

Getting UI Recipients Back to Work

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by

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Getting the unemployed back to work



- Financial incentives
 - Reemployment bonuses
 - Earnings insurance
 - Tweaking the UI benefit formula
- Reemployment services
 - Job search assistance
 - Worker profiling
- Worker retraining
 - Hard-to-employ groups
 - Experienced displaced workers

Speedier reemployment? Or better jobs when reemployed?



- One theory of UI is that it should help workers obtain a better job match
 - A “better” match is one that ought to last longer
- *Alternative theory*: Program should be structured to minimize duration of unemployment spells ... regardless of impact on quality of job match

Speedier reemployment? Or better jobs when reemployed?



- Basic question: From whose perspective should we evaluate the gains from reemployment?
 - The worker?
 - The UI system?
 - U.S. society more generally?
- Improved worker incomes vs. Bigger surplus / Smaller deficit in government budgets

Financial incentives



- Reemployment bonuses: Modest but detectable effects. Financial benefit obtained by workers, not by the UI system.
- Earnings insurance: Only one evaluated test – Canada's Earnings Supplement Project.
- Both programs provide time-limited financial incentives for UI recipients to become quickly reemployed.
- Neither had a sizeable effect on average unemployment spells.

Canada's ESP: Design



- Workers given 12 weeks to find a job.
- Supplement payments replaced 75% of difference between new and old wage.
- Maximum weekly supplement payment: \$250/wk.
- Supplement payable for up to 2 years after date the supplement offer was made.
- Qualifying jobs had to be full time (30 hrs/wk.)
- Job with former employer was not a qualified job.

Canada's ESP: Results

- Only 4.7% of UI recipients in treatment group ever received a supplement payment.
- By month 24 after random assignment, just 1.5% of treatment group was collecting a payment.
- Median months of supplement payments: 8½.
- Median total supplement amount: \$2,700.
- Impact on UI benefit payments: +2.1% (*insignificant*)
- Impact on UI benefit duration: +1.5% (*insignificant*)
- Verdict: **Failure.**

Canada's ESP: Problems



- In three years before random assignment, average person in treatment & control samples received **65 weeks** of UI / **\$17,000** UI benefits.
- Percent of treatment-group and control sample members who expected to be recalled to their previous jobs: **88%**.
- Among workers who *did not* expect to be recalled to their old jobs, percent who received a supplement payment: **13.3%** (vs. **4.7%** take-up in entire treatment-group sample).

Canada's ESP: Implications for USA



- Few newly displaced U.S. workers have received as much UI or experienced as much recent unemployment as ESP counterparts.
- Far fewer U.S. displaced workers expect to be recalled by former employer. (88% expected recall in ESP)
- Earnings insurance provides income protection that *may encourage* faster reemployment
- It can also be viewed as partial compensation for currently uncompensated income losses: Wage reductions after reemployment.
- Plus, it has smaller adverse incentive effects than long-duration UI.

Other financial incentives for faster reemployment



- Lower or declining replacement rates.
- Longer waiting period.
- Shorter potential benefit duration.
- The first and the third changes reduce the insurance value of UI, especially for long-duration unemployment.
- The second reform is equivalent to a higher insurance deductible: Large income losses are still well insured.

Other approaches to reemployment: Reemployment services



- Job matching, job clubs, worker profiling.
 - These approaches often “work,” but they frequently do so by adding to the worker’s cost of collecting UI
 - They often reduce UI benefit duration and cost.
 - It is less clear whether they speed reemployment by improving workers’ search.
 - There is little evidence these approaches improve the quality of job-worker match.

Other approaches to reemployment:

Worker retraining



- Worker retraining
 - May *slow* reemployment
 - Earnings effects are modest or nil for many or most target populations.
- Greenberg, Michalopoulos, & Robins (2001):
 - **“Recent programs do not appear to be more effective than earlier programs.** Although the U.S. has more than three decades of experience running training programs, we find no evidence that voluntary training programs for the disadvantaged have become more effective over time in increasing earnings.”