

UNEMPLOYMENT INSURANCE: THE PATH BACK TO WORK

HEARING BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE ONE HUNDRED TWELFTH CONGRESS FIRST SESSION

NOVEMBER 10, 2011



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UNEMPLOYMENT INSURANCE: THE PATH BACK TO WORK

THURSDAY, NOVEMBER 10, 2011

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:14 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Max Baucus (chairman of the committee) presiding.

Present: Senators Wyden, Stabenow, Cardin, Hatch, Snowe, Cornyn, and Thune.

Also present: Democratic Staff: David Schwartz, Chief Health Counsel; Deidra Henry-Spires, Professional Staff; and Amber Roberts, Tax-Exempt Organization Policy Staffer. Republican Staff: Chris Campbell, Staff Director; and Preston Rutledge, Tax Counsel.

OPENING STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. The hearing will come to order.

First, I apologize to our witnesses and everyone here for a late beginning. Something came up that was unavoidable, but we are going to make up for it.

Theodore Roosevelt once said, "The best prize that life has to offer is the chance to work hard at work worth doing." The Great Recession hit Americans with soaring unemployment rates. That has kept this prize of a chance to work hard from millions of Americans.

The economy created 80,000 jobs in October, and it was the 13th uninterrupted month of job growth. That is the good news. However, we need faster job growth to keep this economy moving in the right direction. Nearly 14 million Americans are still unemployed, and more than 42 percent of these folks have been searching for a job for at least 6 months. That means nearly 6 million Americans have been without a job for half a year or more.

For families who have been hit hard by hard times, Unemployment Insurance is a crucial lifeline, and it is an essential part of the solution to get folks back to work. Families need these benefits to keep their homes, pay bills, stay afloat. We must remember that the folks who collect unemployment benefits have worked, want to work, and will work again.

I recently spoke with one such young man, Roy Houseman, Jr. from Missoula, MT. Roy worked at Smurfit-Stone Container. It is a paper plant, vital to the Missoula community. In 2009, Smurfit-

Stone closed its doors. Roy shared with me that losing that job, for him and his co-workers, was traumatic.

Unemployment benefits were a necessary lifeline for his family. The income he received from Unemployment Insurance was less than half of what he previously made. When he was working, the mortgage on his home was 30 percent of his income. While he was collecting unemployment, the same mortgage ate up 60 percent of that income. After Roy's company closed, it was certified, fortunately, for the Trade Adjustment Assistance program. Roy was able to meet with his UI case manager and go back to school. Through this training program, Roy found a new career.

Roy told me he thinks that the best reemployment programs give someone the opportunity to find a job that meets three criteria. His first principle is that the job pays equal to, or more than, the job someone left. His second is, the job provides an opportunity for growth. His last measure is that the job must be sustainable in the 21st-century economy, and I could not agree more.

So today I encourage us to focus on how our Unemployment Insurance system can use reemployment strategies to save existing jobs and create new ones. Let us find a way to improve the program.

There are several reemployment proposals that this committee is considering. Some programs partially replace the earnings of workers who suffer job loss. Others help unemployed workers find permanent work either through direct job placement or through retraining. Other models are even designed to develop entrepreneurs. We need to tap into these ideas.

There are already a number of States doing great work. Twenty-two States have implemented a work-sharing program. Under these programs, to avoid lay-offs, States allow employers to trim the hours they pay their employees, then use Unemployment Insurance funds to maintain pay for the full-time job. My State of Montana has its own version of this.

I look forward to hearing testimony today about Rhode Island's work-sharing experience. Some States create new jobs through wage subsidy programs. These programs help employers cover a portion of the new employees' wages to encourage the hiring of unemployed workers, and we will hear more today about the opportunities and challenges that arise from these programs.

Many components of the Unemployment Insurance program will expire at the end of this year. We must extend this program. It is critical not only for millions of Americans, but also for our economy. This is also an opportunity for this committee to examine the unemployment system and to make improvements.

So let us ensure that workers are prepared with the skills employers need. That is how jobs get filled and our economy recovers. Because what people really want more than an unemployment check is to be back at work. That is really what this is about.

So let us focus on getting these folks back to work. Let us heed the words of Teddy Roosevelt and make sure all Americans have a chance at the prize of working hard at work worth doing.

[The prepared statement of Chairman Baucus appears in the appendix.]

The CHAIRMAN. Senator Hatch?

**OPENING STATEMENT OF HON. ORRIN G. HATCH,
A U.S. SENATOR FROM UTAH**

Senator HATCH. Well, thank you, Mr. Chairman, for holding this hearing. This is a very important topic. It is one worthy of the committee's attention.

The fact that we are holding this hearing today is yet another reminder that, despite some scattered signs of recovery in our economy, too many Americans are unable to find jobs. Our unemployment rate is simply too high. While there are differences of opinion about how to solve this problem, we are all in agreement that Congress must do more to restore job creation and to help get the unemployment and under-employment rate down.

Today we will have another discussion about our Nation's Unemployment Insurance system. My hope is that we can get some answers about how our Unemployment Insurance system can be reformed. Currently, the UI system is designed simply to process and distribute benefits to the unemployed. Individuals and families who face job loss deserve more than this.

Ideally, the goal of a UI system would be to help unemployed workers find new jobs. Indeed, the success of the various UI programs should not be measured by the number of people receiving benefits, but by the number of people who have moved from receiving benefits into long-term employment.

Today I hope we will hear some ideas for making these types of changes. It is gratifying to see that we have representatives from State workforce agencies on our panel today. I am convinced that, if we are going to see reforms to the UI system to get people back to work, those reforms will come from innovation at the State level.

Over the years, Unemployment Insurance has essentially been a State-run program. While the Federal Government has provided guidelines and administrative funding, States have been given the primary responsibility of collecting unemployment taxes and distributing benefits.

However, with the recent economic downturn we have seen an expansion in the Federal Government's role in Unemployment Insurance. With expanded federally financed benefits, States have had less flexibility to innovate and reform their individual UI programs.

This is unfortunate because, as we have seen over the years, many States have generated ideas and reforms that have drastically improved their UI systems. When individual States have taken action to reform their own programs, they have been able to effectively communicate their successes, and even their failures, with other States. This has led to the expansion of the best practices across multiple States.

When I speak with Utah officials about their UI programs, which are by most accounts among the most efficient in the country, they continually express their desire to take on more responsibility in designing and implementing reforms and helping people to get back to work. More than anything, State officials in Utah want to see fewer restrictions coming from the Federal level and greater flexibility to innovate.

The evidence of State innovation is probably strongest in the area we are discussing today, and that is reemployment. I am hop-

ing that today's panel will give us some insight into what States have been able to do in this area, which programs have worked, and which ones have not. Most of all, I hope this hearing will help to provide some clarity about what Congress can do to help States find success as they work to solve their own unemployment problems.

There are a number of UI-related issues that will have to be addressed between now and the end of the year. Once again, I am convinced that, if we want to see improvements in reemployment efforts and other areas of the UI system, the Federal Government's role will need to be reduced. States need to be given more flexibility to develop their own approaches and to adopt and adapt successful programs from other States.

To the extent that Congress can play a role in this area, I believe it should be getting the Federal Government out of the States' way. I am quite certain that in the coming days we will hear very few State officials clamoring for more strings to be attached to their UI programs. Once again, I hope to gain greater insight into these issues today, and I look forward to hearing from our panel.

Mr. Chairman, I am going to have to slip out for a little while to go over to the Judiciary Committee, but I will be right back as soon as I can. But I welcome all of you here today. We are grateful for your time and for your testimony, and I look forward to not only hearing, but reading everything you have to say.

The CHAIRMAN. You bet, Senator. Thank you. Thank you very much. I look forward to your return.

[The prepared statement of Senator Hatch appears in the appendix.]

The CHAIRMAN. I would now like to introduce our witnesses. First is Dr. Stephen Wandner, a visiting fellow at The Urban Institute, and a former senior economist at the Department of Labor. The second witness is Larry Temple, Executive Director of the Texas Workforce Commission in Austin. Welcome, Mr. Temple. Third—I guess they are in a different order here; it does not make any difference—we will hear from Charles Fogarty, director of the Rhode Island Department of Labor and Training. Mr. Fogarty is also the former Lieutenant Governor of the great State of Rhode Island. And finally, Don Peitersen, who is the director of unemployment insurance and workforce projects at the American Institute for Full Employment in Aurora, CO.

I might remind all of you that your full written statements will be in the record. I urge you to summarize them. I urge you to pull no punches, tell it like it is. Life is short. You cannot take it with you. [Laughter.]

So let us have at it.

Dr. Wandner?

**STATEMENT OF STEPHEN WANDNER, Ph.D., VISITING FELLOW,
THE URBAN INSTITUTE, WASHINGTON, DC**

Dr. WANDNER. Chairman Baucus, other distinguished members of the committee, I am Stephen Wandner, a visiting fellow at The Urban Institute and a visiting scholar at the W.E. Upjohn Institute for Employment Research. Thank you for inviting me to testify about reemployment services. The views expressed are solely mine

and should not be attributed to the Upjohn Institute or to The Urban Institute.

Returning American workers to work is essential to the economic health of the Nation, and reemployment services are important tools to accomplish that goal. Many rigorous and impartial studies have shown that several reemployment services have helped to cost-effectively return Unemployment Insurance recipients to productive work.

Over the past 25 years, a great deal has been learned about how reemployment services help the jobless get back to work. Researchers have used rigorous evaluation methods to assess what works and what does not. During my career at the U.S. Department of Labor, I participated in much of this research.

I was fortunate to have initiated and overseen a series of social science experiments under the leadership of Secretaries from Bill Brock to Robert Reisch. Evaluations of these Labor Department experiments concluded that at least three re-employment approaches are cost-effective for dislocated workers. These approaches are: job search assistance; self-employment assistance; and reemployment bonuses. In addition, work-sharing evaluations have shown that program to be effective in the U.S. and over a dozen other industrial nations.

My testimony recommends that each of these four reemployment approaches be used nationally to help unemployed workers return to work during the period of high unemployment. These reemployment approaches can be implemented and expanded at little cost to the Federal Government.

Let me explain. Job search assistance consists of assessment, counseling, job matching and referral, job development, and providing labor market information and job search workshops. Together, they speed the return to work, reducing Unemployment Insurance payments and increasing tax payments. They were supported by the Recovery Act, but these funds have now expired. Federal funding is needed to provide substantial amounts of job search assistance to those who need it.

Self-employment assistance allows workers to set up their own businesses, creating their own jobs. Program participants have been shown to rapidly return to work and earn substantially more money than non-participants. Federal law allows States to set up their own self-employment programs, but few States have done so, and the program is little used. Temporary Federal funding would greatly increase program adoption and use.

Work-sharing is permissible under Federal law, and 22 States and the District of Columbia have such programs, allowing reductions in hours instead of laying off workers. Participants receive a pro-rated share of the weekly Unemployment Insurance benefits for the days they do not work. Work-sharing is much more widely used in other industrial nations than in the United States. Work-sharing would be much more widely adopted and used by the States if State unemployment trust funds were temporarily relieved of paying benefits.

Finally, reemployment bonuses of about \$1,200 for workers who retain a job for 4 months have been shown to be a cost-effective incentive to speeding the return to work. This finding is based on

analyses of four reemployment bonus experiments that have been conducted in the United States. I recommend that we try out this approach nationally. Each reemployment strategy should be rigorously evaluated so we can determine how effectively it works in this period of high unemployment, and public policy can be shaped accordingly.

Thank you for this opportunity to testify. I welcome your questions.

The CHAIRMAN. Thank you, Doctor, very much.

[The prepared statement of Dr. Wandner appears in the appendix.]

The CHAIRMAN. Mr. Temple, you are next.

**STATEMENT OF LARRY TEMPLE, EXECUTIVE DIRECTOR,
TEXAS WORKFORCE COMMISSION, AUSTIN, TX**

Mr. TEMPLE. Good morning, Chairman Baucus and distinguished members of the committee. For the record, my name is Larry Temple. I am the Executive Director of the Texas Workforce Commission. I appreciate this opportunity to share with you the exciting things we are doing in Texas to assist those on Unemployment Insurance, and those who have exhausted all their benefits, to find work.

Our unemployment rate is certainly higher than we wish it were, and Texas has certainly felt the impact of the national downturn in the economy. But at the same time, we have also, from September 2010 to September 2011, created nearly 250,000 net jobs. Caterpillar and Toyota, just to name a few, have selected Texas for new plants and for plant expansion. We were rated top by the *Site Selection* magazine, as the top State to locate a business in 2011.

I am proud to say that our workforce commission and its network of local workforce boards have all been a part of this economic development team. Through our system, job seekers and employers are connected, and, by being a part of this team at the economic development level, we are able to assist the unemployed take advantage of these hiring opportunities.

Over the past year alone our local workforce boards have held over 500 job fairs to help connect employers and job seekers. Through our integrated delivery model and our commitment to Unemployment Insurance claimants, we have been able just in the past year to reconnect over 800,000 unemployed Texans to the workforce. We have a demand-driven system, and the model is built around private employers, as they are the key to job creation.

A little background on how our model is structured. In 1995, the legislature created the commission by merging 28 workforce development programs from 10 different agencies. We have 28 local workforce boards, 240 1-stops serving our 254 counties. Our boards build strong bonds between business, education, and job training in a strengthened economy to benefit everyone. They partner with the community colleges, community-based organizations, economic development and education partners, as well as their local Chambers of Commerce.

The local flexibility with the State oversight is our model, and it continues to serve Texans the best. Second only to veterans, the Unemployment Insurance claimant is our number-one priority in

our system. It was formerly designated as a priority by the commission in 2003, and to reinforce this commitment, this priority, we self-imposed a measure with the gold standard for us to reemploy claimants within 10 weeks. Not a Federal measure, not a legislative measure, it is something we put on ourselves.

When we put this in place, our unemployment rate was around 5 percent, and our performance was around 27 percent of the people going to work within 10 weeks. Although 10 weeks is a great goal, if we can do it and get someone back in 11, 12, or 13 weeks, it is still better for everyone involved.

We believe, in the first 5 years alone, that this initiative saved our trust fund about \$1 billion. It also has put a little over \$1 billion into the households of our claimants, and the local economic impact, with a conservative multiplier of 1.5, puts about \$1.5 billion into local communities.

In addition to this, when we work with our claimants, we have such things that we use as the Texas Back-to-Work Program, which is a hiring incentive program which provides employers with a \$2,000 hiring incentive over a 4-month period. To date, we have placed, in less than 2 years, over 20,000 claimants with about 4,000 employers participating.

The targeting of claimants who are coming out of \$15-an-hour or less jobs, and for those who complete the program, they are receiving about 99.4 percent replacement wages. We have had tremendous success with this program. In addition to these programs, we also have a work-share program. In 2009 it peaked at nearly 700 companies. To date, we have about 477 companies and about 25,000 people who are participating. But all of this goes to, we have had flexibility at the local level to do these things.

Whether it be in the UI administrative dollars or the workforce funding through WIA, the Workforce Investment Act, we really hope that you would consider giving States more flexibility, because we certainly are the labs of innovation and we can get much more accomplished in light of budget cuts, which we deal with ourselves because we are dealing with less money as well, but serving more people.

Thank you for the opportunity to share with you. I would be glad to answer any questions, Mr. Chairman.

The CHAIRMAN. You bet. Thanks, Mr. Temple.

[The prepared statement of Mr. Temple appears in the appendix.]

The CHAIRMAN. Mr. Peitersen?

STATEMENT OF DON PEITERSEN, DIRECTOR OF UNEMPLOYMENT INSURANCE AND WORKFORCE PROJECTS, AMERICAN INSTITUTE FOR FULL EMPLOYMENT, AURORA, CO

Mr. PEITERSEN. Chairman Baucus, members of the committee, thank you for this opportunity to testify.

The American Institute for Full Employment is a nonprofit think tank that provides counsel to State governments with an emphasis on reemployment and subsidized wage policy design and implementation.

Your focus on the Unemployment Insurance program is timely. In the past year, the United States has spent \$115 billion in this

program. Over half of the claimants exhaust regular benefits, and those who go on to receive Federal benefits, on average, stay unemployed for over 1 year, claiming \$16,000 in benefits.

My testimony addresses strategies that offer an opportunity to realize a greater return on this significant commitment of taxpayer resources while returning unemployed Americans to work more rapidly. According to a study of job seekers, more than half have visited their community workforce centers only once over the course of the entire year.

However, brick-and-mortar workforce centers are not the only place to search for jobs. Today, much of that activity occurs online in the form of job boards, social networks, and employer websites. Unfortunately, on the whole, States have not kept pace with these online trends, creating a mismatch of available services. Some States now require those applying for unemployment benefits to simultaneously register with their employment services program, thus ensuring an immediate connection with reemployment resources by also promoting a more engaged job search.

For many States that have not adopted this practice, funding is an issue. Congress should allow States to use a portion of their Unemployment Insurance dollars to fund better reemployment efforts. To provide a level of fiscal discipline, this option should be accompanied by a requirement for stipulated return on the States' investment and a program limit of 5 percent of the unemployment dollars.

Each day, job seekers confront headlines like "Seven Million Jobs Lost," "Five Job Seekers for Every Job." These headlines are easy to report, but can leave a confusing impression on the job market. In doing so, they can sap job seekers of optimism and motivation. By highlighting the 5 percent of jobs lost, we overlooked the significance of the 95 percent of jobs that remain. Driven by natural churn in the labor market, those 95 percent of jobs will provide 50 million hiring opportunities in this year alone.

Labor market data has a far more helpful story to tell, one that suggests finding a job, while difficult, is not impossible. To be successful at job search today, a job seeker must focus on networking and cold-calling, because more than half of all hires happen through an employer's network.

Most States simply ask a claimant to contact one or two employers per week, a task that could take less than 2 hours. That level of activity is hardly a recipe for success. We found effective job seekers have two main characteristics: they treat their job search as a job in itself, and they maintain detailed records of their job search activities.

Congress's most significant untapped opportunity is the adoption of a wage subsidy program with Unemployment Insurance dollars. In the best programs we have studied, over 80 percent of job seekers were employed immediately after participation; 98 percent were employed within 3 months. Participants had greater job retention and greater wage gains. More than 80 percent of employers said the program helped cost, capacity, and/or expansion.

The President has proposed a wage subsidy called Bridge to Work, which blends attributes of several State programs. Bridge to Work has promise, but should be modified to eliminate the em-

employer mandate to hire, increase the maximum training from up to 8 weeks to up to 13 weeks, and simplify a cumbersome 2-payer system by paying the subsidy directly to the employer.

Because the net cost of a wage subsidy program can make it a legacy or a loser, we recommend using existing State strategies for early interventions for those claimants who are most likely to exhaust their claims. State agencies are full of good ideas and promising solutions, but are hamstrung by restrictive funding silos. UI was born separately from an employment service, which was born separately from the Workforce Investment Act.

Little has been done to harmonize the findings or enable strategic connection. There are waivers for program requirements in the Workforce Investment Act, Temporary Assistance to Needy Families, and Medicaid, but not for Unemployment Insurance. By providing States more flexibility for waivers in the UI program and funding, accompanied by cost-effective safeguards built on measured impact on reemployment, we could make some serious inroads into getting people reemployed.

Congress has a real opportunity to clear a path toward meaningful gains in reemployment by enhancing job search engagement, enabling innovative wage subsidy programs, and giving States freedom and flexibility to devise and employ creative new solutions.

Thank you. I look forward to your questions.

The CHAIRMAN. Thank you, Mr. Peitersen.

[The prepared statement of Mr. Peitersen appears in the appendix.]

The CHAIRMAN. Mr. Fogarty?

STATEMENT OF CHARLES J. FOGARTY, DIRECTOR, RHODE ISLAND DEPARTMENT OF LABOR AND TRAINING, CRANSTON, RI

Mr. FOGARTY. Thank you, Chairman Baucus and members of the committee. It is an honor to be with you today to speak about Rhode Island's 20-year experience with the WorkShare Short-Term Compensation Program.

Mr. Chairman, simply put, WorkShare is a successful layoff aversion program that has prevented an estimated 14,600 lay-offs in Rhode Island since 2007, the beginning of the economic recession in our State. That is especially important for a State like ours because we have been experiencing double-digit unemployment since March of 2009. We believe that our WorkShare program has kept this rate from escalating and causing further damage to our State economy.

Through WorkShare, a company may uniformly reduce the work hours of its entire workforce or of all employees within an impacted business unit or division; the reduction can run from as little as 10 percent to as much as 50 percent. Income that would otherwise have been lost due to layoffs is partially reimbursed through Unemployment Insurance. In Rhode Island, our average Unemployment Insurance benefit covers approximately 60 percent of lost wages.

Let me give you an example. A person works full-time, earning \$500 each week, or \$100 a day. Under WorkShare, this same person has his or her work week reduced from 5 days to 4. The partici-

pating company would pay that employee \$400 in wages, and Unemployment Insurance would pay him or her \$60, 60 percent of that 1 day's wages, for the remainder of the work week, bringing the total wages to \$460.

Now, had that person been laid off, his or her weekly benefit would have totaled approximately \$300, or \$160 less. Conversely, the weekly drain on the Unemployment Insurance fund would have been \$300, \$240 more than if he or she had been participating in WorkShare.

WorkShare is available to any employer with two or more employees, provided the business meets certain criteria. It is designed as a layoff aversion program during an unanticipated downturn and cannot be applied to a time period associated with seasonal slow-downs. Only those employees who normally work 30 hours or more per week and who would normally qualify for Unemployment Insurance benefits are eligible to participate.

By Rhode Island policy, employers enrolled in WorkShare are also asked to continue to provide existing fringe benefits. In the case where a collective bargaining unit is involved, that bargaining unit must sign off on the plan before the State will approve it.

For Rhode Island, WorkShare has proven to be a win-win-win situation: a win for employees, a win for employers, and a win for the State of Rhode Island. The biggest benefit for employees is an obvious one: they get to keep the jobs at which they already excel. That is important in Rhode Island, where there are now seven job seekers for every two job openings. Those are tough odds if you are trying to put food on the table. That is why layoff aversion programs like WorkShare are so important. They help provide stability to families that otherwise may be facing an average of 30 or more weeks of unemployment.

WorkShare is a win for employers because they are able to protect their greatest investment, a trained and productive workforce. Employers will tell you that, when a laid-off worker walks out the door, all the knowledge and skills that he or she accumulated walk out with them.

However, employers who have benefitted from WorkShare will tell you that, because their employees are able to remain on the job part-time during hard times, those same employees will be prepared and better able to boost production when the economy turns around.

I would just like to provide a couple of comments from some of the folks who have used our WorkShare program. Geoff Grove, the CEO of Pilgrim Screw, a Rhode Island manufacturing company, is now actively involved in WorkShare. He says, "By giving small businesses an option to a full lay-off, WorkShare helps us to maintain skills that might otherwise be lost. People in small companies often wear many hats, so a lay-off may mean that a skill is lost to the company when the person leaves, unlike in large companies where skills are redundant."

Mike Cooley, the CEO of The Quinlan Companies, calls his company the poster child for WorkShare. "The single-most instrumental action we took that put us back on the map was WorkShare. We were preparing a cut in our staff, and instead we were able to have WorkShare subsidize the wages until we got through

the downturn. We survived the recession. Today we are adding a huge facility and we will be hiring more people in Rhode Island. For the State of Rhode Island, the win is simple: jobs. WorkShare keeps taxpayers employed today and keeps companies poised for growth tomorrow.”

Mr. Chairman, members of the committee, thank you for this opportunity to testify about this important economic development tool.

The CHAIRMAN. Thank you, Mr. Fogarty. I thank all of you.

[The prepared statement of Mr. Fogarty appears in the appendix.]

The CHAIRMAN. In listening to you, all four, I would be curious as to your reaction how these various alternatives work and which ones might work better with respect to our changing economy in lots of ways. Some of your efforts may be relevant to the changes, some may not. The changes obviously are that, with increased productivity, many companies are finding ways to improve their bottom line with automation, other increases in productivity, maybe fewer employees.

It is also the recession caused by the financial crisis which has caused a very prolonged effort to get out of the recession because of all the de-leveraging that is necessary, both public and private. International competition and globalization—it is even more of an issue today than it was 10, 15 years ago. It will continue to be more of an issue. The world is changing so much.

So given all of that, and many companies—you hear the story about how major corporations in the United States have about \$2 trillion in cash on hand, and they are just not spending it because of uncertainty, uncertainty as to what tax policy will be, uncertainty in some other areas. Maybe Europe—who knows—will maybe cause some additional uncertainty. But just how do these programs you are talking about address these changes, the continued changes in the nature of the American economy as it affects jobs, affects people working? Does anybody want to take a stab at that? Yes, sir? Dr. Wandner?

Dr. WANDNER. Well, as far as productivity, discussing productivity, I have discussed work-sharing. Work-sharing has been shown in evaluations to help employers retain skilled workers and prevent them from having to hire new workers and train them over again when demand comes back. So clearly, if skilled workers can be retained and be there when—

The CHAIRMAN. So you kind of like the Rhode Island program.

Dr. WANDNER. What?

The CHAIRMAN. You like the Rhode Island program?

Dr. WANDNER. I like the Rhode Island program, yes.

The CHAIRMAN. It seems to make some sense?

Dr. WANDNER. Yes, it does, indeed. Rhode Island has done more and has had more work-sharing relative to its size than any State in the country, so it has done a particularly good job of it. But job search assistance as well prevents people from losing their skills and being unemployed for longer periods of time than they otherwise would. But a lot of reemployment services will help us.

The CHAIRMAN. What are the new jobs? Are the new jobs the same jobs, or are they different kinds of jobs, different skill sets? We have to think ahead a little bit here.

Mr. TEMPLE. Mr. Chairman, what we are seeing—of course, in manufacturing, we are seeing some growth in manufacturing, but not nearly what we would like to see. But the logistics piece is an area that we are finding is really needed in the economy, and working with people, being able to assess and identify what skills they have that are transferrable—

The CHAIRMAN. I am sorry. You say “logistics?”

Mr. TEMPLE. Logistics.

The CHAIRMAN. What do you mean by that?

Mr. TEMPLE. Transportation, getting the products moved around, inventory control, and those type of things. It may be manufactured out of the country, but it is coming back in for distribution. And the logistics of putting that, and the suppliers—in our Toyota initiative in San Antonio, one of the primary pieces of our economic development in the southern part of the State there is the suppliers, and getting those products to Toyota on a just-in-time basis.

So that is something that is a different type of work for people who have been strictly on a production floor. But they had transferrable skills, so a strong workforce program that provides services can identify through assessment where the skills gaps are, what skills are transferrable, and be able to connect them to trainers. And flexibility. I hate to get on that soap box again, but what works in Dallas does not necessarily work in El Paso, and what works in Texas does not necessarily work in Rhode Island.

The CHAIRMAN. So what is the greatest restriction on flexibility, to be able to do what you want to do?

Mr. TEMPLE. Flexibility between all these funding sources. It is so siloed. You have the UI administrative dollars that you cannot use for much other than getting the check out. And, if you have administrative dollars that you could use toward reemployment services, the TANF program that Mr. Peitersen was talking about earlier has different restrictions for putting people back to work than the adult WIA.

So all of those are siloed, have different reporting. There is some flexibility at the Federal level to allow States to move part and parcel of these among the various programs, but it really needs a combined effort to work.

The CHAIRMAN. Any way of trying to put that together?

Mr. TEMPLE. Absolutely.

The CHAIRMAN. Who is, you?

Mr. TEMPLE. We are trying our best with common measures and doing that to where it is a 1-stop shop for someone coming in.

The CHAIRMAN. Right. You mentioned the 1-stop. Yes. Well, what is the best way to figure out how to put that 1-stop together?

Mr. TEMPLE. I would be glad to provide you with some ideas on how we can do that.

The CHAIRMAN. All right.

Mr. FOGARTY. Mr. Chairman, in Rhode Island, Governor Chafee's workforce board has identified—and it is business-driven, as you know—growth areas where we see jobs now and are likely to in the future, areas such as defense, high-tech, the green jobs industry,

hospitality, and health care. We form partnerships and consortiums with business to identify training opportunities to make sure those skilled workers are there when the jobs are available.

The CHAIRMAN. Thank you.

Mr. FOGARTY. Because ironically, even in a State like ours where there is a high unemployment rate, we still hear from employers who are having trouble getting skilled workers in jobs.

The CHAIRMAN. I apologize. My time is up. Thank you very much.

Senator Hatch?

Senator HATCH. Well, thank you, Mr. Chairman.

Mr. Temple and Mr. Peitersen, as I mentioned in my opening statement, I believe we need to change the culture of the UI system from one that simply measures the distribution of benefits to one that focuses more on getting the unemployed back to work. Now, I gather from your statements here today that changes like this are already being made in a number of States, and I am glad to see this, but I believe we need to do more to facilitate this shift at the Federal level.

You both have discussed your efforts to improve reemployment at the State level. What real evidence can you point to that the ideas you have mentioned—job search, reemployment services or training programs—reduce the length of time individuals spend receiving unemployment benefits? Also, what metrics would you use to evaluate these programs at the Federal or the State level? We will start with you, Mr. Temple, and then anybody else can weigh in.

Mr. TEMPLE. In Texas we have self-imposed a 10-week reemployment measure on ourselves to rapidly reemploy, so we use that as a measurement, as a metric, and hold our local offices accountable to that. Making them a priority and an outcome-based initiative, I think, is really the key. To my knowledge, Texas is the only State that has implemented a State-wide self-imposed measure. There is not a Federal measure for reemployment at all. So I think our model—and one other thing is just simply the duration and exhaustion as a metric to reduce it.

But the real deal is the priority and making this population a priority, to get them reemployed and hold ourselves accountable to do that. In government, if you do not measure it, it does not exist. We measure it now, and it does exist.

Senator HATCH. Thank you.

Mr. PEITERSEN. I would just add to what Mr. Temple said that there is another factor in there that you need to look at. It is not just looking at all those measures of reemployment. And I could not agree with you more, Senator Hatch, about getting the organizations to look first in the UI program to getting people back to employment. It should be the main focus of where we are going and how we can do these things.

But the other metric that you need to look at there is, you should measure anything that is being done as, what is that doing to create savings for the UI trust funds that are sitting out there? By taking any methodology, whether it is work-share or enhanced job assistance or whatever it is, it needs to be proven that what you are doing is actually making a difference with those funds that you are spending to get those people back to work, by reducing the

amount of time they are on unemployment, thus saving money for the trust fund.

So one of the metrics that I would like to see out there more is something that talks about, how does this program impact the trust fund? And, when you impact the trust fund, you have fewer benefits being paid, you have people getting back to work quicker, and you reduce the employer's taxes, et cetera.

Senator HATCH. All right.

Mr. Temple, in your written testimony and in your statement, as I understand it, you describe a number of reemployment services that Texas offers to UI claimants. Now, I am hoping that we can get a better idea of how these various programs work in practice. So, let us say I am an unemployed worker in Texas, and I file for unemployment benefits. Your goal is to help me find a new job within 10 weeks. How do I become aware of your State's reemployment services, whether it is job search services, the wage subsidy program, or something else? How specifically do I take advantage of them, and what will you require of me to be able to participate?

Mr. TEMPLE. Tonight, every workforce board will generate a letter that will be mailed in the morning to everyone who applied for Unemployment Insurance in Texas today, introducing them to the system, giving them a number, a location of the office closest to them, and inviting them to come in and get the services. That is not the usual UI—you have to come in, you have to do this. This is the welcome wagon letter, letting them know what we have. But we start immediately letting them know.

The second thing that we do is, through our priority and our workforce boards, have extensive outreach—as we have said, 500 job fairs just in the last month. We communicate through outreach with the claimants—for instance, our hiring incentive program. We let them know that they can take this and go out and sell themselves so that, if an employer hires them—because it is strictly as a hiring incentive to hire Unemployment Insurance claimants—they can take that and say, if you hire me, I know I do not exactly have the skills, but here is \$2,000 that will offset the training cost for me.

So we are trying to find them jobs, and we let them self-market themselves at the same time. So that is kind of how we start, day one, letting them know about the services that we have. But we also have an expectation of job search. We implemented, in 2003, a minimum of three job searches a week. Our local board set what it will be. It is generally around five. Around the State, some of the rural areas are at three. So there is an expectation on the claimant's part that they are having to look for work, and a meaningful job search as well.

We check that. The culture of our agency—I, myself, call one employer a week relative to a claimant to see if he or she did what she was supposed to do, or he was supposed to do, in job search. We do about 1,500 of those a week within the agency. So, we are trying to set the culture inside the agency that we are about putting people to work and sending that message to employers that we care, and job seekers that we care.

Senator HATCH. Well, thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Hatch.

Before I turn to Senator Wyden, may I ask what percentage of people who receive that letter initially respond?

Mr. TEMPLE. One hundred percent.

The CHAIRMAN. One hundred percent?

Mr. TEMPLE. Yes.

The CHAIRMAN. You send that letter out, the welcome wagon letter, and you have a 100-percent response rate?

Mr. TEMPLE. Oh, I am sorry. Response rate. No, sir, it is not 100. I thought you meant of the letter.

The CHAIRMAN. No.

Mr. TEMPLE. I am not really sure what the response rate is. I do know that our outreach, our rapid reemployment program that we use, reaches about 60 percent, 50, 60 percent, and we have about a 90-percent show-up rate for those.

The CHAIRMAN. I am encroaching on Senator Wyden's time.

Mr. TEMPLE. I am sorry.

The CHAIRMAN. Senator Wyden? I am sorry.

Senator WYDEN. Thank you, Mr. Chairman. I commend you for a very important hearing. This is exactly what we need to be focused on.

Gentlemen, I had a great thrill almost 20 years ago when I had a chance to team up with the late Senator Kennedy and also, as a member of the House, Congresswoman Olympia Snowe, and we were part of the original effort that became law in 1993 to set up this self-employment program. Dr. Wandner noted what this essentially does is allow people who have been carefully screened to draw their unemployment benefits while at the same time being exempt from some of the search requirements that they would have to be part of unless they were setting up their own businesses.

Yesterday, seeing the recent success I introduced with Senator Carper and Senator Casey—Senator Carper was one of the first in the country, focusing on a point Senator Hatch made about State flexibility—our colleague on this committee, then Governor Carper, was one of the first to use this program in Delaware, with considerable success.

The reason a number of us are focused on trying to expand it, and the President, to his credit, wants to do this as well, is we are seeing some extraordinary successes.

I just want to describe one to you, Dr. Wandner, to kind of get a sense of what we would need to do in the future. We have seen an enormously successful tech start-up in our home State, really in my hometown, called Urban Airship. What you had were a couple of young guys, Adam Lowry and Michael Richardson. They had worked in the technology field. They saw that there were a lot of opportunities that consumers, for example, want to make online purchases with Smart Phone applications.

These were savvy tech software developers, and they said, let us get our benefits and be able to pool them, so instead of having the traditional maintenance, to get their checks and search for work, they could use the unemployment system as a trampoline to be able to come up with new jobs and new industries and the like.

I have a picture of them. You all cannot see it, but these are four young guys in their sneakers who know a lot about technology. This obviously is not for everybody, and I am not going to pretend

that it is, but is this not the kind of model, Dr. Wandner, that ought to be expanded significantly, having seen some of these successes in the model programs going back to the early 1990s?

Dr. WANDNER. The answer is "yes." I mean, the program does in fact reduce the duration of unemployment, saving the trust fund money, and it ends up substantially increasing the earnings of people who participate. The problem with the program, and I think the reason why it is only in seven States, is because there is not a dedicated funding source for training, and counseling for entrepreneurial training, for this program, so it is difficult to put the program together and make it work.

But we do have the Workforce Investment Act that has many kinds of training that can be provided to individuals, and one of them is entrepreneurial training. I think we need more change in the way we measure the success of entrepreneurial training to get greater participation, and it is also very important to engage the Small Business Administration and the State Small Business Development Centers that are the experts in counseling and training. So I think that is what needs to be done.

Senator WYDEN. Would it be fair to say that the costs associated with both administration and training, since we do have some programs that can help in this area, are pretty modest compared to the potential benefits? I would like to make part of the record, Mr. Chairman, an article that describes essentially how Silicon Valley is tripping over themselves to invest in Urban Airship, and Dr. Wandner has done some very good work. I have your book here that mentions Senator Snowe, for example.

[The article appears in the appendix on p. 80.]

Senator WYDEN. My time is almost up, and I think, for purposes of just wrapping this up, while there are training costs, there are administrative costs and the like—and that is what Senator Carper and I and Senator Casey want to address—is it not fair to say that those costs are pretty modest compared to the potential benefit of self-employment?

Dr. WANDNER. Yes. I mean, we have done, in an experiment, a benefit-cost analysis, and the benefits are substantially greater than the costs of the program.

Senator WYDEN. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Next is Senator Stabenow.

Senator STABENOW. Thanks very much, Mr. Chairman. Thank you to all of our witnesses.

I want to talk a little bit more about the growing skills gap that I am hearing about in terms of people who are out of work but not matching up with the jobs that are available. I know you have been talking about that, but, Dr. Wandner, I wonder if you might talk a little bit more about that.

In Michigan, we have tried to address that with something we call No Worker Left Behind, which is helping workers gain skills and credentials they need to gain the employment for jobs that are available, or start their own businesses. But I am wondering, from your perspective, how we could better coordinate the changing employer needs with training and placement and support for those who need jobs.

Dr. WANDNER. Well, there are many very fine training programs out there. I think what we need is more training, more training that is targeted to areas of economic growth.

Senator STABENOW. I guess what I am asking is—I know that in general, but we have very specific employers that are doing job fairs and so on in Michigan and indicating that they are not able to find the people whom they need. So specifically matching up employers with employees, what have you found to be the most effective way at this point to do that?

Dr. WANDNER. Well, certainly the kind of job search assistance programs that try to match employers and workers, that do job development, which is done in many States, I think have to be more emphasized and better-funded.

Senator STABENOW. Would anyone else like to say anything? Mr. Fogarty, would you like to add to that?

Mr. FOGARTY. Thank you, Senator Stabenow. You hit the nail right on the head with the middle skills gap, and that is what we are looking at in Rhode Island and really in New England. We are finding that, while college is important, not all students are going to go to college, but everyone needs to get a continuing education level above high school.

So we have what is called the Careers Pathway program under Governor Chafee's workforce board, where we are looking at setting up a mechanism where people can identify stackable certificates where they can look to see, what are the jobs that are out there, kind of the wage that I am looking for, and what path do I need to take to get there at a certain level so I can kind of move up through the process, not a ladder as much as a lattice.

We have that organization which is going to be coming out with this report very shortly about what we can do in Rhode Island to make that a reality so we get those skill levels up and the workforce is one that matches the needs of employers, because it does have to be, Senator, as you know and pointed out, employer-driven.

Senator STABENOW. Absolutely.

Does anyone else want to respond to that? Yes, Mr. Temple?

Mr. TEMPLE. Going back to flexibility, the Workforce Investment Act has restrictions and actual prohibitions on being able to use dollars for incumbent workers. If you are able to upgrade the skills of incumbent workers, they can be promoted and open up entry-level positions for individuals who are unemployed. So it is a "build it and they will come" type of deal when you are looking at the incumbent worker. So that is something that, when we are talking about the flexibility that has a practical approach like that, I would want to share.

Senator STABENOW. Thank you.

Yes?

Mr. FOGARTY. Senator, if I could add one more thing. One thing that we are finding very helpful is on-the-job training grants, where the businesses may be on the cusp of deciding whether to add someone or not. They may need skills that are just not out there, and they need to train them in place. They have to come up with some dollars, we come up with some dollars, but in the end it is a win-win situation for everybody. They get the skilled worker they need, and the person is employed. We are finding that a very

useful tool. Unfortunately, we do not have the resources to do as much of it as we would like.

Senator STABENOW. Yes, Mr. Peitersen?

Mr. PEITERSEN. I would just like to add, to build on Mr. Fogarty's comment, that is the beauty of a lot of wage subsidy programs. What they are doing is giving that employer the incentive to bring somebody on to help get them those marginal skills that they now need to get before they even become fully employed.

Senator STABENOW. Right. And just in my final seconds, Director Fogarty, I do not know if you want to respond to the fact that, as we look at the need to extend unemployment benefits, that we are looking—The Urban Institute has indicated that there is a multiplier, a GDP multiplier of about two, so every dollar that we spend on UI generates about \$2. I am wondering how important you think extending unemployment benefits is.

Mr. FOGARTY. In our State, Senator, it is critical. In fact, we are already planning for the consequences if it does not happen, because, once the full phase-out occurs sometime in March for us, we are looking at a net impact to our State of about \$24, \$25 million a month. That is significant dollars. That impacts other businesses as well.

Senator STABENOW. Right.

Mr. FOGARTY. And folks do not have the reserves anymore. The jobs are not out there. It is not that they are sitting home doing nothing; the jobs are not out there. What is going to happen to them if they have absolutely no source of income? We are very concerned about that.

Senator STABENOW. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator Cardin?

Senator CARDIN. Well, thank you, Mr. Chairman. Thank you very much for this hearing. I want to thank all of our witnesses.

The UI system is a vital link for individuals during tough economic times. It is their lifeline. As the last exchange pointed out, it is counter-cyclical. It is very important for our economy to make sure that we have a healthy Unemployment Insurance system. But I think we all agree that the best result is to get people jobs that will help their families and that will help our economy.

So our objective is to make sure you have the tools necessary to get people back to work. I have heard you talk about the different tools that you use, from job fairs to the Texas 10-week guideline issues, to the 1-stop shops that we employ in our State of Maryland, work-share programs, and Senator Wyden's proposals that we have been moving forward with on business opportunity.

But the challenge is that we just do not have enough jobs out there, number one, for the people who are unemployed in the system. Yes, we do deal with the skill levels, which may increase the availability of jobs for some, but we still do not have enough jobs. The incentive issues I hear about frequently—and yes, from the employer point of view, it is good to have some additional incentives. From the employee point of view, people want to work.

We run across the problem that, if you are unemployed in a tough economic time and you are looking for a job, your chance of getting that job is less likely than someone who is already em-

ployed looking for a job with the exact same skill levels as everyone else. There is discrimination against people who do not have employment today.

So I guess my question to you is, tell me specifically how we can adjust the guidelines or policies in our Federal Unemployment Insurance laws to give you the best tools to deal with the challenges that we are confronting in this very stubborn economic period. What would you like to see us do here? I just heard from the last exchange you want us to extend Unemployment Insurance. I understand that. If you could give us some additional specific guidelines—I also understand you want flexibility, but tell me specifically how that is going to deal with the challenges I just mentioned. Do not be shy.

Mr. TEMPLE. Of course, I am on the flexibility soapbox, I know, but I will give you a good example. We took the encouragement of Health and Human Services and the Department of Labor in using TANF dollars the summer before last to do hiring incentive programs, using that to augment what we had in general revenue and trying to do that 1-stop with anyone who would come in. We were prohibited because of all of the technicalities with the TANF dollars. We were not able to serve anyone who did not have a child.

If a single adult came in who did not have children or was the non-custodial parent, we had to find another pot of money. You cannot use any UI money for that. We were trying to also target children who were aging out of foster care who were about to be unemployed, and we were not able to serve those individuals either. So, as much as we want to have a 1-stop, those were dollars right there that—

Senator CARDIN. The challenge is, though, as we do that, the next step Congress usually takes is to cut the funds because there is not the specific reason for having the funds. So that is one of our challenges here as I have seen us go towards more block-granting.

I understand that, but how do you deal with the discrimination against someone who does not have a job? I met yesterday, Senator Wyden met yesterday, with college students who cannot find work. They have not worked, so they do not have the work experience, but they are trained. Someone who has a job is getting that job. How do you deal with that within the unemployment system? What can we do here nationally to give you a better crack at opening up doors?

Mr. TEMPLE. We are promoting these individuals on Unemployment Insurance, doing exactly what employers tell us. Employers have told us when things were tough as far as finding skilled labor, they were saying, just send me someone who will show up, and I will take it from there.

Well, the Unemployment Insurance folks, by definition, are unemployed by no fault of their own, so we are saying these are people who have the work ethic, who are trained, are trainable, and hopefully with our hiring incentives and flexibility to do other things, that we are able to bridge the gap of the cost of training someone. But we sell the individuals as being just exactly what employers—

Senator CARDIN. Anything other than flexibility you want from us?

Mr. TEMPLE. As I promised Chairman Baucus, we will be glad to provide a list of things, because I know my staff is——

[The list appears in the appendix on p. 59.]

Senator CARDIN. My time is running out. Does anybody else want to jump in? You have 5 seconds.

Dr. WANDNER. Senator, one problem is that businesses are not hiring as much as we would like them to. So there are programs like work-sharing that will prevent unemployment from happening in the first place, and, for unemployed workers who are looking for a job and whom Texas cannot place, they can create their own jobs if you have a self-employment assistance program in your own State. So let people, as you can in Maryland, create their own jobs.

Senator CARDIN. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

This is not directly on point, but I was struck by a column I read in one of the morning papers on Confucianism in Asia. This was a column about a young lady in Vietnam who just works so hard. I think her mom is no longer with her. She takes care of the kids. She bikes an hour and a half to work. She gets up very early in the morning and she takes care of all the chores.

But the point is, she is driven, absolutely driven, to succeed. She has undertaken huge obstacles because she is so driven. She is going to succeed, this lady. She is training to become a CPA in Vietnam. Part of it is sort of the Confucian ethic in Asia of education, of just striving to succeed. It partly explains, I think, why to some degree Asians, when they are in this country, tend to work harder in schools, get better grades, work so hard, et cetera.

[The article appears in the appendix on p. 27.]

The CHAIRMAN. So I am wondering, in all these programs we are talking about—this is hard; this is as much cultural as it is anything else—if there is an education component here that makes sense. It is not just—maybe it is just to educate for a new skill set, but also it is education just to instill the incentive to see if there is hope in America still. You do not have to be ground down.

The thought just occurred to me, and I was wondering if any of that makes any sense. I do think, and it is not really directly related to the unemployment program, work-share, et cetera. Maybe it is. But I do think that, in this country, to get jobs and have the jobs in the future, more of us are going to have to have that drive to succeed and just really do well for the right reasons, just provide for family, and so on and so forth.

Any thoughts?

Mr. FOGARTY. Senator, our State kind of entered the recession a little earlier than the Nation. We were a little bit harder hit.

The CHAIRMAN. You have a high unemployment rate.

Mr. FOGARTY. A high unemployment rate for a long time. And we are in a position now where I think that a mind-set has set in that we are in tough times. Even though there is a recovery ongoing, statistically most people have not felt it. I think that is starting to bring about a mind-set change in terms of how you approach the workforce, in terms of what is expected, the fact that you just cannot take it for granted that a certain level of education will get you something.

I believe that—you were talking about education—by experiential education, we need to let folks know that, if they want to be successful, they are going to have to look at different routes to get there. They are going to have to be much more focused in terms of career and skills. They cannot take the opportunity to waste time when they are on unemployment.

They really need to take advantage of all the training programs that are out there that are available. I think that they also understand, because of the flexibility of the workplace today, that, unless they are nimble and unless they continually upgrade their skills, they are going to have trouble in the long term.

I think that message is starting to get out there, and we are starting to see that, I think, in some of the workforce people. I know in our universities we are. I also teach part-time, and I do see that in some of my students in terms of the approach they take, particularly as they get ready to graduate.

The CHAIRMAN. Role models often help, too. If somebody in some of your offices, the 1-stops, whatever, who has just done it, that is, came from, if not the ashes, from a very difficult background or a difficult condition, they were laid off and looked around and so forth, just so that those with whom you are in contact say, boy, old Joe, he was down and out, but old Joe, he has enthusiasm, he has hope, and all that. That is infectious; it is contagious. I am just curious whether there is—I do not know. That is more psychological than it is programmatic.

Dr. WANDNER. Well, but this is the time to encourage education and training. The unfortunate part of high unemployment is that people cannot find jobs, but while they do not have jobs I think we should be pushing education and training as much as we can so when the jobs come back people have the skills to take them.

The CHAIRMAN. Yes. Good. Thanks very much. This is a very vexing challenge we have. I deeply appreciate your jumping into it and helping.

Senator Hatch?

Senator HATCH. Let me just ask one other question. Mr. Peitersen, I would like to just chat a little bit about the employer-based training program some States have developed, the so-called Georgia Works model.

Now, as I understand it, these programs would allow UI beneficiaries to work part-time with an employer, receiving some job training and possible placement at the work site at some point down the line. This has garnered a lot of attention recently as the Obama administration has expressed interest in this idea.

I am also aware that these programs have received a fair amount of criticism from those who claim that UI claimants are essentially working for free and that these types of programs will encourage abuse on the part of employers. Is that a valid concern, in your view? Have you seen any abuse in these particular programs?

Mr. PEITERSEN. No, I have not seen any abuse. We have not studied all of them. I have studied the Georgia Works a great deal, but the ones that have been replicated in other States, I have not yet. But abuses are usually not present in these programs. I mean, employers, it takes a lot for them to take somebody into their shop or their company and train them and spend resources to get them

involved in something. That is what Georgia Works is, it is a training program. It is teaching you new skills, it is teaching you new work habits, getting you primed to go to work in today's environment.

The nice thing about the Georgia Works program is that it is only 3 days a week. The other time that UI claimant, while they are still receiving their UI when they are in that Georgia Works program, is also still out there looking for work. The statistics show that a lot of the people who went into the Georgia Works program ended up getting employment before the training ended, the 8 weeks they had for the training in there, and that employers were giving them some skills and abilities to go to work for somebody else, and they were doing so.

Senator HATCH. Well, I know that the most talked-about version of this type of program, the one implemented in Georgia, is currently undergoing an overhaul, and other States are trying out similar programs with some variations. In your observation, which elements of this particular model have worked and which elements have not worked? Is this an idea that can work on a large scale in places around the country?

Mr. PEETERSEN. I think it can work in large scale, but we also need to look at it. It is just another tool in the toolbox with which the workforce agencies can work with claimants in getting them jobs. It is another tool for employers to work with in providing employees and seeing if they work out in their job site and seeing how they can adapt to the new skills that they need in the job.

So, like everything else, there are a lot of parts that go into getting people back to work, and the more options that we have out there for people to get back to work, the more they will be able to. The Georgia Works program is going through a reevaluation in Georgia right now, but that is also because it was expanded a great deal. They paid a lot of the costs for that Georgia Works program out of State funds, and those State funds obviously dried up.

I mean, they were paying for the Worker's Compensation for those people who were unemployed, they were paying them a stipend to help them with transportation, and these kinds of things, all the time while they were receiving their UI. So there are aspects of that program—New Hampshire is running that program without paying those kinds of costs. So we are still looking and seeing what else these other States are coming up with as they modify that Georgia Works model to see which one works the best.

But once again, as Mr. Temple said a little while ago, what works really well in Georgia may or may not work well in North Dakota, or Alabama, or wherever it is. So what we need to make sure of is that we have States that have enough flexibility so they can look at things that are out there that other States have tried and are successful with, and say, boy, that makes a lot of sense for me, let me try to do it this way, and let me put it in here.

So it is not saying that this is a big national program you need to have out there. It needs to be an option for States to say, how does it fit? The best thing, of course, is to have a wage subsidy kind of thing, where you are actually going to work for that full time with that employer.

But the Georgia Works program can oftentimes be a stepping stone that says, I put somebody in a Georgia Works program and I had them in there for 8 weeks, and now that employer really likes that person and so now maybe we can do something on a subsidy program for a few additional weeks to get them further trained on those skill gaps that they have been having and move them into full employment. So it is just like everything, there are a lot of gears going on there, and they all need to work together.

Senator HATCH. I want to thank all four of you. I really appreciate your testimony here today.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Does Georgia Works work? I heard somewhere that it has been discontinued.

Mr. PEETERSEN. It has not been discontinued as far as I know. It has been ratcheted down. A couple of years ago they moved it—

The CHAIRMAN. Because?

Mr. PEETERSEN. Well, because of the cost, the huge cost. They moved that program. It started out as just a UI claimant program in Georgia, but then, as the recession got worse and everything, they expanded that out there to everybody, so, even though they were using Georgia Works, the people were not on UI claims even.

So their volume went way up, but the cost for maintaining that out there with those individuals became too big of a burden for them, because once again they were using State funds for that, and so they had to cut back the program to go back to the original intent of just using it for UI claimants.

Dr. WANDNER. Senator, I think we need an evaluation of Bridge to Work programs. There has not been a rigorous evaluation of them yet, and there is a lot that we do not know about them at this time.

The CHAIRMAN. Yes. Well, we are a huge, complex country. We have 50 States, each to some degree attempting to solve the problems on their own, which is wonderful. It is sort of the old laboratory of ideas. Nothing is simple. But we just have to keep at it.

With all the people who are unemployed, it is just a tragedy. We need new jobs. That is number one. Number two is getting those people to match those jobs.

But thanks. This is very helpful. We have to digest all this. Mr. Temple is going to send some information. I would encourage others who also want to send it to do so too. We will try to figure out how to make the best use of it. So, thank you very, very much. We appreciate it.

The hearing is adjourned.

[Whereupon, at 11:28 a.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding Improvements to Unemployment Insurance to Help People Find Work
As prepared for delivery

Theodore Roosevelt once said, "The best prize that life has to offer is the chance to work hard at work worth doing."

The Great Recession hit Americans with soaring unemployment rates. That has kept this prize of a chance to work hard from millions of Americans.

Last month's Jobs Report showed some encouraging signs of a turnaround. The economy created 80,000 jobs in October, and it was the 13th uninterrupted month of job growth. That the good news.

However, we need faster job growth to keep this economy moving in the right direction. Nearly 14 million Americans are still unemployed. More than 42 percent of these folks have been searching for a job for at least six months. That means nearly six million Americans have been without a job for half a year or more.

For families who've been hit by hard times, Unemployment Insurance is a crucial lifeline, and it's an essential part of the solution to get folks back to work.

Families need these benefits to keep their homes, pay bills and stay afloat. We must remember that the folks who collect unemployment benefits have worked, want to work and will work again.

I recently spoke with one such young man: Roy Houseman, Jr., from Missoula, Montana.

Roy worked at Smurfit-Stone Container, a paper plant that was vital to the Missoula community. In 2009, Smurfit-Stone closed its doors. Roy shared with me that losing that job, for him and his co-workers, was traumatic.

Unemployment benefits were a necessary lifeline for his family. The income he received from Unemployment Insurance was less than half of what he previously made. When he was working, the mortgage on his home was 30 percent of his income. While he was collecting unemployment benefits, however, that same mortgage ate up 60 percent of that income.

After Roy's company closed, it was fortunately certified for the Trade Adjustment Assistance program. Roy was able to meet with his UI case manager and go back to school. Through this training program, Roy found a new career.

Roy told me he thinks that the best reemployment programs give someone the opportunity to find a job that meets three criteria. His first principle is that the job pays equal to or more than the job someone left. Roy's second standard is the job provides an opportunity for growth. And his last measure is that the job must be sustainable in the 21st century economy. I couldn't agree more.

So today, let's focus on how our Unemployment Insurance system can use reemployment strategies to save existing jobs and create new ones. Let's find a way to improve the program.

There are several reemployment proposals this Committee is considering. Some programs partially replace the earnings of workers who suffer job loss. Others help unemployed workers find permanent work, either through direct job placement or through retraining. And other models are even designed to develop entrepreneurs. We need to tap into these ideas.

There are already a number of states doing great work in this arena. Twenty-two states have implemented a work-sharing program. Under these programs, to avoid layoffs, states allow employers to trim the hours they pay their employees and then use Unemployment Insurance funds to maintain pay for the full-time job. My state of Montana has its own version, and I look forward to hearing testimony today about Rhode Island's work-sharing experience.

Some states create new jobs through wage subsidy programs. These programs help employers cover a portion of a new employee's wages to encourage the hiring of unemployed workers.

Today we will hear more about the opportunities and challenges that arise from these programs.

Many components of the Unemployment Insurance program will expire at the end of this year. We must extend this program that is critical not only for millions of Americans, but also for our economy. This is also an opportunity for this Committee to examine the unemployment system and to make improvements.

So let us ensure that workers are prepared with the skills employers need. That is how jobs get filled and our economy recovers. Because what people really want — more than an unemployment check — is to be back at work.

Let us focus on getting these folks back to work. And let us heed the words of Theodore Roosevelt and make sure all Americans have the chance of the prize of working hard at work worth doing.

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The New York Times

The Opinion Pages

OP-ED COLUMNIST

Girls Just Want to Go to School

By NICHOLAS D. KRISTOF

Published: November 9, 2011

THU THUA, Vietnam—Sometimes you see your own country more sharply from a distance. That's how I felt as I dropped in on a shack in this remote area of the Mekong Delta in Vietnam.

The head of the impoverished household during the week is a malnourished 14-year-old girl, Dao Ngoc Phung. She's tiny, standing just 4 feet 11 inches and weighing 97 pounds.

Yet if Phung is achingly fragile, she's also breathtakingly strong. You appreciate the challenges that America faces in global competitiveness when you learn that Phung is so obsessed with schoolwork that she sets her alarm for 3 a.m. each day.

She rises quietly so as not to wake her younger brother and sister, who both share her bed, and she then cooks rice for breakfast while reviewing her books.

The children's mother died of cancer a year ago, leaving the family with \$1,500 in debts. Their father, a carpenter named Dao Van Hiep, loves his children and is desperate for them to get an education, but he has taken city jobs so that he can pay down the debt. Therefore, during the week, Phung is like a single mother who happens to be in the ninth grade.

Phung wakes her brother and sister, and then after breakfast they all trundle off to school. For Phung, that means a 90-minute bicycle ride each way. She arrives at school 20 minutes early to be sure she's not late.

After school, the three children go fishing to get something to eat for dinner. Phung reserves unpleasant chores, like cleaning the toilet, for herself, but she does not hesitate to discipline her younger brother, Tien, 9, or sister, Huong, 12. When Tien disobeyed her by hanging out with some bad boys, she thrashed him with a stick.

Most of the time, though, she's gentle, especially when Tien misses his mother. "I try to comfort him," she says, "but then all three of us end up crying."

Phung yearns to attend university and become an accountant. It's an almost impossible dream for a village girl, but across East Asia the poor often compensate for lack of money with a dazzling work ethic and gritty faith that education can change destinies. The obsession with schooling is a legacy of Confucianism—a 2,500-year-old tradition of respect for teachers, scholarship and

meritocratic exams. That's one reason Confucian countries like China, South Korea and Vietnam are among the world's star performers in the war on poverty.

Phung pleads with her father to pay for extra tutoring in math and English. He explains softly that the cost—\$40 a year—is unaffordable.

(For anyone who wants to help Phung, an aid group called Room to Read has set up a fund to help her and girls like her; details are on my blog, nytimes.com/ontheground, or on [Facebook.com/Kristof](https://www.facebook.com/Kristof).)

I wish we Americans could absorb a dollop of Phung's reverence for education. The United States, once the world leader in high school and college attendance, has lagged in both since the 1970s. Of 27 countries in the Organization for Economic Cooperation and Development for which we have data, the United States now ranks 23rd in high school graduation rates.

Granted, Asian schools don't nurture creativity, and Vietnamese girls are sometimes treated as second-class citizens who must drop out of school to help at home. But education is generally a top priority in East Asia, for everyone from presidents to peasants.

Teachers in America's troubled schools complain to me that parents rarely show up for meetings. In contrast, Phung's father takes a day off work and spends a day's wages for transportation to attend parent-teacher conferences.

"If I don't work, I lose a little bit of money," he said. "But if my kids miss out on school, they lose their life hopes. I want to know how they're doing in school."

"I tell my children that we don't own land that I can leave them when they grow up," he added. "So the only thing I can give them is an education."

For all the differences between Vietnam and America, here's a common truth: The best way to sustain a nation's competitiveness is to build human capital. I wish we Americans, especially our politicians, could learn from Phung that our long-term strength will depend less on our aircraft carriers than on the robustness of our kindergartens, less on financing spy satellites than on financing Pell grants.

Phung gets this better than our Congress. Every day, she helps her little brother and sister with their homework first and then completes her own. Sometimes she doesn't collapse into bed until 11 p.m., only to rouse herself four hours later.

On Sundays, Phung sleeps in. As she explained: "I don't get up till 5."





Lincoln D. Chafee
Governor
Charles J. Fogarty
Director

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**Testimony before the Senate Finance Committee
on the Success of the Rhode Island WorkShare
Short-Term Compensation Program**

November 10, 2011

**Charles J. Fogarty
Director
RI Department of Labor and Training**

Good morning, Chairman Baucus and members of the U.S. Senate Committee on Finance. My name is Charles Fogarty. I currently am a member of the cabinet of Governor Lincoln Chafee, where I serve as Director of the Rhode Island Department of Labor and Training. I am pleased to be able to speak with you this morning about our state's 20-year experience with the WorkShare short-term compensation program.

WorkShare is a successful layoff aversion program that has prevented an estimated 14,650 layoffs* in our state since 2007--the beginning of the recent economic downturn in Rhode Island. As you know, Rhode Island has been experiencing double digit unemployment rates since March 2009, with a high of 11.8 percent in March 2010 and with a current rate of 10.5 percent as of September 2011. We in Rhode Island believe strongly that our WorkShare program has kept this rate from escalating and causing further damage to our state economy.

History

WorkShare began in Rhode Island in 1991, within a year of the passage of federal legislation allowing short-term compensation programs; the launch of the Rhode Island WorkShare program coincided with a statewide economic downturn and credit union crisis in the state. In 2002, the Rhode Island program was expanded from 26 weeks to 52 weeks.

The WorkShare program had been used almost exclusively by the manufacturing industry until the economic downturn following the September 11th attacks in 2001. At that time, the types of employers using WorkShare expanded to include those from other industry sectors. At the height of the most recent recession, enrollment in the WorkShare program peaked in 2009, resulting in more than 27,000 initial claims and a total of 6,600 averted layoffs¹ in that year alone.

¹ Layoffs averted are calculated by multiplying the percentage of the workers' reduced hours by the number of workers covered by the employer's plan.

	Layoffs Averted	Initial Claims		Layoffs Averted	Initial Claims
1992	2,173	9,652	2002	2,602	8,370
1993	1,400	5,003	2003	1,801	7,832
1994	1,474	4,628	2004	1,017	4,452
1995	2,228	6,546	2005	1,165	5,006
1996	2,033	6,643	2006	1,288	5,618
1997	2,140	5,120	2007	1,472	6,451
1998	1,773	5,749	2008	2,934	10,546
1999	1,656	5,399	2009	6,618	27,372
2000	1,408	4,036	2010	2,933	12,099
2001	3,998	10,803	*2011	699	2,678

*As of September 30

Currently, the majority of WorkShare claimants are men. Sixty percent of claimants are employed in production occupations that are predominantly found in the manufacturing sector. However, 25 percent of WorkShare claims in 2011 have occurred in sectors other than manufacturing, including wholesale trade, professional and technical services, and health care.

Partial Wage Replacement

Through WorkShare, a company may uniformly reduce the work hours of its entire workforce or of all employees within an impacted business unit or division. This reduction can run from as little as 10 percent to as much as 50 percent. Income that would otherwise have been lost due to a work week reduction is partially reimbursed through Unemployment Insurance. In Rhode Island, our average Unemployment Insurance benefit covers approximately 60 percent of lost wages.

Here's an example: Suppose a person working full-time earns \$500 each week—\$100 each day that he is working. Under WorkShare, suppose that same person has his work week reduced from five days to four days. In this scenario, the participating company would pay that employee \$400 in wages, and Unemployment Insurance would pay him \$60—60 percent of one day's wages—for the remainder of the work week. That brings the week's total of wages and benefits to \$460. Had that person been laid off, his weekly benefits would have totaled approximately \$300—\$160 less than if he had participated in the WorkShare program.

Additional examples are provided in the following chart:

1/2 Day Cut (10% Reduction)				
5-Day Wages	Regular UI Payment	4.5 Days Wages	10% WorkShare	Total Wages + WorkShare
\$400	\$240	\$360	\$24	\$384
\$500	\$300	\$450	\$30	\$480
\$600	\$360	\$540	\$36	\$576
\$700	\$420	\$630	\$42	\$672
\$800	\$480	\$720	\$48	\$768
\$900	\$540	\$810	\$54	\$864
\$1,000	\$566	\$900	\$56	\$956

1 Day Cut (20% Reduction)				
5-Day Wages	Regular UI Payment	4 Days Wages	20% WorkShare	Total Wages + WorkShare
\$400	\$240	\$320	\$48	\$368
\$500	\$300	\$400	\$60	\$460
\$600	\$360	\$480	\$72	\$552
\$700	\$420	\$560	\$84	\$644
\$800	\$480	\$640	\$96	\$736
\$900	\$540	\$720	\$108	\$828
\$1,000	\$566	\$800	\$113	\$913
1.5 Day Cut (30% Reduction)				
5-Day Wages	Regular UI Payment	3.5 Days Wages	30% WorkShare	Total Wages + WorkShare
\$400	\$240	\$280	\$72	\$352
\$500	\$300	\$350	\$90	\$440
\$600	\$360	\$420	\$108	\$528
\$700	\$420	\$490	\$126	\$616
\$800	\$480	\$560	\$144	\$704
\$900	\$540	\$630	\$162	\$792
\$1,000	\$566	\$700	\$169	\$869
2 Day Cut (40% Reduction)				
5-Day Wages	Regular UI Payment	3 Days Wages	40% WorkShare	Total Wages + WorkShare
\$400	\$240	\$240	\$96	\$336
\$500	\$300	\$300	\$120	\$420
\$600	\$360	\$360	\$144	\$504
\$700	\$420	\$420	\$168	\$588
\$800	\$480	\$480	\$192	\$672
\$900	\$540	\$540	\$216	\$756
\$1,000	\$566	\$600	\$226	\$826
2.5 Day Cut (50% Reduction)				
5-Day Wages	Regular UI Payment	2.5 Days Wages	50% WorkShare	Total Wages + WorkShare
\$400	\$240	\$200	\$120	\$320
\$500	\$300	\$250	\$150	\$400
\$600	\$360	\$300	\$180	\$480
\$700	\$420	\$350	\$210	\$560
\$800	\$480	\$400	\$240	\$640
\$900	\$540	\$450	\$270	\$720
\$1,000	\$566	\$500	\$283	\$783

Eligibility

WorkShare is available to any employer with two or more employees, provided that a business meets certain criteria. WorkShare is designed as a layoff aversion program during an unanticipated downturn, and cannot be applied to a time period associated with regular seasonal slowdowns. Only those employees who normally work 30 hours or more per week and who would normally be eligible to receive regular Unemployment Insurance benefits in Rhode Island are eligible to participate in WorkShare. By policy, employers enrolled in WorkShare are asked to continue to provide existing fringe benefits, including vacation, sick leave, health care and retirement benefits.

WorkShare employers must file an approved plan for work week reductions (including affected individuals, hours and wages), and furnish reports necessary to verify and evaluate that plan as it progresses. In cases where a collective bargaining unit is involved, that bargaining unit must sign off on the plan before the state approves its implementation. In Rhode Island, a WorkShare plan can be modified 30 days after it takes effect. Also in Rhode Island, a WorkShare plan cannot exceed 52 weeks, but may be renewed two consecutive times.

Promotion

There are several reasons we believe that WorkShare has been particularly successful in Rhode Island. One has to do with our long-standing commitment to the program. On any given day, we have three to five Unemployment Insurance employees dedicated to operating the WorkShare program. Additionally we have trained all our Unemployment Insurance claims-takers to monitor business claims for layoffs patterns that could indicate a need for WorkShare. And, our partners in the Workforce Development Division educate employers on WorkShare as part of a menu of available services.

One of the barriers to promoting WorkShare is the proprietary nature of the information. Most companies who are struggling do not want their customers, suppliers and competitors to know that they are considering layoffs or work week reductions. Accordingly, we do not publicize the names of WorkShare companies unless the companies give us permission. However, those companies who have come forward—some after their WorkShare experience has concluded and some while they are actively participating in the program—become our best business-to-business communicators. One of the benefits of Rhode Island's small size is that word can travel fast, and when that word is WorkShare, the news continues to spread across the state.

Rhode Island Success Stories

During this prolonged recession, WorkShare has proven to be more than a simple win-win situation for government and business. It's a win-win-win (3x) for employees, employers and the State of Rhode Island. The biggest benefit for employees is an obvious one: they get to keep the jobs at which they already excel. Conference Board data for August 2011 counted 16,400 job openings and 59,600 job seekers—that is 3.64 job seekers for every one job available. Those are tough odds if you are trying to put food on the table. That is why layoff aversion programs like WorkShare are so important—they provide stability to Rhode Island families that might otherwise be facing an average of more than 30 weeks of unemployment.

WorkShare is a win for employers, because they are able to protect their greatest investment: a trained and productive workforce. Employers will tell you that when laid-off workers walk out the door, all the knowledge and skills they have accumulated on the job walk out the door with them. And those same employers will tell you that when the economy turns around, they will have to recruit, hire and train new workers to fill positions lost to temporary downsizing before they can take advantage of the improved business climate. However, those employers who have benefited from WorkShare will tell you a different story. They will tell you that, because their employees are able to remain on the job part-time during hard times, those same employees will be prepared and able to boost production immediately when the economy turns around.

José Gouveia, the employment and training manager at Hope Global—a RI manufacturer that had used WorkShare in 2009 and 2010—has this to say about the program:

“While our company was on the WorkShare Program, it certainly reduced the layoffs and helped in our overall survival. It allowed us to keep our talented workforce and our employees to maintain their benefits. Our company is doing well; but looking back, the WorkShare Program was a big help when we journeyed through a challenging period. Programs like this one are important to help businesses throughout the country and to allow people to still earn a paycheck.”

Geoff Grove, CEO of Pilgrim Screw, a Rhode Island manufacturing company which is now active on the WorkShare program, says:

“By giving small businesses an option other than a full layoff, WorkShare helps us to maintain skill sets that might otherwise be lost. People in small companies often wear many hats. So, a layoff may mean that a skill is lost to the company when the person leaves, unlike in large companies where skills are often redundant.”

Michael Cooley, CEO of The Quinlan Companies, calls his company the ‘poster child’ for WorkShare.

“The single-most instrumental action we took that put us back on the map was WorkShare. We were preparing to cut a portion of our staff, and instead we were able to have the WorkShare program subsidize wages until we got through the downturn in the economy. We survived the recession, we’ve just added a huge facility and we will be hiring more people in Rhode Island.”

As for the State of Rhode Island, the win is simple economics. WorkShare keeps taxpayers employed today and WorkShare keeps companies poised for future opportunity. WorkShare saves jobs.

At this point, I would like to thank the chairman for this opportunity to testify, and I am happy to answer any questions the committee may have.

Senate Finance Committee Hearing
"Unemployment Insurance: The Path Back to Work"
November 10, 2011
Responses Submitted for the Record
Mr. Charles J. Fogarty

Senator Max Baucus:

Responses:

Work-Sharing Programs

Recently, many states (almost half) adopted work-sharing legislation.

1. What do you think has caused this surge of interest in work sharing?
 - a. WorkShare has proven to be one of the most successful business retention programs available in the states that have used the program in the past, and most significantly during the last four years. Businesses that have utilized the program during the Great Recession have been able to survive at a higher rate than those who did not have it available to them. The media attention given to the program in the past few years, as well as the support given through Congress by Senator Jack Reed and others for the program, have highlighted WorkShare's significant advantage for business. In addition, representatives from Rhode Island have presented on the WorkShare program at several National US Department of Labor conferences over the last two years, and at the UWC (Unemployment Workers' Compensation) Employer conference.
2. What can the Federal government do to help state agencies take full advantage of work sharing and administer the program successfully?
 - a. Technical Assistance funding will be necessary for those states who are starting new programs; as well as those states which currently offer WorkShare, but have manual processes in place, to allow such states to automate the process.
 - b. Federal guidance and information on best practices should be provided to states considering passing work sharing legislation. States who have had successful work sharing programs should be included in the conversations in order maximize the information passed along to the states considering passage.

Senator Ron Wyden:

Responses:

Self-Employment Assistance

You represent the state of Rhode Island, which does not have a self-employment assistance program.

1. Given the statistics I outlined as well as those in Dr. Wandner's testimony, has Rhode Island considered creating SEA programs, and if not, why?

a. Rhode Island, in fact, does have legislation in place that allows for entrepreneurial training: Section 28-44-70 of the RI Employment Security Act. Rhode Island is planning to model our program after Maine's, and is researching their plan at this time.

2. If resources and technical assistance were made available to do so, would your state consider creating a program?

a. The Assistant Director of Workforce Development in Rhode Island has visited the State of Maine to learn more about their SEA program, and we are in the planning stages at this time to implement. Of course, resources and technical assistance would be welcomed by Rhode Island, especially since an automated process for administering the program would be essential.

**STATEMENT OF HON. ORRIN G. HATCH, RANKING MEMBER
U.S. SENATE COMMITTEE ON FINANCE HEARING OF NOVEMBER 10, 2011
UNEMPLOYMENT INSURANCE: THE PATH BACK TO WORK**

WASHINGTON — U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, today delivered the following opening statement at a committee hearing examining unemployment insurance in America:

This is a very important topic; one worthy of the Committee's attention. The fact that we're holding this hearing today is yet another reminder that, despite some scattered signs of recovery in our economy, too many Americans are unable to find jobs. Our unemployment rate is simply too high. While there are differences of opinion about how to solve this problem, we are all in agreement that Congress must do more to restore job creation and to help get the unemployment and underemployment rate down.

Today, we will have another discussion about our nation's unemployment insurance system. My hope is that we can get some answers about how our unemployment system can be reformed. Currently, the UI system is designed simply to process and distribute benefits to the unemployed. Individuals and families that face job loss deserve better than this. Ideally, the goal of a UI system would be to help unemployed workers find new jobs. Indeed, the success of the various UI programs should not be measured by the number of people receiving benefits, but by the number of people who have moved from receiving benefits into long-term employment.

Today, I hope we'll hear some ideas for making these types of changes.

It's gratifying to see that we have representatives from state workforce agencies on our panel today. I am convinced that, if we're going to see reforms to the UI system that get people back to work, those reforms will come from innovation in the states.

Over the years, unemployment insurance has essentially been a state-run program. While the federal government has provided guidelines and administrative funding, states have been given the primary responsibility of collecting unemployment taxes and distributing benefits. However, with the recent economic downturn, we've seen an expansion in the federal government's role in unemployment insurance. And, with expanded, federally-financed benefits, states have had less flexibility to innovate and reform their individual UI programs.

This is unfortunate because, as we've seen over the years, many states have generated ideas and reforms that have drastically improved their UI systems. And, when individual states have taken action to reform their own programs, they have been able to effectively communicate their successes — and even their failures — with other states. This has led to the expansion of best practices across multiple states.

When I speak with Utah officials about their UI programs – which are, by most accounts, among the most efficient in the country – they continually express their desire to take on more responsibility in designing and implementing reforms and helping people get back to work. More than anything, state officials in Utah want to see fewer restrictions coming from the federal level and greater flexibility to innovate.

The evidence of state innovation is probably strongest in the area we're discussing today — re-employment. I'm hoping that today's panel will give us some insight into what states have been able to do in this area; which programs have worked and which one's haven't. Most of all, I'm hoping to get some clarity about what Congress can do to help states find success as they work to solve their own unemployment problems.

There are a number of UI-related issues that will have to be addressed between now and the end of the year. Once again, I am convinced that, if we want to see improvements in re-employment efforts and other areas of the UI system, the federal government's role will need to be reduced. States need to be given more flexibility to develop their own approaches and to adopt and adapt successful programs from other states.

To the extent that Congress can play a role in this area, I believe it should be getting the federal government out of the states' way. I am quite certain that, in the coming days, we'll hear very few state officials clamoring for more strings to be attached to their UI programs.

Once again, I hope to gain greater insight into these issues today, and I look forward to hearing from our panel. Thank you, Mr. Chairman.

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UNEMPLOYMENT INSURANCE: THE PATH BACK TO WORK HEARING TESTIMONY

DON PEITERSEN

DIRECTOR OF UNEMPLOYMENT INSURANCE / WORKFORCE PROJECT
AMERICAN INSTITUTE FOR FULL EMPLOYMENT

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 wageⁱ 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.

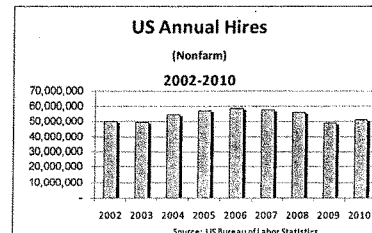
Today, duration of regular UI claims averages 126 days (18 weeks). If reemployment efforts reduce average duration by only 6.7 days (5%), the initiatives will break even. If they drive faster reemployment and lower durations, the result can be a win-win-win for employers, claimants and the state.

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 systems, 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	\$ 8,808	\$ 1,174	\$ 7,632	\$ 5,310	\$ 1,781	\$ 3,549
Benefits Paid After Program (If Not Hired)	\$ -	\$ -	\$ (61)	\$ -	\$ 61	\$ (61)
Subsidy Paid	\$ -	\$ 2,280	\$ (2,280)	\$ -	\$ 2,280	\$ (2,280)
Admin. Training Costs (WMA)	?	\$ -	\$ (400)	?	\$ -	\$ (400)
Administration / Marketing	\$ -	\$ -	\$ (91)	\$ -	\$ (91)	\$ 91
UI Tax on New Wages Paid to Participant in Program	\$ 8,808	\$ 3,824	\$ 4,982	\$ 5,310	\$ 4,411	\$ 899
TOTAL PER PARTICIPANT						
	\$ 8,808	\$ 3,824	\$ 4,982	\$ 5,310	\$ 4,411	\$ 899
TOTAL PARTICIPANTS	300,000	300,000		300,000	300,000	
TOTAL COSTS	\$ 2,841,770,000	\$ 1,147,192,272	\$ 1,494,577,728	\$ 1,585,000,000	\$ 1,323,310,272	\$ 265,689,728
ASSUMPTIONS						
UI Benefits						
Ave Weekly Benefit for Participants	\$ 293.53	\$ 293.53		\$ 245.00	\$ 203.53	
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 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
WMA Training	?			?		
Admin. Per Participant	?	\$ -	400	?	\$ -	400
Ave. Wage Paid During Subsidy	\$0	\$ -	\$12.00	\$0	\$ -	\$12.00
Ave. UI Tax Rate of Participating Employers			2.05%			2.05%
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		\$ -	684,000,000		\$ -	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	\$352,238,000		\$1,384,000,000	\$531,000,000		\$1,384,000,000
Additional Employer Outreach Funds - Total Annual	\$0		\$130,800,000	\$0		\$130,800,000
UI Trust Fund Cost - Total	\$ (2,841,770,000)	\$ -	(1,147,192,272)	\$ (1,585,000,000)	\$ -	(1,323,310,272)
Return on Investment			\$ 1,494,577,728			\$ 265,689,728
			230%			120%

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Responses to questions to Don Peitersen
regarding his testimony before the
Senate Finance Committee – November 10, 2011

Questions from Senator John D. Rockefeller

1. Is the Georgia Works program functioning in the state? How many people have been served? If it is not in operation, when did it end and what was the reason?

RESPONSE

Georgia Works is still operating, but on a smaller scale recently. Implemented in 2003, Georgia Works has helped Georgia develop employment opportunities for over 4,000 unemployed workers and provided over 20,000 individuals with training certificates for new skills necessary in today's job market. Still in operation today, Georgia Works has gone through two variations. Its initial concept provided unemployment insurance claimants with a two-month training opportunity for up to 24 hours per week while they continue to receive their unemployment insurance weekly benefit. In addition, the state provided a stipend to assist in travel, childcare and other employment-related costs, for each participant.

Since its inception, the state increased the program's stipend amount, lowered the program weeks from eight to six and modified the eligibility criteria to meet the changing labor market in Georgia. In 2011, the state returned Georgia Works to its original model, due to pressures on the state funded stipend and workers compensation costs. Several states have replicated Georgia Works, such as New Hampshire, Missouri and North Carolina where it has proven to be a valuable part of a portfolio of services available to employers and UI claimants to reconnect with employment and gain new employment skills.

2. What contributions and obligation did the employers – both private sector and non-profit – contribute to the program and the participants? Was data collected on the number of permanent jobs that resulted from the placements?

RESPONSE

Employers are obligated to provide a structured training program to the Georgia Works participants to give them the new skills necessary to land a job. Employers invest time and training for the duration of each job seeker's participation with no guarantee that the job seeker will learn or be a good fit for the employer. In Georgia, the state provides

workers compensation coverage for participants. In some of the other states with similar programs, the employer pays that cost.

The Georgia Department of Labor ("GDOL") is currently assessing data from Georgia Works. In January 2010, GDOL reported that over 10,000 unemployed Georgians had participated in the program with 6,105 completing the training. Of those who completed the training, 3,363 (55.1%) obtained employment through the program. Another 1,170 obtained employment in the quarter after completing the training.

3. **Did the program follow the Department of Labor's guidelines and standards for worker protections and safety? How were such regulations overseen and enforced? If not, how is such a disparity handled in the workplace among permanent staff and program participants?**

RESPONSE

Our reviews of Georgia Works did not include an assessment of employer's adherence to worker protection and safety requirements. We are unaware of any program standards for Georgia Works participants that are different from state and federal laws and regulations applicable to workplace safety. The Georgia Department of Labor did require that employers treat Georgia Works participants in the same manner as their employees.

Questions from Senator Ron Wyden

1. **Given the statistics I outlined as well as those in Dr. Wandner's testimony, do you think more states should consider creating self-employment assistance programs?**

RESPONSE

We have not studied self-assistance programs and the value of these programs. We have noted the participation levels in the program. Currently, it appears that seven states are providing self-employment options for UI claimants with very low participation levels. In her testimony before the Senate Finance Committee on April 14, 2010, Ms. Jane Oates, Assistant Secretary for Employment and Training, U.S. Department of Labor, stated that the lack of participation in the self-assistance program might be in part due to the lack of availability for entrepreneurial training and business counseling in the program.

Ms. Oates stated that a recent demonstration of the effectiveness of self-employment services delivered through the One-Stop Career Centers was slightly positive. If Congress is considering expanding the self-employment programs, it may be valuable for US DOL to conduct a more thorough analysis of the results of the current programs.

- 2. If resources and technical assistance were made available to do so, would you advise more states to implement these programs?**

RESPONSE

We are open to any cost effective initiative that provides unemployment insurance claimants with increased ability to return to meaningful employment more effectively. However, such initiatives should give states flexibility to design, implement and fine tune programs to provide excellent results and a positive return on investment.

**Testimony of
Larry Temple,
Executive Director
Texas Workforce Commission**

**Senate Finance Committee
United States Senate
“Unemployment Insurance: The Path Back to Work”**

November 10, 2011

Good Morning Chairman Baucus, Ranking Member Hatch and distinguished members of the Committee. For the record, my name is Larry Temple and I am the Executive Director of the Texas Workforce Commission. I appreciate the opportunity to share with you the exciting things we are doing in Texas to help assist those who are unemployed and especially those who are receiving unemployment compensation or exhausted all their benefits. Our unemployment is certainly higher than we wish it were and our economy has felt the impact of the national economic downturn. However, Texas has experienced job growth during this time and has added 248,500 jobs over the year. Caterpillar and Toyota to name a few have selected Texas for new plant locations as well as expansion of existing operations. Texas was also rated Top Business Climate in the Nation by Site Selection Magazine in 2011.

I am proud to say that the Texas Workforce Commission and its network of local workforce development boards have all been a part of this economic development team. Through our system, job seekers and employers are connected, and by being a part of this team effort we are able to assist the unemployed to take advantage of these hiring opportunities. Over the past year alone, our local workforce boards have conducted over 500 job fairs to help connect employers and job seekers.

Through our integrated service delivery model and our commitment to unemployment insurance (UI) claimants, we have been able to reconnect over 800,000 unemployed Texans to the workforce in the past year. Texas has a demand-driven system, and the model is built around private employers, as they are key to creating jobs.

Let me give you a little background on how the Texas Workforce Commission and our service delivery model works in Texas. The Texas Legislature, in 1995, enacted comprehensive workforce and welfare reforms that envisioned a workforce system that was locally controlled – like local school boards – to respond to local needs. The law established a new agency, the Texas Workforce Commission (TWC), merging 28 workforce development programs from 10 agencies. In response to the legislation, TWC created an integrated service delivery system in place includes 28 local workforce boards and 240 one-stop centers covering 254 counties. The 28 Boards build strong bonds between business, education, and job training resulting in a strengthened economy to benefit everyone. The Boards partner with community colleges, community based organizations, economic development and education providers, as well as the local chambers of commerce. Local flexibility with state oversight is the Texas model, and it continues to serve Texans best.

Second only to Veterans, the unemployment insurance claimant is the #1 priority population in our system. This priority was formally designated by our Commission in 2003. To reinforce and support this priority, the Commission implemented a self-imposed employment measure for the reemployment of UI claimants.

We have established a 10-week reemployment measure as our gold standard. This is not a federally mandated target or even a state mandated target. In 2011, for this initiative, we received the US DOL innovation best practices award. One important thing to recognize is that while the goal is reemployment within 10 weeks, we recognize that going to work in 11, 12, or 13 weeks, this is still better than reemployment in 16, 20, or 26 weeks.

If we reemploy a claimant just one week sooner the return pays enormous dividends to employers, claimants, and local communities. For instance, 330K claimants returning to work 1 week quicker is the equivalent of adding 6600 workers to the economy.

- The UI Trust Fund saves about \$105M (assuming 330K claimants, which is a more typical number than what we have right now)
- Claimants get an average of \$274 more than they would have had they gotten UI for another week (Median Weekly Wage – Average Weekly Benefit Amount). Assuming roughly 330K claimants, that represents \$90M to claimants and their families.
- This then has an indirect impact of \$140M in local economies (based on a conservative 1.55 multiplier).

In the first 5 years of the program, we estimate a savings of approximately \$1 Billion to the Texas UI Trust Fund. This is essentially economic development that does not cost a dime. We are very proud of this effort and to our knowledge; Texas is the only state that has a self-imposed employment measure of UI claimants.

Prior to TWC's implementation of the 10 Week target and corresponding introduction of new tools and policies to help claimants return to work, performance was roughly 27%. Before the recession hit, claimant reemployment climbed to a high of 64% then dropped during the recession to 40%. While our unemployment rate has been over 8%, we have seen the 10-week performance exceed 50% in the past year because we are making connecting UI claimants to work our priority.

When unemployed workers are slow to return to the workforce, this drives up UI taxes, creates economic hardship for claimants and hurts local communities. Texas realized that UI claimants were an important untapped resource that had employment experience and skills with recent attachment to the workplace. We recognize that improving claimant reemployment promotes employer, employee, and community prosperity. By making UI claimants a priority and getting them back to work, it puts money in their household and ultimately into the economy.

Building on the commitment of our local workforce boards, the state provides support tools such as our comprehensive on-line job search resource, WorkInTexas.com. WorkInTexas.com allows unemployed Texans to search for work based on a variety of options and search criteria and is also an excellent tool for employers to find skilled workers.

Another creative solution to assist job seekers and employers is our Texas Back to Work hiring initiative. The Texas Back to Work Program offers a \$2000 hiring incentive over 4 months to private sector employers who hire UI claimants that were making \$15/hour or less in their previous job. It is the largest experiment with hiring incentives for unemployment insurance claimants in the US and the program has made nearly 21,000 placements since its creation, less than two years ago and with over 4000 employers participating. These new jobs represent a 99.4% wage replacement rate for those who successfully complete the program. This innovative program earned Texas the US DOL's best practices award in 2010.

Through the Texas Back to Work program, Jim Dyal, Human Resource Director at Priefert Manufacturing has hired several welders and entry-level assembly workers, at average hourly wages of \$12-13 per hour in support of the company's advanced manufacturing operation.

"We have had tremendous success with the candidates we've hired through Texas Back to Work," said Dyal. "Receiving hiring incentives through Texas Back to Work allow us to take a little more of a risk in hiring individuals that we can train to do welding, because it offsets the cost of training. We are able to expand employees' skill sets in a high demand field and provide an opportunity to candidates with good potential. The payback for that goes a lot further than the initial incentive."

Although successful, the Texas Back to Work program is not the panacea for all job seekers or employers but a good example of innovation at the state level. This innovation can only be accomplished where there is flexibility in funding. Just as the economies in Dallas are not necessarily the same as in El Paso, the solutions to these challenges can also be unique. Nor does the same cookie cutter approach work from state to state. With flexibility in the UI and workforce systems, our State can best meet the needs unemployed Texans.

To further support job seekers, we offer a multi-media career information system designed to help address education and career exploration questions called *Texas CARES Online* (Career Alternatives Resource Evaluation System). Another solution is Texas's Shared Work Program, known as "Short-Time Compensation." This program gives Texas employers an alternative to temporary layoffs. The Shared Work program was enacted into law by the 69th Texas Legislature in 1985. Through the Shared Work Program, employers supplement their employees' wages that are lost as a result of reduced work hours, with partial unemployment benefits. Under the Shared Work Program, employees who qualify and participate receive both wages and shared work unemployment benefits. The State has seen an increase in shared work activity as layoffs have increased over the last several years. In calendar year 2010, TWC approved 477 plans involving 24,665 affected workers.

As you have heard today, states are truly the laboratories of innovation in their approach to helping people find work. But the opportunities are far greater than what you have heard today and quite frankly do not necessarily require Congress to give states more funding. Instead, states need more flexibility. Flexibility across all funding streams whether it be UI administrative dollars or funds associated with workforce funds. We are well aware of the budget situation at the federal level. We have the same issues at the state level but we have found that enhanced flexibility can go a long way to address funding shortfalls.

Thank you for allowing me the opportunity to discuss this important topic and I am happy to answer any questions you may have.

Workforce Investment Act (WIA) Reauthorization - Requested Flexibility

Texas Workforce Commission (TWC) supports the following changes:

Funding/Administrative

- Provide states full flexibility to design and delivery WIA workforce services with full transferability between Adult, Dislocated Worker and Youth.
- Expedited waiver approval

Youth

- Changes to the definition of low income individual to include individuals who receive or are eligible to receive free/reduced school lunch
- Changes to the definition of low income individual to increase income limits to 150% of poverty level

Adult/Dislocated Workers

- Flexibility to fund incumbent worker training with local formula funds
- Flexibility to use WIA in support of transitional jobs/subsidized employment

Eligible Training Providers

- Flexibility to allow the Governor to establish requirements and procedures for certifying Eligible Training Providers and how Boards and states will process applications
- Subsequent Eligibility/Biennial review required as part of Governor-developed procedures
- Changes to the types of providers who may be Eligible Training Providers, to include Adult Education and Literacy if combined with occupational skills training
- Performance based on WIA participants and submitted by training providers
 - Employment (based on wage records)
 - Employment in occupation related to training program
 - Retention
 - Earnings
 - Receipt of recognized credentials or diplomas

Adult Education

- Integrating adult education with training; promotion of employer linkages
- Allowing the use of Title III money for integrated education and training – providing adult education and literacy education and workforce training concurrently

Texas Workforce Commission Concern:

Workforce Innovation and Replication Grants

- The Texas Workforce Commission is concerned about the funding that is being redirected from the states to fund federal Innovation Grants. In addition to reducing the amount of funding for states and ultimately local areas, the use of grant programs adds an administrative burden at both the state and local levels—in the grant writing and securing of match. In addition, it assumes that the federal government understands the innovative needs of each of the 50 states. States are in a better position to understand local needs regarding innovative services.

Senator Max Baucus:

Questions for the Witness:

TWC 10-Week Reemployment Measure

I would like to learn more about your 10-week reemployment initiative.

1. What kind of data do you track to measure success?

2. Are folks finding sustainable employment? Are folks being paid enough to support a family?

The measure of Claimant Reemployment within 10 weeks uses a combination of data to identify whether a claimant has returned to work within 10 weeks: unemployment insurance (UI) claims data; workforce services data; and other administrative records of employment.

TWC evaluated pre-claim and post-placement wages for claimants placed within 1 year looking at those reemployed from July 1, 2007 to June 30, 2010. Over this period, the UI data shows that claimants placed within 10 weeks had a Wage Replacement Rate that was 12.26% higher than those placed in 11 to 52 weeks. The differential was highest prior to the recession (16.12% for claimants placed in 2007Q3) and lowest for placements made 2009Q1 (7.52% higher for those placed in 10 weeks) but has been trending up over the last few quarters (13.09% for those claimants placed in 2010Q2).

We comply with federal and state statute for claimants to find suitable employment.

3. Are these jobs for which they are qualified?

The goal is to find jobs which people are qualified following federal and state statute.

In addition, the Local Workforce Boards have a variety of tools for which to identify and match employer needs to a qualified applicant(s).

4. Do these jobs have opportunity for advancement?

Once an individual obtains employment, the employer determines the opportunities for advancement within the respective business.

Senator Ron Wyden:

Questions for the Witness:

Self-Employment Assistance

You represent the state of Texas which does not have a self-employment assistance (SEA) program.

1. Given the statistics I outlined as well as those in Dr. Wandner's testimony, has Texas considered creating SEA programs, and if not, why?

Texas does not currently have a Self Employment Assistance Program (SEA) and the Texas Legislature is the authority that would make the decision to modify state law to have such a program.

TWC was able to fund three programs aimed at supporting entrepreneurship using Workforce Investment Act (WIA) Statewide Activity dollars. Under recent appropriations measures, a significant portion of WIA Statewide Activity dollars is being transferred from states' control to the Department of Labor. This is certainly not creating savings or efficiencies by cutting WIA Statewide Activity dollars by two-thirds for all 50 states and centralizing the control of these dollars at the federal level.

2. If resources and technical assistance were made available to do so, would your state consider creating a program?

The Texas Legislature would make the decision to implement a formal SEA program.

Senator Tom Coburn:

Questions for the Witness:

UI, TANF, WIA & Disabled Individuals

1. Please explain in detail what reforms you think are necessary at the federal level to ensure that *disabled* individuals currently receiving assistance under the TANF program are given adequate job training and job placement support from the workforce system.

In Texas, we assess the disability of the individual by getting from the attending physician what the individual is capable of doing in terms of work. Individuals with short-term disabilities, lasting more than 180 days, may be exempted from Choices participation. If a disability is expected to last less than 180 days, we allow the attending physician to modify the individual's work hours. If the attending physician indicates that an individual can work and/or participate if only for a few hours, we modify the work requirement based on the physician's recommendation.

2. Please describe the ways in which you think TANF, the Unemployment Insurance (UI) program, the Workforce Investment Act (WIA) system, the Social Security disability system and Vocational Rehabilitation can better work together to ensure this population is adequately served and given meaningful opportunities to work, and what statutory changes at the federal level may be necessary to accommodate an improved system of service. In this regard, please also note what federal requirements may be currently serving as an obstacle to better serving this population.

We support giving states the flexibility for achieving efficiency in meeting the needs of our customers. States can be more efficient without the duplicative reporting requirements for each individual program. We would also suggest that these programs move towards being outcome based and not process based.

Employment & Job Training Program Duplication

A 2011 Government Accountability Office (GAO) report¹ finds, in federal fiscal year (FY) 2009, nine federal agencies spent approximately \$18 billion to administer 47 separate employment and job training programs. All but three of the 47 programs *overlap with at least one other program* in that they provide similar services to similar populations – yet maintain separate administrative structures. Only five of the 47 job training and employment programs GAO surveyed had an impact study completed since 2004 to evaluate whether outcomes (i.e., such as program participants actually securing a job) resulted from the program and not another cause. About half the programs had no performance review since 2004. As a result, GAO finds “little is known about the effectiveness of most programs.”

¹ Government Accountability Office (GAO-11-92), “Multiple Employment and Training Programs: Providing Information on Co-Locating and Consolidating Administrative Structures Could Promote Efficiencies,” January 2011.

² The five federal job training and employment programs that have had an impact study performed since 2004 include the Temporary Assistance for Needy Families (TANF); WIA Adult Program; WIA Dislocated Workers; National Guard Youth Challenge Program; and Reintegration of Ex-Offenders.

³ According to the GAO, many researchers consider impact studies to be the best method for determining the extent to which a program is causing participating outcomes.

3. Given these findings, what are your suggestions for reducing duplication, improving coordination, and increasing effectiveness and accountability of government job training and employment programs?

Currently, our agency administers employment and training funds administered by three (3) different federal agencies. We suggest that states have the flexibility to consolidate or integrate systems and funding streams thereby allowing states to maximize efficiencies and respond to local needs.

Staff Consolidation

4. Does the State of Texas consolidate staff providing job training services under the various federal programs where possible? Are there any federal requirements that make consolidation of staff for different programs impossible? Please explain.

Texas does consolidate staff where possible as well as giving customers the ability to receive services across programs under one roof.

Program Funding

5. What percentage of job training funding through the WIA system does the State of Texas spend on direct client services versus administrative funding? How does the State of Texas limit administrative costs within its own workforce system? Do you think your state is spending more or less than other states on direct client services? How can more federal funding be directed to client services and not instead lost to an inefficient bureaucracy?

Texas spends almost 90% of all funding on direct client services versus administrative funding. This includes Local Workforce Board Administration at 5.9% and TWC administration at 4.5% as reflected in the chart below:

Description:	PY2010
Direct Program (including Rapid Response)	89.6%
• Local Workforce Board Administration	5.9%
• TX Workforce Commission Administration	4.5%
Total WIA Administration	10.4%

As you know, the federal government sets limits on administrative costs within the workforce system.

Again, we believe we can achieve greater efficiencies at the state level by giving flexibility to consolidate funding between WIA Adult, Dislocated Worker, and Youth.

WIA

6. Under the Texas workforce system, which job training and employment programs are administered through One-Stop Centers, and what programs are administered elsewhere? Does the State of Texas track any additional performance measures besides what is already required under the Workforce Investment Act system? Also, does the State of Texas track employment directly resulting from training provided by a given job training and employment program? How does evaluation and accountability differ between WIA and non-WIA job training and employment programs?

The Texas workforce system is designed to colocate services at one-stops to be more "customer friendly". A January 2011 GAO Report listed Texas as one of three states that has colocated services which results in a more efficient delivery of services and reduction in administrative costs.

"Options that may increase efficiencies include colocating services and consolidating administrative structures, but implementation may pose challenges. While WIA Adult and ES services are generally colocated in one-stop centers, TANF employment services are colocated in one-stops to a lesser extent. Florida, Texas, and Utah have consolidated their welfare and workforce agencies, and state officials said this reduced costs and improved services, but they could not provide a dollar figure for cost savings." GAO 11-92

In Texas, we use the common measures across all workforce services programs, not just DOL programs such as WIA and Wagner-Peyser. TWC has also created several other performance measures for monitoring and legislative reporting purposes including measures such as “Customers Served” and “Average Cost Per Customer Served.” In 2003, we also created Reemployment and Employer Engagement Measures to help improve reemployment of unemployment insurance claimants and service to employers (as well as to improve employer outcomes such as filling jobs for them).

Again, in 2003, we established a 10-week reemployment measure which is not federally or state mandated.

7. With limited resources available, how are decisions made concerning who will receive training and who may not in instances where there are equally eligible candidates but not enough funding?

Such decision-making is at the local level through the Local Workforce Boards which also have the authority to determine eligibility requirements. Priority populations include veterans, foster youth and unemployment insurance claimants.

In addition, the Texas Legislature created six (6) industry clusters that drive Texas’ economic development policy, workforce strategic planning, and ultimately, limited financial (federal and state) resources. Training for jobs in the six clusters is given priority.

Finally, the Local Boards work closely with employers to identify local targeted occupations. The Boards limit funding for training relative to those targeted occupations.

8. Has the State of Texas had any successful efforts to make employers in the private sector better aware of the WIA system, and to become more engaged with the state workforce system?

The Local Boards are made up of at least 50% businesses. Each of the 28 Local Boards has established a Business Services Units (BSU) that works closely with local employers and understands the regional economy. BSUs assist businesses with recruitment needs, screening and referral services, and the provision of labor market information. BSU staff also is available to assist companies that face layoffs with employee outplacement assistance. Effective employer engagement, an understanding of local industry needs, and ongoing business education help Business Services Units affect key drivers of the local labor markets thus producing long-term improvements to the local economies.

Additional activities that engage employers include the Chairman’s Texas Business Conferences; the agency’s involvement in the state’s Small Business Forums, partially funded using WIA Statewide Activity dollars; and the state and local staff involvement with local chambers of commerce, rotaries, and other community/business associations.

Texas also engages employers through our online labor exchange, WorkInTexas.com. We engage employers to gain their insight as to how the system best meets their needs. We continue to reach out to employers to make sure we are providing a useful resource for connecting them with job seekers.

Reemployment Services That Work

Testimony before the Senate Finance Committee

Statement of
Stephen A. Wandner, Ph.D.¹
 November 10, 2011

Chairman Baucus, Ranking Member Hatch, and other distinguished members of the Committee, I am Stephen Wandner, a labor economist with the Urban Institute and a visiting scholar at the W.E. Upjohn Institute for Employment Research. Thank you for inviting me to testify about reemployment services. Returning Americans to work is essential to our nation's economic health, and reemployment services are important tools to accomplish that goal. Many rigorous and impartial studies have shown that the four reemployment services that I will consider have helped return unemployment insurance (UI) recipients back to productive work.

Over the past 25 years a great deal has been learned about how reemployment services help the jobless get back to work. Researchers have used rigorous evaluation methods to assess what works, and what does not. During my career at the U.S. Department of Labor, I directed much of this research. I was fortunate to have initiated and to have overseen a series of third-party social science experiments under the leadership of Secretaries from Bill Brock to Robert Reich. These experiments demonstrated the effectiveness of low-cost reemployment services for dislocated workers. I also worked on the policy and legislative development of several reemployment services initiatives, as well as on the implementation and evaluation of three reemployment programs that were enacted into federal law. Further, during several past recessions, I worked on unemployment insurance research, policy, and actuarial services, supporting the design, implementation, and evaluation of extended benefit programs.

Evaluations of these Labor Department reemployment experiments concluded that at least three reemployment approaches are effective and efficient: job search assistance (JSA), self-employment assistance (SEA), and reemployment bonuses. In addition, short-time compensation (STC), which is also known as work sharing, has been shown to be effective based on program evaluations during decades of program operation in the U.S. and in over a dozen other industrial nations.

In my testimony below, I summarize what we have learned about these reemployment services, based on my recent book, *Solving the Reemployment Puzzle: From Research to Policy* (2010). I am honored that the Princeton University Industrial Relations Section awarded the book the 2010 Richard A. Lester Prize for the Outstanding Book in Labor Economics and Industrial Relations.

¹ Stephen Wandner is a Visiting Fellow at the Urban Institute and a Visiting Scholar at the W. E. Upjohn Institute for Employment Research. Any opinions expressed herein are solely the author's and should not be attributed to the Upjohn Institute or the Urban Institute.

The purpose of my testimony is to recommend specific policy options that can be used to help put Americans back to work, without incurring substantial additional cost to the federal budget. I will briefly review provisions in the proposed American Jobs Act of 2011 that relate to three of these reemployment services options and then will offer several policy recommendations for your consideration.²

Finding a Cost Effective Solution

The U.S. Department of Labor's reemployment experiments tested the effectiveness of ways to help dislocated workers back to work. The reemployment approaches tested included: training, relocation assistance, job search assistance, self-employment assistance and reemployment bonuses. These policy options were assessed with respect to their cost effectiveness. The most cost effective approaches were job search assistance, self-employment assistance, and reemployment bonuses. Separate evaluations of work sharing in the U.S. and in other nations also showed that this approach is cost effective.

The findings regarding these reemployment approaches are unusual in that they tend to have a positive effect on the government sector. That is, from a benefit-cost perspective, these approaches result in net benefits to the government sector. This means that the cost of the intervention is less than the benefits that result, reducing UI benefit payments while increasing government revenues because participants pay more taxes when they return to work. Thus, while these interventions require initial budgetary outlays, these outlays tend to be fully offset by reduced costs of other government services and by increased tax revenues.

As a result, I recommend an increase in the use of the most cost effective reemployment services – job search assistance, self-employment assistance and short-time compensation – as well the introduction of reemployment bonuses as a new incentive to encourage rapid return to work. Let's look at each of these reemployment approaches.

Comprehensive Job Search Assistance

What It Is

Permanently displaced workers often have been employed for a long time, so they may be unfamiliar with how to effectively search for work. Research has shown that comprehensive, in-person job search assistance (JSA) hastens their return to work. The key components of JSA are assessment, counseling, job matching and referral to job openings, job development, provision of labor market information, and job search workshops. Job search workshops are effective if they help workers develop resumes, search for work using formal and informal search methods, and practice how to effectively participate in job interviews.

² Since I have restricted by testimony to reemployment services and incentives that have been rigorously evaluated, I do not review the Bridge to Work or Wage Insurance provisions in the American Jobs Act bill because they lack such evaluations.

Job search assistance is an employment service that trains workers, providing them with the skills to seek and obtain jobs. One researcher has found that JSA is the most effective form of short-term training.³

Research Findings

Initially, comprehensive federal JSA policy and legislation was based on the evaluation of a large-scale New Jersey dislocated worker experiment, which used a control group and treatment group methodology. The evaluation found that offering JSA to dislocated workers helped them return to work more quickly and reduced the time they collected UI benefits. The cost to the government of providing the JSA was more than offset by the reduction in UI payments and the increase in tax payments during the period of early reemployment. JSA participants were also less likely to become unemployed in the year after they received these services.⁴

These findings were supported by later Department of Labor-funded job search assistance experiments in Florida and the District of Columbia⁵ and by state experiments conducted in Minnesota and Nevada. The body of completed research reviewed by the Department of Labor's Chief Economist in the publication *What's Working (and what's not)* convinced researchers and policy makers that a new national job search assistance program – what came to be Worker Profiling and Reemployment Services (WPRS) – made abundant sense and was a cost effective intervention.⁶

An important component of the WPRS program was its early intervention approach. Unemployed workers would receive comprehensive job search assistance in the first few weeks of their unemployment. Since the targeted workers were found to be likely to exhaust their entitlement to UI benefits, providing job search assistance services early reduced the compensated unemployment of these workers, making JSA cost effective to the government sector.

³ Robert LaLonde. 1995. "The Promise of Public Sector-Sponsored Training Programs." *Journal of Economic Perspectives*, vol.9 no. 2, pp.149-168.

⁴ Walter Corson, Paul T. Decker, Shari Miller Dunstan, and Anne R. Gordon. 1989. *The New Jersey Unemployment Insurance Reemployment Demonstration Project: Final Report*. Unemployment Insurance Occasional Paper 89-3. Washington, DC: U.S. Department of Labor, Employment and Training Administration.

⁵ Paul T. Decker, Robert B. Olsen, Lance Freeman, and Daniel Klepinger. 2000. *Assisting Unemployment Insurance Claimants: The Long-Term Impacts of the Job Search Assistance Demonstration*. Office of Workforce Security Occasional Paper 2000-02. Washington, DC: U.S. Department of Labor, Employment and Training Administration.

⁶ U.S. Department of Labor. 1995. *What's Working (and what's not): A Summary of Research on the Economic Impacts of Employment and Training Programs*. Washington, DC: U.S. Department of Labor, Office of the Chief Economist. International studies of job search assistance have also found that it is the most cost effective reemployment service: John Martin, and David Grubb. 2001. "What Works and for Whom: A Review of OECD Countries' Experience with Active Labour Market Policies." *Swedish Economic Policy Review* (9) 9-56. Peter Auer, Umit Efendioglu, and Janine Lesche. 2005. *Active Labour Market Policies Around the World: Coping with the Consequences of Globalism*. Geneva: International Labor Office.

Another key component of the Worker Profiling and Reemployment Services system was its narrow targeting to a specific group of dislocated workers – to those likely to exhaust their unemployment insurance benefits. Worker Profiling became an allocation and targeting device to direct reemployment services to those unemployed workers who could make most effective use of the limited funding that was available.

Bruce Meyer⁷ and other economists have recommended extending the use of comprehensive job search assistance to a broader group of workers, rather than targeting the smaller group most likely to exhaust their UI entitlement. Even under expanded use of JSA, however, targeting should be employed as an allocation tool, because funding for job search assistance and other reemployment services will likely remain limited.

History/Current Status

Today some UI recipients are eligible to participate in a program of comprehensive JSA, subject to the availability of funding. The Wagner-Peyser Act programs offer job search assistance provided by employment service staff members who specialize in providing these services. The Worker Profiling and Reemployment Services system was designed to expand this effort and target JSA to those workers who can most effectively use these services. WPRS has been a part of federal UI law since 1993. All states must participate in the WPRS system, and all states have been operating state WPRS programs since mid-1996.

Separate federal funding of the reemployment services component of Worker Profiling and Reemployment Services was not appropriated when the program was enacted. Congress appropriated approximately \$35 million per year as Reemployment Services Grants to the states in the form of separate Wagner-Peyser Act grants beginning in July 2001. These grants were terminated in June 2006. Given their track record of effectiveness, the American Recovery and Reinvestment Act reestablished one-time funding of Reemployment Services Grants in amount of \$250 million. This funding commenced in early 2009 but has now expired.

Policy Recommendations

The American Jobs Act of 2011 would provide funding to the state workforce agencies to provide reemployment services and reemployment eligibility assessments to all Emergency Unemployment Compensation (EUC) recipients during the one-year period of the extension of the EUC program. States would be required to participate in JSA programs as a condition of receiving EUC funding. States workforce agencies would receive \$200 for each worker to whom they provide these JSA services. Thus, JSA would greatly increase, and it would be fully funded by the federal government.

⁷ Bruce Meyer. 1995. "Lessons Learned from the U.S. Unemployment Insurance Experiments." *Journal of Economic Literature* (March) vol. 33, pp. 91-131.

The JSA provision in the AJA bill would provide needed federal funding to help return to dislocated worker to employment. It is not clear, however, why it does not include job matching, job referral, and job development among its list of required JSA services. Even during this time of very high unemployment, the federal funding of JSA grants could make an important contribution to returning the unemployed to work.

By the end of 2012, the U.S. is still likely to be experiencing high levels of unemployment. Funding for comprehensive JSA, thus, should be considered for the period beyond 2012, and it be more effective to make it available to all UI recipients from their first week of receipt of unemployment insurance, not just after they have been unemployed for a long period of time. Federal funding through the regular Wagner-Peyser Act appropriation could be cost effectively used by the state workforce agencies at the level of approximately \$300 million per year.⁸

Short-Time Compensation/Work Sharing

What It Is

The work sharing program, also known as short-time compensation (STC), provides an alternative approach for employers who face a decline in demand for their products. It enables them to reduce the work week for a larger group of workers instead of sacking a smaller number of workers. For example, as an alternative to laying off 10 workers in a company with 50 employees, an employer can make an equivalent reduction in work hours by reducing the work week of all employees by one day. In states with work sharing programs, workers participating in the program receive a pro rata share of the UI weekly benefits they would have received if they had become fully unemployed.

Employers submit work sharing plans to state UI agencies, and workers must agree to participate in the program. Under work sharing, no one loses his or her job, and if demand for the firm's goods or services increase, all workers return to full-time work. Employers retain their skilled workers, and they do not incur the costs of hiring and training new workers.

Research Findings

California was the first state to enact a work sharing program, and it conducted an early evaluation of its own program.⁹ The U.S. Department of Labor has conducted two national evaluations of the work sharing program, one in the 1980s and another in the 1990s.¹⁰

⁸ Stephen A. Wandner. 2010. *Solving the Reemployment Puzzle: From Research to Policy*. Kalamazoo MI: W.E. Upjohn Institute for Employment Research, p. 236.

⁹ Employment Development Department. 1982. *California Shared Work Unemployment Insurance Evaluation*. Sacramento: State of California, Employment Development Department.

¹⁰ Stuart Kerachsky, Walter Nicholson, Edward Cavin, and Alan Hershey. 1986. *An Evaluation of Short-Time Compensation Programs*. Unemployment Insurance Occasional Paper 86-4. Washington, DC: U.S. Department of Labor, Employment and Training Administration. Stephen Walsh, Rebecca London, Deana McCanne, Karen Needels, Walter Nicholson, and Stuart Kerachsky. 1997. *Evaluation of Short-Time Compensation Programs*:

Other industrial countries have evaluated their work sharing programs, analyzing program operation as well as effectiveness and efficiency. For example, Canada has conducted several evaluations¹¹ as has Germany,¹² and other European countries.¹³ While none of these studies has been as rigorous as the experimental evaluations of other reemployment services, a consensus has developed among researchers and policy analysts that work sharing helps prevent unemployment and does so at a modest cost, since in the absence of the program an equivalent expenditure would be made to pay UI benefits to workers who become totally unemployed.

History/Current Status

Work sharing has a long history in the industrial nations of the world. The program began in Germany in the 1920s. After World War II, it spread to over a dozen industrial nations including the United States. California was the first state to enact work sharing in 1978, and the program gradually expanded to other states. Temporary federal legislation permitting state work sharing programs was enacted in 1982. Permanent federal legislation was enacted in 1992, making work sharing an optional program that all states can adopt as part of their state UI laws. Before the Great Recession (2007-9) there were 17 states with work sharing programs. The adoption of six programs during the past two years has brought the number of work sharing programs to 23 today.¹⁴

There has been interest in increasing the use of the work sharing in the U.S. partly because of a growing awareness of the positive economic impact of the program in Europe, especially of the German program. Many policy analysts have come to believe that work sharing played a critical role in reducing the increase in unemployment in Germany compared to the U.S. during the Great Recession. Support for a new work sharing proposal has been widespread and bipartisan. Some of the advocates for the program have included Dean Baker, Co-Director of the Center for Economic and Policy Research, Kevin Hassett, Director of Economic Policy Studies at the American Enterprise Institute, and Mark Zandi, Chief Economist of Moody's Analytics.

Final Report. UI Occasional Paper 97-3. Washington DC: U.S. Department of Labor, Employment and Training Administration.

¹¹ For example, Ekos Research Associates. 1993. *Work Sharing Evaluation: Technical Report*. Ottawa: Employment and Immigration Canada. Human Resources and Skills Development Canada (HRSDC). 2005. *Summative Evaluation of Work Sharing While Learning and Increased Referrals to Training*. Ottawa: HRSDC, Strategic Policy and Planning Branch.

¹² Andreas Crimmann, Frank Wiessner, and Lutz Bell. 2010. *The German Work-Sharing Scheme: An Instrument for Crisis*. Conditions of Work and Employment Series No. 25. Geneva: International Labour Organization.

¹³ Wayne Vroman and Vera Brusentsov. 2009. *Short-Time Compensation as a Policy to Stabilize Employment*. Washington DC: The Urban Institute.

¹⁴ Arizona, Arkansas, California, Colorado, Connecticut, District of Columbia, Florida, Iowa, Kansas, Maine, Maryland, Massachusetts, Minnesota, Missouri, New Hampshire, New York, Oklahoma, Oregon, Pennsylvania, Rhode Island, Texas, Vermont, and Washington.

Policy Recommendations

In response to the Great Recession, Senator Jack Reed (D-RI) proposed expanded work sharing legislation in 2009. The Obama Administration proposed a similar work sharing bill as part of its FY 2012 budget request. On July 6, 2011, Senator Reed again re-introduced a work sharing bill – the Layoff Prevention Act of 2011 as S. 1333, and Rep. Rosa DeLauro (D-CT) sponsored the same bill as H.R. 2421.

The American Jobs Act (AJA) bill proposes work sharing provisions that would do two things. First, as in the Congressional and FY 2012 budget proposals, the AJA temporary work sharing provisions would provide federal funds for work sharing benefits during the current period of high unemployment. The temporary work sharing provisions of the AJA have separate components, one for states with existing permanent work sharing programs and another for states which adopt temporary programs after AJA enactment. For all participating states, STC would be paid from the state UI trust fund accounts with partial or complete reimbursement from federal general revenues.

Second, the AJA bill would enact a technical amendment that is needed to improve federal administration and oversight of the permanent work sharing program. The technical amendment is a provision that the U.S. Department of Labor determined was necessary to allow full federal oversight of the permanent federal STC program that was enacted in 1992. The amendment enumerates the STC requirements for all state STC programs and – crucially – gives the Secretary of Labor explicit authority to develop additional rules as circumstances warrant.¹⁵

Under the temporary AJA program, the 23 states with permanent STC programs would receive 100 percent reimbursement for all STC costs incurred for up to three years. Permanent state STC laws would govern the STC program during this period, including the employer state experience rating provisions. However, states would be reimbursed for no more than 26 weeks of STC payments for individual participants, although some STC states currently pay benefits for up to one year.

Under the AJA bill states without STC laws could temporarily participate in STC. To participate they would have to submit state STC plans to the U.S. Department of Labor. Under each employer's STC plan, workers could receive up to 26 weeks of STC payments. Participating employers must pay 50 percent of the STC payments to the state UI trust fund accounts – in lieu of making experience-rated contributions. States would be reimbursed for 50 percent of those STC payments. Under state agreements, states UI programs could participate in the program for up to two years.

¹⁵ The technical issue relating to the 1992 STC federal legislation is discussed in David Balducchi and Stephen A. Wandner. 2008. "Work Sharing Policy: Power Sharing and Stalemate in American Federalism." *Publius: The Journal of the Federalism* Vol. 38, No. 1, pp. 111-136.

States without STC programs could enact permanent STC programs during the period of their STC agreement with the Department of Labor. These states would have a substantial incentive to make their programs permanent. Upon implementation of a permanent STC program, a state would become subject to the provisions for states with permanent STC law: 1) increasing the federal agreement period to three years, 2) increasing federal reimbursement to 100 percent, and 3) having employers pay for STC through the state experience rating system, rather than through 50 percent reimbursement to state UI trust fund accounts.

The work sharing provisions in the AJA bill provide incentives to states that could have a significant impact on reducing unemployment if the states responded with wide STC adoption and use. Providing federal funding for STC is likely to be critical to the program's success because the state UI trust fund accounts are in great trouble, and reducing state UI costs through subsidized STC payments will encourage state adoption and use of STC. This approach would also somewhat ease the problem of state UI trust fund account insolvency.

Thus the AJA provisions would provide a long overdue solution to a technical problem in current federal law. This problem has had the effect of limiting the support that the Department of Labor has provided both to states with STC statutes and those without such statutes.

The temporary STC provisions would expand the scope of work sharing and encouraging states to make use of a program that can reduce unemployment over the next three years. In the future, however, consideration could be given to the permanent adoption of a partial federal subsidy of work sharing, because work sharing – at little or no additional cost – yields a better policy outcome than full-time unemployment. It might make sense to treat the program like the permanent federal-state extended benefit program where one half of the program's funding comes from the federal Extended Unemployment Compensation Account in Federal Unemployment Tax Act accounts. This change would encourage states to substitute work sharing for regular UI whenever appropriate.

Self-Employment Assistance Program

What It Is

Normally the UI program pays weekly benefits to unemployed workers who are actively searching for wage and salary employment. The Self-Employment Assistance (SEA) program alters the traditional UI approach by allowing UI-eligible unemployed workers to receive compensation while starting and establishing microenterprises – small businesses that usually consist only of a single owner-operator. UI recipients can receive self-employment allowances in lieu of UI, and they receive these allowances in the same amount and for the same duration as regular UI benefits. Since 1998, SEA has been a permanent program that is authorized by federal UI law. States have the option of establishing programs that provide workers who are likely to exhaust their UI benefits with self-employment allowances, as long as they commit to working full time to establish and operate their own microenterprises. They must participate in entrepreneurial counseling and training as a condition of SEA participation.

Research Findings

The U.S. Department of Labor conducted two self-employment allowance experiments in the 1980s. The first experiment was conducted in the state of Washington. It paid a self-employment allowance as a lump-sum payment after unemployed workers completed a series of five tasks to establish their own small businesses. The program was found to increase participation in self-employment and to raise the earnings of participants, but the cost of the lump-sum payments exceeded the benefits to the government sector.

By contrast, the design of the second experiment in the state of Massachusetts provided weekly payments, similar to the current self-employment assistance program. Evaluation results found that the program reduced participants' length of unemployment spells and increased their total time in employment. Participation also had a positive impact on participants' earnings. When placed in a benefit-cost framework, the Massachusetts experiment provided net benefits to participants, to society, and to the government sector. For the government sector, this meant that the cost of the program was exceeded by the benefits to the government, especially in the form of increased tax payments, since participants were found to earn a great deal more than non-participants. Thus, the program produced net benefits to the government sector, more than fully offsetting program costs. As a result, the design of the Massachusetts experiment was the basis of the SEA program that was enacted by Congress in late 1993.¹⁶

History/Current Status

In 1993, the SEA program was enacted on a temporary basis with solid preliminary empirical research from the interim evaluation report on the Massachusetts Self-Employment Assistance experiment.¹⁷ At the time of enactment, however, the Massachusetts benefit-cost analysis was not completed. The final evaluation¹⁸ provided strong research findings of cost effectiveness and was the basis for making the federal Self-Employment Assistance program permanent in 1998.

Self-Employment Assistance is a small but effective program in a small number of states. It is only operational in seven states.¹⁹ While similar programs serve considerably more workers in other major industrial nations, it is not clear that the Self-Employment Assistance program could expand in the U.S. – at least in its present form. The program will remain small unless a reliable

¹⁶ Stephen A. Wandner. 2010. *Solving the Reemployment Puzzle: From Research to Policy*. Kalamazoo MI: W.E. Upjohn Institute for Employment Research.

¹⁷ Jacob M. Benus, Michelle L. Wood, Chris J. Napierala, and Terry R. Johnson. 1991. *Massachusetts Unemployment Insurance Self-Employment Demonstration: Interim Report to Congress*. In Stephen A. Wandner, editor, *Self Employment Programs for Unemployed Workers*, 1992, 167-236.

¹⁸ Jacob M. Benus, Terry R. Johnson, Michelle Wood, Neelima Grover, and Theodore Shen. 1995. *Self-Employment Programs: A New Reemployment Strategy. Final Report on the UI Self-Employment Demonstration*. Unemployment Insurance Occasional Paper 95-4. Washington, DC: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service.

¹⁹ Delaware, Maryland, Maine, New Jersey, New York, Oregon, and Pennsylvania.

source of entrepreneurial counseling and training is provided to workers participating in the SEA program. States with SEA programs frequently have no steady source of funding for entrepreneurial counseling and training.

The Department of Labor currently oversees two entrepreneurship programs – the Self-Employment Assistance program and Workforce Investment Act entrepreneurial training. Historically only small numbers of workers have been interested in starting their own businesses – one to two percent of the unemployed workers who have been offered participation. The Department could more effectively help workers create their own jobs and, in some cases, jobs for other workers who would be hired by these new small firms. The WIA entrepreneurial training program remains miniscule because of its peculiar method of program performance assessment: the performance system searches for the owner-operators of the successful unincorporated microenterprises established by WIA trainees among those entering wage and salary employment in the UI wage records. However, since these workers are *not* in wage and salary employment, it is not surprising that they cannot be found there. As a result, all completers of entrepreneurial training appear to be unemployed and earning zero income, so state workforce agencies are discouraged from using this method of training. Entrepreneurial training should be assessed by conducting surveys or other methods to determine if trainees become self-employed and how much they earn in self-employment.

The Department of Labor should reallocate funding to WIA entrepreneurial training as well as create a partnership with the Small Business Administration (SBA) so that the Department's WIA and SEA programs can work together with the Small Business Development Centers – which provide entrepreneurial counseling and training – at the state and local level. WIA and SBA-financed training should be offered to participants in the Self-Employment Assistance program.

Policy Recommendations

In a letter of August 4, 2011 to Assistant Secretary of Employment and Training Jane Oates, Senators Ron Wyden and Jeffrey Merkley recommended that the Department of Labor make changes in the WIA performance measurement system such that states can report their SEA program outcomes using surveys or other alternative methods. Such a reporting change would greatly encourage states to make use of WIA entrepreneurial training and the SEA program.

Under the American Jobs Act bill, all states may participate in the SEA program during the period of the EUC extension, and SEA payments may be made from workers' EUC accounts during this one-year extension. State participation in the temporary SEA program would be voluntary, with each state able to establish such a program under the federal AJA provisions, while states with permanent state SEA provisions could participate under their own state rules. The program would provide eligibility for up to 26 weeks of SEA benefits during the period of EUC receipt. SEA benefits would be paid from a UI beneficiary's EUC account.

Participating workers could return to EUC if they had remaining EUC entitlement and if they leave self-employment and return to actively searching for wage and salary employment. Entrepreneurial training would be provided either by the state workforce agency or by the Small Business Administration, but participation in entrepreneurial training would not be required. Under section 327, states initiating SEA programs under section 314 would receive administrative funds to start up or improve their SEA program as part of their SEA plan approval. Program participation would be limited to one percent of regular UI program beneficiaries instead of 5 percent as contained in the permanent SEA legislation, but this restriction should not adversely affect the temporary program because of expected low participation rates.

Both the AJA self-employment assistance provisions and those of the Wyden bill would make a small but important contribution to reemployment in the U.S. SEA is particularly important because SEA participants create their own jobs at a time when many U.S. firms are not hiring.

However, the AJA and Wyden provisions would only be effective for one year. The provisions thus would be most likely to benefit the seven states with existing programs, as starting up a new SEA program would take some time. The Department of Labor could speed up this process by providing model legislation and technical assistance to the state workforce agencies.

Senator Wyden's proposed temporary SEA proposal would allow SEA to be paid in states both during an EUC period and, under certain conditions, an Extended Benefit (EB) period. Because of its broader availability, the Wyden bill is an improvement over the SEA provisions in the AJA bill. Under section 314 of AJA, individual SEA eligibility would be restricted to the EUC benefit period (rather than the period of both EUC and EB receipt) because the program is provided under federal legislation, while EB payments are provided under state UI legislation. The Wyden bill would extend SEA to the EB receipt period by making participation under EB optional for states. For states to be able to make SEA payments during an EB period, states would have to 1) have a permanent SEA program in their state UI law, 2) be able to interpret their EB program as permitting SEA payments, or 3) enact provisions that permit SEA participation during periods of EB receipt.

Temporary federal funding of self-employment allowances would encourage national adoption and use of the program, but they would not deal with program needs for the permanent SEA program. Two changes to the permanent SEA program could be considered. First, the Workforce Investment Act program and the Small Business Development Centers could be encouraged to provide entrepreneurial counseling and training to SEA participants. Second, like in the work sharing program, states could be provided incentives to participate in the program. Again, consideration could be given to having state UI trust fund accounts pay for only half of the SEA, with the other half paid from the federal Extended Unemployment Compensation Account.

Reemployment Bonuses

What It Is

Reemployment bonuses are incentives for unemployed workers collecting UI benefits to speed their return to work. Economists and policy analysts recognized that unemployed workers, like employers and consumers and other participants in the economy, respond to economic incentives. They asked the question: what would happen if unemployed workers were provided a financial incentive to search for and return to work more quickly? Would they respond and would the jobs they find pay similar wages to the wages they would have received if they had searched for work more slowly?

These questions resulted in a series of four experiments that tested reemployment bonuses of different amounts and offered for different durations in an attempt to find the best and most cost effective reemployment bonus design. The design that proved most cost effective is a reemployment bonus equal to four times the UI beneficiary's weekly UI benefit payment (an average of approximately \$1200) with the bonus paid for jobs found within 12 weeks and only after four months of employment.

Research Findings

The four reemployment bonus experiments were conducted in the 1980s and 1990s. The first experiment was conducted in the state of Illinois, and economists' interest in the program was stirred by an article on the Illinois findings published in the September 1987 *American Economic Review*.²⁰ Three additional reemployment bonus experiments were conducted in New Jersey, Pennsylvania and Washington. These subsequent experiments tested different designs of reemployment bonuses, and they all had thorough evaluations. The project evaluations found that the reemployment bonus offers reduced the duration of unemployment for participating workers. They also found that participating workers were better off than non-participants: they took jobs that were no worse than those of the non-participants; that is, participants went back to work sooner, but they did not accept lower wages in their new jobs.

Analysis of the two most policy relevant reemployment bonus experiments -- Pennsylvania and Washington -- showed that the most effective design is a bonus four times the worker's UI weekly benefit amount for jobs found within a 12-week bonus offer period, targeted to workers most likely to exhaust their entitlement to UI benefits.²¹

²⁰ Stephen A. Woodbury and Robert G. Spiegelman. 1987. "Bonuses to Workers and Employers to Reduce Unemployment: Randomized Trials in Illinois." *American Economic Review* vol. 77, no. 4, pp. 513-530.

²¹ Christopher J. O'Leary, Paul T. Decker, and Stephen A. Wandner. 2005. "Cost-Effectiveness of Targeted Reemployment Bonuses." *Journal of Human Resources* (Winter) XL, 1:270-279.

History/Current Status

While reemployment bonuses have not been enacted into federal law, they have been proposed by both the Bill Clinton and George W. Bush administrations. The Clinton proposal was part of the proposed Reemployment Act of 1994 that was designed to replace the Job Training Partnership Act. The Clinton reemployment bonus proposal followed the research findings and used the targeting mechanism that was already being used by the Worker Profiling and Reemployment Services system. It consisted of a low-value bonus equal to four times a worker's UI weekly benefit amount; today the average bonus would be about \$1,200.

In 2003, reemployment bonuses were proposed again by the Bush Administration as a component of the Personal Reemployment Account initiative. The final design of the PRA was flawed, e.g., the reemployment bonus offers were much too large and paid out too early. This fact was confirmed by an evaluation of a Personal Reemployment Account PRA demonstration project.²² Personal Reemployment Accounts were not enacted.

Stronger findings about targeting low-value bonuses only became available in 2005 when a simulation analysis using the Worker Profiling targeting mechanism was applied to the Washington state and Pennsylvania reemployment bonus experiment data. This analysis suggests that limited offers of reemployment bonuses to dislocated UI claimants could be a cost effective policy option.

Policy

Reemployment bonuses were not proposed as a reemployment tool in the proposed American Jobs Act bill. Given the research evidence, they should be considered for federal funding in a manner similar to the AJA provisions relating to the self-employment assistance program. States would be able to adopt reemployment bonus provisions as part of their EUC extension agreements with the U.S. Department of Labor. Unemployed workers who are eligible for at least 26 weeks of EUC would be offered a reemployment bonus. They would be offered, and could receive, a reemployment bonus equal to four times their UI weekly benefit amount, if they found employment within 12 weeks of the bonus offer and retain a job for at least four months.

Adopting reemployment bonuses nationally during the current period of high unemployment would be a good opportunity to operationally test and evaluate the approach for a short period of time. If the program evaluation shows that the program is effective in the states that adopt it, consideration could be given to enacting permanent reemployment bonus legislation with provisions similar to the temporary provisions.

²² Gretchen Kirby, Margaret Sullivan, Elizabeth Potamites, Jackie Kauff, Elizabeth Clary, and Charles McGlew. 2008. *Responses to Personal Reemployment Accounts (PRAs): Findings from Seven Demonstration Sites: Final Evaluation Report (Draft)*. Washington DC: Mathematica Policy Research.

Conclusions

Four reemployment services – comprehensive job search assistance, work sharing, self-employment assistance, and reemployment bonuses – have proven to be effective and efficient in helping to return dislocated workers to employment. All four interventions have been thoroughly evaluated and might be useful additions to an extension of the Emergency Unemployment Compensation program. If they were adopted they might help to make EUC into more of a reemployment program. They are worthy of consideration for temporary federal funding during this period of high unemployment. If enacted as temporary provisions, they should be thoroughly evaluated, and if they prove to be effective they could be considered for continuation and encouragement after the U.S. economy recovers.

Thank you for an opportunity to testify. I welcome your questions.

Senate Finance Committee Hearing: Questions Submitted for the Record for Stephen Wandner

Questions from Senator Max Baucus:

Comprehensive Job Search Assistance: In your testimony you recommend an increase in the use of the most cost effective reemployment services. You also highlighted job search assistance, self-employment assistance and short-time compensation.

1. Which of these programs do you believe to be the most cost effective?

Rigorous evaluations have shown that job search assistance, self-employment assistance, and short-time compensation are all low cost and cost effective. All three programs should be encouraged and widely used. Public policy does not have to choose between them because each program provides important assistance to a different population of unemployed workers or potentially unemployed workers.

Job search assistance has been widely evaluated in the United States and in other industrial nations. It has been found to be highly cost effective because it speeds workers' return to employment at a very low cost. It is most cost effective for unemployed workers who are likely to be unemployed for particularly long periods, but also is cost effective for all permanently displaced workers.

Self-employment assistance is only attractive to a small number of unemployed workers. Most workers want to search for wage and salary employment. Nonetheless, self-employment is an important employment alternative for about two percent of the unemployed, and the program has proven to be highly successful for participating individuals – they remain employed longer, and they earn more income than workers who do not participate in the self-employment assistance program.

Short-time compensation helps workers who are employed but in danger of losing their jobs. Employers who would otherwise lay off some of their workers can instead reduce the hours of work of a larger number of workers. Participating workers receive a prorated share of their weekly unemployment insurance benefits for the hours they do not work until they return to full-time employment.

Together these three programs 1) help unemployed workers get back to work or 2) prevent other workers from losing their jobs. They each can help to reduce unemployment throughout the U.S. economy.

2. How could these programs be improved?

Job search assistance is provided by state workforce agencies in every state in the nation. Funding for providing job search assistance, however, is inadequate even in times of low unemployment and is particularly inadequate today. The Congress enacted a nationwide program – Worker Profiling and Reemployment Services – that provides job search assistance to selected workers when they first become unemployed. The funding to provide these services is inadequate for the newly unemployed. In addition, workers today are unemployed for unprecedented long time periods, and the unemployed have even great need of assistance in searching for work after months of unsuccessful job search.

Self-employment assistance is only available in seven states and it is provided to small numbers of workers in those states. Increased state participation and state use of this program would be greatly facilitated by financial incentives to states to adopt and expand this program. In addition, participating workers need entrepreneurial counseling and training to increase the success of newly established businesses. Entrepreneurial counseling and training can best be provided by state and local Workforce Investment Act programs and by the Small Business Development Centers around the country. The U.S. Department of Labor and the Small Business Administration should be encouraged to work together and provide increased services to self-employment assistance program participants.

Short-time compensation should be expanded. More states should be encouraged to enact short-time compensation provisions as part of their state unemployment insurance laws. All states should be encouraged to increase participation by employers and workers before layoffs occur. In addition, a technical amendment to the federal short-time compensation statutory provisions would encourage state adoption of the program.

3. Do you believe funding these programs will make a significant impact on the number of long-term unemployed?

Yes, increased funding and support for each of these programs will have a significant impact on reducing the number of long-term unemployed. Job search assistance will speed workers' return to work, reducing unemployment durations. Self-employment assistance will both speed the return to work and raise income levels. Work sharing will prevent workers from becoming unemployed in the first place. Together, these three programs work synergistically, reducing the number of unemployed and the duration of unemployment.

SUBMITTED BY SENATOR WYDEN

The Oregonian**Urban Airship Raises \$15.1 Million Amid Rising Prospects for Portland Startups**

Monday, November 7, 2011

By Mike Rogoway

Urban Airship added heft last week. Now it's added lift, too.

The Portland mobile software developer plans to announce Monday that it's arranged \$15.1 million in strategic investment from Salesforce.com and Verizon, among others. That follows last week's all-stock acquisition of San Francisco mobile developer SimpleGeo.

Oregon startups are enjoying their best year for funding since the dot-com era, raising \$110 million in investment through the first nine months of 2011. Clean tech attracted the bulk of the money, but smartphone apps, social media and open source software are also thriving.

Employment is up, too, raising hopes for a sustained regional tech boom after a decade that generated no really large companies and very few paydays for those who did invest in Oregon tech.

"I'm actually very bullish on Portland, and a big believer in Portland," said Puneet Agarwal, partner at True Ventures, a Bay Area firm that invested early in Urban Airship and another prominent Portland software company, Puppet Labs.

Portland has a cluster of promising startups, focused on social media, open source software and mobile technology. Agarwal said they're demonstrating Portland now has the talent to compete in tech.

"I do believe you can build a big company there," he said.

Urban Airship is giving it a run. Scott Kveton, the company's co-founder and chief executive, said Monday's funding enables the company to add marketing personnel and engineers to build out its "push notification" technology for smartphones.

Last week's SimpleGeo deal added 13 employees, bringing Urban Airship's work force to 51. The company had 10 open positions, and plans to post a dozen more job listings with the latest funding.

"We've really got a sense of where this business is going and now we can turn the crank," Kveton said. "This investment helps us step up our game."

Any developer can add push notifications to their mobile apps, alerting users to breaking news or special offers. Urban Airship makes the process easier, especially for apps designed for multiple

mobile operating systems. Urban Airship serves Apple's iOS system, Google's Android operating system and the Blackberry.

Additionally, Urban Airship has features to facilitate mass notifications and to monitor how users respond to those messages with site visits or purchases.

That, Kveton said, keeps Urban Airship growing even as the mobile marketplace grows more competitive.

"The more we do with push, the more interesting it gets as far as what we find our customers want from it," he said.

Privately held Urban Airship won't disclose its financial results, but Kveton said the company's sales will be up 600 percent this year. That kind of growth presents its own challenges, according to True Ventures' Agarwal.

Urban Airship has thrived in part because it's established a fun culture that makes it an inviting place for talented people to work. Agarwal cautioned that retaining that culture can be tough as companies expand and balance employees' needs with clients' demands.

"Scale is always exciting, but can also be scary and dangerous," he said. "You have something that a lot of companies want. You have to meet their needs."

Urban Airship is among the biggest, but by no means the only, small Portland tech company attracting investors' attention.

Startups including Janrain, ShopIgniter, AppFog and Cedexis have all raised large investment rounds this year. BankSimple, which is developing a new platform for mobile banking, raised \$10 million in August and then announced plans to move its headquarters to Portland from Brooklyn.

The city's young companies are capitalizing on demand for mobile apps, open source software and social networking technology, according to Nitin Khanna, an Oregon entrepreneur and investor who's informally advising Urban Airship.

"We're a natural hub for where the world is headed for technology," said Khanna, who runs a small investment bank called MergerTech. He said the new concepts fit neatly with Portland's strengths – designing user-friendly technologies – creating a distinct advantage for Oregon technology.

"The talent here is different."

COMMUNICATIONS

Comments for the Record

United States Senate Committee on Finance

Unemployment Insurance: The Path Back to Work

Tuesday, November 8, 2011, 10:00 AM
215 Dirksen Senate Office Building

By Michael Bindner
Center for Fiscal Equity
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Chairman Baucus and Ranking Member Hatch, thank you for the opportunity to address this topic, which contains just a hint of irony. More ironic is the fact that, because the Center for Fiscal Equity does not benefit any particular industry, it is unfunded. Our ability to comment on these and other hearings in the past several months is only possible due to my ability to draw Unemployment Insurance. I have been working very hard, but without pay.

There are those on the conservative side of the intelligentsia who will likely offer the opinion that Unemployment Insurance allows people to avoid going back to paid work and that continuing to extend benefits simply delays the day when they must seriously look for the first available job.

These are answered by advocates for continuing to pay benefits, who defend the freedom the program offers to not seek the first available job, so that workers are more likely to find a job that is a match to their skill sets. Additionally, when more qualified workers can be more selective, less qualified workers are able to take the lesser skilled jobs that others are able to take a pass on because they can survive on benefits. I tend to agree with this analysis.

Most economists will also point out that payment of benefits allows those laid off to continue to spend at least some money, stopping a bad economy from getting much worse – especially when there are no jobs to be had by anyone, skilled or unskilled. This is likely the case with the current economy, at least until recently.

An issue undoubtedly facing this committee is the funding of extended unemployment benefits, as well as the possibility of benefits to the 99ers who do not qualify for extended aid and must now rely on family members, the ability to retire early or other social welfare benefits, such as the Supplemental Nutrition Assistance Program, which serves as the aid of last resort. Sadly, in an effort to give welfare reform teeth, SNAP levels are way below what is required for an individual to eat for a month.

Traditionally, extended benefits were financed without offsets. This is entirely appropriate, because UI is funded by a separate tax and raising this tax generally during an economic downturn would likely make the downturn worse. Cuts to items outside the UI trust fund are thus inappropriate and should not be suggested or required in our opinion. If funding cannot be debt financed, it must come from some kind of revenue increase. It is disappointing that the defenders of the program in Congress have not, to date, made this point and called their bluff.

It is troubling that while many families are still struggling under joblessness, uncertainty as to their job security or prospect for higher incomes and in many cases mortgages that are greater than their homes are worth, many of our largest companies are flush with cash and are quite unwilling to take the risk of “paying forward” the recovery by hiring more staff or giving existing staff substantial wage increases. What is even more troubling is that it is likely that many of these firms have these record cash accumulations as the result of austerity measures. While some firms most likely conducted layoffs in order to simply survive, others did so to maintain or increase profitability through cutbacks, outsourcing or automation – or simply limiting wage increases. Shareholders and executives are often rewarded for these actions, even though such actions on the whole damage potential revenue by limiting the customer base.

Henry Ford increased the wages of his workforce so that they could afford his car and was rewarded with profitability. If more firms were as smart as Mr. Ford, we would be out of this time of austerity.

The Government is not without options in this regard and now is the time to employ one of them. While companies that were struggling to get by, or who have closed, cannot afford to pay an unemployment surtax to fund their employees who require extended unemployment, there are those companies who certainly can. Therefore, in order to fund the next round of extended unemployment benefits, such a surtax should be levied and it should be high enough to cover not only those employees who have been laid off from that firm, they should be high enough to cover all such beneficiaries. Enacting such a levy will provide companies who are sitting on large cash balances with a strong incentive to rehire staff, so Unemployment Insurance really would be the way back to work.

The secondary effects of this are also significant. Newly rehired workers will spend more while those who have not been rehired will at least be able to maintain current spending. In both cases, the economy will be stimulated enough so that many firms that were struggling will have higher sales, as well as those firms which rehired former employees to avoid the higher tax. This virtuous cycle will continue to accelerate until the economy has righted itself.

There are those who would criticize this proposal as penalizing the profitable. They have no leg to stand on when these profits came at the cost of human suffering. Anyone who makes such an argument should be ashamed of themselves and deserve public scorn.

Thank you for the opportunity to address the committee. We are, of course, available for direct testimony or to answer questions by members and staff.



STATEMENT FOR THE RECORD

OF

**JOANNA S. MONROE
VICE PRESIDENT, DEPUTY GENERAL COUNSEL
AND CHIEF COMPLIANCE OFFICER
TRUEBLUE, INC.**

FOR THE HEARING ON

“UNEMPLOYMENT INSURANCE: THE PATH BACK TO WORK”

BEFORE

**THE U.S. SENATE
COMMITTEE ON FINANCE**

NOVEMBER 10, 2011

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Chairman Baucus, Ranking Member Hatch, and members of the Senate Finance Committee, thank you for the opportunity to submit this statement for the record on behalf of TrueBlue, Inc. ("TrueBlue"). We applaud the Committee for its attention and work on the critical issue of reducing unemployment.

Our nation continues to grapple with the stalled economic recovery and persistent unemployment. As reforms to unemployment insurance are considered, we strongly urge Congress to consider opportunities to expand temporary employment, which is critical to mitigating unemployment.

TRUEBLUE

TrueBlue is a leading supplier of temporary work. In 2010, TrueBlue connected approximately 300,000 people to work, paying nearly \$600 million in wages and serving nearly 150,000 businesses in the service, retail, wholesale, manufacturing, transportation, and construction industries. TrueBlue also employs 2,500 regular headquarter and branch staff.

TrueBlue provides temporary blue collar and skilled work through five lines of business: Labor Ready; Spartan Staffing; CLP Resources; Plane Techs; and Centerline. The TrueBlue family of companies is committed to providing individuals with opportunities for growth and customers with the help they need to succeed in today's competitive environment.

TEMPORARY WORK

Temporary employment plays a critical role in the economy by providing employment flexibility for workers and businesses. Temporary staffing firms employ more than 11 million people each year. These jobs offer millions of people the opportunity to work, particularly as the economy continues its fragile recovery.

Temporary employment is critical to mitigating unemployment, while offering a significant opportunity to find permanent employment through temporary jobs. Temporary employment also provides people with on-the-job training, allowing them to learn new skills and expand their knowledge base, which can later be transferred to other employers and strengthened.

At the same time, temporary employment provides businesses with the opportunity to support or supplement their workforce in various work situations, such as employee absences, skill shortages, seasonal workloads, and special assignments or projects. Moreover, in the current economy, temporary employment is leading the jobs recovery by allowing employers to gauge business and economic conditions before committing to permanent hires.

In TrueBlue's experience, the average tenure of a temporary employee is approximately one month per year. However, even if someone works for us for *one day*, that person is an employee of the company rather than an independent contractor. Employee status integrates workers into the U.S. economy, ensuring that they are eligible to work in the U.S., that all

workers' compensation, unemployment, and income taxes – as well as any court-ordered garnishments – are withheld and collected, and that W-2s report income accurately.

COMBINED COMPENSATION PROGRAM

Issue

For many of the unemployed, temporary staffing agencies are an integral part of their job search. Even in today's tough economy, TrueBlue is experiencing a shortage of qualified individuals seeking temporary employment. The current unemployment insurance system, in certain instances, creates a disincentive for individuals who receive unemployment insurance to work in a temporary job, which could serve as a working interview and possibly lead to permanent placement.

The following example provides an illustration. Let's say that an individual, who previously held a job as a carpenter, is now unemployed and receives \$350 per week in unemployment insurance. If she goes to a branch of a temporary staffing agency and applies as part of her required job search, she is often incentivized to turn down an offer for a temporary job because she is likely to lose her unemployment insurance and/or she may receive more money by collecting unemployment insurance. This keeps her from accepting a job that may teach her new skills or that could lead to an offer of permanent employment.

Proposal

One option for addressing this issue is to establish a "Combined Compensation Program" ("Program"). The Program would modify the incentive structure of the unemployment insurance system by encouraging individuals to accept temporary or seasonal employment while maintaining their eligibility to remain on unemployment insurance.

Under the Program, an individual who accepted a temporary or seasonal job would continue to be eligible to receive unemployment insurance, but at a reduced amount. The reduced unemployment insurance payment would compensate the individual for the gap between their earnings and their standard unemployment insurance payments, plus an additional incentive amount.

For example, assume that an individual accepted a temporary or seasonal job that paid \$325 per week. In order to compensate for her lower weekly earnings (she received \$350 on unemployment insurance) and provide an additional incentive to work, unemployment insurance would pay a flat percentage of her standard unemployment insurance payment. For example, if the unemployment insurance payment percentage was 20 percent, she would receive an unemployment insurance payment of \$70 per week, bringing the total received to \$395 per week.

The Program would have a number of benefits. First, the unemployed individual is back at work. Second, businesses that are unable to hire full-time workers due to fluctuating demand can still grow the economy and provide jobs through temporary employment. Third, the government benefits as unemployment insurance payments provided to these individuals would be reduced. In the example above, the amount of unemployment insurance payments are

reduced from \$350 per week to \$70 per week. Finally, the unemployed individual also wins because this job could teach her new skills for her next job or turn into a permanent job with one of the businesses to which she is assigned by the temporary staffing company. Taken together, the approach of the Program is more efficient and likely more effective when compared to alternatives that fully subsidize the cost of employing an unemployed worker for a short period of time.

CONCLUSION

TrueBlue greatly appreciates the opportunity to submit this statement. As Congress considers policies and programs to assist our nation's unemployed, we strongly urge consideration of proposals similar to the Combined Compensation Program, which are a win for the unemployed individual, a win for the business, and a win for the government. We are happy to be a resource to Congress and the Committee and we look forward to our continued work together on these issues.

