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Enacting Worker Profiling and Reemployment Services in **Solving the Reemployment Puzzle: From Research to Policy**

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# 3

## Enacting Worker Profiling and Reemployment Services

### FROM RESEARCH TO POLICY TO LEGISLATION

For research to have a direct impact on public policy, a number of planets have to align, as they did for the enactment of Worker Profiling and Reemployment Services (WPRS) in 1993. The New Jersey Experiment and related research about job search assistance (JSA) had been completed, and their evaluations had been published and widely disseminated. The research findings used a methodology that all researchers and policymakers could agree upon—random assignment methods. The research had been widely read by researchers and policymakers.

The new Clinton administration selected a number of political appointees for posts at the U.S. Department of Labor who knew and understood the research findings. Discussion between the political appointees and key career staff at the department revealed agreement about the effectiveness of providing comprehensive job search assistance through the employment and training system. The department proposed enacting WPRS to the White House, and key political appointees in the White House, along with career staff at the Office of Management and Budget (OMB), supported the initiative. WPRS could not have been enacted unless the budget gatekeepers at OMB and at the Congressional Budget Office (CBO) accepted the budget savings derived from JSA recipients' returning to work sooner. The budget assessments of both agencies accepted the New Jersey Experiment's findings. Finally, Congress needed to enact legislation that included WPRS provisions. All of these things happened in March and again in November of 1993. The planets were aligned.

## THE NEW JERSEY EXPERIMENT

It took four years after the New Jersey Experiment results were published before the WPRS system was enacted. Although three secretaries of labor—Ann McLaughlin, Elizabeth Dole, and Lynn Martin—had supported the ongoing UI experiments during their tenures between 1988 and 1992, no political leaders in the executive branch advocated any legislative initiatives based on the results of the New Jersey Experiment. Nonetheless, staff interest as well as congressional and executive branch activity continued to focus on the New Jersey Experiment's evaluation findings.

Between 1989 and 1993, the USDOL, OMB, and members of Congress expressed convictions about the need to provide dislocated workers with reemployment services and additional UI benefits. High unemployment lingered after the 1990–1991 recession. The continuing dislocated worker problem was spreading from manufacturing into white collar and service occupations. The interest in reemployment services was due, in part, to briefings and reviews of the New Jersey Experiment's evaluation results. Staff from all of these organizations had received both the design report for the experiment and its evaluation reports. Many from both the legislative and the executive branches of government had attended meetings at the department on the demonstration, including on its evaluation designs and the draft of the final evaluation report. Early on, they were given a chance to make recommendations about the project and evaluation designs and later for the final evaluation report. The published final evaluation report (Corson et al. 1989) was widely distributed. In 1991, a four-year follow-up report was published on the employment experiences of the treatment and control groups, as well as reestimates of the net impacts and benefit-cost results.

Acting Chairman Thomas Downey (D-NY) of the House Ways and Means Committee's Subcommittee on Human Resources, which has legislative authority over the UI program, called a hearing in February 1991 to focus on the reemployment of dislocated UI claimants. Much of the questioning of witnesses was done by Rich Hobbie, then a committee staffer. He had formerly worked on employment and training issues for the Congressional Research Service and had followed the New Jersey

Experiment closely. The hearing featured the New Jersey Experiment and its findings. As part of the research panel, staff members from Mathematica Policy Research, the research contractor that had conducted the experiment, were asked to testify. While no permanent legislative proposal flowed from the hearing, in November 1991 Congressman Downey successfully proposed adding a Job Search Assistance Demonstration to the bill (the Emergency Unemployment Compensation Act of 1991, or P.L. 102-164) that initially enacted Emergency Unemployment Compensation (EUC), a program that provided additional UI benefits to long-term unemployed workers during and after the 1990–1991 recession.<sup>1</sup> The Job Search Assistance Demonstration replicated the New Jersey Experiment, and its goal was to prepare the way for later legislation.

In 1990, Rep. Sander Levin (D-MI), a member of Congressman Downey's subcommittee, requested a briefing by Mary Ann Wyrsh, administrator of the Unemployment Insurance (UI) Service, about the permanent extended benefit program and the New Jersey Experiment. Wyrsh and I jointly conducted the briefing in her office. Levin was concerned about his state's high unemployment during the 1990–1991 recession. He wanted to understand why the triggering process for permanent extended benefits was not working and what could be done to improve the process. He knew of the efforts to reemploy workers in New Jersey, and he was interested in doing the same for Michigan's workers. Levin later would support EUC legislation in 1991, as well as WPRS when it was proposed as a section of the March and November 1993 extensions of EUC. At the briefing, Levin was accompanied by his legislative director, Kitty Higgins, who had interned in the ETA's research and policy office in 1969 and knew a great deal about employment and training programs. She would support WPRS legislation when she returned to the department in 1993 as Secretary of Labor Robert Reich's chief of staff.<sup>2</sup>

In the spring of 1992, the Subcommittee on Human Resources asked the USDOL to brief its majority and minority staff members on the UI Experiments.<sup>3</sup> I conducted the briefing, which reviewed the outcomes of the New Jersey and other department-sponsored experiments, including interventions relating to job search assistance, training, reemployment bonuses, and self-employment assistance. The attendees disagreed about the effectiveness of other workforce development inter-

ventions, but they all agreed that comprehensive job search assistance was a cost-effective public policy. The stage was set for staff-level support of a bipartisan policy initiative, but an advocate within the executive branch was still needed.

## FINDING WHAT WORKS

Secretary Reich became the champion of a series of public policy initiatives that were based on the UI Experiments. While he was interested in a wide variety of public investment issues, “workforce-development programs . . . were closest to the hearts of Reich and his inner circle” (Donahue 2008). Before he could guide employment policy as secretary, however, he first had to bring policymakers with him to the department who were familiar with the lessons learned from the UI Experiments.

When Reich had worked on the Clinton campaign in 1992, he had searched for policy options that past research had shown to be cost-effective. Reich was a consumer rather than a creator of research: he relied on others to bring him a synthesis of the findings about which programs or program initiatives worked. During 1992, he worked regularly with Larry Katz of the Harvard Department of Economics and Jack Donahue of Harvard’s Kennedy School of Government.<sup>4</sup>

Robert Reich was an old friend of Bill Clinton’s. They had met in 1968 on their way to Oxford University, where they both were Rhodes Scholars. They later went to Yale Law School together. They remained friends and became political allies. In 1992, Reich was teaching at the Kennedy School and developing domestic economic policy for Clinton’s presidential campaign. He worked on the public investment plan to devote \$50 billion a year to education, job training, preschooling, mass transit, and other issues (Reich 1997).

Reich believed that the answer to global competition and technological change was education and job training, so when Clinton asked him in late November 1992 what office he wanted, he said secretary of labor or chair of the Council of Economic Advisers. He was nominated to be secretary of labor on December 11 and had his confirmation hearing in early January 1993. During 1992 he had been looking for new policy options, especially those dealing with employment issues (Reich 1997).

Larry Katz became active in the Clinton campaign after the July 1992 Democratic convention. At first he worked more broadly on economic stimulus and microeconomic issues for the Clinton team headed by Gene Sperling and Robert Rubin. He began concentrating more narrowly on labor issues and working more closely with Reich after Reich was named secretary of labor. He had read a great deal of the labor research literature and had taught advanced seminars that examined which labor policies worked and which did not—a matter on which Katz consulted with other economists, especially Bruce Meyer, a labor economist at Northwestern University. Katz’s goal was to identify those policies that might be the basis for Reich’s policy agenda as secretary.<sup>5</sup>

Jack Donahue’s interests were complementary to those of Katz: he had less of a background in labor issues and was more concerned with the delivery models for government. At USDOL he dealt with governance issues for proposed employment and training programs, designing the relationships between local, state, and federal government. He also was in the middle of the debate about the choice of public versus private provision of traditionally publicly provided services. And he worked on tax issues, including the Targeted Jobs Tax Credit.<sup>6</sup>

Like Clinton, Donahue had a long relationship with Reich. He had gotten his PhD from the Kennedy School, where he had been a research assistant to Reich, who later became his thesis adviser. He joined the Kennedy School faculty and continued to work with Reich; they wrote a book together (Reich and Donahue 1985).

The USDOL’s policy agenda had to fit within the policy framework of the Clinton-Gore campaign. That framework was set forth in their campaign book, *Putting People First* (Clinton and Gore 1992). The country was coming out of a recession, and unemployment was still high. In this sluggish economic climate, James Carville coined the campaign’s unofficial motto: “It’s the economy, stupid.” The Clinton/Gore proposal was a national economic strategy that, as noted above, would invest \$50 billion a year to put America back to work. The emphasis of the strategy, which promised to fight for the “forgotten middle class,” was definitely populist. Investments would be paid for by “making the rich pay their fair share” and by policies encouraging “corporate responsibility.” The department’s role in this strategy would be to help “make sure American workers can get training and retraining throughout their careers so that America can achieve a high-skill, high wage economy” (4President.org 1992).

The Clinton-Gore agenda included numerous labor and employment policy recommendations. Employers would be required to spend 1.5 percent of their payrolls to provide continuing education and training to all of their workers. An apprentice-style training program would be developed for non-college-bound youth. The minimum wage would be increased to keep pace with inflation. The prevailing wage provisions of the Davis-Bacon Act would be enforced (Clinton and Gore 1992). Reich would bring many of these themes and policy proposals with him to the Labor Department. He was comfortable with the ideas in *Putting People First*—as he should have been, since many of the themes and proposals in the book had come from his own book, *The Work of Nations* (Reich 1992).<sup>7</sup>

Reich and Katz came up with a workforce development agenda that they believed should be pursued. Their list included five items: 1) a school-to-work program, 2) expanding the Job Corps, 3) changing youth employment programs to make them more effective, 4) creating One-Stop Career Centers to better integrate employment and training programs, and 5) implementing the effective interventions of the UI Experiments. Reich championed new One-Stop centers, while Katz and Meyer touted UI Experiment implementation.<sup>8</sup>

Meyer was the academic expert on the UI Experiments. He had started by reading the evaluation reports about the Illinois Reemployment Bonus Experiment. In 1988, he received the microdata of the Illinois experiment's evaluators from the W.E. Upjohn Institute for Employment Research and reanalyzed the data, writing a number of working papers dealing with the Illinois experiment (Meyer 1988, 1991, 1992). After a comprehensive review of the available literature on the reemployment bonus and job search assistance experiments, he completed an early version of his review article on the UI Experiments by early 1992 and submitted it to the *Journal of Economic Literature*. He had shared drafts of the paper with Katz and other academics and with the department, and he received 11 pages of written comments from me and other departmental staff working on the UI Experiments.<sup>9</sup> Meyer continued to add to his UI Experiments paper through 1993 as new evaluation results were published. When his article was finally published (Meyer 1995), he had reviewed two of the three reports on the New Jersey Experiment. While Meyer did not leave Northwestern University to join the Clinton administration, both Katz and Donahue

would work for Reich, bringing with them the policy ideas they and Meyer had developed during the campaign.

Meyer and Katz had gone to graduate school together at MIT. They had discussed the UI Experiments since 1988. Katz liked the idea of targeting reemployment services to workers on permanent layoff because it fit with his own research, which had shown great differences in behavior between workers on temporary layoffs and those on permanent layoffs. It made sense to him to have special programs targeted at permanently separated workers (Katz 1985; Katz and Meyer 1990).<sup>10</sup> Katz had even assigned a portion of the 1989 New Jersey Experiment evaluation report as a reading in his graduate labor economics seminar.<sup>11</sup>

From the evaluations of the UI Experiments, Katz was convinced that the three approaches of 1) job search assistance, 2) self-employment assistance, and 3) reemployment bonuses were cost-effective, worked, and should be pursued as public policy. Katz was shocked that nothing was being done to implement these powerful findings. However, he thought that of these three, the area that presented the most compelling case for new policy was that of comprehensive job search assistance. He also believed that the case for funding self-employment assistance was stronger than that for funding reemployment bonuses. Nonetheless, all three policy options looked promising when combined with worker profiling, and he assumed that this targeting mechanism would be used for all of them.<sup>12</sup> He knew that Secretary Reich would be ready to champion all three of the interventions derived from these successful UI Experiments.

Reich had known about the UI Experiments before he became secretary of labor. Katz initially had briefed him about them, and Reich had appreciated the analysis's strength and rigor. Reich also knew that a Clinton White House would be receptive to new ideas, would want to introduce new policy, and would want to know about facts that justified any new policy proposal.<sup>13</sup>

Katz became the department's first chief economist in January 1993 and served as a key research and policy leader, playing a major role in the enactment of both the WPRS and the SEA programs. Katz asked two economists in his office, Marcus Stanley and Isaac Schapiro, to synthesize the lessons learned during 1992 in a monograph called *What's Working (and what's not)*. The monograph's conclusion about the job search assistance experiments stated, "Job search assistance . . . clients

found a new job more quickly, and the need for UI benefits was reduced . . . The program was cost-effective for the government . . . Shorter job searches did not lead to jobs that paid less” (USDOL 1995b). Meyer (1995) published his careful review of the UI Experiments as “Lessons from the U.S. Unemployment Insurance Experiments.”

## **REDUCING THE DEFICIT VERSUS INVESTING IN PEOPLE**

Reich expected to have wide latitude in implementing new labor programs that would stimulate the economy and improve the conditions for workers. However, he lost the battle for implementation of this package of wide-ranging labor legislation before he even took office.

After the election, Clinton asked Reich to coordinate the economic transition team. Members of the team included Roger Altman, Ira Magaziner, Robert Rubin, Gene Sperling, Larry Summers, and Laura Tyson (Reich 1997). The economic transition team began meeting in November 1992; its goal was to develop a plan to fulfill Clinton’s promise to “get the country moving again.” The team met frequently to develop this plan, and Clinton presided over many of these meetings (Stephanopoulos 1999).

As Inauguration Day approached, the economic team expanded and split into two opposing groups. Reich led the faction that sought to make a series of new public investments and to create new programs as the main economic thrust of the new administration. Reich’s camp wanted to follow through on a number of campaign promises, including a middle-class tax cut and human capital investments. This faction included Sperling, deputy director of the National Economic Council; and George Stephanopoulos, senior political adviser to the president. On the other side were the deficit hawks, who wanted to reduce the budget deficit using macroeconomic policy. This faction was led by Rubin, director of the National Economic Council, and included Lloyd Bentsen, secretary of the treasury; Leon Panetta, OMB director; and Vice President Al Gore (Stephanopoulos 1999).

The conflict among administration economic policy officials was ideological, but it also became personal. In 1993, this confrontation

between the center and the left of the Democratic Party was known to policy and budget staff as the “Battle of the Bobs.” Some 15 years later, during the 2008 presidential campaign, Bob Reich and Bob Rubin were still active in economic policy, and the economic struggle still had the same name among staffers (Leonhardt 2008).

The deficit hawks were stronger and more influential, but they also were aided by new information obtained after the November 1992 election. The OMB had revised its budget assessment in December 1992, and the results revealed that the deficit was larger than had previously been estimated. Any room for increasing federal expenditures and reducing taxes that might previously have existed was now greatly diminished. In early January 1993, the president’s economic team met to establish a policy framework for the new administration. Reich did not attend. The team decided to implement a macroeconomic approach aimed at reducing the deficit. This approach severely limited the possibility of developing expensive new federal programs, and so it sharply diminished Reich’s hope of developing new training programs and other major reemployment initiatives (Clinton 2004; Stephanopoulos 1999). Reich thus was faced with identifying new initiatives that did not result in large new expenditures.

Reich realized the deficit had grown substantially—to about \$350 billion—when he met with outgoing OMB director Richard Darman in early December 1992, but it took him a while to realize how the deficit would circumscribe his ability to affect public policy. He wanted to “focus like a laser beam on jobs and incomes,” but he saw his public investment plan cut back in January, and in mid-February Clinton’s State of the Union address made it clear that the main message was deficit reduction, with public investment secondary (Reich 1997).

## **MARCH 1993 WORKER PROFILING AND REEMPLOYMENT SERVICES LEGISLATION**

Jack Donahue came to Washington during the Clinton transition in late 2002, and he walked in the door of the department with Bob Reich on January 21, 1993. He studied the inventiveness of the department during Reich’s years as secretary.<sup>14</sup> Donahue found an unusually

high level of innovation during that period, which he attributes in part to “Reich’s motives, background, and character,” describing him as a “thick-skinned, softhearted, risk-tolerant, camera-loving intellectual.” Reich created a culture that was “emphatically and explicitly supportive of innovation,” and he was “convinced that a wealth of untapped inventiveness lay dormant within the career workforce.” As evidence of the success of this unleashed inventiveness, Donahue cited the enactment of WPRS as “the single most elegant policy innovation of the Reich years” (Donahue 2008).

Reich continued to focus on “jobs and incomes”; his goal was to reemploy American workers in the context of an American labor market suffering from lingering unemployment initiated by the 1990–1991 recession. He explored options that might still be available to him within the deficit reduction policy on which the Clinton economic policy was focused.

Another budget constraint would affect the ability of the department to enact new legislation: the federal budget enforcement provisions installed in the mid-1980s were still in effect. Congress had imposed them to try to reduce the large budget deficit. If Reich was going to seek funds for USDOL programs, and especially if he wanted money for new initiatives, he would have to better understand how to work within the federal budget process. He found an expert in the process, Darla Letourneau, a careerist who had recently moved from the ETA to the Office of Congressional and Intergovernmental Affairs within the Labor Department. Letourneau would help to ensure that department policy options fit within the budget process. Not only did she have extensive budget experience in Congress, she had also served as the budget officer in the UI Service, where she had worked closely with me and had followed the progress of the UI Experiments.

Meetings about policy options at Labor began as soon as Reich arrived. Reich’s method was to run policy meetings that operated like Harvard seminars, but the goal was always to quickly develop policy options. Reich was searching for new ideas that could further his goal of getting Americans back to work. One of the first issues that had to be dealt with was the extension of the EUC program, which was expiring in early March.

Secretary Reich convened a number of meetings in late January about employment and training issues. Regular attendees included both

political staff—Deputy Secretary Tom Glynn, Chief of Staff Higgins, Chief Economist Katz, and Assistant Secretary for Policy Donahue—as well as careerists such as Carolyn Golding, acting assistant secretary for Employment and Training, and Letourneau and Gerri Fiala of the Office of Congressional and Intergovernmental Affairs. They engaged in freewheeling discussions about new policy options. Reich’s theme was reemployment services that might get workers back to work. One-Stop Career Centers—an expansion of the local employment security agencies to encompass multiple agencies, including those outside of the department’s funding realm—were one concept identified; One-Stops would be implemented in 1994. Other options were considered, including providing comprehensive job search assistance to dislocated workers based on the experience of the New Jersey Experiment. Job search assistance for dislocated workers fit into Reich’s goal of capturing the public imagination by restarting and regenerating the U.S. labor market.<sup>15</sup>

At these early meetings, Reich was gathering information. Golding was promoting two issues—the findings of the UI Experiments and the need to expand youth programs. She believed there was a unique opportunity to promote reemployment services approaches based on the hard evidence of the UI Experiments, and she was advocating for the group’s taking advantage of the narrow window she saw for the administration to adopt new programs and provide new funding.<sup>16</sup>

At one meeting, Katz reviewed the findings of the New Jersey Experiment and related rigorous research dealing with the provision of comprehensive job search assistance. He presented the arguments for implementing this cost-effective approach to returning workers to productive employment. Around the room heads were nodding in support; Reich, Higgins, and Glynn all “loved it.” At the end of the meeting, Glynn gave the attendees a chance to poke holes in the proposal, asking if anyone saw “any traps” in a job search assistance initiative. No one spoke up.<sup>17</sup>

Comprehensive job search assistance was half of WPRS; the other half was targeting workers through the worker profiling mechanism. At a smaller meeting Katz excited Reich and others by presenting an argument for how powerful—i.e., efficient and effective—targeting could be, using worker profiling.<sup>18</sup> The wheels were set in motion for WPRS.

Reich responded positively to the worker profiling proposal. He appreciated the concept of cost-effectively getting workers back to work. He also realized that although the administration was focused on deficit reduction, Bill Clinton was still interested in new ideas if their cost was low. This idea, he thought, would be “gobbled up.”<sup>19</sup>

Katz wrote a memorandum about implementing WPRS as part of the effort to extend EUC. Reich revised the memo and sent it to Clinton, bypassing the National Economic Council. Clinton approved the proposal, but the council admonished Reich to go through proper channels in the future.<sup>20</sup>

Katz was known as a brilliant young labor economist, but it was not clear how he would do in his first foray into Washington politics. He adapted quickly and took charge of the WPRS initiative. He would play a key role in many other issues—among them the labor issues relating to the North American Free Trade Agreement (NAFTA), which involved the Self-Employment Assistance initiative.<sup>21</sup>

In early 1993, the temporary EUC program was being administered by the ETA. Golding, a senior career official, was serving as acting assistant secretary for Employment and Training until a political appointee could be named. Reich told her he wanted to do more than just reauthorize EUC; he wanted to introduce a new initiative at the same time. The two discussed introducing a comprehensive job search assistance program modeled after the New Jersey Experiment. Golding was familiar with the New Jersey Experiment and its evaluation results, since the experiment had been conducted in the UI Service while she was administrator of that agency. She was highly supportive of the new initiative.<sup>22</sup>

Golding thought it essential to provide reemployment services to dislocated UI recipients, and she was convinced that the New Jersey Experiment demonstrated the effectiveness of such services. Although she had believed in their effectiveness even before the New Jersey Experiment, she found that experiment to be innovative because it showed that early intervention was the key to making early reemployment happen. The early intervention aspect was what made her most supportive of this policy effort.<sup>23</sup>

Reich was pleased with the department’s career staff—they were better than he had expected. He was hungry for evidence, and the UI Experiments had the evidence. Golding considered early 1993 to be a

“happy moment” when information met opportunity. She spoke to Reich about my role as director of research for the UI program, explaining that since I had been in charge of the experiments, I was the best person to work on preparing the legislative and policy material to implement such a comprehensive initiative.<sup>24</sup>

Reich heard more about the UI Experiments at a huge, all-employee meeting held in late January, shortly after his taking charge. He spoke of his vision for the department and asked employees for new policy ideas. A scribe took down the names of the employees who spoke, where they worked, and their recommendations for policy innovations. Steve Marler raised his hand, identified himself, and said that he had worked for me on the UI Experiments. He described the New Jersey Experiment and suggested that Reich make use of its policy findings. A month later, he and I were summoned to the White House and attended President Clinton’s March 4 signing of the EUC extension legislation, which also enacted WPRS provisions. At the ceremony, Marler and I were given credit for the idea behind the WPRS legislation.<sup>25</sup>

In May 1993, an issue of *The Labor Exchange*, a new departmental publication distributed to all employees, carried the lead article “Idea Packs a Punch: ETA Employees Plant Seed That Sprouts into Law,” which again credited Marler and me with initiating the WPRS legislation (USDOL 1993). No mention was made of the significant role Katz and Golding had played. Reich was making a point. He wanted to demonstrate to the career workforce at the department that he was listening to them.

When Marler had mentioned the UI Experiments at the January all-employee meeting, Reich loved it. It fit with his hope that ideas could and should bubble up from the department’s career staff, and it gave him the opportunity to provide recognition for a specific instance where that had occurred.<sup>26</sup>

I met with Reich in late January to discuss an initiative to incorporate comprehensive job search assistance as part of the EUC reauthorization. Reich had recruited me to work with other department staff to quickly develop a concrete proposal and supporting materials. Within a week we had prepared the material that would allow Clinton and Reich to announce the new initiative.

Reich and Katz conducted discussions with White House Chief of Staff Thomas “Mac” McLarty about incorporating WPRS into the EUC

extension. Agreement was quickly reached to include the WPRS initiative.<sup>27</sup> On February 8, 1993—only three weeks after taking office—Clinton announced a new policy to help dislocated workers: “No short-term solution to their problem is adequate; many, many of those unemployed workers are what we call permanently displaced—and they need much better access to reemployment services that will provide them with the information and changing skills necessary to compete in a changing world” (Clinton 1993).

The initiative would include “reforms to the unemployment insurance programs that will dramatically improve the reemployment services available to structurally unemployed workers,” Clinton said. “A number of demonstration projects, particularly the New Jersey reemployment demonstration, showed that this kind of profiling and referral can significantly reduce the time these workers spend unemployed.”

Reich (1993) said when the announcement was made, “With this initiative, we plan to go beyond business as usual in our efforts to spur job creation and assist the unemployed.”

The WPRS bill created a program for states to profile new UI claimants “to determine which claimants may be likely to exhaust regular unemployment compensation and may need reemployment assistance services to make a successful transition to new employment” (P.L. 103-6, Sec. 4[a]). Such workers would be offered reemployment services. States’ participation in WPRS would be voluntary, and UI claimants’ participation in services they were referred to would also be voluntary. States would bear the cost of providing the reemployment services, using state funds or federal Wagner-Peyser Act ES or JTPA funds.

The bill was only the sixth that President Clinton had signed into law. Senators and House members stood behind Clinton; Reich, Marler, and I stood to the right; and out of the sight of the cameras stood McLarty. At the signing ceremony in the Roosevelt Room, Clinton joked to the attendees and the press that he was still learning how to sign his name with 20 different pens so that he could give each attendee one of the signing pens.

The bill’s WPRS provisions were tentative. They announced that the Clinton administration thought that comprehensive job search assistance was a good idea, but that participation in the profiling system was voluntary on the part of both the states and the UI claimants. The secretary was to encourage participation, but he could not compel it.

Reich had been able to act quickly to incorporate something new into the EUC extension because of the nature of WPRS and the manner in which it had been enacted. Any amendment added to the EUC extension had to be noncontroversial so it wouldn't provoke a congressional hearing. WPRS was less controversial because of the rigor with which comprehensive job search assistance treatments had been evaluated using random assignment methods. WPRS was even less controversial because it was adopted as a voluntary program. The WPRS provision was also enacted because it had been administratively easier and less time consuming to add an amendment to the extension of existing legislation than it would have been to adopt the measure through the regular legislative process. Finally, the imminent expiration date of the EUC program gave Reich additional leverage, because delay would have meant a gap in the payment of extended UI payments.<sup>28</sup>

Thus, WPRS was enacted quickly and painlessly. However, department policymakers knew they would have to revisit WPRS and make participation in the program mandatory. The opportunity arose in November.

## **NOVEMBER 1993 LEGISLATION**

Six months after enactment of voluntary WPRS, in November 1993, unemployment levels remained high, and the temporary EUC program was expiring again. The administration proposed a fourth and final extension of the program. Under congressional budget rules, the cost of Emergency Unemployment Compensation would have to be offset either by an increase in taxes or a cut in expenditures by the amount of the extension's cost.

At the same time, while the USDOL had been enthusiastic about enactment of the new profiling provisions and had begun to encourage and support state implementation, a number of departmental policymakers wanted to ensure that the system would be applied nationally and that participation by UI claimants would be mandatory. The New Jersey Experiment's findings and other research evidence had shown that providing comprehensive job search assistance was more cost-effective when UI claimant participation was mandatory: the cost of providing

comprehensive JSA had been found to be less than the combined savings from reduced UI benefit payments and increased tax payments by workers who returned to work more rapidly.

Paying for another EUC extension and making WPRS mandatory became linked when the idea of using the cost savings from WPRS to fund the EUC extension was born. If the budget estimators at the OMB and the CBO would accept the New Jersey evaluation results, making WPRS mandatory could “pay” for the EUC extension. Taxes would not have to be raised nor expenditures cut. The expected change in behavior of UI beneficiaries who were offered reemployment services might thus be used to pay for EUC under the federal budget rules.

Whose idea was it to fund the extension by making participation in WPRS mandatory? Reich (1997) claims Higgins originated the idea of changing WPRS to require state and individual participation. She understood that the participation requirement was the key to the success of the New Jersey Experiment and could contribute to the success of the WPRS system. She also understood that, under budget rules, the extension of EUC had to be paid for by offsetting reduction in expenditures somewhere else. The potential cost reductions in UI benefits, which would be derived from UI claimants going back to work sooner if WPRS were made mandatory, might be used to pay for the EUC extension. The department estimated these budgetary savings using the savings in UI benefits indicated in the evaluation of the New Jersey Experiment. These savings were projected forward to yield a five-year savings figure that was used to fund the EUC extension. A few members of Congress questioned both the projected savings and the appropriateness of making the program required, but the bill passed easily with bipartisan support (Reich 1997).

Although Reich credited her with the approach, Higgins makes no claim that she originated the idea.<sup>29</sup> In fact, both Katz and Meyer knew that the key to the success of the job search assistance intervention in the New Jersey Experiment had been mandatory participation, without which it would not have been cost-effective. When the EUC came up for renewal in November, since neither tax increases nor expenditure cuts were palatable, Katz recommended using the savings that would accrue from reducing the duration of UI compensation.<sup>30</sup>

Finding a noncontroversial method of funding EUC was important for another reason. While the administration wanted to extend EUC, it

did not want EUC renewal to imperil the enactment of NAFTA, which Clinton had made a priority and which Congress would be considering at the same time as EUC (both were enacted in November 1993).<sup>31</sup>

Reich knew it was critical to have Congress accept the savings projections from implementing WPRS to fund the renewal of the EUC program. He spoke to OMB director Panetta to convince him to support the budget scoring of the new legislation. Traveling on Air Force One with President Clinton, Reich spoke to Rep. Dan Rostenkowski (D-IL), chairman of the House Ways and Means Committee, to urge him to support the legislation and its budget scoring method.<sup>32</sup>

The arbiters determining the costs and savings of proposed legislation at the OMB (for the executive branch) and at the CBO (for Congress) would have to accept the projected budget savings from enacting a mandatory WPRS program. While department leadership anticipated that the OMB would accept the use of WPRS to finance EUC, convincing the CBO about this financing approach was considered to be a problem.<sup>33</sup>

At the OMB, Panetta, although initially skeptical, was ready to be convinced. His concern about avoiding controversy in funding the EUC extension and enhancing NAFTA's chances made seizing on the WPRS budget savings irresistible.<sup>34</sup>

However, before embracing the EUC legislative proposal, Panetta called a meeting with the USDOL. Department political leaders Reich, Higgins, and Glynn were accompanied by senior career staff including Letourneau, Golding, and Wyrsh. OMB senior staff were skeptical about the estimated budget savings derived from WPRS and had to be convinced by USDOL staff members, who were knowledgeable about the proposal and the research. While the subject of the meeting was the EUC extension legislation, Secretary Reich pressed for the message to be about reemployment services. Reich inflated the role of WPRS in the extension of UI benefits; it otherwise would have been treated as a side issue.<sup>35</sup>

The OMB career budget examiners estimated the impact of the EUC extension on the budget. They were concerned that they had to assume a behavioral response by UI claimants without any new funding for the WPRS system. At the same time, OMB staff had to assume that the Employment Service would commit existing funding to provide reemployment services. The cost estimators would have been more

comfortable with the process if new funds had been appropriated and had a realistic chance of generating the savings: it appeared to them to be an unfunded mandate. The pressure put on the OMB was part of a larger issue—that of the Clinton administration trying to bypass the pay-as-you-go (PAYGO) process during a period of high unemployment. Neither the OMB nor the CBO was happy with the proposed funding process for EUC. Nevertheless, the estimators concluded that the cost of implementing WPRS—the cost of providing comprehensive job search assistance to profiled workers—was more than offset by the cost reduction.

Katz worked to gain support for the bill. After he received concurrence from Higgins and White House staff about using WPRS savings to offset EUC extension costs, he went to the CBO to discuss the budget scoring of WPRS under the federal budgetary PAYGO rules. Since enacting mandatory WPRS could be shown to result in a likely reduction in the compensated duration of unemployment, logically that would reduce the level of unemployment. The problem was that, under the budget rules, the expected unemployment rate could not be changed. Hence, Katz developed the theory that the behavioral response to WPRS would not reduce the unemployment rate but would change the mix of the unemployment rate between insured unemployment and all other unemployment. Thus, only the mix of unemployment would change, not the level.<sup>36</sup> The CBO accepted Katz's approach and incorporated it into its cost estimates.<sup>37</sup>

Within the ETA, Golding supported the effort to make participation in WPRS mandatory. She understood that budget scoring is a political process, but she thought that this effort made a good deal of sense. She believed in the WPRS system, and she knew that the money to provide the reemployment services was already available within the Unemployment Trust Fund—if Congress would appropriate it.<sup>38</sup>

The actuarial division of the UI Service also made budget estimates of the WPRS proposal. The actuaries believed in the results of the New Jersey Experiment. They believed that WPRS—implemented as in the New Jersey Experiment—would result in a decline in the duration of insured unemployment which would reduce compensated duration of unemployment and increase payment of taxes. However, the UI actuaries doubted the magnitude of the estimated savings and thought that WPRS might result in some displacement of workers who did not receive reemployment services.<sup>39</sup>

Thus, the CBO, the OMB, and the USDOL all estimated the net budget costs of the WPRS initiative. In estimating budgetary impacts, they all used the data from the New Jersey Experiment evaluation and consulted with departmental research staff. Not surprisingly, their estimates were fairly close to one another. The closeness of their estimates made them more believable and made it easier to enact the WPRS provisions: it was difficult to dispute the budget savings if the budget gurus of two branches of government embraced the same savings estimates.<sup>40</sup>

Enactment of the WPRS provision depended on congressional support. The congressional leaders also had to be educated about the savings that could be derived from mandatory WPRS. The White House and USDOL lobbyists were enlisted to talk to members of Congress and their staffs. Ultimately, WPRS received wide support, although Rep. John Boehner (R-OH), now House minority leader, was a lone but strong opponent of the program.<sup>41</sup>

The Unemployment Compensation Amendments of 1993 (P.L. 103-152), enacted on November 24, 1993, made participation in WPRS mandatory both for states and for UI claimants who are identified and referred to reemployment services. Section 4(a) reads as follows:

The state agency charged with the administration of the State [unemployment compensation] law shall establish and utilize a system of profiling all new claimants for regular compensation that . . . identifies which claimants will be likely to exhaust regular compensation and will need job search assistance services to make a successful transition to new employment . . . [and] refers claimants identified . . . to reemployment services, such as job search assistance services, available under any State or Federal law.

Reemployment services provided by state employment security agencies could be broader than job search assistance, but the main focus would be on comprehensive job search assistance (JSA). However, the legislation still did not provide any new sources of funding for these services. Rather, states had to make use of whatever funds were available under current law. The lack of funding would be a problem for the future of the WPRS system.

## **FUNDING OF WORKER PROFILING AND REEMPLOYMENT SERVICES**

WPRS started on weak financial footing: it was enacted without Congress's authorizing additional funding for the reemployment services. As enacted, the initiative assumed that sufficient funds would be provided from existing employment and training programs. The Employment Service was assumed to be the primary provider of the additional reemployment services, but the ES national funding level was about to decline sharply, and JTPA/WIA funding would drop as well. ES grants to states peaked in 1995 at \$839 million and steadily declined to \$703 million by 2008. (See Table 6.1.)

Budget increases were critical to funding WPRS and Reich's other policy initiatives. These policy proposals required and assumed increases in the department's budget. In fact, Reich was able to propose and get budget increases for the first two years of the Clinton administration: in 1993 and 1994, federal funding increased for many of the employment and training programs, including Dislocated Workers and the Job Corps. When the Republicans took control of Congress after the 1994 midterm elections, budget increases ended.<sup>42</sup>

The WPRS system was weakened not only by the lack of a new funding source but by an actual decline in employment and training funding available to states after 1995. New programs would inevitably falter if they could not be adequately funded. Departmental staff later recognized the WPRS funding weakness and proposed new funding for it, and Congress approved approximately \$35 million a year between 2001 and 2005.

## **SUMMARY AND CONCLUSIONS**

The enactment of the Worker Profiling and Reemployment Services provisions in 1993 was a classic case of research informing and guiding policy and legislation. The WPRS legislation flowed directly from the New Jersey Experiment and related, rigorous research.

The New Jersey Experiment used random assignment methods and was rigorously evaluated. It found that comprehensive job search assistance provides net benefits to the government sector. The evaluation was widely disseminated and read. The findings were consistent with those from other rigorous evaluations of job search assistance.

Specifically, the research cited by the department to justify WPRS included the New Jersey Experiment, the Charleston Claimant Placement and Work Test Demonstration, and three state-funded experiments operated in Minnesota, Nevada, and Washington.<sup>43</sup>

Larry Katz, the USDOL's chief economist, brought the research findings to the attention of the department's political leadership in January 1993. Katz based his conclusions on his review of the job search assistance experiments and on Bruce Meyer's analysis of the UI Experiments.

Robert Reich was receptive to new policy approaches based on research evidence. Katz recommended the WPRS approach to him, and he responded positively. Because of his outreach to career staff, he received the same recommendation from Acting Assistant Secretary Carolyn Golding and from a staff member on the UI Experiments team, Steve Marler.

The WPRS initiative benefited from the support of other senior officials at the USDOL, including Deputy Secretary Tom Glynn, Chief of Staff Kitty Higgins, Assistant Secretary for Policy Jack Donahue, and Darla Letourneau of the Office of Congressional Affairs. It also had support from staff at the House Ways and Means Committee, the Office of Management and Budget, and the Congressional Budget Office. Just as importantly, virtually no one opposed the initiative, in either the executive branch or the legislative branch.

The WPRS initiative provided no new funding for the provision of reemployment services. Reich assumed that new funding would be provided from increased funding of employment and training programs. In fact, grants to states for employment and training programs declined after 1995. WPRS did receive limited funding in the form of Reemployment Services Grants between 2001 and 2005, but there was no further funding through 2008.

## Notes

1. During the fall of 1991, Rich Hobbie and I met to develop specifications for a multistate Job Search Assistance Demonstration as a follow-up to confirm the New Jersey Experiment's results. These specifications were incorporated into the Emergency Unemployment Compensation Act of 1991. The demonstration was conducted in the District of Columbia and Florida.
2. Katherine Higgins, interview with the author, July 17, 2008; Mary Ann Wyrsh, interview with the author, July 29, 2008.
3. The majority staff members were Wendell Primus and Rich Hobbie. The minority staffers were Ron Haskins and Andrew Bush.
4. Lawrence Katz, interviews with the author, August 21 and September 25, 2008; John D. Donahue, interview with the author, September 24, 2008.
5. Katz, interviews.
6. Donahue, interview.
7. Ibid.
8. Katz, interviews.
9. Bruce D. Meyer, interview with the author, August 25, 2008.
10. Ibid.
11. Lawrence Katz, discussion with the author, 1993.
12. Katz, interviews, 2008.
13. Robert B. Reich, interview with the author, November 21, 2008.
14. Donahue, interview.
15. Darla Letourneau, interview with the author, August 11, 2008.
16. Carolyn Golding, interview with the author, December 5, 2008.
17. Donahue, interview.
18. Ibid.
19. Reich, interview.
20. Katz, interviews.
21. Donahue, interview.
22. Golding, interview.
23. Ibid.
24. Ibid.
25. Steve Marler, interview with the author, September 25, 2008.
26. Golding, interview.
27. Katz, interviews.
28. Letourneau, interview.
29. Higgins, interview.
30. Katz, interviews.
31. Ibid.
32. Reich, interview.
33. Katz, interviews.
34. Ibid.
35. Letourneau, interview.

36. Katz, interviews.
37. When one estimates the budget impact of a program change, the budget rules constrain the cost and revenue estimates, so that the level of nominal GDP must stay constant—i.e., there cannot be a change in the level of economic activity. However, if the level of unemployment had decreased in the estimate for the November 1993 WPRS legislation, the estimate would have been associated with an increase in nominal GDP. This information comes from an interview the author conducted with Ralph Smith of the Congressional Budget Office on August 25, 2008.
38. Golding, interview.
39. Michael Miller, interview with the author, October 7, 2008.
40. Letourneau, interview.
41. Katz, interviews.
42. Ibid.
43. These experiments are cited in the discussion of worker profiling and job search assistance in the paper *What's Working (and what's not)* (USDOL 1995b). The experiments other than the New Jersey Experiment are discussed in Chapter 5.