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Human Resources, Committee on Ways
and Means, House of Representatives

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UNEMPLOYMENT INSURANCE

Factors Associated with Benefit Receipt and Linkages with Reemployment Services for Claimants

Statement of Sigurd R. Nilsen, Director,
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Highlights

Highlights of [GAO-06-484T](#), a report to the Subcommittee on Human Resources, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

Unemployment Insurance (UI) has been a key component in ensuring the financial security of America's workforce for over 70 years. In fiscal year 2004, UI covered about 129 million wage and salary workers and paid about \$41 billion in benefits to nearly 9 million workers. With unemployed workers at a greater risk of long-term unemployment than in the past, it is increasingly important to understand how individual workers are being served by UI. This testimony draws upon the results of three GAO reports providing new information about (1) the extent to which individual workers ever receive UI benefits or receive benefits multiple times, (2) the types of workers who are more likely to receive UI, and (3) what is known about the extent to which UI beneficiaries receive reemployment services and their reemployment outcomes.

GAO is not making new recommendations at this time. The Department of Labor (Labor) generally agreed with the findings from each of the three reports on UI, but took issue with GAO's recommendation that the Secretary work with states to consider collecting more comprehensive information on UI claimants' services and outcomes. Labor commented that, in its view, current and planned efforts would provide sufficient information for policy makers. However, we believe that Labor's efforts would not provide a complete picture of UI claimants' services and outcomes.

www.gao.gov/cgi-bin/getrpt?GAO-06-484T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Sigurd Nilsen at (202) 512-7215 or nilsens@gao.gov.

UNEMPLOYMENT INSURANCE

Factors Associated with Benefit Receipt and Linkages with Reemployment Services for Claimants

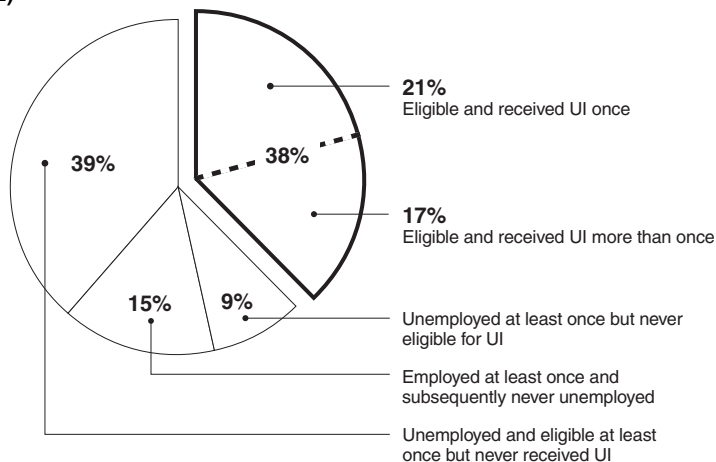
What GAO Found

On the basis of our analysis of a nationally representative sample of workers born between 1957 and 1964, we estimate that, while 76 percent of these workers experienced at least one period of unemployment during the first half of their working lives in which they would likely have been eligible for UI benefits, about 38 percent actually received UI. Of those who received UI benefits, 44 percent received them more than once.

Among workers who are eligible to receive UI benefits, those who are more likely to actually receive these benefits are younger, have higher earnings before becoming unemployed, have completed more years of education, or have already received UI benefits in the past than otherwise similar workers. Past experience with the UI program has a particularly strong effect on the likelihood of receiving UI benefits. In addition, unemployed workers tend to have longer periods of unemployment if they receive UI benefits, have completed fewer years of education, have lower earnings before they become unemployed, or if they do not belong to unions. UI-eligible workers from certain industries, such as mining and manufacturing, are more likely than other workers to receive UI benefits.

Across states, UI claimants have access to a variety of reemployment services, and states make use of UI program requirements to connect claimants with available services at various points in their claim. However, federal reporting requirements for states' UI programs and for federally funded employment and training programs do not provide a full picture of the services received or the outcomes obtained by all UI claimants, and few states monitor the extent to which claimants are receiving these services or outcomes for these claimants, in part because states' information systems have limited capabilities.

UI Benefit Receipt and Estimated UI Eligibility among Workers Born between 1957 and 1964 (1979-2002)



Source: GAO analysis of NLSY79 data.

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to discuss GAO's recent work related to the Department of Labor's (Labor) Unemployment Insurance (UI) program, which has been a key component in ensuring the financial security of America's workforce for over 70 years. The UI program is a federal-state partnership designed to partially replace lost earnings of individuals who become unemployed through no fault of their own and to stabilize the economy in times of economic downturn. In fiscal year 2004, the UI program covered about 129 million wage and salary workers and paid about \$41 billion in benefits to nearly 9 million workers who lost their jobs. Despite the size and scope of this program, there has been only limited information about how often the program is accessed by individual workers over time, the types of workers who are most likely to receive benefits, or the extent to which claimants are receiving services that help them to become reemployed.

Today, I will draw upon the results of three recent reports we have completed that provide new information about the extent to which individual workers are being served by the UI program. In particular, I will discuss (1) the extent to which individual workers ever receive UI benefits, including the extent to which they receive benefits multiple times, (2) the types of workers who are more likely to receive UI benefits, and (3) what is known about the extent to which UI beneficiaries receive reemployment services and their reemployment outcomes.¹

To address the first and second questions, we analyzed data from the Bureau of Labor Statistics' (BLS) National Longitudinal Survey of Youth 1979 (NLSY79). The dataset contains very detailed information about the work and life experiences of a nationally representative sample of individuals who were born between 1957 and 1964. At the time of our analysis, the database contained over two decades' worth of information gathered from interviews conducted between 1979 and 2002, and covered a range of experiences, such as individuals' work histories, incomes, family composition, and education. To address the third question, we conducted telephone interviews with UI and workforce development

¹The three reports discussed in this testimony are *Unemployment Insurance: Better Data Needed to Assess Reemployment Services to Claimants*, [GAO-05-413](#) (Washington, D.C.: June 24, 2005); *Unemployment Insurance: Information on Benefit Receipt*, [GAO-05-291](#) (Washington, D.C.: Mar. 17, 2005); and *Unemployment Insurance: Factors Associated with Benefit Receipt*, [GAO-06-341](#) (Washington, D.C.: Mar. 7, 2006).

officials in 50 states, sent a follow-up questionnaire to gather information on the strategies states use to collect data on UI claimants who receive reemployment services, interviewed state and local program officials in Georgia, Maryland, Michigan, and Washington, and interviewed Labor officials and other experts in the area of UI and reemployment services.

In summary, we estimate that while 76 percent of workers born between 1957 and 1964 experienced at least one period of unemployment during the first half of their working lives in which they would likely have been eligible for UI benefits, about 38 percent actually received UI. Of those who received UI benefits, 44 percent received them more than once. Among workers who are eligible to receive UI benefits, those who are more likely to actually receive these benefits are younger, have higher earnings before becoming unemployed, have completed more years of education, or have already received UI benefits in the past than otherwise similar workers. The last factor—past experience with the UI program—has a particularly strong effect on the likelihood of receiving UI benefits. In addition, we found that unemployed workers tend to have longer periods of unemployment if they receive UI benefits, have completed fewer years of education, have lower earnings before they become unemployed, or if they do not belong to unions than otherwise similar workers. UI-eligible workers from certain industries—such as mining and manufacturing—are more likely than other workers to receive UI benefits. In the area of helping UI claimants return to work, we found that across states, UI claimants have access to a variety of reemployment services, and although most states accept UI claims remotely by telephone or Internet, states make use of UI program requirements to connect claimants with available services at various points in their claim. However, federal reporting requirements for states' UI programs and for federally funded employment and training programs do not provide a full picture of the services received or the outcomes obtained by all UI claimants, and few states monitor the extent to which claimants are receiving these services or outcomes for these claimants, in part because states' information systems have limited capabilities. GAO recommended that Labor, working with the states, consider collecting more comprehensive information on UI claimants' services and outcomes.

Background

The UI program was established by Title III of the Social Security Act in 1935 and is a key component in ensuring the financial security of America's workforce. The program serves two primary objectives: (1) to temporarily replace a portion of earnings for workers who become unemployed through no fault of their own and (2) to help stabilize the

economy during recessions by providing an infusion of consumer dollars into the economy. UI is made up of 53 state-administered programs that are subject to broad federal guidelines and oversight. In fiscal year 2004, these programs covered about 129 million wage and salary workers and paid benefits totaling \$41.3 billion to about 8.8 million workers.

Federal law provides minimum guidelines for state programs and authorizes grants to states for program administration. States design their own programs, within the guidelines of federal law, and determine key elements of these programs, including who is eligible to receive state UI benefits, how much they receive, and the amount of taxes that employers must pay to help provide these benefits. State unemployment tax revenues are held in trust by Labor and are used by the states to pay for regular weekly UI benefits, which typically can be received for up to 26 weeks.

To receive UI benefits, an unemployed worker must file a claim and satisfy the eligibility requirements of the state in which the worker's wages were paid. Generally, states require that workers must have a minimum amount of wages and employment over a defined base period, typically, about a year before becoming unemployed, and have not already exhausted the maximum amount of benefits or benefit weeks to which they would be entitled because of other recent unemployment. In addition workers must have become unemployed for reasons other than quitting a job or being fired for work-related misconduct, and be able and available to work. In order to demonstrate that they are able to work and available for work and are still unemployed, claimants must submit a certification of continuing eligibility—by mail, telephone, or Internet, depending on the state—throughout the benefit period. This practice is usually done weekly or biweekly. States may continue to monitor claimant eligibility through an eligibility review program, in which certain claimants are periodically contacted to review their eligibility for benefits, work search activities, and reemployment needs.

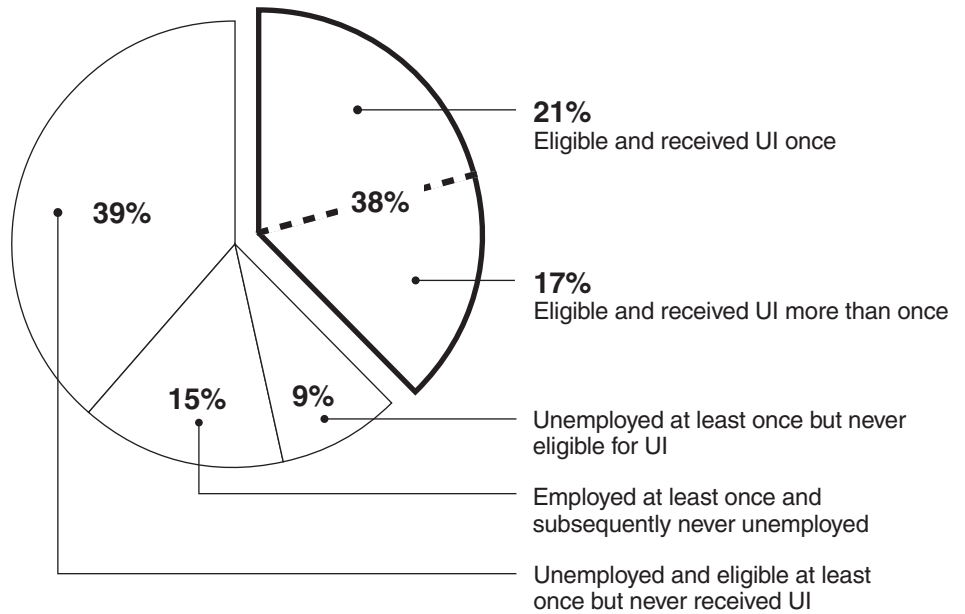
Since UI was established, there have been two major changes in the nation's workforce development system that have directly affected states' UI programs. Specifically, in November 1993, Congress enacted legislation amending the Social Security Act to require that each state establish a Worker Profiling and Reemployment Services (WPRS) system and implement a process typically referred to as claimant profiling. The claimant profiling process uses a statistical model or characteristics screen to identify claimants who are likely to exhaust their UI benefits before finding work. Claimants identified through this process are then referred to reemployment services while they are still early in their claim.

For profiled claimants, participation in designated reemployment services becomes an additional requirement for continuing eligibility for UI benefits. The second major change was the enactment of the Workforce Investment Act of 1998, which requires states and localities to bring together about 17 federally funded employment and training services into a single system—the one-stop system. State UI programs are mandatory partners in the one-stop system. Another mandatory partner is the federal Employment Service, established by the Wagner-Peyser Act in 1933 to link job seekers with job opportunities. The Employment Service has historically been colocated with state UI offices to facilitate UI claimants' access to federally funded labor exchanges, job search assistance, job referral, placement assistance, assessment, counseling, and testing.

Most Workers Experience Unemployment and Over a Third Receive UI at Least Once

On the basis of our analysis of data from the Bureau of Labor Statistics' National Longitudinal Survey of Youth 1979 (NLSY79), covering the 23-year period from 1979 through 2002, we found that 85 percent of a nationally representative sample of late baby boom workers—workers born between 1957 and 1964—had experienced unemployment at least once between 1979 and 2002. Workers who experienced unemployment were unemployed an average of five times over this 23-year period. Moreover, we found that of the 76 percent who were eligible for UI benefits at least once, 38 percent had ever received UI. (See fig. 1.) Of those who received UI benefits, 44 percent received them more than once; this represents about 17 percent of all of the workers in this age group.

Figure 1: UI Benefit Receipt and Estimated UI Eligibility among Workers Born between 1957 and 1964 (1979-2002)



Source: GAO analysis of NLSY79 data.

Note: Total does not equal 100 because of rounding.

Some UI-Eligible Workers are More Likely to Receive UI Benefits than Others, or to Have Longer Periods of Unemployment

When all other worker characteristics have been controlled for, unemployed workers who are eligible for UI benefits are more likely to receive UI if they had higher earnings before they became unemployed, are younger, have completed more years of education, or if they have a history of past UI benefit receipt. In addition, we found that unemployed workers tend to have longer periods of unemployment if they receive UI benefits, have completed fewer years of education, had lower earnings before they became unemployed, or if they do not belong to unions. We also found that UI-eligible workers from certain industries are more likely than other workers to receive UI benefits, and that the strength of the relationship between previous UI benefit receipt and current UI receipt also varies by industry.

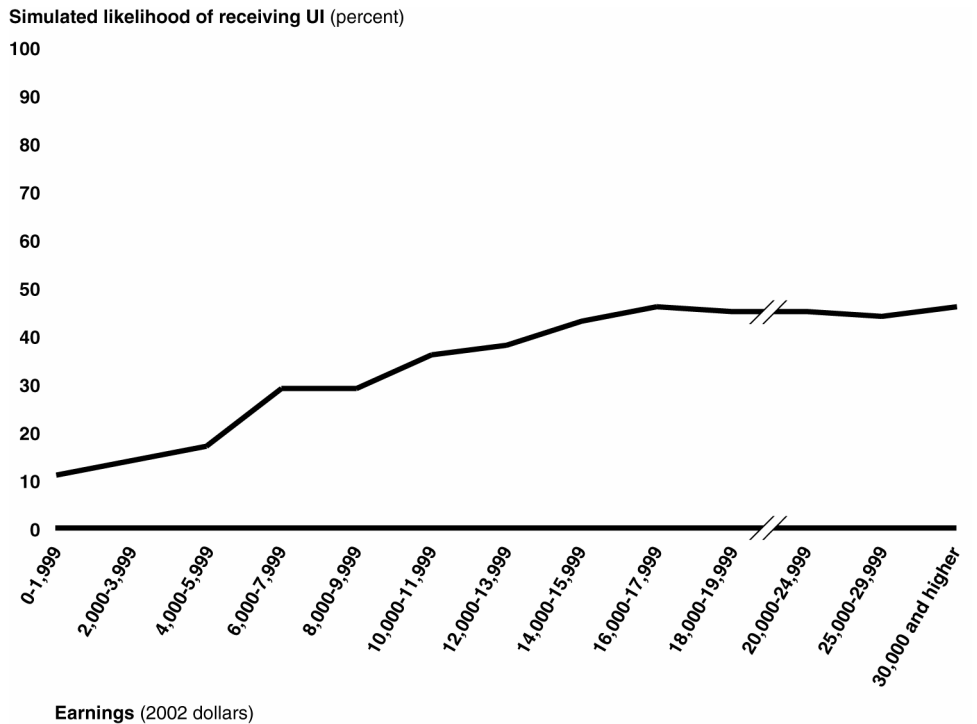
Certain Characteristics of UI-Eligible Workers Are Associated with Greater Likelihood of UI Receipt

We found that UI-eligible workers with certain characteristics are more likely to receive UI than otherwise similar UI-eligible workers. In particular, the likelihood of receiving UI tends to increase as the amount earned in the year before a worker became unemployed increases. (See fig. 2.) For example, a UI-eligible worker with earnings ranging from \$10,000 to just under \$12,000 in the year before becoming unemployed has a 36 percent likelihood of receiving UI, whereas a worker who earned roughly twice as much has a 45 percent likelihood of receiving UI.² The relationship between higher earnings and a higher likelihood of receiving UI benefits is also consistent with economic theory that predicts that workers with higher earnings prior to becoming unemployed will be more reluctant to accept lower reemployment wages and are therefore more likely to take advantage of UI benefits as a way to subsidize their job search efforts.³

²The average and maximum earnings for the unemployed workers in our sample are \$15,524 and \$597,950, respectively.

³For economic theory concerning the relationship between job search and unemployment insurance, see Dale T. Mortensen, "Unemployment Insurance and Job Search Decisions," *Industrial and Labor Relations Review*, vol. 30, no. 4 (1977).

Figure 2: Simulated Likelihood of Receiving UI Benefits for UI-Eligible Workers, by Prior Year Earnings



Source: Simulations based on GAO analysis of NLSY79 data.

Note: Simulations are for the average likelihood of receiving UI during first-time unemployment at different levels of earnings. The overall average likelihood of receiving UI during first-time unemployment is 33 percent. See appendix I of [GAO-06-341](#) for methodology and estimation results.

We also found that the likelihood of receiving UI benefits among UI-eligible workers tends to be higher for younger workers, and lower for older workers. Specifically, simulations based on our analysis results show that the likelihood of receiving UI peaks at about age 25 and decreases thereafter. In fact, a 25-year-old unemployed worker who is eligible for UI is more than twice as likely to receive UI as an otherwise similar 40-year-old. This finding is contrary to previous studies that reported that younger workers are less likely to receive UI benefits than older workers.⁴

⁴See Rebecca M. Blank and David E. Card, "Recent Trends in Insured and Uninsured Unemployment: Is There an Explanation?" *The Quarterly Journal of Economics*, vol. 106, no. 4 (1991) and Brian P. McCall, "Repeat Use of Unemployment Insurance," in Laurie J. Bassi and Stephen A. Woodbury, editors, *Long-Term Unemployment and Reemployment Policies* (Stamford, Connecticut: JAI Press, 2000).

However, these previous studies did not include as much information about workers' past unemployment and UI benefit receipt histories as our analysis. Therefore, because older workers have more previous unemployment and UI benefit receipt experience than younger workers, it is possible that our analysis controlled for the effect of these experiences more completely than previous studies, resulting in a more precise estimate of the effect of age. Although we are unable to explain why younger workers are more likely to receive UI benefits, it is possible that older workers, who have had more time to accumulate financial assets, may have more private resources available to help them cope with unemployment than younger workers.⁵ Or it may simply be the case that younger workers are less optimistic than older workers about how long it will take for them to become reemployed.

Another characteristic associated with a greater likelihood of receiving UI benefits is education. We found that UI-eligible workers who have completed more years of education are more likely to receive UI benefits than otherwise similar workers with fewer years of education. For example, a UI-eligible worker with the equivalent of a college education (16 years of schooling) when he or she becomes unemployed is almost one-fifth more likely to receive UI than a UI-eligible worker with a high school education (12 years of schooling).⁶ Although the effect of education on the likelihood of receiving UI benefits has been analyzed in other research, no significant education effect was found.⁷ Still, our result seems logical. That is, to the extent that workers with more education are also better able to obtain UI program information and to understand their states' requirements for filing claims and remaining eligible for benefits, they are also more likely to have successful benefit claims.

Other factors, including a worker's gender, marital status, job tenure, and the local unemployment rate, are also associated with UI benefit receipt. Controlling for all other characteristics among UI-eligible workers, we found that

- a woman is 29 percent more likely to receive UI benefits than a man,

⁵See Jonathan Gruber, "The Wealth of the Unemployed," October 2001, *Industrial and Labor Relations Review*, vol. 55, no. 1.

⁶The average number of years of schooling completed by UI-eligible workers, at the time when they became unemployed, is 12 years.

⁷See Blank and Card.

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- a married worker is 13 percent more likely to receive UI than an unmarried worker,
 - a longer-tenured worker is more likely to receive UI—for example, a worker with 4 years of tenure at his or her most recent job is 12 percent more likely to receive UI than a worker with 1 year of job tenure, and
 - being in an area with high unemployment raises the likelihood that an unemployed worker will receive UI—for example, a worker living in an area with an unemployment rate of 9 percent is 10 percent more likely to receive UI than a worker living in an area with an unemployment rate of 5 percent.

Our finding that women are more likely to receive UI benefits than otherwise similar men differs from the results of previous research, which generally found no statistically significant differences in the likelihood of receiving UI benefits for men and women. However, our analysis controls for more worker characteristics than these previous studies, and it is likely that we have more carefully isolated the effect of gender from that of other characteristics that are related to gender, such as workers' occupations and industries. Still, it is not immediately clear why women are more likely to receive UI benefits than men who are similar with respect to other observed characteristics. We are also unable to explain why married workers are more likely to receive UI benefits than otherwise similar unmarried workers.⁸ Our finding that workers with longer job tenure are more likely to receive UI benefits is consistent with previous research. This result seems logical if we consider that workers with longer job tenures are more likely to have acquired more employer-specific skills than workers with shorter job tenures. Because such specialized skills are not as easy to transfer to a new employer as less specialized skills, workers with more job tenure may expect to take longer to find a job where these skills would be needed than a worker who has more generalized skills. Finally, our finding that workers living in areas with higher unemployment are more likely to receive UI benefits is probably due to the higher number of unemployed workers relative to available jobs, which may make workers more willing to apply for UI benefits as they engage in what are likely to be longer job searches.

⁸We specifically tested for the effect of spousal income on the likelihood of receiving UI to determine whether marital status was masking some underlying effect of additional family income, and found this not to be the case.

In contrast to the findings already discussed, we found that a key UI program element, the weekly UI benefit amount that unemployed workers are entitled to, is not associated with a greater likelihood of receiving UI benefits. Specifically, we used our model estimates to simulate benefit increases of 10 percent and 25 percent, and a decrease of 10 percent, and found that these changes did not affect the likelihood of UI benefit receipt among eligible workers. This finding is also consistent with the work of others, who have found that increases in the weekly benefit amount have mixed, but generally small, effects on UI benefit receipt, after controlling for other factors.⁹ Taken together, these results suggest that UI benefit levels have modest effects on individuals' decisions about whether or not to receive UI benefits.

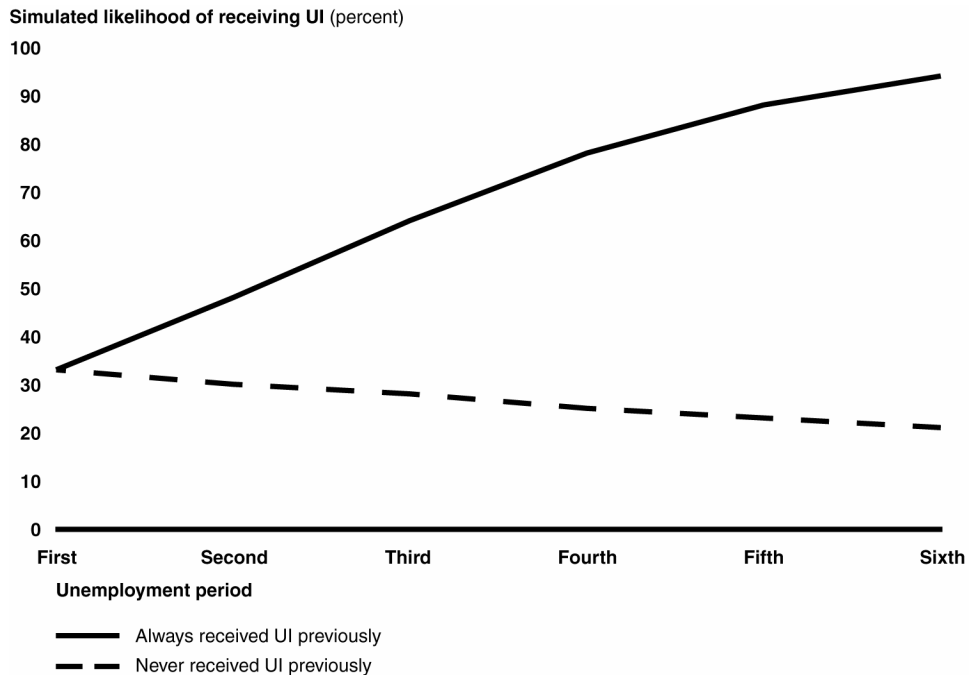
Unemployed Workers Who Received UI in the Past Are More Likely to Receive UI during Subsequent Unemployment

Of all the characteristics associated with UI benefit receipt, we found that one—past UI receipt—had a particularly strong effect on the likelihood of receiving UI benefits. (See fig. 3.) For example, when workers experience their first UI-eligible period of unemployment, their likelihood of receiving UI is 33 percent. During a second UI-eligible period of unemployment, the likelihood of receiving UI is 48 percent for workers who received UI during the first unemployment period, but only 30 percent for workers who did not receive UI. Furthermore, the likelihood that these UI-eligible workers will receive UI benefits during successive periods of unemployment increases each time that they receive UI benefits and decreases each time that they do not.¹⁰

⁹ See David E. Card and Phillip B. Levine, "Unemployment Insurance Taxes and the Cyclical and Seasonal Properties of Unemployment," *Journal of Public Economics*, vol. 53, no. 1 (1994); Patricia M. Anderson and Bruce D. Meyer, "The Effect of Unemployment Insurance Taxes and Benefits on Layoffs Using Firm and Individual Data," NBER Working Paper No. 4960, National Bureau of Economic Research, Cambridge, Massachusetts (1994); and Robert H. Topel, "On Layoffs and Unemployment Insurance," *American Economic Review*, vol. 73, no. 4 (1983).

¹⁰ As noted above, relatively few UI-eligible workers who receive UI benefits receive them multiple times. See [GAO-05-291](#) for a more complete discussion of the incidence of repeat UI benefit receipt.

Figure 3: Simulated Likelihood of Receiving UI Benefits for UI-Eligible Workers during Successive Periods of Unemployment, by Past UI Receipt Status



Source: GAO simulations based on GAO analysis of NLSY79 data.

Note: Simulations are the average likelihood of receiving UI during a current unemployment period for two extreme cases: (1) workers who always received UI benefits during previous unemployment and (2) workers who never received UI during previous unemployment. The average likelihood of receiving UI during first-time unemployment for all UI-eligible workers is 33 percent. See appendix I of [GAO-06-341](#) for methodology and estimation results.

This finding suggests that a worker's first unemployment experience has a lasting and self-reinforcing effect. To the extent that all workers know about the UI program and whether or not they are eligible to receive benefits, receiving or not receiving UI may be a personal choice. Such a choice might be based on workers' individual preferences, or may be related to other characteristics that were not captured in the NLSY79 data. On the other hand, if workers do not all have good information about UI, those who receive UI benefits may simply know more about the program than those who do not receive UI benefits, and their knowledge about the program may be improving each time they receive UI benefits.

Receiving UI Benefits, along with Other Factors, Is Associated with Unemployment Duration

We found that, overall, unemployed workers who receive UI benefits have longer unemployment duration than otherwise similar workers who do not receive UI benefits. Several other characteristics are also associated with unemployment duration. In particular, UI-eligible workers are more likely to experience longer unemployment duration if they have lower earnings before becoming unemployed or if they have completed fewer years of education. Other characteristics associated with longer unemployment duration include being African-American, or female, or not belonging to a union.

Our results with respect to unemployment duration are generally consistent with the results of other research. In particular, researchers have suggested that the association between higher earnings and shorter periods of unemployment may be due, in part, to the higher cost of unemployment for workers with higher earnings, when compared to the cost for workers with lower earnings.¹¹ For example, the cost of unemployment can be measured in terms of lost wages. This cost is greater for workers with higher earnings, because they forego a higher amount of potential earnings in exchange for the time they can spend on unpaid activities, such as job search, home improvement, or recreation. Researchers have also suggested that the association between less education and longer periods of unemployment may be a result of workers with less education having fewer work-related skills.¹² Two possible explanations for the differences in employment outcomes for African-American workers include labor market discrimination, and limited access to social networks that may enable these workers to find jobs more quickly.¹³ Likewise, longer unemployment duration among female workers may be due to labor market discrimination, or to differences in how

¹¹See Bruce D. Meyer, "Unemployment Insurance and Unemployment Spells," *Econometrica*, vol. 58, no. 4 (1990).

¹²See Karen E. Needels and Walter Nicholson, *An Analysis of Unemployment Durations Since the 1990-1992 Recession*, UI Occasional Paper 99-6, prepared for the Department of Labor, 1999.

¹³See Antoni Calvó-Armengol, and Matthew O. Jackson, "The Effects of Social Networks on Employment and Inequality," *The American Economic Review*, vol. 94, no. 3, (2004) for a discussion of the effects of individuals' social networks on employment outcomes.

women value paid work versus nonemployment activities, relative to men.¹⁴

The associations between shorter unemployment duration and union membership, and to longer job tenure, may reflect the greater access that these workers may have to reemployment opportunities, through union hiring halls or through informal peer networks. It may also reflect a greater likelihood of being recalled to previous jobs.¹⁵

UI-Eligible Workers from Certain Industries Are More Likely to Receive UI and to Have Longer Periods of Unemployment

We found that first-time unemployed workers from mining and manufacturing are more likely to receive UI than workers from other industries. (See table 1.) For example, first-time unemployed workers from the manufacturing industry are about two-thirds more likely to receive UI benefits than workers from the professional and related services industry. We also found that the association between past and current UI benefit varies across industries. This effect is strongest for UI-eligible workers from the public administration sector, and weakest for workers from agriculture and construction.¹⁶

¹⁴ See Needels and Nicholson, and GAO, *Women's Earnings: Work Patterns Partially Explain Differences between Men's and Women's Earnings*, [GAO-04-35](#) (Washington, D.C.: Oct. 31, 2003).

¹⁵ See Needels and Nicholson.

¹⁶ Although the association between past UI receipt and current UI receipt is statistically significant for all industries combined, differences in this association among industries were statistically significant only for public administration, agriculture, and construction.

Table 1: Simulated Likelihood of Receiving UI Benefits during Different Periods of UI-Eligible Unemployment for Workers with Past UI Receipt, by Industry

Industry	Simulated likelihood of receiving UI benefits during current UI-eligible unemployment period, given past UI receipt (percent)		
	First unemployment period ^a	Second unemployment period	Third unemployment period
Mining	46	57	69
Manufacturing	40	52	65
Public administration	37	68	91
Wholesale and retail trade	35	52	70
Agriculture, forestry, and fishing	34	42	50
Business services	31	48	66
Construction	31	40	51
Finance, insurance, real estate	31	64	91
Transportation and public utilities	29	46	66
Entertainment and recreation services	26	45	67
Professional and related services	24	39	58
Personal services	23	38	56
All industries	33	48	64

Source: Simulations based upon GAO analysis of NLSY79 data.

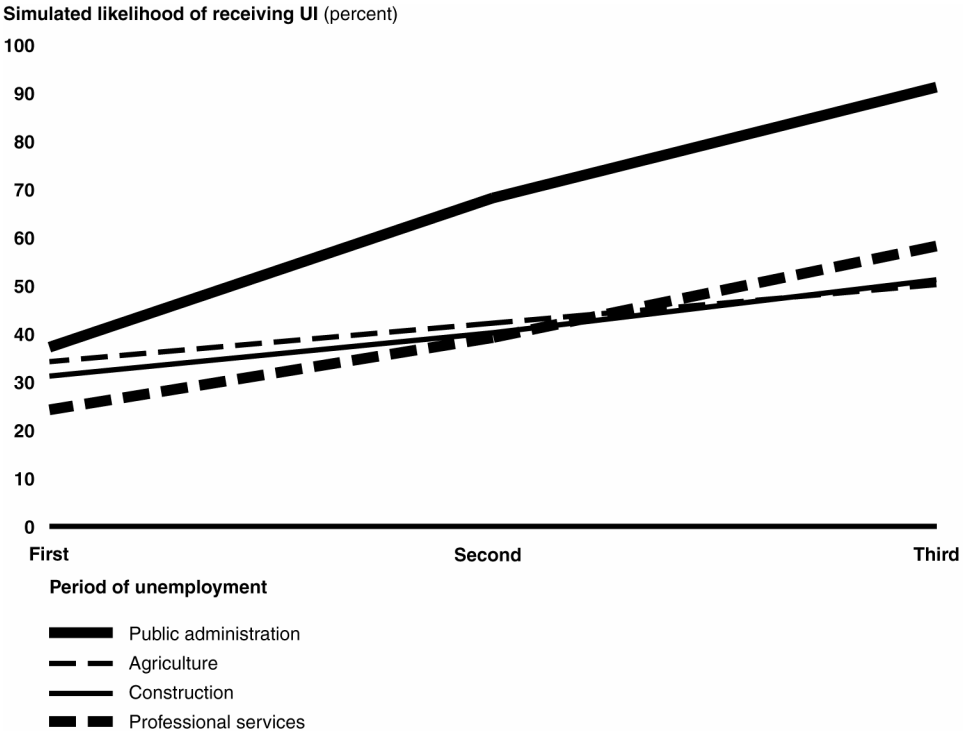
Note: Simulations are the average likelihood of receiving UI during a first unemployment period, a second unemployment period with UI receipt during the prior unemployment period, and a third unemployment period with UI receipt during both prior unemployment periods. The positive effect that each prior UI receipt period has on the likelihood of current UI receipt is statistically significantly larger for the public administration industry relative to the professional and related services industry at the 95 percent confidence level, and smaller for the agriculture and construction industries. The simulations also incorporate the industry effects and the industry interactions with the number of prior periods of unemployment. See appendix I of [GAO-06-341](#) for methodology and estimation results.

^aWorkers experiencing their first period of unemployment did not have past UI receipt.

These results show that although UI-eligible workers in some industries are more likely to receive UI benefits when they experience unemployment for the first time, their likelihood of receiving UI benefits again when they become unemployed a second or third time is not necessarily higher than it is for workers from other industries. (See fig. 4.) For example, the likelihood of receiving UI benefits for workers from the

manufacturing industry who are unemployed for the first time is relatively high—about 40 percent. This likelihood increases to 52 percent during a second period of unemployment for workers who have already received UI benefits, and 65 percent during a third period of unemployment for workers who received UI each previous time they were unemployed. By comparison, the increase in the likelihood of receiving UI between the first and third periods of unemployment is higher for most other industries, especially public administration. Specifically, the likelihood of receiving UI benefits for public administration workers who are unemployed for the first time is 37 percent. This likelihood increases to 69 percent during a second period of unemployment for workers who received have already received UI, and to 91 percent during a third period of unemployment for workers who received UI each previous time they were unemployed.

Figure 4: Simulated Effect of Past UI Benefit Receipt on the Likelihood of Receiving UI in Subsequent Periods of Unemployment, for Selected Industries



Source: Simulations based on GAO analysis of NLSY79 data.

Note: Simulations are the average likelihood of receiving UI during a first unemployment period, second unemployment period with UI receipt during the prior unemployment period, and a third unemployment period with UI receipt during both prior unemployment periods. The positive effect that each prior UI receipt period has on the likelihood of current UI receipt is statistically significantly larger for the public administration industry relative to the professional and related services industry at the 95 percent confidence level, and smaller for the agriculture and construction industries. The simulations also incorporate the industry effects and the industry interactions with the number of prior periods of unemployment. See appendix I of [GAO-06-341](#) for methodology and estimation results.

Administrative unemployment insurance data have shown that repeat UI recipients tend to be from industries that are seasonal, such as manufacturing and construction. Our results, however, suggest that this is not because workers with past UI receipt from these industries are more likely to receive UI benefits when they are unemployed than otherwise similar workers from other industries. Rather, it may be that workers from such seasonal industries are unemployed more often on average than workers from other industries, or that a larger proportion of unemployed workers from such industries have collected UI previously.

In light of the strong association we found between UI receipt and unemployment duration, it is important that unemployed workers who become UI claimants have access to reemployment services that will help facilitate their quick return to work. However, the shift towards states' accepting UI claims remotely has raised concerns that some UI claimants may not be receiving enough information on reemployment services or timely assistance to help them find a job, and little is known about whether states have policies in place to help unemployed workers quickly become reemployed.

A Variety of Reemployment Services Are Available to Help UI Claimants Get Jobs, but Little Information Exists to Determine the Extent to Which Workers Use Them

In our review of states' efforts to facilitate reemployment of UI claimants, we found that across states, UI claimants have access to a variety of reemployment services, and although most states accept UI claims remotely by telephone or Internet, states make use of UI program requirements to connect claimants with available services at various points in their claims. However, despite states' efforts to design systems that link UI claimants to reemployment services, little data are available to gauge the extent to which claimants are receiving these services or the outcomes they achieve. Federal reporting requirements for states' UI programs and for federally funded employment and training programs do not provide a full picture of services or outcomes, and few states monitor the extent to which claimants are receiving these services or outcomes for these claimants, in part because of limited information systems capabilities.

Although Some Federally Funded Reemployment Services Are Universally Accessible, Most Serve Targeted Groups of Workers

UI claimants in all states have access to the range of Wagner-Peyser funded employment services and to Workforce Investment Act (WIA) funded core services that are available to all job seekers through the one-stop system. Such services include labor exchange services in all states, whereby claimants can access job listings and information on their state's labor market trends using the Internet. Officials in many states said that claimants also have access to online labor exchange, or job matching services as well as other self-assessment services. One-stop centers in all states make computers available on-site, and most states provide access to self-help software, such as aptitude tests, computer tutorials, or job search guidance, at the centers. Claimants also have access to a variety of staff-assisted reemployment services through the one-stop system. Officials most often mentioned that claimants were likely to be offered

- job search assistance;
- résumé assistance;
- job matching, referral, and placement services;
- orientation to services;
- referral to WIA or other partners;
- initial or general needs assessment;
- counseling; and
- interview assistance.

In addition to states' Employment Service and WIA core services, the WIA Adult and Dislocated Worker programs provide for additional levels of services to qualified workers. Intensive services include activities that require greater staff involvement than core services, and may include services such as comprehensive assessment and case management. Intensive services are available to adults and dislocated workers who have received at least one core service and are unable to find a job or have a job that does not lead to self-sufficiency. Training services, such as occupational skills or on-the-job training, are available on a more limited basis, typically to claimants who have received at least one intensive service but who are still unable to obtain or retain employment. Additional training assistance for workers who are laid off as a result of international trade is available through the Trade Adjustment Assistance (TAA) program, although the amount of funds available for training is limited by statute.

States Use Program Requirements to Connect Claimants with Available Services

Although all UI claimants can access the range of reemployment services through the one-stop system at any time, UI requirements often provide the context for states' efforts to link claimants to reemployment services. Specifically, all federally approved state UI programs require that claimants be able and available to work. To meet these conditions, 44 states require that UI claimants register with the state's Employment Service in order to be eligible for UI benefits. In addition, 49 states impose a work search requirement as a condition for continuing UI eligibility, and claimants must document that they are meeting their state's work search requirement in a number of ways. Most commonly, claimants are required to keep a log of work search activities that may be subject to review, or they must certify that they are able and available to work through the process of filing for a continuing claim.

These work registration and work search requirements often serve to link claimants to reemployment services. The process of registering for work with the state's labor exchange, for example, may bring claimants into an Employment Service office or one-stop center where reemployment services are delivered. Officials in nearly two-thirds of the 44 states where claimants are required to register for work told us that coming into an Employment Service office or one-stop center is either a required part of the process or one of the options claimants have for completing their registration. Officials in close to a third of the states with this requirement told us claimants are registered with the labor exchange when they file their initial UI claim.

Some states also use their processes for monitoring compliance with the work search requirement to direct claimants to reemployment services. Officials in 39 of the 49 states that require claimants to actively seek employment told us that telephone or in-person interviews with claimants may be used to monitor compliance with this requirement. In over two-thirds of these states, officials told us that some information on job search strategies or reemployment services is provided during the interview.

States also engage some claimants in reemployment services directly through programs that identify certain groups for more targeted assistance. In particular, states target reemployment services to claimants who are identified through federally required claimant profiling systems—a process that uses a statistical model or characteristics screen to identify claimants who are likely to exhaust their UI benefits before finding work. Claimants identified through this process are then referred to reemployment services while they are still early in their claim. Although profiled claimants can access the services available to all job seekers

through the one-stop system, participation in the services they are referred to is mandatory. State officials most often identified orientation and assessment as services that profiled claimants were required to receive. In addition, many officials told us that the services profiled claimants received depended on their individual needs following an assessment, the development of an individual plan, or the guidance of staff at a one-stop center. While failure to report to required reemployment services can result in benefits being denied, states vary in the conditions that prompt denying benefits.

From 2001 through last year, states made use of Labor's Reemployment Services Grants to fund these services.¹⁷ Although these grants are no longer available, officials in the majority of the states we interviewed told us their states had been using the Reemployment Services Grant funds to hire staff to provide reemployment services. Some states have also used these grants to direct reemployment services to claimants beyond those who have been profiled and to support other enhancements in the provision of reemployment services to claimants.

**Little Information Exists to
Provide a Complete
Picture of Reemployment
Services for
Unemployment Insurance
Claimants**

Despite states' efforts to design systems that link UI claimants to reemployment services, little is known about the extent to which claimants receive reemployment services or about the outcomes they achieve. Although states must meet a number of federal reporting requirements for their UI and employment and training programs, none of these reports provides a complete picture of the services received or the outcomes obtained by UI claimants, and only recently has Labor begun to require that states provide information on the reemployment outcomes of UI claimants. We also found that few states monitor the extent to which claimants are receiving these services, and even fewer monitored outcomes for these claimants at the time of our review, largely because of limited information systems capabilities.

As discussed earlier, UI claimants may access federally-funded reemployment assistance from the Wagner-Peyser Employment Service, WIA Adult or Dislocated Worker programs, and, if they are laid off because of trade, TAA. To monitor the performance of these programs,

¹⁷ Reemployment Services Grants, provided to ensure that UI claimants would receive necessary services to become reemployed, were provided to states annually from 2001 through 2005. No appropriation was made for these grants in fiscal year 2006, and no further appropriation has been requested for fiscal year 2007.

Labor does require states to meet a number of reporting requirements, but these reports are submitted on a program-by-program basis, and none of these reports provide a complete picture of the services received or the outcomes obtained by all UI claimants.

Reporting requirements for the Wagner-Peyser funded Employment Service are similarly limited. States are required to provide quarterly reports that include summary information on the numbers of Employment Service participants who received specified services, or who obtained particular outcomes, and breaks out this information by several demographic categories, and whether or not the participant was a UI claimant. However, these reports only contain information on individuals who are registered with the Employment Service, and although anyone who receives services funded by Wagner-Peyser must be registered with the Employment Service, not all UI claimants receive Wagner-Peyser funded services.

WIA and TAA reporting requirements also do not provide a complete picture of claimant services and outcomes. Although WIA tracks several performance measures directly related to outcomes for Adults and Dislocated Workers, including job placement, job retention, and wage gain or wage replacement, these records do not contain information for UI claimants who are not registered under WIA. Furthermore, many individuals served under WIA—particularly those who receive only self-directed services—are not registered or tracked for performance and are, therefore, not reflected in any of the WIA data. Similarly, for the TAA program, Labor requires states to submit participant data files on all who exit the program each quarter, but the reports are limited to those claimants served by TAA.

Having data that show the degree to which reemployment services are reaching UI claimants is key to good program management and provides a first step toward understanding the impact of these programs. However, knowing how many claimants may be accessing reemployment services and the type of outcomes they may be achieving has proven difficult for state and local officials.

We found that only 14 states go beyond the federal reporting requirements to routinely track the extent to which claimants receive services from the broad array of federally funded programs that are designed to assist them. Of the remaining 36 states that do not routinely track claimant services, 4 told us it would not be possible for them to do so. In addition, 37 states reported that tracking UI claimants who receive reemployment services

was somewhat or very difficult, while only 6 states said it was not at all difficult. States most often told us that tracking claimant services across multiple programs was made difficult by the fact that reemployment services and UI claimant data were maintained in separate data systems—systems that were either incompatible or difficult to link.

While relatively few states routinely track claimants' services, even fewer track outcomes. Only 6 states go beyond the federal reporting requirements to routinely monitor any outcomes for UI claimants who receive reemployment services—outcomes such as reemployment rate, average benefit duration, and UI exhaustion rate. Eleven states reported that it would not be possible to calculate any of the outcomes for these claimants. The issues states cited in tracking outcomes across programs for UI claimants were similar to those for tracking use of services. Officials from 35 states told us that tracking one or more outcome measures was made difficult by the fact that reemployment services and UI claimant data were maintained in different systems that were either incompatible or difficult to link.

Labor has some initiatives that may begin to shed light on claimant services and outcomes, including modifying its performance measures to require states to track a reemployment rate for their UI claimants—defined as the percentage of UI claimants who are reemployed within the quarter following their first UI payment. Labor is also developing a system to consolidate reporting on performance for Labor's Employment and Training Administration (ETA) programs. This system—ETA's Management Information and Longitudinal Evaluation (EMILE) system—would consolidate performance reporting across a range of Labor programs including WIA, Employment Service, and TAA. Current plans do not include incorporating UI reporting into EMILE.

Last year, we recommended that the Department of Labor work with states to consider the feasibility of collecting more comprehensive information on UI claimants' services and outcomes. Although Labor generally agreed with our findings, Labor commented that current and planned data collection efforts would provide sufficient information to policy makers. While Labor's new initiatives, in combination with current reporting requirements, will provide valuable information on the reemployment activities of some UI claimants, these efforts will not allow for a comprehensive, nationwide understanding of claimants' participation in the broad range of reemployment services designed to assist them. Furthermore, these efforts will not move states in the direction of having the data they need to better manage their systems.

Mr. Chairman, this completes my prepared statement. I would be happy to respond to any questions you or other members of the subcommittee may have at this time.

GAO Contacts and Staff Acknowledgments

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Related GAO Products

Unemployment Insurance: Factors Associated with Benefit Receipt. [GAO-06-341](#). Washington, D.C.: March 7, 2006.

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