states. Expensive surveys conducted by the evaluators provided input to the evaluation. The survey data were needed when the project evaluation required more than UI wage records—employment, earnings, and retention data—to measure project outcomes. When the evaluations were completed, the department reviewed and commented on the evaluation reports before accepting them.

The Players and the Process, Part 2: The State Workforce Agencies

State workforce agencies and the local offices that run their programs often do not like random assignment projects. Random assignment is a rigorous process that is very different from the way individuals are normally selected to participate in reemployment services in ongoing programs. The idea of random assignment is sometimes seen as inequitable, whereas describing this approach as a “lottery” is more easily understood and supported.⁴

The UI Experiments were carefully designed to test the treatments while not interfering with the regular operations of the UI, the ES, or training programs. State program administrators would not support demonstration projects that interfered with the daily operations of their programs or with the state computer systems that are critical for their operation.

The state workforce agencies played a crucial role: they volunteered to participate in the experiments, participated in developing the demonstration designs, implemented the demonstrations, provided administrative data, made participating staff available for interviews, and facilitated the conducting of the evaluations by the researchers. State workforce agencies were involved in all of the projects, although for the Lifelong Learning Demonstration the participating organizations were a number of Maryland community colleges and universities, and for the Individual Training Account Experiment the participating agencies were local WIBs.

When two of the experiments resulted in changes to federal legislation, the entire state workforce system was affected. Since participation in the WPRS initiative became mandatory for state UI programs, all state and local offices have participated in WPRS. By contrast, partici-

pation in the SEA program is voluntary, and fewer than a dozen states have been involved in program implementation and operation.

The Research Contractors That Conducted the UI Experiments

The UI Experiments were conducted by a relatively small number of research contractors because few research firms in the United States have experience in running social science experiments for workforce programs. In each experiment, a single research group designed, monitored, and evaluated the project. Although consideration was given to using different contractors—one to design the project and another to evaluate it—that approach was ultimately considered impractical.

For all of the experiments except the Washington Reemployment Bonus Experiment, the contract to design, conduct, and evaluate the demonstration project was competitively bid. In the case of the Washington experiment, the W.E. Upjohn Institute for Employment Research offered to conduct the experiment without a fee, so its arrangements with the USDOL were contained in a nonfinancial agreement.

The research contractors used in the experiments were Abt Associates, Battelle Memorial Institute, IMPAQ International, Mathematica Policy Research (MPR), Social Policy Research Associates, and the Upjohn Institute. Of the 11 experiment evaluations listed in Table 1.1, the principal evaluators of these projects were tightly concentrated: MPR evaluated five, Abt three, and Battelle, the Upjohn Institute, and IMPAQ International one each (Table 1.3).

The concentration of evaluators for UI Experiments followed a similar pattern for social experiments in general. A review of 70 U.S. social science experiments conducted between 1983 and 1996—when most of the UI Experiments were initiated—found that 47 percent of experiments were evaluated by the “Big Three”: Abt, MDRC, and MPR. Of the rest, 19 percent were evaluated by academics, 10 percent by government employees, and the remaining 24 percent by a diverse group of think tanks and private sector firms. Academics generally evaluated smaller experiments, and government employees were generally the evaluators of state-sponsored experiments (Greenberg and Shroder 2004, p. 466). Since the UI Experiments were large in size, the dominance of the Big Three is not surprising. Because MDRC works almost exclusively with disadvantaged or low-wage worker popula-

**Table 1.3 U.S. Department of Labor Experiments, 1986 to Present:
Research Contractors and Funding Levels**

Experiment	Contractor	Contractor funding (millions \$)
UI Experiments		
New Jersey Experiment	MPR	1.23 ^a
Pennsylvania Reemployment Bonus Experiment	MPR	1.00
Washington Reemployment Bonus Experiment	Upjohn Institute	Nonfinancial agreement ^b
Massachusetts and Washington SEA Experiments	Abt/Battelle	1.65
D.C. and Florida JSA Demos	MPR/Battelle	1.50
Maryland Work Search Demo	Abt/Battelle	0.25
Other experiments		
Lifelong Learning Experiment	Abt	2.88 ^c
ITA Experiment, original	MPR/SPRA	3.53 ^d
Second Survey	MPR/SPRA	1.30
Project GATE	IMPAQ/MPR	6.40 ^e

^a Mathematica Policy Research was funded by the New Jersey Department of Labor from the overall grant that it was awarded to conduct the New Jersey Experiment. The total cost of \$4.7 million was split between the research cost of 1.3 million and the operational cost of \$3.4 million (Greenberg and Shroder 2004). In an e-mail message to the author on December 10, 2007, Paul Decker, president of Mathematica Policy Research, indicated that, according to Mathematica contract files, the research cost was \$1.23 million.

^b Self-financed by the W.E. Upjohn Institute for Employment Research, with additional research funding provided to the Upjohn Institute by the Alfred P. Sloan Foundation. USDOL had a nonfinancial agreement with Upjohn to conduct the evaluation. Greenberg and Shroder (2004) incorrectly indicate that the cost was \$450,000.

^c Some of the funding provided to Abt was used for project operations.

^d The contract for \$2.2 million was supplemented with \$0.7 million in 1998. Greenberg and Shroder (2004) put the total at \$2.2 million.

^e In a telephone conversation with the author on June 9, 2007, Janet Javar gave the following figures: the MPR contract was for \$4,027,990. About \$500,000 of that was used for the ITA/ETP (Eligible Training Provider) Demonstration, and the balance of \$3,528,000 was used for the ITA Experiment.

SOURCE: Greenberg and Shroder (2004); USDOL grant and contract files; research contractor files.

tions rather than with dislocated workers, it did not bid on any of the UI Experiments.

The USDOL contracted directly with all of the contractors except in three cases. For the New Jersey Experiment, the state of New Jersey contracted with Mathematica Policy Research. For the Maryland Work Search Demonstration, the state of Maryland contracted with Abt Associates. For the Washington Reemployment Bonus project, the USDOL signed a nonfinancial agreement with the Upjohn Institute.

U.S. Department of Labor Staff

Within the department, all eight of the UI Experiments were conducted by the Unemployment Insurance Demonstration Group within the Unemployment Insurance Service. This group was formed in response to the high level of effort required to conduct the experiments. The purpose of the group was to conduct the series of demonstration projects to determine whether new approaches could be found to help dislocated workers—most of whom were also UI claimants—return to work. The group formed in 1985 to work on the New Jersey Experiment and continued in existence for over a decade, until the last of the eight projects had been completed. Three related projects were conducted by the staff in the ETA's Office of Policy Development and Research.⁵

Contract computer staff worked along with departmental staff in designing, developing, maintaining, and overseeing the data systems. They developed an operational and research database that allowed the USDOL and the research contractor to monitor and manage the experiments with data that was available in real time. The project data systems could be used both to manage the projects and to accumulate the data that would be needed to evaluate the demonstrations.⁶

THE UNEMPLOYMENT INSURANCE PROGRAM

The UI Experiments were conducted within the national UI program. They were all designed to transform the UI program into a reemployment program, while maintaining its essential role as an income maintenance program.

The UI program was established by the Social Security Act of 1935, and it has operated for more than seven decades. It pays unemployment insurance benefits to workers who are unemployed through no fault of their own. UI benefits replace about half of lost wages up to a maximum amount that is set by each state. The average weekly payment was \$300 in 2008. In almost all states, workers can receive up to 26 weeks of regular benefits. Thus, in normal economic times the average unemployed worker can receive up to approximately \$7,500 while unemployed during a year.

Workers drawing UI must show that they are able, available, and actively searching for work. Indeed, they must certify that they are searching for work each time they request another UI payment. Workers who are permanently separated from their previous jobs must register for work with the local Wagner-Peyser Act agency—i.e., the Employment Service. They must accept a job to which they are referred if that job is determined to be suitable. The suitability determination includes consideration of whether the job to which the unemployed worker is referred pays a wage similar to the worker's previous job.

Wagner-Peyser agencies provide a wide variety of reemployment services to workers permanently separated from their jobs who receive benefits. However, these workers are not assured that they will actually receive all of the options in the wide spectrum of assistance when searching for a new job. Wagner-Peyser agencies target reemployment services to individual workers based on a determination of which services are likely to work for which individuals. Because of limited funding, ES staff also have to make allocation decisions among a broad group of workers who could benefit from the various possible services.

Unemployed workers can receive UI benefits whether they are on temporary or permanent layoffs, but it is the permanently displaced workers who need assistance in finding new jobs. This book therefore concentrates on displaced workers and the ways of providing reemployment services—or reemployment incentives—to them.

The UI Experiments were established to determine which reemployment services and incentives were most effective in returning permanently separated UI beneficiaries to work. It is important to know what interventions work so that workers can receive those services that will speed their return to work or increase their human capital.

In addition, because of limited resources, not all workers can be provided all services, even among those services that were determined to be effective for a wide variety of unemployed workers. Thus, a system of targeting had to be developed. The system of targeting treatments to workers who are most likely to exhaust their entitlement to UI benefits is called worker profiling.

DISLOCATED WORKERS AND THE NEED FOR REEMPLOYMENT SERVICES

The UI Experiments focused on UI beneficiaries who were permanently separated from their jobs both because of the increase in worker displacement over the preceding decade and because most dislocated workers who are unemployed for more than a few weeks collect UI benefits. Thus the UI system searched for ways to help these UI beneficiaries speed their return to work or assist them in improving their skills through education and training. In addition, at the time the experiments commenced, prior research had concentrated more on disadvantaged than on dislocated workers, and more was known about the effectiveness of workforce programs for disadvantaged workers than for dislocated ones because policymakers were more concerned with this population (LaLonde 1995, p. 161). The time was ripe to devote federal resources to conducting large-scale experiments to determine what worked to help reemploy dislocated workers.

The targeting of dislocated workers by the UI Experiments was atypical: a study of 193 social science experiments that were undertaken between 1962 and 1996 found that most of them targeted a population of disadvantaged individuals or families. Taken together, these experiments served welfare recipients (35 percent), low-income families (14 percent), the unemployed (13 percent), and youth (12 percent) (Greenberg and Shroder 2004, p. 461). The UI Experiments were a subset of the 13 percent of experiments serving the unemployed; they served the less disadvantaged portion of that population, since they dealt with unemployed workers who had had a strong enough attachment to the labor force to qualify for unemployment insurance but were nevertheless permanently separated from their previous jobs. Average UI recipi-

ents had prior annual earnings that placed them and their families at about double the poverty line, and when these workers become reemployed they are not likely to join the poor. For example, the average weekly wage for all workers in UI-covered employment was \$854 in 2007, and the average annual wage in covered employment was over \$43,000.

The Problem of Worker Dislocation

Worker dislocation has been a significant problem in the United States over the past three decades. By 1984, the problem was widely recognized, and the Bureau of Labor Statistics (BLS) responded by initiating a biennial series of special dislocated worker surveys as supplements to the Current Population Survey (CPS), in order to estimate the magnitude of the problem and to discern any trends in worker dislocation. These surveys showed that in the 1980s approximately 2 million long-tenured workers were dislocated each year. While the numbers increased during periods of recession, they remained high in all years, even years with relatively low unemployment. In the 1980s, worker dislocation was concentrated in the goods-producing sector of the economy, but there also was significant dislocation among workers in the service sector and among white-collar workers (CBO 1993).

The nature of worker dislocation has changed since the 1980s, however, and the problem has become more pervasive. In the 1990s, the share of worker dislocation among service-sector and white-collar workers increased, narrowing the gap relative to goods-producing industries (Hipple 1999). While the rate of worker dislocation remained higher in manufacturing and construction than in other industries, in 2002 the actual number of dislocated white-collar workers (1.2 million) was almost twice the number of dislocated blue-collar workers (0.65 million) and nearly 10 times the number of those in service occupations. The total number of long-tenured dislocated workers in 2002 was 2.0 million (Helwig 2004).

The BLS definition of “dislocated workers” is a narrow one, restricted to unemployed workers who lost jobs they had held for three years or longer because 1) their plant closed, 2) their employer went out of business, or 3) their employer laid them off and they were not recalled. Many UI claimants do not meet this definition, even if they

are permanently separated from their previous jobs by their employers. A study of UI recipients by Corson and Dynarski (1990) shows that while more than half of unemployed workers had no expectation of recall, only about 36 percent of them met the BLS definition of worker dislocation.⁷

In the seven fiscal years from 2000–2001 to 2006–2007, the number of unemployed workers collecting a UI first payment varied between 7.4 million and 10.4 million. In February 2008, the department projected the number to remain steady at approximately 8 million over the next six years (USDOL 2008a). At least half of these UI recipients, or approximately 4 million of them, are likely to be permanently separated from their jobs and likely will benefit from receiving reemployment services. In addition, reemployment services may be needed by workers who do not collect UI, including reentrants to the labor force.

What has changed in the past two decades is that laid-off workers are decreasingly on temporary layoff. For many decades now, the permanent layoff rate has been much greater than the temporary layoff rate. In addition, the permanent layoff rate always has been, and continues to be, highly cyclical, increasing sharply in recessionary periods. In contrast, while the proportion of workers on temporary layoffs formerly was highly cyclical—spiking during recessions—the temporary layoff rate is now steady and low over the cycle. Since the mid-1980s, in fact, the temporary layoff rate has been relatively flat and has remained well below 2 percent. Groshen and Potter (2003, p. 3) find a structural change in the U.S. economy with respect to temporary layoffs. “In the four recessions before 1990,” they write, “unemployment from temporary layoffs rose throughout the downturn and fell sharply after the trough, adding substantially to the run-up and then the decline in total unemployment. In the 1990–91 and 2001 recessions, by contrast, temporary layoffs contributed little to the path of unemployment. These layoffs barely increased in the 1990–91 recession and figured even less importantly in the 2001 recession.”

With permanent layoffs becoming predominant, more unemployed workers need assistance in returning to work. Studies show that dislocated workers experience substantial earnings loss when they return to work (Kletzer 1998). Based on BLS survey data comparing their wages before and after unemployment, Farber (1997) estimates that, between 1985 and 1995, dislocated workers experienced wage losses of

13 percent. Those dislocated also have a tough time finding work: in the 2001–2003 BLS survey, 35 percent of job losers remained unemployed at the survey date, and 13 percent of those who had lost full-time jobs were only employed part time (Farber 2005). Dislocated workers also experienced longer durations of unemployment before they returned to work.

For those dislocated workers served by the WIA and ES systems, there are an array of available services consisting of core, intensive, and training services. Because of funding limitations, however, training services cannot be made available to all dislocated workers. Since 2002, approximately 200,000 WIA Adult and Dislocated Worker program participants have received training annually.⁸ Under the 2006 Bush administration proposal that would have replaced much of the employment and training system with a CAA training voucher, the number of workers receiving public training would have increased to between 500,000 and 600,000 per year.

Even if CAAs had been implemented, training would have been offered to only a small portion of the approximately 2 million workers that become dislocated each year and an even smaller portion of all UI recipients who are permanently separated. For the vast majority of workers, when they come to the department-funded One-Stop Career Centers, they can expect to receive no more than the core and intensive services available under the WIA and ES programs. As a result, we need to look at what is known about the effectiveness of the delivery and targeting of comprehensive job search assistance and other reemployment services.

Dislocated worker studies reveal that dislocated workers have labor force characteristics that can be used for statistical targeting by applying worker profiling methods. While not all dislocated workers have difficulty becoming reemployed, a large portion of those having long job tenure are likely to need some type of reemployment assistance. Workers who accumulated three years' tenure or more with their previous employer have been found to experience longer spells of unemployment and to be more likely to experience a reduction in earnings of 20 percent or greater than workers with less than three years of tenure (CBO 1993). Thus, tenure at job separation may be an important indicator of the risk of becoming unemployed over a long period and expe-

riencing an earnings loss. This and related findings were considered in designing a worker profiling methodology.

Reemploying Dislocated Workers: The Role of the Unemployment Insurance Program

The traditional role of the unemployment insurance program is to pay temporary income support to unemployed workers. UI's underlying premise is that unemployed workers' skills will match job vacancies in local labor markets, and that vacancies can be discovered with a combination of reasonable search efforts and watchful waiting. This premise has determined the states' basic approach to administering their UI programs. State UI programs test whether unemployed workers are able, available, and actively seeking work. In most states, program administration stresses monitoring workers' continuing attachment to the labor force for those to whom it pays UI benefits, to make sure they are searching for work. Providing reemployment services to help them return to work has received less emphasis.

The UI system began paying benefits in 1938, but the UI program soon became insignificant with the advent of World War II, a period of relatively full employment. From the end of that war through the early 1970s, workers displaced from their jobs tended to represent a sufficiently small number of all UI claimants that the UI program's limited emphasis on reemployment services appeared warranted. It was only with the emergence of worker dislocation as a major phenomenon in the late 1970s and the 1980s that the need to provide UI claimants with reemployment services emerged.⁹

Even today, dislocated workers with long tenure make up only a minority of all UI claimants—perhaps one-quarter of the claimants served in a year. These workers, however, have needs beyond income support, and they frequently have great difficulty returning to work without the receipt of reemployment services from the ES or from WIA's Adult and Dislocated Worker programs.

In recent years, worker dislocation has become an area of increasing concern to the UI program. Overall, the UI program serves just half of all dislocated workers. However, the UI system serves nearly all dislocated workers likely to experience long-term unemployment, the group most in need of reemployment assistance. Many dislocated

workers return to work quickly, even if they have been permanently separated, and many of these early returnees never file for UI benefits (Vroman 1991, 2008; Wandner and Stengle 1997).¹⁰ Thus, over a year, UI serves fewer than one-third of the dislocated workers who have been unemployed for less than five weeks, but it serves 80 to 90 percent of those unemployed for 15 weeks or longer (O'Leary and Wandner 1997). This latter group represents the great majority of all dislocated workers who need reemployment assistance to obtain new jobs. Because the UI program serves these workers when they first become unemployed, it is well-positioned to act as a gateway for early referral to reemployment services.

TREATMENTS TESTED AND METHODS OF EVALUATION

The treatments provided in the UI Experiments are typical of those provided by most social experiments. In a study of the 193 experiments started between 1962 and 1996, 293 different treatments were tested. Only 26 of these treatments focused on areas outside of employment. The 267 employment treatments provided education and training (92), job placement and job search assistance (94), information and counseling (57), and income transfers (24). Thus, the concentration of experimental treatments on employment is common across all organizations sponsoring experiments and across all populations served (Greenberg and Shroder 2004, p. 461).

More specifically, the UI Experiments tested the following treatments in the following states or other sites: comprehensive job search assistance (Washington, New Jersey, the District of Columbia, Florida, and Pennsylvania); training and education (New Jersey, Lifelong Learning, and ITA experiment sites); reemployment bonuses (New Jersey, Pennsylvania, and Washington state experiments); and self-employment assistance (Massachusetts and Washington). The fact that there were multiple tests of the same treatment generally served three functions: 1) to verify earlier results (i.e., comprehensive job search assistance and reemployment bonuses); 2) to search for more cost-effective approaches (i.e., training and education); and 3) to test new reemployment approaches (i.e., self-employment assistance).

Because over 90 percent of the 293 treatments studied by Greenberg and Shroder concentrated on employment and work, the evaluations of these treatments have tended to concentrate on the same outcomes. Four-fifths of the studies begun between 1983 and 1996 examined the effect of the treatments on employment and earnings (Greenberg and Shroder 2004, p. 461). Similarly, all of the UI Experiments examined the treatments' effects on employment and earnings.

The 193 social experiments frequently included process analyses and benefit-cost analyses. For the completed studies that Greenberg and Shroder examine, benefit-cost analyses were conducted in just under half of the evaluations. Benefit-cost analysis has become increasingly prevalent.

In general, Greenberg and Shroder find that social experiments have become simpler, more streamlined, and cheaper over time. Experiments have increasingly tested incremental changes in existing programs, rather than testing new programs. Between 1962 and 1974, over four-fifths of experiments tested new programs, whereas since 1983 only one-quarter of experiments completed have tested new programs. This change may stem from declining public funds to conduct more ambitious experiments and a perception that incremental changes to existing programs are more likely to be implemented.

The way experiments have been operated also has been streamlined. The cost of administering the treatments tested has declined because of at least six factors: 1) increased use of administrative data rather than the use of more expensive surveys, 2) reduced sample attrition, 3) administration of experiments by agencies already serving the target population, 4) shorter follow-up tracking periods, 5) a declining number of treatment groups, and 6) more rapid evaluation, completion, and release of results. As a result both of less expensive treatments and project administration and of simpler project designs, sample sizes for treatments have increased (Table 1.1). The median sample size for experiments has increased from 401 in the period 1962–1974 to 870 during 1975–1982 and to 2,312 during 1983–1996 (Greenberg and Shroder 2004, pp. 462–465). Because the UI Experiments were looking for treatments that worked, they tested both new programs (self-employment assistance, reemployment bonuses, and training vouchers) and programs with incremental changes (enhanced training, education, and job search assistance).

Social experiments are highly concentrated in certain areas of the United States. Although Greenberg and Shroder find that experiments have been run in every state except Alaska and Idaho, they also find that the same states have participated repeatedly. The nine states that participated most frequently in completed experiments were New York (27); California (26); Illinois (19); Pennsylvania (19); Ohio (16); and Florida, Massachusetts, Texas, and Washington, all with 13 each (Greenberg and Shroder 2004, p. 469). It is thus not surprising that the UI Experiments were run in five of these nine states (Illinois, Pennsylvania, Florida, Massachusetts, and Washington). In addition, Texas unsuccessfully applied to participate in the reemployment bonus demonstrations, and California would have been one of the work sharing experimental sites if the experiment had not been canceled.

The funding source for social experiments has changed over time. The federal government has been the dominant funder of experiments, but its role has declined: it went from funding 80 percent of experiments during 1962–1982 to funding 64 percent during 1983–1996. Over that same period, state funding increased from 18 to 40 percent, but most of that increase was due to the evaluations of welfare reform under state waivers that took place before the enactment of the Temporary Assistance for Needy Families (TANF) program in 1996 (Greenberg and Shroder 2004, p. 465).

The UI Experiments ended without testing other promising treatments for dislocated workers. For example, they did not test the effects of providing wage supplements to dislocated workers. A wage supplement experiment for trade-affected workers who found new jobs paying less than their old ones was required by federal law in the late 1980s, but the requirement was dropped because states were unwilling to participate. A more recent legislative proposal—this one for a wage supplement experiment for TAA-eligible workers—instead became an entitlement program in 2002.

Some treatments that have already been tested experimentally have not been revisited. Although classroom training has been closely studied, a number of additional training experiments could be tested. For example, researchers could compare alternative training methods (e.g., on-the-job training versus classroom training), could vary training by duration or intensity, could focus more on incumbent training, could compare training by fields of study, and could compare types of train-

ing providers (e.g., nonprofit versus for-profit). A number of comprehensive reemployment services also need to be tested or retested using experimental methods.

TARGETING

The UI Experiments tested various ES and WIA reemployment services and incentives that might help displaced claimants return to work more quickly and in some cases increase their earnings.

The experiments were designed with two types of targeting in mind. First, since the goal of the experiments was to find cost-effective treatments, the treatments had to be targeted to the workers for whom they would be most cost-effective. Second, even if cost-effective treatments could be identified, the limited availability of funding meant that an objective targeting mechanism was needed to select and limit the claimants who would be referred to services.

Targeting thus was an integral part of the UI Experiments. Later chapters will show that the experiments' design included both built-in targeting and the use of subgroup analysis in project evaluation to determine for whom the treatments would be most cost-effective.

When federal legislation was enacted in the form of WPRS and SEA, the legislation mandated targeting, and the Department of Labor developed a worker profiling method that was adopted by the participating state workforce agencies. Worker profiling also would have been mandated by reemployment bonus programs that were unsuccessfully proposed by both the Clinton and Bush II administrations.

More recently, new targeting methods have been developed and used for TANF, welfare-to-work, and training and education programs (Eberts, O'Leary, and Wandner 2002). The Frontline Decision Support System (FDSS), which operated in Georgia, incorporated a comprehensive approach to targeting reemployment services for workforce development programs at local One-Stops. The FDSS project systematically helped dislocated workers return to work by matching them with job openings, helping them search for work, and referring them to targeted, cost-effective reemployment services (Eberts and O'Leary 2004).

The United States was an innovator in the development of worker profiling methods. Similar approaches have been studied and adopted elsewhere, first in Australia and Canada and then in other industrial nations (OECD 1998; Rudolph and Konle-Seidl 2005).

Targeting is recognized as an important component of active labor market policies throughout the industrialized world. An International Labour Organization review of the provision of reemployment services in industrialized countries finds that “carefully targeted measures can achieve better results than broad measures applying to everyone or larger groups” (Auer, Efendioğlu, and Leschke 2005).

BUDGET NEUTRALITY

The design of the UI Experiments and the eventual enactment of both WPRS and SEA in 1993 were greatly influenced by federal budget rules initiated in the 1980s. These rules were designed to reduce the budget deficit, and they constrained the development of all new federally sponsored programs that might eventually be enacted into law, including any new approaches to reemployment services.

The congressional budget process was established by the Congressional Budget Act of 1974. Because of persistent federal budget deficits in the early 1980s, Congress enacted the Balanced Budget and Emergency Deficit Control Act of 1985 (also known by the name of its sponsors as the Gramm-Rudman-Hollings [GRH] Act) to impose additional discipline on the federal budget. Under the temporary GRH Act, federal deficit targets were set to decline each year until they reached the final target of a zero deficit by fiscal year 2000. While deficits did shrink somewhat under GRH, the budget targets were not met, in large part because of economic and other factors that were beyond the control of the budget process.

When GRH did not succeed in bringing the deficit to zero, Congress tried a new approach, enacting the Budget Enforcement Act (BEA) of 1990. The BEA had a two-part approach to enforcing budget discipline: it established separate constraints on discretionary and mandatory (“direct”) spending, but for both types of spending it only attempted to make Congress responsible for actions within its control. The BEA rules

were in effect for fiscal years 1991 through 2002. During that period, discretionary spending—which annual appropriation acts controlled and provided the funds for—was constrained by statutory limits. Violations of those limits were subject to a process of sequestration, which corrected such violations with automatic, across-the-board spending reductions for all discretionary spending. For mandatory spending, a “pay as you go” (PAYGO) rule placed limits on new legislation that was estimated to result in either increased expenditures or decreased revenues. Congress could not enact new legislation that would increase the cost of entitlement programs, such as the UI program, without providing simultaneous offsetting reductions in expenditures or increases in revenue. If Congress did not adhere to these PAYGO rules, mandatory expenditures could also be subject to sequestration (Holtz-Eakin 2004; Keith 2007).

By the time the first UI Experiment was being designed, GRH had already taken effect. Thus, all of these experiments operated within the strictures of these budget limits, and any policy and legislative proposals developed were also subject to these limits. New proposals could avoid the GRH constraints only by fully paying for themselves within the federal government sector. As a result, the UI Experiments were designed with the goal of being cost-effective, not just to society as a whole, but, more restrictively, to the federal government. The evaluations of the UI Experiments therefore also examined the cost-effectiveness of these interventions, both from the perspective of the federal government as a whole and from the perspective of the Department of Labor budget. The goal was to have an intervention be at least budget-neutral, in the sense that the cost of the intervention and its administration would be offset by the benefits to the government, which included reduced UI payments and increased tax payments to the U.S. Treasury.

CONCLUSIONS

The UI Experiments were designed to enable workforce development systems to find new or improved ways to help unemployed workers. The experiments showed that some approaches were cost-effective and held great promise. In two cases, the experiments led directly to the

enactment of federal legislation establishing new programs. In other cases, completed experiments led to legislative initiatives that were not enacted. In still other cases, failed attempts at launching experiments were nonetheless followed by program enactment. And in yet other cases, completed experiments have validated findings that had not been tested previously through experimentally evaluated demonstration projects.

This book examines the UI Experiments and other research, the policy proposals to implement research results, and the programs that have been implemented. It examines these experiments in the political and economic environment in which they were considered and operated. That environment included three factors: 1) concerns about worker dislocation, 2) a restrictive federal budgetary environment, and 3) the need for careful targeting to achieve cost-effective results.

The UI Experiments were targeted at dislocated workers, most of whom are eligible for UI benefits. The goal of these demonstrations was to assist UI claimants in returning to work by developing or enhancing reemployment assistance approaches likely to be cost-effective. The demonstrations operated in an environment of budget austerity in the 1980s, which guided their design. Their budget-neutral design was helpful in getting two treatments enacted into law: 1) enhanced comprehensive job search assistance and 2) self-employment assistance. Budget neutrality also helped to gain bipartisan support for another treatment option—targeted reemployment bonuses, which were recommended for legislative implementation by both the Clinton and the Bush administrations. As the UI demonstrations proceeded, it became clear that effective targeting of reemployment services was critical for developing cost-effective approaches to providing reemployment services and for allocating scarce program resources in an environment of declining funding.

This book demonstrates that rigorous research can have an impact on employment policy, and indeed, that such research has had that effect, especially in the mid-1990s. Conversely, the book also describes how employment research can be ignored in developing public policy, and how this was done throughout most of the 2000s.

Notes

1. In this work I have chosen to capitalize the term “UI Experiments,” since that is the term used by USDOL staff and researchers to bring together the work they did in running experiments serving UI claimants and dealing with job search assistance, training, reemployment bonuses, and relocation allowances.
2. The Unemployment Insurance Service is now called the Office of Workforce Security.
3. At that time, I directed unemployment insurance research and developed the proposal to conduct a multitreatment experiment as an enhancement to the fiscal year (FY) 1987 federal budget.
4. The Pennsylvania Reemployment Bonus Demonstration was approved by the secretary of labor and industry for the state. He was replaced by a new secretary early in the operation of the experiment. I attended a conference of state workforce administrators at the Mayflower Hotel in Washington, D.C., and was walking in through the lobby when I heard the new secretary call out loudly to me, “Hello, Mr. Random Assignment!” Needless to say, the secretary was not a strong supporter of the experiment.
5. The key staff who worked on most of the UI Experiment projects were Wayne Gordon, Jon Messenger, and Wayne Zajac. Other staff members who worked on one or more of the projects included Bill Coyne, Norm Harvey, and Doug Scott. Many individuals within the Unemployment Insurance Service worked on actuarial, budget, legislative, and program implementation issues. For the projects that operated in the Office of Policy Development and Research, the key staff were Gordon, Messenger, Janet Javar, and Jonathan Simonetta.
6. Among the computer staff working on the experiments were Jun Chen, Lynn Cao, and John Chang.
7. Because of the decline in temporary layoffs in the past two decades, the percentage of UI claimants who have no recall expectation would be much higher now.
8. In program year (PY) 2007, the WIA Adult and Dislocated Worker programs provided training to 176,000 individuals who exited the program.
9. In 1992, the Unemployment Insurance Service developed its first “Mission, Vision, Values, Goals” statement. It stated, “The program’s mission is to provide unemployed workers with temporary income support and facilitate reemployment.” I was a member of the work group that came up with that language, and even in the early 1990s my suggestion to include the words “and facilitate reemployment” met with initial resistance (O’Leary and Wandner 1997, pp. 702–703).
10. A substantial number of American workers never file for UI benefits when they become unemployed. Only about one-third of all unemployed workers appear to apply for UI benefits. Even among job losers, who are the prime potential UI recipient population, only a little over one-half apply (Vroman 1991, pp. 22–24).