UNEMPLOYMENT INSURANCE: THE PATH BACK TO WORK HEARING TESTIMONY

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Chairman Baucus, Ranking Member Hatch and members of Committee on Finance, thank you for the opportunity to testify on helping our nation's Unemployment Insurance (UI) claimants return to work.

I am Don Peitersen, Director of the American Institute for Full Employment's Project on Unemployment Insurance and Workforce. We are a nonprofit think tank studying, developing and consulting with state government on best practices in workforce, welfare and unemployment insurance programs.

Our team has counseled more than 20 states over the past 17 years, helping them design a wide variety of programs that have won several national awards. We have a special expertise in wage subsidy design and, since our founding, have designed programs similar to the President's proposed Bridge to Work initiative, including four state-level experiments with wage subsidies, specifically targeted to help reemploy Unemployment Insurance claimants.

This testimony covers four areas where Congress has the opportunity to favorably influence how states reemploy UI claimants:

- Job Search Engagement
- Wage Subsidies
- Flexibility for Innovation
- Measures that Matter

OVERVIEW

More than half of Unemployment Insurance ("UI") claimants in the United States remain unemployed and exhaust their regular benefits, receiving, on average, less than half of their former wage[i] to pay for food and housing and quickly consuming what little savings they have. In the past year, nearly five million workers exhausted their claims, most of whom then began claiming federal emergency unemployment compensation.

On average, exhaustees who claim federal benefits after their state claim ***remain unemployed for over one year and claim over $16,000 total.***[ii] In aggregate, regular UI and emergency benefits amounted to $115 billion from mid 2010 to mid 2011. Meanwhile states are asking where they can find money to improve reemployment services and incentivize job creation.

Federal restrictions on the UI program have hamstrung local state staff for decades. Promoting reemployment through the UI program requires fine-tuning, flexibility and focus on the right results. It begins by leveraging the time and talent of job seekers who would like to work, but who lack important reemployment connectedness, information and expectations.

A. JOB SEARCH ENGAGEMENT

Since the advent of UI call centers that take benefit applications by phone, nearly all states now allow application by phone and many allow application online. A large proportion of claimants file through one of those methods, which makes connecting with job seekers more difficult and may be causing some of the disconnect between job seekers and our public workforce offices.

1. Disengaged Job Seekers. A recent study of community One Stop workforce centers, sponsored by the U.S. Department of Labor, showed that 55% of its customers only visited the center once over the course of a year and another 16% only visited a center twice in a year.[iii]

The study suggests the One Stop resource rooms are overburdened and that most local providers wanted to offer more workshops or more frequent orientations, improved tools for self assessments, and better resources for educational development. One expert attributes the lack of engagement to limited funding and estimates that funding for services for U.S. workers has declined by about one-third in real dollar terms between 1984 and 2000.

Even prior to today's tightened budgets and overburdened workforce centers, the report finds that only one in eight job seekers received staff time, and in some centers only one in fifty received staff help. More concerning is that of customers who later found a job, "48 percent reported that the services were not at all helpful, and another 24 percent reported them as only somewhat helpful"[iv]

Fortunately for job seekers, brick and mortar workforce centers are not the only place to search for a job. Much job-searching is now conducted on the internet via job boards, online job board aggregators, social networks like LinkedIn and Facebook, and employer websites. Recent data suggests as much as 50% or more of available jobs may be visible thanks to the Internet, compared to 20% historically.

One state has demonstrated that, through online multimedia job search training, its long term unemployed can improve their job search preparedness by an average of 31%. Unfortunately, most of our workforce agency reemployment services have not caught up with the online trends. Considering the mismatch between the trends and the services available, it is clear that states need flexibility to create better solutions.

Solution: Require Immediate Connections and Offer Flexibility

To promote better reemployment connectivity, a number of states require job seekers applying for benefits to register simultaneously with their Employment Services program. By doing so, states ensure that claimants immediately connect with opportunities for reemployment offered by the state. Congress should consider promoting a better connection to existing reemployment services.

Because there are many state programs that are succeeding, it is hard to say that current problems in One Stops are necessary. To drive better solutions, Congress should allow states the option to use a portion of their UI claim dollars to fund better reemployment efforts. It should guard against expensive ineffective program development by requiring a tight return on investment analysis and by limiting the total amount that can fund reemployment efforts to, for example, 5% of UI dollars. This is a small amount, but significantly better than the current lack of flexibility.

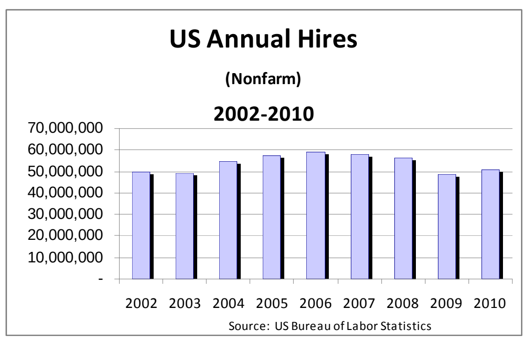
Today, duration of regular UI claims averages 126 days (18 weeks). If reemployment efforts reduce average duration by only 6.7 days (5%), the initiatives will break even. If they drive faster reemployment and lower durations, the result can be a win-win-win for employers, claimants and the state.

2. Misunderstood Job Market. *"Double dip", "More than 7 million jobs lost" and "Over five job seekers for every job"* are startling facts that are easy to understand and easy to report. Unfortunately, they tell only a part of the jobs story and they can leave job seekers feeling hopeless, de-motivated and lead them to conclude there are literally "*no* jobs out there." For the individuals and families directly affected, these are difficult times - financially, socially and emotionally.

But, as one recessionary president put it: ". . . *the only thing we have to fear is fear itself . . . which paralyzes needed efforts to convert retreat into advance.*" Franklin Roosevelt understood that reasoned confidence and hope are critical. Fortunately, labor market data tell a more hopeful story and suggest that finding a job, while difficult, is not impossible when we consider: 1) total jobs and 2) total hires.

Total U.S. Jobs. Another way to understand U.S. job loss is that, from the peak to trough, the United States has lost less than 5% of its jobs in this recession. We hear little about the million jobs we've regained in the past two years. We often forget the significance of the 95% of jobs that remain in our economy. And worst of all, we often ignore the most significant statistic for job seekers - hiring.

Total U.S. Hires. In each year of the recession, American employers made 50 million hires or more in an economy of about 130 million jobs. How can we be hiring millions and losing jobs at the same time? The answer is that hiring is driven by more than the total number of jobs. It is also driven by "churn" - the natural number of business startups and failures as well as employee quits, relocations, deaths, terminations and retirements. Each creates the opportunity for a hire. For job seekers, the number of hires may be far more relevant than the number of jobs.



Opportunities in each job market will vary and not all job seekers can match all job openings—but, fortunately for job seekers, employers do keep hiring, even in a downturn. In August of 2011, while many of our unemployed were feeling there were no jobs available, employers actually had 3 million open jobs. What if we could accelerate the hiring connections between job seekers and employers so that 1.5 million more jobs were filled at any given time? What would that do for: 1) production in the economy; 2) job seeker savings and 3) state budgets?

Solution: Educate Job Seekers on Opportunities - Communicate Hiring Data

We can encourage job seekers by providing more relevant data reflecting specific workforce areas. This will also provide local workforce boards and UI and workforce agency staff with a clear view of their markets. In particular:

- U.S. DOL should leverage its New Hire data by publishing a regular hiring report that gives job seekers, staff and the media a more accurate and positive perspective on the job market. Specifically, we recommend a simple monthly report by state and workforce region of the number of actual or estimated hires that occurred. This will help job seekers see areas of opportunity so they can target their searches accordingly.
- On a regular basis, U.S. DOL should also develop media releases that highlight the numbers and types of jobs filled in the last quarter and/or projected to be filled in the coming quarter. The goal would be to provide accurate data not simply about aggregate jobs, but also about hiring.

3. Smart Job Search

To be excellent at job search a job seeker normally must focus on networking and cold-calling. Job search experts estimate that more than half of all hires still happen through an employer's network. Networking and cold calling are skills the average job seeker does not learn in school or anywhere else except through experience when they are often desperate. The average job seeker does a job search every three years. That's 13 job searches in a lifetime—often enough to *want* to be good at it, but not often enough that many of us *are* good at it.

Because this necessary work for the average job seeker is something at which they are not well skilled, job seekers often have less motivation than they need to succeed. Here, the encouragement and guidance of a directed UI program can make a difference. Effective job seekers treat their job search as a job in itself. Well-focused and enforced job search requirements can lead to the sustained networking and cold calling on employers that leads to success.

The majority of state work search requirement simply ask job seekers to make and record contact with one to two employers per week. Job seekers then submit work search logs that state staff can audit by calling employers. Most job seekers can contact two employer in less than two hours and complete their requirements with 38 hours remaining in a normal work week.

It is hard to find any job search expert or workforce agency that would suggest that devoting a mere two hours per week to a week job search will lead to timely success. So the question is not whether current work search rules match effective strategies; instead, it's a matter of how much we should require of claimants.

Arguments against a work search requirement suggest benefits are earned, which is true. However, like wages earned, some expectations for reciprocal responsibilities must exist. Unfortunately it is human nature to focus on the minimum requirement and aim no higher—and meager work search requirements are no exception to this simple fact of life. With bleak reports about the job market and benefits that only pay for them to remain unemployed, the result is a meager work search for too many, who are discouraged by their view of the job market.

Solution: Set Realistic Expectations

Congress can break down the silo funding and walls that hamper optimized balance between paying benefits and providing reemployment assistance. States are innovating around the edges of this program to document work search online as one way to, for example, meet the requirements of federal Extended Benefits and require evidence of a job search.

Effective job seekers keep a log of their activities without any requirement. They record which employers they have called, the result of the contact, when they intend to call again if the employer may have an opening in the future, whom they spoke to, phone numbers, etc. Instead of setting requirements at a bare minimum level and measuring them narrowly, we may achieve greater results with a more comprehensive and open-ended approach.

To help instill the proper attitude that a job search is a job in itself, Congress should promote broader work-search requirements. Specifically, these requirements should include more detailed reporting of job search activity, regardless of whether every detail can be effectively audited. We could borrow a lesson from educators who normally have no way of auditing every student's reading every week, but who continue issuing the assignments students need to complete to be successful in their education.

4. Jobs vs. Skills

As noted above, the U.S. job market is highly dynamic with a large degree of churn. This means entire industries are dying off while others are sprouting and growing. This dynamic requires that our workforce be nimble in translating how skill sets used in one occupation or industry can transfer to others. The historic focus of UI in judging whether a job referral was suitable was based, in most states and federally, on the idea of similar jobs.

Many of our state programs consider suitable jobs a claimant must pursue to be those that are similar to their last job. Unfortunately, again, this requirement too often becomes the bar at which job seekers shoot. In this realm, raising the bar would actually expand the opportunities to win.

Solution: Focus on Transferable Skills

Congress should promote a suitability approach that focuses on jobs with the same skills. This will encourage job seekers to find more jobs that have similar pay levels to their prior work.

B. Wage Subsidies

It is not enough to sharpen our programs while ignoring the need for job creation in our economy. Unemployment Insurance can play a unique role in our economy through the tool of wage subsidies. Wage subsidies pay employers who would not otherwise hire a claimant, to give that claimant a chance through an on the job training and work experience position, typically for two to six months. *Wage subsidy programs have a high incidence of success in creating jobs and gaining job seeker employment*.

Compared to the idea of injecting cash in the economy through benefit payments, wage subsidies often double that impact by helping claimants earn wages that are twice the amount of UI benefits while also contributing to our economy's production. Any multiplier effect is similarly enhanced.

The President proposed a form of a wage subsidy in his "American Jobs Act" called Bridge to Work. The initiative combines the work experience of the "Georgia Works" program with a traditional wage subsidy program that a handful of states operate, including Nevada, Texas and Utah. Bridge to Work has great promise, if altered to draw on best practices in wage subsidy program operation.

Background and Successes

Bridge to Work is part of that greater family of programs, including: 1) the Work Opportunity Tax Credit, 2) the Workforce Investment Act's (WIA's) 1998 version of what has been known for years as OJT (On the Job Training) subsidies, 3) the Welfare to Work tax credit, and 4) a variety of other wage subsidy and tax credit programs. *All of these programs tend to serve job seekers who are not likely to be hired in the job market without some further incentive to an employer to invest in the job seeker.*

Recently national policymakers have also been involved at many levels in developing subsidized job opportunities. Several notable initiatives have been:

- U.S. Department of Labor grants to 42 states for wage subsidy programs
- Congressional efforts under ARRA
- Cochran-Shaheen Bi-Partisan Workforce Investment Act Bill
- Senator Al Franken's bill modeled after Minnesota's MEED Program

To our knowledge there have been four state-wide UI-specific wage subsidy programs in the United States as well as a UI-supported job-based training program called Georgia Works. The three most significant programs are summarized below along with their notable outcomes.

- **Oregon JOBS Plus.** For more than a decade, starting in the early 1990s, Oregon operated the first large scale UI-specific wage subsidy program, which helped over 10,000 UI claimants and created new jobs. Oregon's program showed clear evidence of not only improved employment results, but also a wage *gain* compared to similar nonparticipants. The program offered employers a $5 per hour wage subsidy and targeted claimants who had earned $15 or less in their prior job. Over 80% of participants landed jobs at program completion, and over 80% of surveyed participants said they approved of the program and would choose it again if they could.

- **Georgia Works.** Georgia has adopted an employer-based training program for its unemployment claimants called Georgia Works which was replicated in a handful of states including New Hampshire, Missouri and North Carolina. The program allows UI claimants to keep their benefit checks while they volunteer with an employer to gain job-based training for up to eight weeks. The program arranged workers compensation coverage through the state for participants and paid a stipend of $120 to participants to cover incidental costs. The stipend was later increased to $240. Through January of 2010, according to the Georgia Department of Labor, over 10,000 job seekers have participated. In that time, 6,105 people completed training and 3,363 landed jobs through the program. Another 1,170 job seekers landed jobs within the quarter after completing their training—a common benefit seen in similar programs.

- **Texas Back to Work.** Texas launched its Texas Back to Work program in February of 2010 and won DOL's Innovation Award for its innovative design. The program targets claimants who had earned $15 per hour or less and has now served over 20,000 such claimants. The subsidy is $2,000 for employers who hire a claimant for 16 weeks. According to our latest review, the data shows over 3,000 employers participating, with 63% of job seekers successfully placed. Among those completing the program, nearly 80% were employed in the quarter following completion. Program earnings compared to previous job earnings were 99.4%. The Texas Back to Work model has since been replicated in Utah and Nevada.

Wage Subsidy Program Outcomes

A well-designed wage subsidy program can provide opportunities to several hundred thousand long term UI claimants each year while saving taxpayers more than $1 billion. Other impacts include:

- **The Economy:** Wages paid double the cash amount of benefits entering the economy, and working claimants boost economic output. Add to this: 1) the multiplier effect, 2) tax revenue on wages paid and 3) savings to the UI Trust Fund, and the impact is substantial
- **Claimants:** Claimants double their income and significantly increase their job opportunities through new experience, on the job training that often teaches skills that can best be gained through experience and a foot in the door with an employer in a setting that has little risk for either the employer or the job seeker
- **Businesses:** Wage subsidy programs are versatile and can help nearly any employer that wants to add an employee.

Job Seeker Outcome Data. Wage subsidy programs have also proven their value in a number of other measures. Programs we have studied have demonstrated the ability to achieve the following outcomes for job seekers:

- Job seekers employed immediately after participation > 80% [x]
- Job seekers employed within 3 months after participation = 79% - 98%[v]
- Job retention at 1 year = 68% (vs. 58% for others) [xi]
- Wage gain over the year following participation > 15%[vi]

Employer Outcome Data. Employer outcomes have been strong as well, including economic development impacts:

- Small businesses (as well as large) have an opportunity for growth
- More than 80% of employers said the program helped costs, capacity and/or expansion [xii]

Opportunities to Improve Bridge to Work

In considering how to improve the Bridge to Work program, we rely on our studies of the four *UI-focused* wage subsidy programs noted above - Oregon, Texas, Utah and Nevada - as well as the Georgia Works program. From these five programs, and many other wage subsidy programs targeting other populations, we note below elements of a well-designed program. Opportunities to improve include:

1. Keep it Simple. A critical element for any program that seeks voluntary employer participation is simplicity. The employers we interview repeatedly tell us that simplicity of requirements and paperwork are the top reason they might participate in one program, but not another.

Bridge to Work includes an employer mandate that none of the four state UI experiments or WIA's OJT included: It requires employers to hire a claimant within 24 weeks of the employer's participation in the program. It seems to suggest that a mandate is needed to guard against employer abuse and/or to guarantee outcomes.

While permanent hires are a good post-program measure of success, they are poor as a pre-program mandate. The core of any wage subsidy program is *to encourage employers with a financial incentive to take a chance on a job seeker who the employer would not otherwise give an opportunity.*

Our program experience suggests that: 1) employer abuse is not normally problematic, 2) a hiring mandate may have no positive impact on outcomes and 3) there are better ways to guard against the possibility of employer abuse.

Program Abuse is Rare. According to our interviews of Oregon agency staff over many years, the program experienced very little employer abuse in its decade of operation. Georgia and Texas staff also have indicated that they have procedures to review employer abuse, but they too did not have a one-size-fits-all mandate. Other programs such as WIA OJT and the various state programs seem to rely on the inherent interest employers have to hire those they invest in if there is a good fit. Indeed 80% of claimants who can't otherwise land a job do get hired after participating in those programs.

Mandates Appear to Have Little Intended Effect. Wage subsidy programs with employer mandates to hire compared to nonmandatory programs appear to have no measurable impact on employment results of participants to offset the cost of chilling employers' willingness to participate in a program that is valued at just $2,400.[vii]

Other Programs Have Developed Local Controls. Other programs have governed abuse by giving local workforce agency staff discretion to temporarily or permanently suspend the participation of employers who are not meeting the program's intent. Oregon's program gave discretion to a local agency to develop rules empowering staff to bar an employer from further participation in the program if the employer failed to meet the intent of the program.

Recommendation 1: Eliminate the employer mandate to hire and give states the flexibility to design program safeguards at the state level based on their own state needs.

2. Increase Flexibility of the Subsidy Length. Bridge to Work targets long term unemployed job seekers who often lack required skills and/or experience to be hired. For employers, the equation in making a hire is driven by whether the subsidy is sufficient to make the employer's risk and investment worthwhile.

The Workforce Investment Act addresses the length of a wage subsidy by allowing the local agency to set the time to match the time needed to learn the job. This allows those closest to the job seeker and the employer to optimize the program, paying enough to incentivize a new job opportunity, but not more than is necessary. Under WIA, the wage subsidy is typically available for up to six months and is determined by staff:

"(c) An OJT contract must be limited to the period of time required for a participant to become proficient in the occupation for which the training is being provided. In determining the appropriate length of the contract, consideration should be given to the skill requirements of the occupation, the academic and occupational skill level of the participant, prior work experience, and the participant's individual employment plan. (WIA sec. 101(31)(C).)"

Recommendation 2: Increase state flexibility to allow the wage subsidy to be up to 13 weeks to match the 90-day probationary period used by many employers, to allow opportunities for participants to learn higher skilled jobs and to allow state staff greater flexibility to optimize the match between job seekers and job opportunities. This local control will allow Bridge to Work to be effective in meeting employer needs while maximizing program savings.

3. Simplify Funding Sources. Bridge to Work splits a job seeker's income between UI benefits and employer pay to meet minimum wage requirements. In doing so, Bridge to Work may unnecessarily complicate administration of the program and subtly downplay the desired end result and normal likelihood that the worker will finish the program and have a paycheck going forward, rather than go back to collecting unemployment benefits.

Ideally, the program should allow a seamless and transparent transition for workers whether they are receiving support from a wage subsidy or have already been hired on to continue working for the employer. In this way, the program can also promote the idea of one class of workers for the employer from a human resources standpoint.

The split of funding and treatment of benefits as wages also creates other complicating questions, not involved in other wage subsidy programs, related to taxes and who the actual employer is—the state agency, federal government or the on site employer.

Recommendation 3: Eliminate the complication of two payors for the worker by paying the subsidy directly to the employer and requiring the employer to give the worker a paycheck like any other new worker. This can be done by simply allowing states to use the EUC funds in the manner described.

Sample language to accomplish a more simple funding approach is:

"A State may provide a wage subsidy, for the benefit of claimants of emergency unemployment compensation benefits, to employers willing to provide on-the-job training opportunities for such claimants from such claimants' emergency unemployment compensation account funds. The State shall limit its use of emergency unemployment compensation account funds for wage subsidies to the total amount that participating claimants are expected to average in emergency unemployment compensation account claims without the wage subsidy assistance. "

This approach will guarantee cost neutrality and should promote strong savings in the program as outlined in Appendix A.

4. Allow Early Intervention. The net cost of a wage subsidy program can determine whether it becomes a legacy or a loser. A significant driver of net costs is the time at which a claimant is targeted to enter the program. This timing governs how many weeks of benefits can be saved by an earlier return to work. Bridge to Work links program eligibility to EUC eligibility. Unfortunately, this means a claimant must exhaust their regular UI benefits (typically 26 weeks) before having a chance to try a different reemployment strategy.

States can improve outcomes by using the program earlier. Claimants have a better chance at gaining reemployment early in their unemployment spell. Given that, it seems natural that the program should be available to UI claimants before they exhaust their first six months of claim eligibility. Providing earlier access will accrue savings not only to federal EUC funding, but also to state UI Trust Funds.

Early intervention will not only drive government savings, it will also help claimants avoid long unemployment spells with benefits that pay less than less than half their former wage.

States can design early intervention strategies with Bridge to Work around the state's current "worker profiling" program that identifies claimants most likely to exhaust their claims early in their unemployment spell. Profiling is typically done in the first weeks of a claimant's application for benefits and allows states to target their own programs more strategically.

Recommendation 4: Allow states to offer Bridge to Work to claimants as early as they can identify likely exhaustees and users of the EUC in a way that maximizes claimant opportunities and generates a positive return on investment from the program.

5. Allow Regular UI Program Flexibility. An example of greater flexibility that would harmonize with the Bridge to Work proposal is to allow states to use the program for their state-run regular UI programs. Currently over half of all claimants exhaust their claims. Even in a much better economy, approximately one in three claimants exhaust. Bridge to Work should a regular part of state programs.

Recommendation 5: Allow states the option to use their UI Trust Fund benefits to fund the proposed Bridge to Work program for their regular UI program, with the improvements noted here. To ensure it is a cost-saver, Congress should: 1) cap program use at 5% of UI benefits, 2) require it to be targeted, through current profiling systesm, to those likely to exhaust, and 3) offer it only to claimants with at least 18 weeks of regular UI remaining to save.

C. FLEXIBILITY FOR INNOVATION BALANCED WITH RETURN ON INVESTMENT

State UI agencies are full of people with good ideas and promising solutions who are hamstrung by restrictive funding silos. By federal law, UI claim dollars cannot be used to fund any activity that can save the program dollars, even reemployment activities. By federal law, UI claim dollars cannot pay for successful reemployment strategies that reduce UI claims and save UI claim dollars. As such, it is one of the most hamstrung insurance operations imaginable. Why?

The answer can be found simply in program history. UI was born separately from our nation's Employment Service which was born separately from our Workforce Investment Act programs.

The silo funding of each perpetuates their separate origination. The result is frustration at all levels - state agencies, employers and job seekers. Congress has done little to harmonize the funding or enable strategic connections. In many ways, we have a Federal lockdown on the best opportunities for reemployment innovation.

Allow Flexibility and Innovation

Congress should allow the flexibility of waivers in the UI program, like other programs allow, such as Workforce Investment Act, Temporary Assistance for Needy Families and Medicaid. To ensure innovations are fiscally responsible, DOL should measure each by both its impact on reemployment and its cost-effectiveness. Fortunately, these two goals go hand-in-hand.

Consider that the average UI claim in the United States costs over $5,000. For each week that unemployment duration is reduced with effective reemployment programs, UI Trust Funds saves $300 per claimant. A program like the Nevada best practice Reemployment Eligibility Assessment program (funded by DOL) saved 2.96 weeks in average duration among participating claimants, equaling $805 in claim dollars.[viii] If the average state were allowed to fund a strategy like Nevada's REA approach, and if it costs, say, $600 per job seeker served, the state would save over $200 for its UI Trust Fund. At the same time, that strategy would achieve a far greater result - job seekers going back to work nearly three weeks sooner.

State agency directors often tell us they would like to be more innovative, but lack the flexibility to do so. Nationally, the UI program locks up funds in silo categories that challenge administrators to find loopholes that allow them to be more effective in accomplishing their mission. In recent years, U.S. DOL has done a nice job of promoting reemployment among states, and has promoted reemployment by using ad hoc grant fund opportunities for projects such as Reemployment and Eligibility Assessment, wage subsidy seed planting and other initiatives. However, without more flexibility to fund reemployment, the Department is hamstrung. Now is a great time to build on DOL's momentum by promoting innovation balanced by a required return on investment.

Congress should issue a challenge to states to step up and use their ingenuity to reemploy their claimants. At the same time, however, Congress must give states the flexibility to pursue innovative programs. Otherwise, the large pot of money currently directed toward UI claimants will remain more like quicksand than the wellspring of impact it can be.

Solution: Provide States Flexibility to Find the Answers

The Jobs Act includes two other provisions we have reviewed, referred to as "Additional Innovative Programs" and "Enhanced Reemployment Strategies". Both provisions would allow states to apply to the Secretary of Labor to implement other strategies designed to reemploy EUC claimants. We would suggest expanding that flexibility to also include regular state UI and suggest adding a requirement that all proposals be reviewed for fiscal impact to determine if they would improve reemployment and reduce claims sufficiently to pay for the proposed program.

D. MEASURES THAT MATTER - *"If you don't know where you are going, you might not get there"*

Current UI program measures focus primarily on making timely and accurate payments. These are good measures, but they do not gauge reemployment effectiveness.

Today, we have two measures that are meaningful for reemployment - UI duration and UI exhaustion. They gauge how long claimants are unemployed and how many fall off of the edge of the program. Unfortunately, they are watered down by including claimants our system is *not* trying to reemploy: those who are work attached. Indeed, short-term claimants who seek benefits when their employer has a seasonal slow down of less than six or eight weeks are exempted from state work search requirements and are not targeted for assistance. Claimants attached to labor unions are also exempted in many states.

The duration measure also includes all spells of a claimant's claim. This lumps together each separate unemployment spell into one number, which obscures how quickly a claimant returns to work. The solution is to measure only claimants' first spell duration.

The exhaustion measure is equally troubled because exhaustion is defined as using all claim eligibility. However, states vary in length of claim eligibility with some states having a large number of claimants eligible for less than the standard 26 weeks. The result is that average exhaustion weeks in one state may tend to average many fewer weeks than the average exhaustion weeks in another. We're left with a measure that falls short of giving us a clear understanding of how many long-term claimants use all of their claims without finding work.

This is a matter of federal interest because of the benefit of having nationally-comparable statistics that help all states identify those program designs that yield the best results.

Solution: Develop True Duration and Exhaustion Measures

Congress should refine its measures related to reemployment by adopting true duration measure that excludes employer- and union-attached claimants and measures first-spell duration. Congress should also adopt a true exhaustion measure that excludes employer- and union-attached claimants and reflects only 26-week exhaustions. Finally, to promote local creativity, transparency and accountability, the federal true duration and exhaustion measures should be reported by workforce region.

CONCLUSION

At a time when our nation continues to struggle with high unemployment, we also face intense budgetary pressures at both the state and federal levels. Today, Congress has a real opportunity to clear a path toward meaningful gains in reemployment while more efficiently deploying taxpayer money allocated toward easing the nation's job woes.

These gains can be realized by:

- Enhancing job search engagement.
- Enabling innovative wage subsidy programs.

- Giving state agencies the freedom and flexibility to devise and employ creative new solutions.

By pursuing these three over-arching strategies in a way that embraces creativity, encourages the adoption of proven strategies and reverses unintended consequences of federal rules and budgetary restrictions, we can more promptly and efficiently return America's unemployed citizens to productive roles in the national economy.

End Notes

[i] This data is sometimes called the replacement rate. It is calculated by dividing Average Weekly Wage (AWW) of claimants by their Average Weekly Benefit Amount (AWBA). According to US DOL ETA http://www.workforcesecurity.doleta.gov/unemploy/content/data.asp, for the 12 months ending in June 2011, the average benefit amount was $295.60. Divided by the average weekly wage (AWW) for that time period of $885.58, the average "wage replacement rate" is 33.4%. This data represents an average for the population.

[ii] US average duration for the 12 months ending June 2011 was 18.0 weeks, US DOL ETA Unemployment Insurance Data Summary Report, http://www.workforcesecurity.doleta.gov/unemploy/content/data.asp. Tier 1, 2 and 3 average duration for the period 9-10 - 8-11 was 30 weeks. To be eligible for EUC, claimants must exhaust regular claims, which average close to 26 weeks, yielding a total of approximately 56 weeks. US DOL ETA Emergency Unemployment Compensation 2008 (EUC08) and Federal-State Extended Benefit (EB) Summary data for State Programs at http://www.workforcesecurity.doleta.gov/unemploy/euc.asp. This calculation of duration and claim amount does not include EUC Tier 4 benefits or Extended Benefits.

[iii] Findings From a Study of One Stop Self Services: A Case Study Approach, Ronald D'Amico et. al., Social Policy Research Associates, Dec. 2009, Exhibit 10.

[iv] Ibid.

[v] Oregon Employment Department report on JOBS Plus, Fall 2004, p. 7.

[vi] Oregon Employment Department report on JOBS Plus, Fall 2004, p. 7; Wage gain of $1.63 per hour, related to average wages of $10.01 per hour. Wage data from October 2001 - December 2002.

[vii] The only study we are aware of regarding mandates for large scale programs was in two wage subsidy programs in the 1980s and 1990s - Minnesota's MEED program and Oregon's welfare program. Oregon employers asked that there be no mandate. Minnesota, according to the Upjohn Institute, had mandates requiring employers to make hires and retain employees. However, the Minnesota program did not achieve any statistically better results than the Oregon program which did not impose the employer burden. "Jobs for the Poor, Can Labor Demand Policies Help," Timothy J. Bartik. W.E. Upjohn Institute for Employment Research and the Russell Sage Foundation, 2001.

[viii] Impaq International*, Impact of Reemployment and Eligibility Assessment (REA) Initiative* (June 2011), Eileen Poe-Yamagata, et. al.

Appendix A
Bridge to Work - Savings Analysis

	EUC Program			Regular UI Program		
	Current Cost of Targeted Claimants	Bridge to Work Wage Subsidy	Savings	Current Cost of Targeted Claimants	Bridge to Work Wage Subsidy	Savings
FINANCIAL ANALYSIS						
Benefits Paid Before Program	$ 8,806	$ 1,174	$ 7,632	$ 5,310	$ 1,761	$ 3,549
Benefits Paid After Program (If Not Hired)	$ -	$ 61	$ (61)	$ -	$ 61	$ (61)
Subsidy Cost	$ -	**$ 2,280**	$ (2,280)	$ -	**$ 2,280**	**$ (2,280)**
Federal Training Costs (WIA)	**?**			**?**		
Administration / Marketing		$ 400	$ (400)		$ 400	$ (400)
UI Tax on New Wages Paid to Participant in Program	$ -	$ (91)	$ 91	$ -	$ (91)	$ 91
TOTAL PER PARTICIPANT	$ 8,806	$ 3,824	**$ 4,982**	$ 5,310	$ 4,411	$ 899
TOTAL PARTICIPANTS	300,000	300,000		300,000	300,000	
TOTAL COSTS	$ 2,641,770,000	$ 1,147,192,272	**$ 1,494,577,728**	$ 1,593,000,000	$ 1,323,310,272	$ 269,689,728
ASSUMPTIONS						
UI Benefits						
Ave Weekly Benefit for Participants	**$ 293.53**	**$ 293.53**		**$ 295.00**	**$ 293.53**	
Ave # Weeks Paid for Participants	**30.00**	**4.0**		**18.00**	**6.0**	
% Participants Not Hired and Who Return to UI Claim		6.5%			6.5%	
Ave. Weeks of Return to UI I Not Hired Permanently		3.2			3.2	
Training Costs						
Ave. Weeks Subsidy		**10**			**10**	
Ave. Wage Subsidy		**$ 6.00**			**$ 6.00**	
Ave. Hours Per Week in Subsidy		38			38	
WIA Training	?			?		
Admin. Per Participant	?	**$ 400**		?	**$ 400**	
Ave. Wage Paid During Subsidy	$0	**$12.00**		$0	**$12.00**	
Ave. UI Tax Rate of Participating Employers		2.00%			2.00%	
SUMMARY OF PROGRAM BENEFITS						
Benefits to Employee						
Total Hours of Training and Experience	0	380		0	380	
Total Income Received (during program)	$1,174	$4,560		$1,770	$4,560	
Benefits to Employer						
Employer Subsidy - Per Employer	0	$ 2,280		0	$ 2,280	
Employer Subsidies - Program Total	0	$ 684,000,000		0	$ 684,000,000	
Recruiting Assistance - Program Total	0	$ 120,000,000		0	$ 120,000,000	
Benefits to State						
Additional *Weeks* of Production - Program Total	0	2,850,000		0	2,850,000	
$ Into the Economy - All Participants During Subsidy - Total	$352,236,000	**$1,368,000,000**		$531,000,000	**$1,368,000,000**	
Additional Employer Outreach Funds - Total Annual	$0	**$120,000,000**	Savings	$0	**$120,000,000**	Savings
UI Trust Fund Cost - Total	$ (2,641,770,000)	$ (1,147,192,272)	**$ 1,494,577,728**	$ (1,593,000,000)	$ (1,323,310,272)	**$ 269,689,728**
Return on Investment	$ -		**230%**	$ -		**120%**