

## Getting Real: Time to Re-Invest in the Public Employment Service In a Slow Recovery, Reemployment Must be a National Priority

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### Summary of Recommendations:

In this paper, we call for increasing Employment Service funding by **\$1.6 billion**, providing 2.8 million additional unemployed workers with needed services. With these resources, One-Stop centers could:

1. Expand job placement services, including increased jobs listings on the public exchange and improved matching technology, for 700,000 additional job seekers (**\$473 million**);
2. Interview an additional 1.5 million unemployment insurance (UI) claimants after they file an initial claim to create a job-search plan (**\$34 million**);
3. Provide an additional 1.5 million people with high-quality job search assistance, with priority given to those likely to exhaust UI (**\$540 million**); and,
4. Provide pre-training counseling for an additional 1.0 million people (**\$540 million**).

Most elected officials report that jobs and the economy are at the top of their list of concerns. And nearly every stripe of labor market expert or public official involved in debates over fixing the labor market claims support for “reemployment.” Yet putting more effective reemployment policies into place requires more than just pledging allegiance to general concepts.

Despite the distressed nature of the U.S. labor market over the last five years, politicians have given little, if any, serious attention to strengthening public reemployment tools. Before the Great Recession even began, the Employment Service, the nation’s primary reemployment program, was floundering in the face of real and repeated funding cuts by Congress. The convergence of record numbers of unemployed job seekers and widespread employer claims of unfilled job vacancies points to a need for programs that can assist job seekers and help employers fill jobs.

In this paper, NELP advocates for renewed focus on our nation’s public reemployment services. First, we recommend significantly increasing the amount of federal funding for the Employment Service that is a part of the nationwide system of One-Stop Career Centers. Doing so would provide more workers

<sup>1</sup> We are especially grateful for assistance from Judy Conti, Mike Evangelist, Lynn Minick, and Christine Owens.

with improved job placement services, in-person job search assistance, and pre-training counseling. Second, we recommend placing programmatic priority on unemployment insurance recipients who are most likely to have trouble finding a new job.

Ultimately, the additional costs of these reemployment services are more than offset by the savings from paying out less in unemployment insurance, and the increased earnings and tax revenues that will result from workers returning to jobs more quickly.<sup>2</sup> Moreover, improved public reemployment services alleviate other societal costs resulting from such high unemployment and underemployment, such as the waste of human capital and economic inefficiencies associated with unfilled job vacancies or filling jobs with workers whose skills and experiences qualify them for better positions than they can find. Equally important, we cannot ignore the higher mortality and negative health effects associated with long-term joblessness, the constraints that adults' current long-term unemployment places on their future retirement security and their children's future opportunities, or the costs to society when growing numbers of individuals stop believing there is a meaningful place for them in our labor market and economy. Over time, these will have significant negative impacts upon our nation's economic productivity and citizen participation in civil society.

We need not accept the current conventional wisdom that a "skills mismatch" is responsible for the high number of jobs remaining vacant. Rather, by making a modest investment in the reemployment services discussed in this paper, Congress can hasten the country's path to a full economic recovery and start helping the long-term unemployed move more seamlessly into jobs that are waiting for them.

In Section I, we discuss current labor market conditions and the problem of long-term unemployment that have dramatically increased the demand for reemployment services. In Section II, we provide an overview of the Employment Service and related programs. In Section III, we outline an agenda for improving reemployment services and the public labor exchange. In Section IV, we detail our specific recommendations for revitalizing the public Employment Service, including the costs and benefits of making the improvements we recommend.

## **I. Long-Term Unemployment and a Fragile Labor Market Create a Demand for More Effective Reemployment Services**

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<sup>2</sup> NELP acknowledges a few key experts in the field of workforce development. We have drawn extensively from discussions with them and their work, including Louis Jacobson's 2009 discussion [paper](#) for the Hamilton Project at Brookings; Stephen Wandner's work supporting the targeted provision of job search assistance services; and published works from David Balducchi, Randall Eberts, and Christopher O'Leary, including their edited volume on the public labor exchange, *Labor Exchange Policy in the United States* (2004).

The primary reason that a reemployment agenda should be a top priority is our nation's stagnant labor market. There are still over 12 million people who are out of work, representing 8.1 percent of the labor force as of August 2012. The national unemployment rate has been higher than 8.0 percent for 43 straight months, the longest period on record, and is projected to remain elevated at least through 2013 (Congressional Budget Office 2012). Including persons who are involuntarily working part-time, or who are discouraged and have stopped looking for work, the number of individuals experiencing some form of labor market distress rises to over 23 million, representing almost 15 percent of the labor force.

Since peaking in October 2009, unemployment has fallen by 1.9 percentage points, but this drop in large part reflects declining numbers of individuals participating in the labor force. The labor force participation rate, which captures the number of people who have a job or who are looking for one, dropped below 64 percent for the first time in 28 years in January 2012. While some of this decline may be attributed to long-term structural trends, such as our aging labor force and the impending retirement of Baby Boomers, most of the decline in labor force participation is due to ongoing weakness in the job market (Shierholz 2012). Another measure of labor market health is the employment-to-population ratio, which is the share of the working-age population with a job. This ratio dropped sharply over the recession, and has since been flat, hovering below 60.0 percent. Once someone becomes discouraged and leaves the labor force, it becomes more difficult to find a new job (Smith 2011, 21). For this reason, work search supports and resources, like a robust public labor exchange that is committed to keeping workers engaged in an active search for a job, are critical tools in getting people reemployed.

The slow pace of job creation over the recovery largely explains why so many people who want jobs still are not working. Since total employment reached a low point in February 2010, the economy has added an average of 135,000 jobs per month. This is just above the [level](#) that is necessary to keep up with normal labor force growth.<sup>3</sup> The private sector has added jobs consistently over this period, but the public sector has experienced historic losses, mostly at the state and local levels. In all, the U.S. labor market still faces a jobs deficit of almost 10 million positions. This figure represents 4.7 million net jobs lost since the start of the recession in addition to 5.0 million jobs the economy should have added over this period to absorb normal labor force growth.

As a result of the severe jobs shortage, the average unemployed person is now out of work for approximately nine months. Four in ten unemployed – about 5.0 million people – are long-term unemployed (or out of work for more than six months). The previous peak in long-term

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<sup>3</sup> The Bureau of Labor Statistics recently released its preliminary estimate of its annual benchmark revision, which said the economy likely added 386,000 more jobs from April 2011 to March 2012 than was originally estimated. The final monthly revisions will be released February 1, 2013 along with the January 2013 employment report (<http://www.bls.gov/ces/cesprelbnk.htm>).

unemployment, 26.0 percent of jobless workers, occurred after the early 1980s recession, when total unemployment reached a record 10.8 percent (Allegretto and Lynch 2010, 4). More troubling, the chances of reemployment for the long-term unemployed relative to workers who were out of work for shorter periods declined further over the course of the downturn (Ilg and Theodossiou 2012, 43).

Older unemployed workers, ages 50 and up, have been hit particularly hard by prolonged unemployment. In 2011, four in ten older jobless workers were out of work for at least a year (NELP, 2012). Among workers displaced between 2009 and 2011, those aged 55 and up were the least likely to be reemployed in January 2012 (U.S. Department of Labor 2012a).

In many ways, the recession exacerbated trends in the labor market that began three decades ago. Most significant is the rise in income inequality, which has persisted as a result of the continued “hollowing out” of good-paying jobs for America’s workers (Bernhardt 2011 and 2012). Over the course of the recession, mid-wage occupations, such as administrative assistants and office managers, were hardest hit, making up 60 percent of all jobs lost. Yet they comprised just 22 percent of jobs recovered. In contrast, lower-wage jobs, such as retail and restaurant workers, which accounted for 21 percent of jobs lost, made up 58 percent of those recovered thus far. Higher-wage jobs made up relatively narrow shares of both recessionary losses and subsequent gains (19 percent and 20 percent, respectively) (Bernhardt 2012). These findings help explain recent Census data showing continued declines in real income and earnings among America’s households, and a rise in the share of total income held by those at the very top (DeNavas-Walt et al. 5, 10, 2012).

In summary, American workers must contend with the growing job and income insecurity associated with today’s global economy. The rise in permanent layoffs, shorter job tenures, and prevalence of restructuring and offshoring means that for the foreseeable future, many workers will be looking for jobs more frequently and transitioning between careers more often. Unemployment, often involuntary and sometimes for sustained periods, will increasingly be a normal part of Americans’ career trajectories. These realities create a compelling need for updating and renewing our public reemployment tools.

## **II. Overview of the Employment Service and Related Programs**

The nation’s major public sector reemployment programs are the public labor exchange functions of the Employment Service (ES) funded under the Wagner-Peyser Act (1933) and reemployment and training services offered by a nationwide system of One-Stop Career Centers under the Workforce Investment Act (WIA) (1998).

While there has always been a mix of mechanisms that are used to fill jobs in the U.S., there has long been an established role for public labor exchanges, starting with municipal employment offices in

many larger cities in the 19th Century (Haber 1964, 21-26). Eventually, the network of pre-existing municipal and state agencies was unified in 1933 when the Wagner-Peyser Act created a federal-state public labor exchange known as the Employment Service. The ES relied upon local employment offices to assist employers and jobseekers in filling job vacancies.

The core of the ES has always been a public labor exchange function in which employers list job openings and job seekers apply for available jobs. While job seekers and employers rely heavily on automated job postings, staff nonetheless remains significantly involved in most states. When employers list jobs in an ES job bank, ES staff will generally attempt to identify and refer individual job seekers who are qualified to fill those positions. Just as in private placement firms, ES staff members rely on their knowledge of local labor markets and employers when filling jobs. And they are motivated to successfully match job seekers and employers in order to maintain ongoing relationships with employers and to create a reputation for One-Stops as a good place to find work (Jacobson 2010, 19). The most experienced and knowledgeable ES staff members become skilled not just in filling jobs, but in actual job development—that is, helping an employer who may not have a posted job vacancy identify the need for a worker with certain qualifications.

#### **A. The Employment Service and Unemployment Insurance**

Since the establishment of the unemployment insurance (UI) program in 1935, the ES has served two primary functions for UI claimants. First is the enforcement of the work test—that is, to ensure claimants are available for and actively seeking work and are willing to accept suitable referrals or offers extended to them (Balducci et al. 1997, 460). Second, the ES connects claimants to reemployment services. In 1993, Congress established a mandated system of worker profiling through which state UI agencies could identify those more likely to exhaust UI benefits so they could be more actively counseled and referred to job search services. This new requirement further strengthened the link between the ES and the UI system (Balducci et al. 1997, 474).

Unemployment insurance is itself a critical reemployment program. The goals of the federal-state UI program for participants are two-fold: first, to provide partial income replacement during periods of involuntary job loss; and second, to help facilitate reemployment appropriate to an individual's skills, experience, and needs. While its role in providing partial income replacement is well known, the reality is the UI program can also serve as a more effective reemployment tool by better linking UI claimants to jobs through reemployment services. Recently, Congress has mandated that individuals receiving federal Emergency Unemployment Compensation (EUC) must receive in-person reemployment and eligibility assessments (REAs) to maintain eligibility for benefit extensions (Middle Class Tax Relief and Job Creation Act of 2012). The stated purpose is to provide reemployment services such as assessments and counseling to the long-term unemployed, but unfortunately, in too many states the REA process has instead become more focused on using the EUC work-search

requirements as a tool to disqualify people from receiving UI, and less so on providing these additional services.

The predominant political discourse around the relationship between UI and reemployment over the past two years has been the distorted view that the UI program is a disincentive for the unemployed to find new jobs. Even though there are more than three times as many unemployed workers as there are job vacancies, the political response in many states has been a so-called “personal responsibility” agenda that imposes even more rigid work search and reporting requirements. Meanwhile, little has happened to actually help UI claimants connect with the right job vacancies. The challenge for most unemployed American workers is not an unwillingness to accept personal responsibility for their work search. In an economy with unprecedented high long-term unemployment, stiff competition for every job opening, and a reluctance on the part of many employers to even consider the unemployed, the challenge is getting informed guidance from an honest broker about how to get a foot in the door of an employer at a time when the rules of looking for a job have changed dramatically.

## **B. One-Stop Services Provided by the Employment Service**

Under the Workforce Investment Act, One-Stop Career Centers administer three tiers of services to job seekers—core, intensive, and training. They are supported by at least two different federal funding streams. Core services are largely supported by ES funds under the Wagner-Peyser Act and include basic labor exchange services, such as online information about job openings, referral to human services or other agencies providing assistance, group classes on resume writing and interviewing, and provision of local labor market information. They may be staff-assisted, depending upon local arrangements, or accessed on a self-serve basis (Eberts and Holzer 2004, 10).<sup>4</sup> These services are available to everyone, regardless of income level or educational background, or whether the worker is a laid-off corporate executive or a part-time cashier looking for a second job. Any individual or business may seek the assistance of the ES in looking for a job or hiring a new worker without charge or meeting special program requirements. Yet there has been a steady and significant defunding of the program, with Congress providing between \$700 and \$800 million in Wagner-Peyser funds per year total since 1984. The FY 2013 budget proposal allocates approximately \$731 million in actual funding for ES state activities, which represents an increase of \$30 million over last year, but a decline of approximately \$910 million, or 56 percent, had funding held steady at the real 1984 level (\$1.6 billion). (Dixon and Evangelist 2012; O’Leary and Eberts 2008, 6).

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<sup>4</sup> WIA rules generally require that ES offices exist within the One-Stop system. Only under certain conditions may Wagner-Peyser-funded ES services be provided outside of the system, such as at an affiliated site or through points linked up electronically ([National Skills Coalition](#)).

### **C. Intensive One-Stop Services Under the Workforce Investment Act**

Costlier intensive services and training that require greater staff time and funding are administered as needed and as WIA funding permits (O’Leary 2004, 137). These may include individual assessments, individualized case management/job search assistance, and counseling (Jacobson 2010). Training services may consist of occupational or basic skills training and adult education and literacy activities, among other services, and require the greatest amount of staff assistance (Eberts and Holzer 2004, 10). These services are approved by WIA staff and require a referral to a provider, usually accompanied by an Individual Training Account voucher to pay for an approved training program (Eberts and Holzer 2004, 10; O’Leary 2004, 137). There is an estimated \$2 billion available annually under WIA to provide intensive services other than training (Jacobson 2010, 5).

### **D. Worker Profiling and Reemployment Services**

A third federal policy focused on reemployment is UI profiling, known as the Worker Profiling and Reemployment Services (WPRS) program, which was created by federal law in late-1993 and operational in all states by 1996 (Wandner 2011). UI profiling is intended to target job search assistance services to potential exhaustees of state unemployment benefits soon after the initial UI claim is filed. While profiling is federally mandated upon state UI agencies, it has never been fully funded to ensure that individuals identified as needing reemployment assistance can get those services from UI, ES, or WIA staff (Smith 2011a, 5).

In a recent survey, the Organization for Economic Cooperation and Development (OECD) noted the role of UI extensions in providing a “much-needed cushion for many of the most financially-stressed households,” but stated that these “passive” forms of unemployment assistance would provide greater value if “offered in tandem with a more ‘active’ set of reemployment services that can connect job seekers with job opportunities, facilitate job search, and guide individuals towards training and education” (OECD Overview 2012, 17). In the U.S. context, active programs should include more job search assistance, pre- and post-training counseling, and technical training.

The historic under-funding of the federal reemployment programs has been exacerbated by record demands for services during the recent recession and tepid labor market recovery. As a result, these programs and their reemployment tools are far from universally available at a time when they are needed more than at any time in recent memory. As the economy recovers, these services will be critical to helping long-term unemployed individuals get back to work and to energizing our labor market (Katz 2010, 4).

### III. A Reemployment Services Agenda As the Labor Market Recovers

#### What's Wrong with the Skills Mismatch Hypothesis?

Members of both political parties commonly attribute today's high unemployment to a "skills mismatch," where employers have plenty of job openings, but cannot find skilled applicants among millions of unemployed. While this explanation has intuitive appeal and is useful to further political agendas from both parties, most economists who have studied it find it does not hold water; rather, a lack of hiring demand is the primary cause of today's high unemployment (Lazear and Spletzer 2012; Sahin, et al. 2012; Rothstein 2012).

In theory, employers who are having trouble finding qualified job applicants should respond by offering more pay. However, real wages have been steady or falling since the end of 2009, with an ever more pronounced decline for new hires—those workers who should be least affected by wage inflexibility (Rothstein 2012, 18–19).

In fact, businesses that can't find skilled workers may only have themselves to blame. Wharton professor [Peter Cappelli](#) ascribes much of the responsibility for the perceived mismatch to employers' unwillingness to pay market wages and to unrealistic hiring practices that weed out qualified candidates. One firm, he notes, rejected 25,000 applicants for a standard engineering position, including one otherwise qualified person, simply because his last job title did not match the vacancy.

Even though the skills mismatch hypothesis does not explain today's high unemployment, individual businesses and job seekers will benefit from comprehensive employment services. By matching qualified workers with job openings, employment services can lower the cost of hiring for employers and help workers to efficiently identify promising opportunities. And, rather than waste funds on unnecessary training, one-on-one job counseling will help workers who could benefit from additional education to identify the best training opportunities.

We start with some guiding observations regarding our nation's existing reemployment programs. First, rebuilding public reemployment services is required to fulfill what is termed the "honest broker" function in our labor market—that is, to serve as a universal, disinterested entity to help workers and employers fill job openings and to enforce the work test for UI eligibility. Although chronically ignored by many, this public labor exchange function is fundamental to public reemployment programs.

Second, we advocate for a renewed role for state ES employees in providing professional, in-person assistance to jobless individuals and employers. The public's perception of the role of the ES became less clear following the passage of WIA in 1998, in which the program was integrated into the One-Stop system. With shrinking resources, most states shifted away from traditional models of individualized services and job referrals toward group-oriented and self-service approaches. In fact, the ES helps millions of unemployed workers develop a meaningful understanding of current labor market realities, while acquiring necessary reemployment tools, including learning how to craft an effective resume and conduct an online job search.

Long gone are the days when job seekers met in-person with a recruiter at an employment agency or walked into an employer's human resources office to fill out a job application. Today, most people conduct their work-search independently from the privacy of their homes using the Internet, or they rely on networks of personal and professional contacts. Yet these methods may not suit every job seeker's needs or capabilities, in particular workers who have not searched for a job in many years and who may lack

technological experience. This also includes some economically disadvantaged workers who may lack basic literacy or occupational skills. These groups require the in-person assistance of an experienced professional to show them the necessary tools and provide accurate labor market information necessary to conduct a successful job search. Indeed, an Employment Service that is better equipped to connect workers to job openings will become more attractive to all categories of job-seekers.

Similarly, like job seekers, many employers need accurate information and guidance in shaping a more realistic approach to filling job openings and finding employees with sought-out skills (see Sidebar on page 7). A properly supported ES can provide such assistance.

In this report, we advocate providing personal staff assistance to greater numbers of individual job seekers and employers. As Louis Jacobson, prominent workforce expert, notes, “there is overwhelming evidence that One-Stops positively affect the speed of returning to work without adversely affecting the quality of new jobs . . .” (Jacobson 2009, 11). We believe that state and local workforce agencies must have adequate staffing and funding to provide these cost-effective services for more employers and jobless workers. In conjunction with enhanced funding and staffing, we need mandatory adoption of effective reemployment programs and performance measures to ensure that public workforce agencies are put to their best uses.<sup>5</sup>

#### **A. Revitalize Job Placement and Job Development Services**

Although it has not garnered the attention or resources it deserves, there is considerable evidence that the core job referral function of the labor exchange is a valuable resource for job seekers and employers. A 2008 overview by the Upjohn Institute reviewed the evaluation literature (O’Leary and Eberts 2008, 27-35) and concluded that “job placements through ES referrals shorten unemployment durations and are likely to raise reemployment earnings . . .” and that job referrals are “highly cost effective” (O’Leary and Eberts 2004, viii). A 2011 review recognized that “a substantial body of research indicates that strengthening job search requirements [when coupled with] increasing job search assistance can reduce the duration of unemployment compensated by the UI system” (Smith 2011b, 2). A third review by WESTAT compared traditional staffed labor exchange services with the more decentralized, self-directed approach favored in some states under WIA. It concluded that traditional public labor exchanges were highly cost-effective, with benefits exceeding costs by as much as two to three times, while benefits were considerably smaller in states using the new approach (Jacobson et al. 2004, 5-6).

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<sup>5</sup> Jacobson has concluded that modifying some aspects of WIA performance measurement incentives could redirect significant amounts of WIA funds toward provision of services to job seekers and employers (2009, 13 n.8 and accompanying text).

The capacity of the Employment Service to match workers and employers has eroded in recent years through a combination of inadequate funding, a multiplicity of functions as a gatekeeper to the One-Stop system under WIA, and record levels of UI claimant customers. For example, in program year 2010, just 5.2 million ES customers, of 23.6 million in total, received a job referral (U.S. Department of Labor 2012b). Yet there is growing evidence that in a slowly recovering economy, there is much need for a more efficient process of bringing employers with job vacancies together with unemployed workers who have the skills those employers need. By rebuilding strong job banks and connections to business while simultaneously investing in the staff development of workplace professionals, states can revive a meaningful labor exchange function that fosters a more dynamic labor market and economic growth.

## **B. Provide High Quality Job Search Assistance**

Research focused on UI claimants shows that enforcement of the work test, in combination with high-quality job search assistance, are cost-effective ways to speed the return of jobless workers to suitable employment.<sup>6</sup> Yet as Wagner-Peyser funding and hence, One-Stop staffing levels, have continued to decline, and as the role of the Internet and computer technology have expanded (Ridley and Tracy 2004, 76), the public workforce system has necessarily placed a priority on self-service job search assistance options. This approach places the current system at odds with research demonstrating the effectiveness of staff-assisted job search services and with the needs of One-Stop customers, particularly those who face various obstacles to their job search and employment.

One such study in South Carolina found that enhanced job search services for UI recipients, such as a job placement interview, training in reviewing job openings, and a job-search workshop, along with a requirement that the claimant register with the ES shortly after the first benefit check was paid, significantly reduced the duration of benefits compared to workers who did not receive such services, and did so at a low net cost (Corson et al. 1985). A second study in Washington State found that intensive job search assistance, including customized work search requirements, a job-search workshop, and individual follow-up, combined with the work test, significantly reduced the duration of UI receipt. A Maryland study found similar results, in that the requirement to verify a search for work (specifically, two employer contacts per week) in combination with a job-search workshop significantly reduced the duration of UI receipt (O'Leary 2004, 159; Jacobson 2009, 18).

Today, only a small percentage of One-Stop customers receive staff-intensive job search services. In program year 2010, of 21.9 million job seekers who received ES services, just 6.2 million, or 28.3 percent, participated in staff-assisted job search activities (U.S. Department of Labor 2012b), and

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<sup>6</sup> These services may include one or more of the following: One-Stop orientation, enhanced placement services, individual skills assessments and employment counseling, and group-oriented services like job-search workshops, which include resume and interview preparation.

these increasingly scarce services are targeted to particular groups, like veterans, and workers who are less job-ready (Ridley and Tracy 2004, 83). Currently, the primary form of public job search assistance for job seekers is the array of Internet tools accessible through the Career One-Stop website (CareerOneStop.org), including links to state job banks, tools for self-assessment, information on education and training opportunities, resume and interview preparation tools, and local labor market information. America's Service Locator (servicelocator.org) connects users to nearby workforce services. Sites like My Skills My Future (myskillsmyfuture.org) allow job seekers facing career transitions to research growing occupations and their required skills.

One-Stop staff persons who were surveyed between 2003 and 2006 as part of a case study of self-services cited a lack of staff due to decreased federal funding as among their greatest challenges (D'Amico et al. 2009, III-19). The demand for staff-assisted job search services increased substantially over the downturn, putting even further strain on the system (U.S. Department of Labor 2012c, 45). With national unemployment expected to remain elevated for the next few years, millions of jobless workers, including those experiencing prolonged unemployment, will continue to require such services as they continue their job search. Congress must ensure that funding levels are sufficient to meet this demand, or else we face deeper costs in the long run. By bolstering funding for staff-assisted job search services, those job seekers who do not find work through self-guided or online services described here can receive cost-effective staff assistance.

### **C. Strengthen Reemployment Links in UI Programs: UI Profiling**

The Worker Profiling and Reemployment Services System is based on experimental research findings from USDOL and selected states showing that the early provision of reemployment services to those who need it most reduced UI costs and returned claimants to work more quickly (Wandner 2002, 5).<sup>7</sup> Once claimants receive a first payment, they are screened using a statistical model that accounts for variables such as educational attainment, length of time in their last job, industry and occupation of their last job, and local unemployment. Individuals with the highest probability of exhaustion are required to participate in services as a condition of continued UI eligibility (Wandner 2002, 7).

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<sup>7</sup> A study of UI claimants in New Jersey found that the targeted provision of job-search services, such as orientation, aptitude testing, and individual counseling, significantly reduced the amount and the duration of benefits in the benefit year and in the following year. Moreover, the reduction in UI payments and the increase in tax revenues resulting from earlier reemployment more than offset the costs to the government and the Department of Labor of providing the services (Decker et al., 1989; Corson et al., 1991). In addition, state-conducted experiments in Nevada and Minnesota, emphasizing even more intensive job search assistance services, including individual case management, registered the largest positive impacts, ranging from 1 to 4 weeks, on average (U.S. Department of Labor 1995, 49).

The WPRS system requires the coordination of a number of workforce development programs and agencies including UI, the ES, and the system of retraining programs for dislocated workers provided under the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA) (Wandner 2002, 6). First, the UI agency informs claimants that they have been identified by the screening process and refers them to a reemployment services provider, usually the ES (Wandner 2002, 7; Balducci et al. 1997, 473). The service provider then conducts a brief orientation and an assessment, the purpose of which is to determine the claimant's skills and interests; for people who do not match the requirements of existing openings, the provider develops a customized service plan (Wandner 2002, 6-7). Services primarily include job search assistance, such as resume and interview preparation and job search workshops. Claimants who are harder to place are referred to training programs. Because participation in services is required as a condition of UI receipt, WPRS providers must report a claimant's status to the UI agency on a weekly basis, regardless of whether the claimant completes the services assigned (Balducci et al. 1997, 474).

This program, and targeted provision of job search assistance, is effective in significantly reducing the length of joblessness both because of the tailored services, but also because of the wake-up call it provides to unemployed workers.<sup>8</sup> Some who have enjoyed long tenure in declining industries or occupations may not immediately grasp the difficulty of the task of starting over. For workers who need retraining or supportive services, losing those first weeks or months of UI entitlement can be harmful because it reduces the weeks of income support available to transition to reemployment. WPRS forces workers to confront a statistical probability that unless they take affirmative steps to secure new employment soon, their unemployment may be lengthy and any new job may pay much less than they need to maintain their former standard of living. In most states, workshops on job search techniques, resume writing, and interviewing skills are beneficial because they deliver a motivational message and practical advice very early in unemployment, the time when it can do the most good. Yet the impact of the WPRS system has been blunted because of insufficient funding.

In a labor market where four of ten jobless workers have been unemployed more than six months, the reality is that the biggest obstacle to finding a new job is often the sheer length of time that a worker has been unemployed. It makes sense for states to try to identify the risk of long-term unemployment, however imperfectly, because these workers and their families may require the greatest levels of support prospectively. And to have a meaningful impact, the percentage of profiled claimants who are referred to reemployment services must be much closer to the percentage who actually exhaust their benefits (47.5%) than the 18.7 percent who were referred in 2011 (U.S. Department of Labor 2012d). With record levels of long-term unemployment, it is clear that as a matter of national policy, Congress must dramatically increase the nation's investment in WPRS.

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<sup>8</sup> See: Dickinson et al. (1999), Decker et al. (2000), Black et al. (2003), and Almandsmith et al. (2006).

#### **D. Provide Assessment and Counseling to Those Seeking Job Training**

Because training involves a much greater investment of time and energy on the part of the worker as well as financial support like WIA funds, Pell grants, and student loans, increasing the availability of counseling before training is another key activity for One-Stops. Site visits to 15 One-Stops focusing on their collaborations with partner community colleges indicated that a majority of potential students lacked sufficient academic skills to succeed, making testing prior to training a critical element for those students (Jacobson 2010). Counseling can guide the unemployed to shorter-term training that they can complete and then return to work, or provide referrals to remedial courses that can permit them to complete more academic training in the future.

Counselors also play a vital role in helping workers understand the local labor market when considering training options. By explaining which occupations are in demand – and which are not – counselors can help ensure that unemployed workers do not follow a course that will not lead to a suitable, good-paying job. This kind of guidance can make a huge difference in a family's financial future and represents the kind of low-cost labor market intervention that ultimately helps the local economy. And, after training is completed, One-Stop staff can provide assistance in finding training-related jobs (Jacobson 2009, 10-12).

#### **IV. Recommendations**

NELP proposes increasing annual funding for the Employment Service by approximately \$1.6 billion. This increase would allow the system to hire up to an additional 19,000 full-time employees and to provide services to an additional 2.8 million unemployed job seekers per year.<sup>9</sup> This breaks down as follows (with the proposed additional funding in parentheses):

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<sup>9</sup> The current annual funding for reemployment services, including Wagner-Peyser-supported ES services and WIA intensive services, excluding training, is approximately \$3.0 billion. However, the precise costs of such services are not easily determined. Some states supplement federal dollars with their own money (e.g., Oregon, Colorado, and Georgia; see Ridley and Tracy, 2004, for more information), and Congress sometimes adds funding, such as with the American Reinvestment and Recovery Act, which temporarily supplemented federal funding in 2009. More importantly, WIA funds are allocated three years at a time and are not always spent in the year they are awarded to states. In addition, WIA intensive services are provided from an overall pool of federal funding and subject to expenditure as determined by local workforce boards. Finally, most states have waivers that permit them to spend WIA dislocated worker funds for adult workers.

In fiscal year 2010, states received \$1.2 billion in dislocated worker grants and \$862 million in WIA adult grants. The Recovery Act provided an added \$1.3 billion in dislocated worker funds for states and another \$500 million in program year 2009 (July 1, 2009 to June 30, 2010) (Isaacs, et al. 2010, 11-14). As discussed, ES funding for the next fiscal year is approximately \$750 million, with approximately \$731 million devoted to state ES activities, and is in line with federal Wagner-Peyser funding for the past three decades. This pays for much of the costs of core services at One-Stops (Dixon and Evangelist 2012; Jacobson 2010). The annual funds of

- 1) Expanding job placement services, including increased jobs listings on the public exchange and improved matching technology, for approximately 700,000 additional job seekers (\$473 million);
- 2) Interviewing an additional 1.5 million UI claimants shortly after their initial claim to discuss a job-search plan (\$35 million);
- 3) Providing high-quality job search assistance, comprised of a combination of group-oriented services, like workshops, and individual counseling, to an additional 1.5 million people. This includes UI claimants who have been selected by the UI profiling system to receive such services. (\$540 million); and,
- 4) Providing pre-training counseling for an additional 1.0 million people (\$540 million).<sup>10</sup>

These recommendations are made in service of a renewed commitment to our nation's system of public reemployment programs. The chief components of such a commitment include:

- A revitalized job-matching function that recognizes and aligns the needs of employers and job seekers. This is achieved through greater investments in matching technology and the skills development of ES employees.
- A system that prioritizes individualized job search assistance and that has the capacity to provide it for all who need it, particularly for those who face obstacles to completing their job search. These services should be provided in conjunction with in-person group services, such as job-search workshop. For UI claimants, job-search assistance services should be linked to the administration of a reasonable work test that encourages reemployment, not one that seeks to disqualify workers from receiving UI through excessive bureaucratic documentation requirements.
- In recognition of limited resources, there should be greater investment in identifying new claimants who will likely face the greatest difficulty in becoming reemployed and providing them primarily staff-assisted job search services, as under the Worker Profiling and Reemployment Services program.

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WIA non-core services in a "normal year" have been estimated at about \$3 billion, including \$1.2 billion in training costs (Jacobson 2010, vi, 5).

<sup>10</sup> These recommendations rely upon a 2009 discussion [paper](#) by Louis Jacobson for the Hamilton Project at the Brookings Institution and a detailed cost benefit analysis therein. Jacobson also recommends changes to the WIA performance measurement system, including improved tracking of receipt of training and intensive services, as well as starting to track use of core self-services, which he acknowledges can be implemented relatively quickly and for a low cost, since they rely to a significant degree on systems already in place. The major costs are those cited in the body of this paper.

- Finally, a system that provides individualized assistance to less-skilled job seekers considering training in order to make sure they are seeking suitable training and making worthwhile investments in industries where jobs are actually available.

Achieving the revitalization of public reemployment services contemplated by this paper requires a commitment of public will and resources. But where there's a will, there's a way. As Tables 1 and 2 show, the estimated benefits of each component—as measured by reductions in UI benefits paid, and increased income from employment, which increases federal, state, and local tax revenues—significantly outweigh the costs of proposed additional funding. In total, every dollar spent on expanded reemployment services as outlined in this paper would return \$3.40 to the public. This results in a net societal gain worth just over \$3.8 billion (Table 2).

For example, for unemployed job seekers who receive high quality job search assistance, the estimated reduction in the duration of unemployment is 2.8 weeks (Table 1a). Assuming a worker earns \$450 in one week after taxes, or \$1,260 in total over the course of the additional weeks worked (Column 4), results in an average net benefit per worker of \$630 (this accounts for the concurrent decrease in UI payments. (For more information on this model's assumptions, see the notes accompanying the tables.) Applying this net benefit to every additional worker served by the improved system results in total benefits to workers worth \$945 million. Similarly, the reduction in UI payments (of \$630 per worker), plus increases in tax revenue resulting from earnings from employment (of \$420 per worker), means that federal and state governments will gain \$1.58 billion in savings and revenues. In total, the benefit to workers and to the public of high-quality job-search services under this plan is \$2.5 billion, a value 4.7 times greater than its cost (Table 2). The three remaining components of the plan play out in a similar way, in that that the net social benefits of such improvements greatly exceed the short-term costs.

**Table 1: Benefits to Workers and Taxpayers of Expanding One-Stop Services**

	Decrease in UI weeks	Decrease in UI payment	Increase in weeks worked	Increase in after- tax earnings	Net benefits	Workers served (millions)	Total benefits to workers (millions)
Job Placement Services	3.8	-\$855	4.5	\$2,025	\$1,170	0.7	\$819
Claimant Call-Ins	1.1	-\$248	0.3	\$135	-\$113	1.5	-\$169
In-person Job Search Assistance	2.8	-\$630	2.8	\$1,260	\$630	1.5	\$945
Counseling Potential Trainees	0.8	-\$180	1.2	\$540	\$360	1.0	\$360
<b>Total:</b>						<b>2.8</b>	<b>\$1,955</b>

	Decrease in UI weeks	Decrease in UI payment	Increase in weeks worked	Increase in tax revenues	Benefits to tax- payers	Workers served (millions)	Total benefits to tax- payers (millions)
Job Placement Services	3.8	-\$855	4.5	\$675	\$1,530	0.7	\$1,071
Claimant Call-Ins	1.1	-\$248	0.3	\$45	\$293	1.5	\$439
In-person Job Search Assistance	2.8	-\$630	2.8	\$420	\$1,050	1.5	\$1,575
Counseling Potential Trainees	0.8	-\$180	1.2	\$180	\$360	1.0	\$360
<b>Total:</b>						<b>2.8</b>	<b>\$3,445</b>

## Notes:

1. Number of total additional workers served based on assumption that workers receive multiple services (i.e., that half of workers who receive job search assistance have been called in (0.75 million), that half of workers who receive placement services have received two earlier job-search components (0.35 million), and that 80 percent of workers who received training counseling also received search assistance (0.20 million)). For more information, see Jacobson, 2009.
2. Estimated changes in duration of UI receipt and length of employment based on studies cited in Jacobson, 2009.
3. Reductions in UI payments based on average weekly benefit amount of \$225 after taxes.
4. Jacobson assumes gross earnings of \$600 per week and a tax rate of 25 percent.

**Table 2: Comparison of Costs and Benefits of Expanding One-Stop Services**

	<b>Total costs (millions)</b>	<b>Total benefits to workers and tax- payers (millions)</b>	<b>Net benefits (millions)</b>	<b>Ratio of benefits to costs</b>	<b>Net benefits to taxpayers</b>	<b>Benefits to workers served</b>
Job Placement Services	\$473	\$1,890	\$1,417	4.0	\$855	\$1,170
Claimant Call-Ins	\$35	\$270	\$235	7.7	\$270	-\$113
In-person Job Search Assistance	\$540	\$2,520	\$1,980	4.7	\$690	\$630
Counseling Potential Trainees	\$540	\$720	\$180	1.3	-\$180	\$360
<b>Total:</b>	<b>\$1,588</b>	<b>\$5,400</b>	<b>\$3,812</b>	<b>3.4</b>	<b>\$663</b>	<b>\$698</b>

Notes:

1. This table breaks down costs of One-Stops serving 2.8 million additional workers per year.
2. Costs are based on estimated price of hour of staff time of \$45 multiplied by estimated time needed to provide each service to One-Stop customer. Jacobson assumes each staff person works 1,850 per year. Additional information on the methodology is in Jacobson, 2009.

#### **IV. Conclusion**

If there really is a national consensus that getting unemployed workers back to work is an essential component of rebuilding the economy, then it is time for the nation’s policymakers to commit the resources necessary to help jobless workers get back on their feet. The first step is to rebuild and re-invest in a vibrant public labor exchange function that: (1) provides unemployed workers with expert guidance on how to conduct an effective job search, (2) efficiently supplies employers with referrals of workers who have the requisite skills and experience to succeed on the job, (3) prioritizes services to those workers who, without assistance, run the highest risk of becoming long-term unemployed, and (4) helps those workers who need retraining make informed choices that will maximize their prospects for finding good jobs upon completion.

In the current slow recovery, the national problem of unemployment will persist for the foreseeable future. As Fed Chairman Ben Bernanke has noted, our high rate of long-term unemployment is a “national crisis.” National crises demand national policy responses commensurate with the scope of the problem and the needs it presents. Specifically, we need a national policy response that helps the unemployed navigate a difficult labor market more efficiently and effectively. In simplest terms, we can and must do much more to help those who have lost jobs to find new ones both because there will be a high return on investment, but more importantly, because it is the right thing to do.

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