

Reemploying Unemployment Insurance Claimants: A Good Government Investment

By Richard A. Hobbie, Ph.D., Visiting Scholar,
John J. Heldrich Center for Workforce Development,
Rutgers, the State University of New Jersey

and

Yvette J. Chocolaad, Policy Director,
National Association of State Workforce Agencies

Basis for Presentation

- Chapter in forthcoming book in late summer 2015: “Transforming U.S. Workforce Development Policies for the 21st Century.”
- Edited by Professor Carl Van Horn, Tammy Edwards, Vice President, Federal Reserve Bank of Kansas City and Todd Greene, Vice President, Federal Reserve Bank of Atlanta.
- Discussed last fall at a conference on the subject co-sponsored by Rutgers University and the Federal Reserve Banks.

Reemploying UI Claimants

- The terms Reemployment and Eligibility Assessments (REA) and Reemployment Services (RES) are confusing, but here is what the Administration means:
- In-person interviews to review eligibility;
- Provision of labor market and career information;
- Support for developing job search plans;
- Orientation to one-stop career center services and;

Reemploying UI Claimants (Continued)

- Staff-assisted reemployment services, including:
 - Skills assessments;
 - Career counseling;
 - Job matching;
 - Job referrals
 - Job search assistance workshops and clubs; and
 - referrals to training, if appropriate.

Why A Good Government Investment?

- There is evidence it has a government benefit-cost ratio of about 2.6. (i.e., a reduction of \$2.60 for each \$1.00 spend by the government)
- It can lower claimant duration on UI by about 2 weeks.
- It can cut benefit outlays on average by nearly \$600 per beneficiary.
- It can return claimants to work sooner and they can earn higher wages.
- It can improve the integrity of the UI program by reducing overpayments as eligibility is assessed more intensively and extensively.

The Administration's FY16 Proposal

- More than double annual spending on REA/RES from \$80 million to \$181 million;
- Aim at the upper one-third of claimants or about a million claimants most likely to exhaust benefits;
- REA is operational in 44 state programs, but only about 8 percent of UI beneficiaries receive REAs.
- Save net amount in benefit payments of about \$287 million after expenses.
- The savings would be used in part to obtain an increase of \$30 million in the applicable budgetary cap to allow for the additional appropriations in excess of the current budgetary cap.

Apart from Gridlock in Washington, Why Is It Such a Hard Sell?

- First, there is a gap between the evidence, policy.
- Second, the investments are relatively small per claimant (about \$250), and, as a result, the returns per claimant are also relatively small (about \$600).
- Third, many don't appreciate that a small effect summed over a million beneficiaries becomes a large effect.
- If, on average, a million beneficiaries go back to work 2 weeks earlier than otherwise, that potentially is 2 million more weeks of work in the economy, which is nearly 40,000 person years of employment.

We have a “Credibility Gap”

- Reemploying UI claimants is cost-effective, but not well-known or appreciated
- But few advocate for these services; and
- Policies have been inconsistent and driven by political orientations.
- Contrast this with training:
- The evidence is dubious at best:
- There are many advocates for training, and
- Job training receives consistent praise.

What Are Some Other Challenges to Reemploying UI Claimants?

- Slow and insufficient response to structural economic change;
- Inconsistent and vacillating federal policy;
- Decentralization of the workforce system;
- Reduced funding for labor exchange services;
- Disproportionate emphasis on timely payment of benefits; (U.S. Supreme Court Java Decision)
- Shift to remote claims taking; and
- Reduced funding for unemployment insurance administration.

What Should We Propose?

- Promote and Expand the USDOL Reemployment Vision.
- Increase the Administration's Fiscal Year 2016 Integrated REA/RES Funding Proposal.
- Apply New Performance Measures for Reemployment of UI Claimants.
- Research Effective Job Search Strategies.
- Increase Unemployment Insurance Administrative Funding.

Prospects?

- Dim as long as Congress focuses on cutting discretionary spending to reduce the federal budget deficit.
- Promising that the administration proposed an increase of \$30 million in the applicable budgetary cap to accommodate its proposal for increased REA/RES funding, but will it happen?
- Better if Congress addresses the source of the projected long-term budget deficits – mandatory spending for entitlements such as Medicare, Medicaid and Social Security.
- If Congress shifts focus to entitlements, there is a chance mandatory federal spending and taxes in UI might be addressed. This probably is the best hope.