

Better Policies for Jobless Workers

NELP Conference:
Unemployment Insurance: Prospects, Prospects,
and Priorities

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A journey of a thousand miles begins with a single step.

The Way of Lao-tzu

Chinese philosopher (604 BC - 531 BC)



Goals of the talk:

- Examine proven ways to help UI claimants.
- Assess ways to improve service delivery efficiency.
- Identify impediments to better serving claimants.
- Examine ways to remove those impediments.

Central Themes I

1. Reemployment and training services can be highly effective in good times and bad.
2. Job search assistance (JSA) provided by the US Employment Service (ES):
 - Helps UI claimants return to work 3 weeks faster and boosts earnings by about \$1,200 at a cost of about \$540 per person placed
 - Returns \$4 to the taxpayer for every \$1 spent.

Central Themes II

3. The ES should be highly regarded by:
 - Liberals (focusing on helping claimants) AND
 - Conservatives (focusing on reducing costs borne by taxpayers and firms).

4. Yet, funding has plummeted by one-third over the past 30 years, while loss of long held jobs increased by one-third.

Central Themes III

5. Training provided under WIA can boost earnings by about \$12,000 at a cost of about \$3,000.
6. But only if the training is accompanied by:
 - High quality counseling and
 - One-Stops are held accountable using accurate performance measures.
7. Yet, current performance measures create perverse incentives.

Background: Hamilton Project Paper

Benefit-Cost Analysis based on:

- Reviewing and conducting research.
- Interviewing for the national evaluation of Public Labor Exchanges (PLXs) in a One-Stop environment.
- Serving on WIB in Montgomery County, MD.
- Working with service providers in Kalamazoo, MI.

To find this paper:

Google -- Hamilton Project One-Stops

One-Stops: Basic Facts

(pre-recession year)

- Number of One-Stops 3,000
- Clients served 15,000,000
- Jobs listed 6,000,000
- Clients directly placed 3,000,000
- Clients trained with vouchers 200,000 (<2%)
- Cost per client-- core \$50
- Cost per client-- intensive \$5,000

Basic Facts

(recent pre-recession year)

- One-Stop funding \$4,000,000,000
- Change relative to 1990:
 - Funding -33%
 - Workforce +23%
 - Loss of long held jobs +33%
- UI payments net of taxes:
 - Average per week \$250
 - Average per year (regular UI) \$6,300
 - Average per year (regular + extended) \$12,600

Benefits and Costs to Claimants

Benefits to claimants

- Increases in earnings net of taxes.
- Reductions in time spent unemployed.

Costs to claimants

- Reductions in UI payments net of taxes.
- Foregone earnings while in training.
- Out of pocket expenses of training.

Benefits and Costs to Taxpayers

Benefits to taxpayers

- Reductions in UI payouts net of taxes.
- Increases in taxes from increased earnings.

Costs to taxpayers

- UI benefits net of taxes.
- Providing services.

The Promise of One-Stops

Per client Costs & Benefits

	Staff-time (hours)	Staff Pay (dollars)	Reduction in weeks unemployed
• Call-ins	0.5	\$23	0.3
• JSA	8.0	\$360	2.8
• Job development	15.0	\$675	4.5
• Counseling trainees	12.0	\$540	1.2
		Voucher Cost	
• Training vouchers		\$2,000	-9.0

The Promise of One-Stop Services

Ratio of Benefits to Costs
(assuming a high-quality accountability
system is put in place)

• Call-ins	8.0
• JSA	4.7
• Job development	4.0
• Counseling trainees	1.3
• Training vouchers	5.8
• Total	3.9

Variation in Per-Client Benefits

	per client benefits to: taxpayers	clients
• Call-ins	\$300	-\$100
• JSA	\$700	\$600
• Job development	\$900	\$1,400
• Counseling trainees	-\$200	\$400
• Training vouchers	-\$1,100	\$10,700
• Total	\$600	\$1,500

Why JSA is Cost-Effective

- Claimants lack information about where jobs can be found and the characteristics of job openings.
- One-Stops can assemble and transmit information workers lack at very low cost.
- One-Stops can provide additional information to help claimants identify the best job openings and use the most effective means to land those jobs.

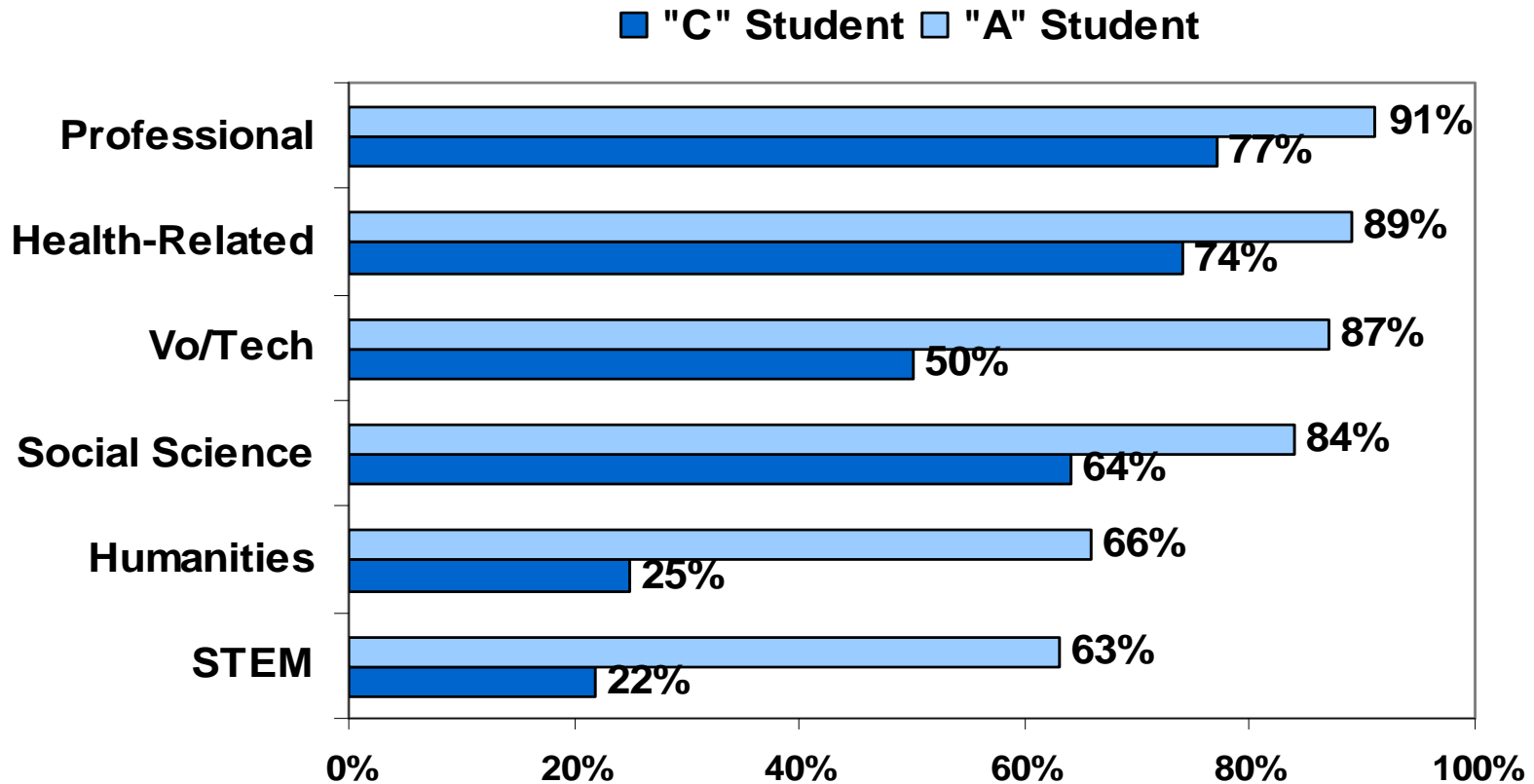
Why One-Stop Training Can Be Cost-Effective: The “Honest Broker” Role

- Potential trainees lack information about:
 - The types of jobs they are likely to land with and without training.
 - What types of training are right for them.
- One-Stops can impart accurate information at low cost
- Other training providers:
 - Lack the resources to provide accurate information.
 - Have incentives to enroll trainees, unlikely to benefit from the training.

Why counseling for training is important

- Job seekers know little about:
 - The requirements to do well in training.
 - The probability of obtaining higher paying jobs after obtaining training.
- Evidence from PA and WA suggest that in the absence of counseling:
 - One-third of claimants enter training programs they are unlikely to complete.
 - One-third of claimants enter training programs unlikely to raise their earnings.

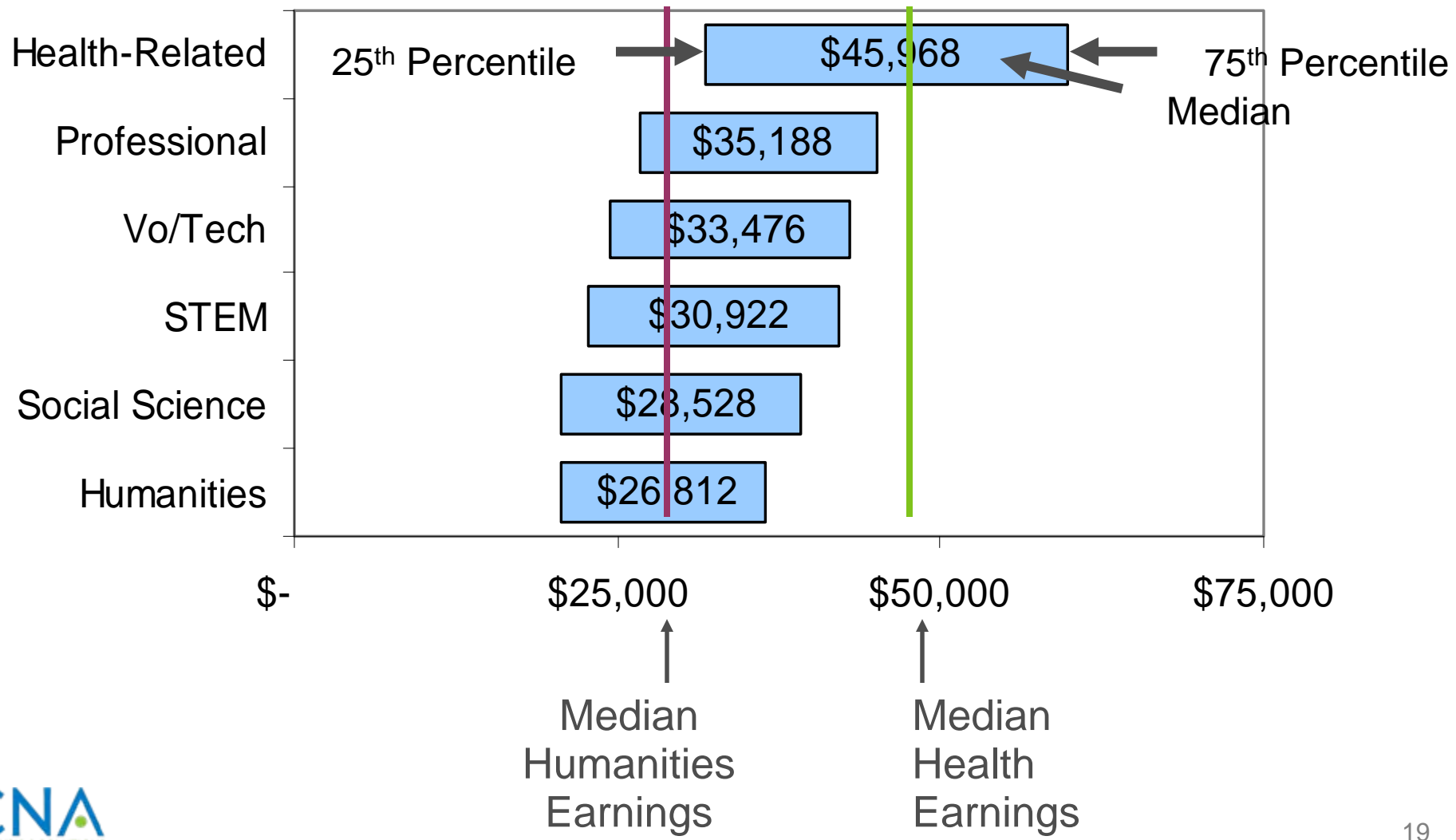
Field of Study Affects Credential Attainment - Especially for "C" Students



Likelihood of completing a credential by field for students with 24+ credits

Certificate and AA field of study strongly affects earnings

Post-College Earnings Certificates & AAs



Why improving accountability systems is the lynchpin to improving services

- You get what you measure!
 - Service-providers will maximize measures even if they lead to “perverse” outcomes.
- Without accurate measures service-providers have trouble equating benefits to costs
- As a result:
 - Accurate measures increase cost-effectiveness,
 - Inaccurate measures decrease cost-effectiveness.

Major problems with the “entered employment” measure

- Allows staff to exit clients after they would have found jobs anyway.
- Wastes staff resources on determining if clients have found jobs.
- Does not measure the speed of reemployment.
- Does not provide feedback about what services are most valuable.

Major problems with the “earnings” measure

- Does not take into account what earnings otherwise would be.
- Post earnings creates incentives to serve high paid clients.
- Pre-post earnings creates incentives to serve low paid clients.
- Does not provide feedback on the value of training.

Additional key problems with current measures

- They do not take cost into account.
- They put more emphasis on serving intensive clients, when core services often are equally effective but much less costly.

Benefits of Improving the Accountability System

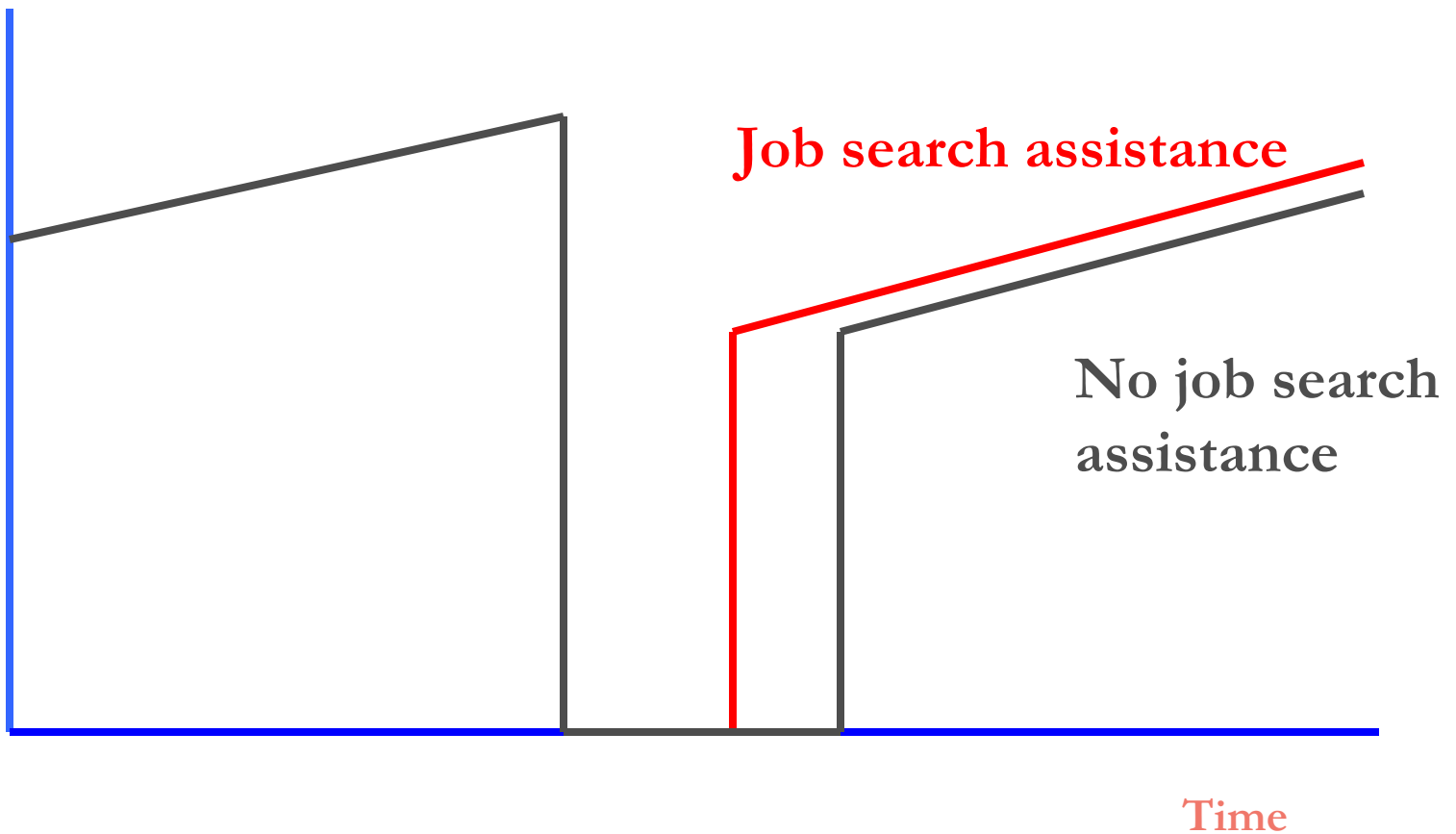
- Equivalent to a 40 percent budget increase due to:
 - Reducing wastage of staff time.
 - Providing more cost-effective services

The New Approach to Accountability .

- Adopt valued-added measures.
- Treat core and intensive services equally.
- Factor in cost to estimate the return-on-investment.
- Hold One-Stops to realistic and flexible standards.
- Adequately fund development of improved measurement techniques.
- Test promising techniques to improve measurement.

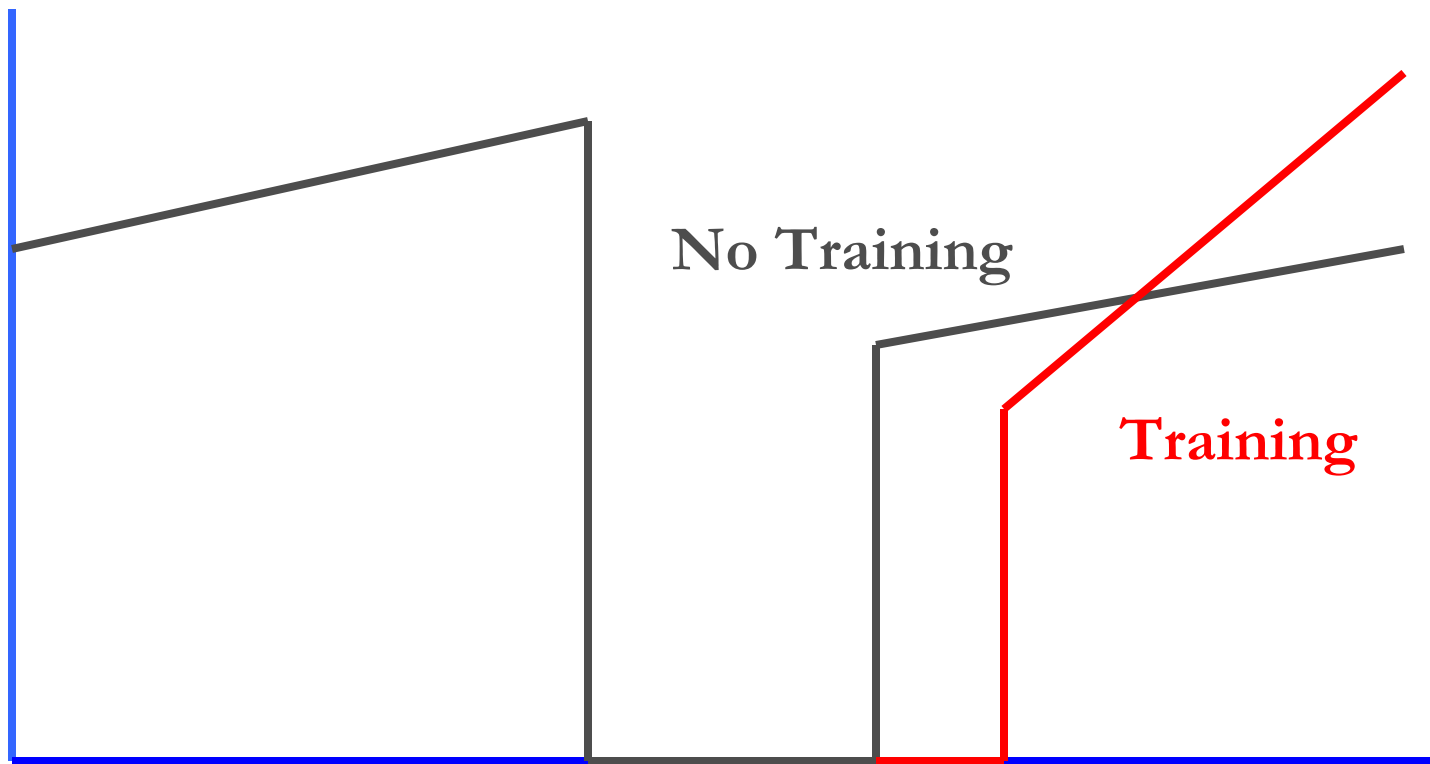
Capturing the Value-Added of JSA

- Earnings



Capturing the Value-Added of Training

Earnings



No Training

Training

Time

Summary

- One-Stops are unique among safety-net programs in helping claimants AND reducing cost to taxpayers.
- An accurate One-Stop performance measurement system would:
 - Stop wasting about 40% of staff time.
 - Substantially increase the benefits.
 - Make it much more likely funding for JSA and training would be substantially increased.