

Brookings - NASWA Forum

Strengthening One-Stop Career Centers: Helping more Unemployed Workers Find Jobs and Build Skills

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The Hamilton Project One-Stop Study

- Describes One-Stop strengths and weaknesses in helping unemployed workers.
- Identifies problems that prevent Employment Service (ES) and Workforce Investment Act (WIA) programs from fulfilling their full potential.
- Suggests a New Approach policy makers can use to improve unemployment services, while reducing costs to taxpayers.

The study is based on:

- Reviewing and conducting research.
- Interviewing for the national evaluation of Public Labor Exchanges (PLXs) in a One-Stop environment.
- Serving on the Workforce Investment Board (WIB) in Montgomery County, MD.
- Working with service providers in Kalamazoo, MI.

The New Approach would:

- Double the funding of One-Stops.
- Help 5.2 million unemployed workers more quickly find jobs.
- Provide assessment and counseling services so that 1 million workers interested in retraining would make informed choices.
- Double the number of workers receiving training vouchers.
- Return \$4 to taxpayers for every \$1 of expenditures.

What's New about the New Approach

It would:

- Revamp ES and WIA accountability systems.
- Improve key core services by:
 - Placing workers at jobs through public labor exchanges (PLXs).
 - Providing high-quality job search assistance (JSA) to UI claimants.
- Improve intensive services by:
 - Providing counseling to potential trainees.
 - Increasing the amount of high-return training.₅

Topics covered in this talk

- The structure of One-Stops.
- The strengths of One-Stops.
- Benefits and costs of core and intensive services.
- Overcoming problems created by the current accountability system.
- Why accurate feedback is the key to adequately serving dislocated and disadvantaged workers.
- What Congress could do to improve One-Stop operations.

One-Stop Configurations

- One-Stops include 12 mandatory organizations.
- The primary organizations are:
 - The Employment Service (ES) funded under the Wagner-Peyser Act of 1935.
 - Employment and Training programs funded under the Workforce Investment Act of 1998.
- ES “core” services are available to all-comers.
- WIA “intensive” services are available mainly to dislocated and disadvantaged workers to the extent funds are available.

One-Stops Serve Millions of Workers mostly at very low cost

in a recent pre-recession year

■ Number of One-Stops	3,000
■ Clients served	15,000,000
■ Jobs listed	6,000,000
■ Clients directly placed	3,000,000
■ Clients trained with vouchers	200,000 (<2%)
■ Cost per client-- core	\$50
■ Cost per client-- intensive	\$5,000

But One-Stops have been starved for funds

■ WIA funding	\$3,300,000,000
■ ES Funding	<u>\$700,000,000</u>
■ One-Stop funding	\$4,000,000,000
■ Change relative to 1990:	
■ Funding	-33%
■ Workforce	+23%
■ Loss of long held jobs	+33%
■ New stimulus funding	\$400,000,000

One-Stop Strengths

- Assembling at very low cost the information workers lack about available jobs and training opportunities.
- Providing the information needed to identify the best job openings and use the most effective means to land those jobs.
- Providing information about which training programs are most likely to increase earnings.

One-Stop Strengths (cont'd)

- Acting as *honest brokers* imparting this information so that it has strong positive affects.
- Leveling the playing field for workers who do not have access to high quality information.
- Paying for short-term training and, through UI, providing income support to remain in training and search long enough to find a good job.
- Using the “Work First” approach which starts with low cost services and uses higher cost services as needed.

The “Honest Broker” Role

- Gives unbiased and accurate information to:
 - Job seekers about which jobs are best for them
 - Trainees about which training programs are right for them.
- Other training providers:
 - Lack the resources to provide accurate information.
 - Have incentives to enroll trainees, unlikely to benefit from the training.
- Counseling for training is important because most job seekers know little about:
 - The requirements to do well in training.
 - The probability of obtaining higher paying jobs after obtaining training.

Are these strengths realized?

There is substantial variation in service quality:

- Advocates can point to evidence showing One-Stop services have highly positive effects.
- Detractors can point to evidence showing One-Stop services have insignificant effects.

Sources of Variation in Service Quality

- Variation in funding—use of state funds.
- Variation in technology—high quality computer systems can economize on staff time.
- Variation in the quality of accountability and management systems—use of return on investment measures in Washington State.
- Variation in the progression of services offered—use of the funnel method.
- Variation in the characteristics of clients and labor markets.

Benefits and Costs to Clients

Benefits to clients

- Increases in earnings net of taxes.
- Reductions in time spent unemployed.

Costs to clients

- Reductions in UI payments net of taxes.
- Foregone earnings while in training.
- Out of pocket expenses of training.

Benefits and Costs to Taxpayers

Benefits to taxpayers

- Reductions in UI payouts net of taxes.
- Increases in taxes from increased earnings.

Costs to taxpayers

- UI benefits net of taxes.
- Providing services.

Benefit and Cost Estimates

- Based on evidence from states that used value-added measures.
- Assumes that high quality accountability systems will be in place.
- Uses ballpark estimates that under-estimate the true value of services.

The 5 services examined

- Calling-in claimants for mandatory Worker Profiling and Reemployment Service (WPRS) screening.
- Providing high-quality job search assistance (JSA).
- Developing new job listings.
- Counseling potential trainees.
- Providing training vouchers.

The Promise of One-Stops: Per client Costs & Benefits

	Costs		Benefits
	Staff-time (hours)	Staff Pay (dollars)	reduction in weeks unemployed
■ Call-ins	0.5	\$23	0.3
■ JSA	8.0	\$360	2.8
■ Job development	15.0	\$675	4.5
■ Counseling trainees	12.0	\$540	1.2
■ Training vouchers		\$2,000	-9.0

The Promise of One-Stop Services

Ratio of Benefits to Costs
(assuming a high-quality accountability
system is put in place)

■ Call-ins	8.0
■ JSA	4.7
■ Job development	4.0
■ Counseling trainees	1.3
■ Training vouchers + counseling	3.2

Net benefits to workers and taxpayers vary substantially across services

per worker net benefits to:
taxpayers workers

■ Call-ins	\$270	-\$113
■ JSA	\$690	\$630
■ Job development	\$855	\$1,350
■ Counseling trainees	-\$180	\$360
■ Training vouchers	-\$1,125	\$10,725
■ Average	\$583	\$1,464

Why accountability systems are important

- You get what you measure!
- Accurate measures increase cost-effectiveness, but inaccurate measures decrease cost-effectiveness.

Accountability systems should measure what programs do

- Describe job search outcomes:
 - How quickly jobs are found.
 - Job quality: earnings and employment stability.
- Compare actual outcomes to what they otherwise would be (measure the value-added).

Why are Value-Added measures needed?

- Because One-Stop clients tend to have:
 - Greater information deficits than non-users.
 - More difficulty finding work than job seekers who appear similar on the surface.

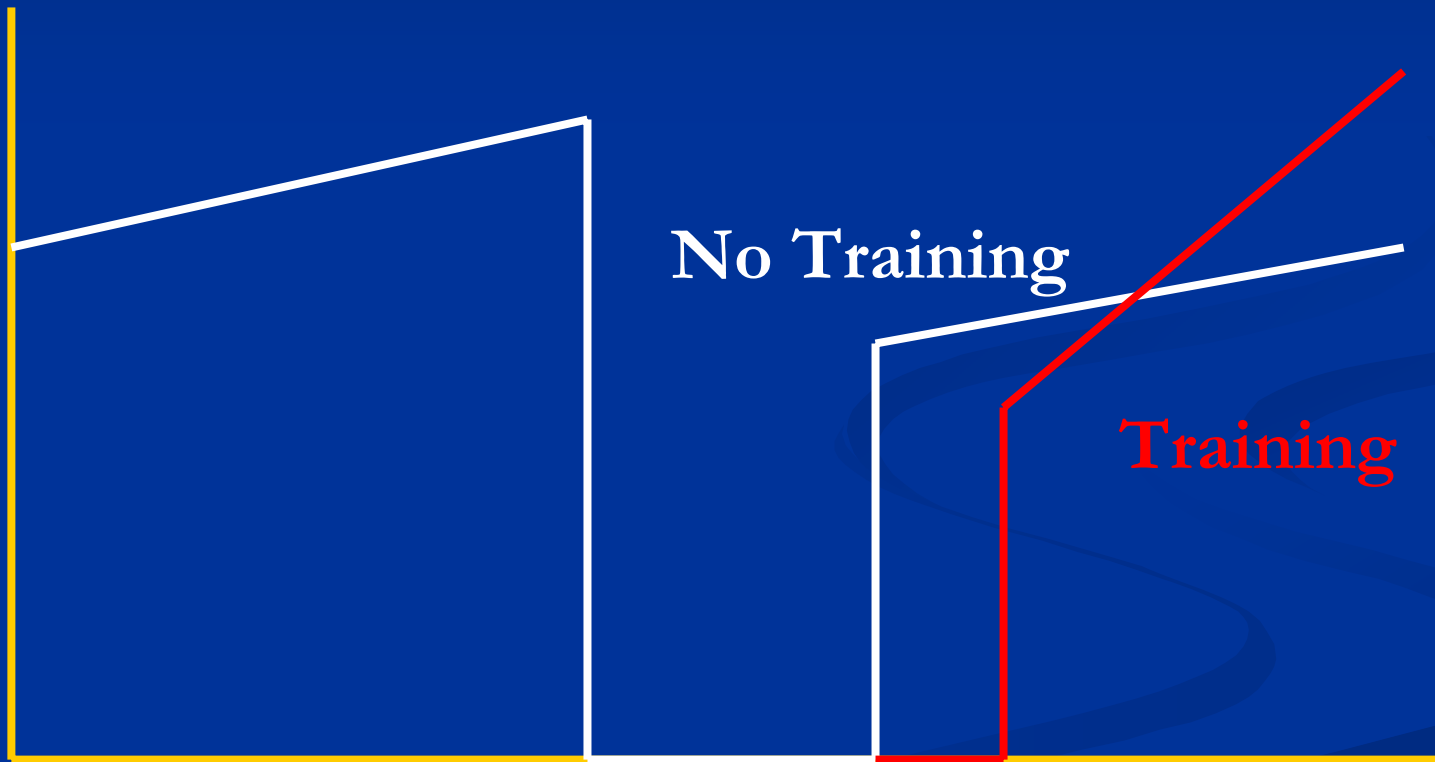
Capturing the Value-Added of JSA

• Earnings



Capturing the Value-Added of Training

Earnings



No Training

Training

Time

Techniques to measure the value-added

- Random assignment (experimental) designs
 - Randomly selecting claimants for call-ins
 - Using a lottery to offer training vouchers to qualified candidates
- Natural experiments (quasi-experimental designs)
 - Identifying job seekers applying to PLX job listings after the jobs are filled
- Statistical matching (non-experimental)
 - Nearest neighbor matching
 - Controlling for prior earnings and timing of service receipt.

Major problems with the “entered employment” measure

- Allows staff to exit clients after they would have found jobs anyway.
- Wastes staff resources on determining if clients have found jobs.
- Does not measure the speed of reemployment.
- Does not provide feedback about what services are most valuable.

Major problems with the “earnings” measure

- Does not take into account what earnings otherwise would be.
- Post earnings creates incentives to serve high paid clients.
- Pre-post earnings creates incentives to serve low paid clients.
- Does not provide feedback on the value of training.

Additional key problems with current measures

- They do not take cost into account.
- They put more emphasis on serving intensive clients, when core services often are equally effective but much less costly.

Benefits of Improving the Accountability System

- Equivalent to a 40 percent budget increase due to:
 - Reducing wastage of staff time.
 - Providing more cost effective services

The New Approach to Accountability

- Adopt valued-added measures.
- Treat core and intensive services equally.
- Factor in cost to estimate the return-on-investment.
- Hold One-Stops to realistic and flexible standards.
- Adequately fund development of improved measurement techniques.
- Test promising techniques to improve measurement.

Steps to creating a new system

- Build on existing research.
- Maintain use of wage records for follow-up.
- Obtain identifiers to permit follow-up for core clients.
- Adopt the best systems currently in use to identify clients, track services provided, and make more efficient use of PLXs.

What Congress could do ensure a high quality accountability is put in place.

- Reauthorize WIA to require US-DOL to develop a high-quality accountability system.
- Require a blue ribbon panel to examine alternatives, rather than define measures in the Act.
- Allow states to experiment with alternative measures.
- Study the effects of using alternative measures.

What Congress could do ensure unemployed workers are well-served by One-Stops

- Put a high-quality accountability system in place.
- Increase funding for programs that save taxpayer dollars.
- Change existing rules that prevent UI trust funds from being used to provide cost-effective reemployment services.

Summary: Realizing One-Stops' Potential via Accurate Feedback

- Accurate information about benefits and costs is need to realize One-Stops' potential to help UI claimants, employers, and the nation as a whole.
- Current performance measure do not provide accurate information because:
 - They do not compare length of job search to what it otherwise would be.
 - They do not compare earnings to what they otherwise would be.
 - Do not compare benefits to costs.
- Current data systems could be used to produce more accurate value-added and return-on-investment measures.

Summary: Direct Placement via PLXs

- Direct job placement through PLXs can be highly cost effective because:
 - Claimants have difficulty finding jobs on their own.
 - Staff can find suitable openings more quickly than job-seekers.
 - PLX placements immediately end jobless periods.
- High quality PLXs:
 - Devote staff time to developing job orders and to ensuring employers are adequately served.
 - Use high-quality computer systems to:
 - Make it easy for job seekers to identify suitable openings.
 - Automatically notify clients when relevant new listings appear.

Summary: Claimant Call-Ins + JSA

- Claimant call-ins accompanied by high-quality JSA are highly cost-effective because:
 - They are inexpensive in terms of staff time.
 - Help claimants understand the value of returning to work quickly.
 - Provide claimants with information they would have difficulty obtaining on their own.
- Claimant call-ins can be made more effective by:
 - Improving equations used to determine which claimants are called in and what is the best time to call them in.
 - Using staff to conduct one-on-one interviews.

Summary: Screening Trainees

- Assessing and screening potential trainees can be highly cost-effective because:
 - Claimants lack good information about the types of training that they can complete which will raise their earnings.
 - Where to get high quality training.
 - How to get the funds need to make prolonged training affordable.
- Holding One-Stops accountable for the value of training is the key to increasing its effectiveness.