

DISCUSSION PAPER 2009-01

APRIL 2009

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

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Advancing Opportunity,  
Prosperity and Growth

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

Louis S. Jacobson

NOTE: This discussion paper is a proposal from the author. As emphasized in The Hamilton Project's original strategy paper, the Project was designed in part to provide a forum for leading thinkers across the nation to put forward innovative and potentially important economic policy ideas that share the Project's broad goals of promoting economic growth, broad-based participation in growth, and economic security. The authors are invited to express their own ideas in discussion papers, whether or not the Project's staff or advisory council agrees with the specific proposals. This discussion paper is offered in that spirit.

THE BROOKINGS INSTITUTION

APRIL 2009

## Abstract

This paper explores the role that One-Stop Career Centers play in helping the unemployed build new skills and find new jobs. Each year, One-Stops provide about 15 million workers with information about the characteristics of available jobs, strategies to land the best possible new jobs, and the benefits and costs of enrolling in training programs. Such services help workers rebound from cyclical and structural job loss in ways that foster long-term growth.

Unfortunately, One-Stops have been hobbled by sharp reductions in funding and counterproductive federal performance measures and regulations. Since 1990, funding for One-Stops has fallen by 33 percent, while the labor force has grown by 23 percent and the probability of job loss has increased by 33 percent. As a result, many workers fail to get the help they need from One-Stops—help that would substantially reduce their adjustment costs.

This paper proposes introducing new performance measures that would make better use of existing resources and thereby expand One-Stop capacity to help more workers. In addition, the new accountability system, which could rapidly be put into place at low cost, would increase incentives to provide the most cost-effective services, as measured by higher worker wages, increased tax revenues, and reduced taxpayers' expenditures for unemployment insurance benefits.

This paper also recommends increasing One-Stop annual funding from \$4 billion to \$8 billion in two phases. These expenditures would provide high-quality job search assistance and training to an additional 5.6 million job seekers. Of the additional \$4 billion required, \$2.5 billion could come from unemployment insurance trust funds if laws were changed to permit cost-effective investments in active labor market programs. The remainder could come from permanent increases in Workforce Investment Act funding. These investments, when accompanied by a new accountability system, are estimated to return \$3.9 for every \$1 spent. Not only would they increase labor market efficiency by reducing unemployment, but also they would provide the more highly skilled workforce needed to spur economic growth when the current recession ends.

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## 1. Introduction

The U.S. economy is in the midst of its worst downturn since the Great Depression. Economists expect the unemployment rate to peak above 9 percent within the next year. Federal policymakers are focused on creating millions of new jobs in the next few years to reemploy job losers. Even if they succeed, dislocated workers will need help to quickly find these new jobs. Boosting the effectiveness of existing job matching and other job search assistance services will be critical to this effort. Moreover, in a period when jobs with advancement opportunities are scarce, many workers are likely to benefit from building new skills rather than simply taking the best job available. Thus, providing counseling and assessment services to potential trainees—as well as funds to make training affordable—is especially important to provide workers the opportunities to choose the best strategies to adapt to economic change.

Beyond the current downturn, the ability to rapidly shift resources from low- to high-value uses reduces the waste associated with prolonged unemployment and underemployment, and provides firms with the skilled workforce they need to grow. This ability is a key reason that the U.S. economy has outperformed those of other developed countries. But gains in the U.S. economy disproportionately go to those at the very top of the income distribution, while losses disproportionately fall on job losers and low-income workers. Reducing the cost of job loss and enhancing earnings power are important to equitably distribute economic gains and losses and to further growth. Broadly sharing gains and losses contributes to growth by reducing political pressure to slow globalization, and also contributes to other productive economic changes.

In both good times and bad, workers need information about how to recover from job loss and spur their earnings growth. The government can facilitate this exchange of information, provide effective

training to help workers advance their careers, and offer short-term income support to make the training period affordable. The amount and mix of assistance that is needed will vary with local and national economic conditions and the characteristics of the job losers. However, offering these types of support should be viewed as an alternative to policies adopted in other developed countries that attempt to protect workers by inhibiting constructive economic change. In short, effective adjustment programs minimize the cost of creative destruction to job losers and thereby spur growth as well as provide political support for growth-enhancing policies in the United States.

Some workers are able to adjust to job loss without government aid. These workers generally are well educated, have substantial savings, and have contacts that can help them obtain new jobs and gain new skills. But many workers need government assistance to select the adjustment strategy that is best for them among myriad options, and to implement that strategy effectively, whether it is immediately looking for a good job in a growing sector or taking the time to enter a training program to build new skills that will foster future earnings growth. One-Stop Career Centers are the primary source of information for workers needing adjustment assistance.

As their name suggests, One-Stops combine in one building a range of employment and training programs. Two U.S. Department of Labor (DOL) programs are the major participants. The Employment Service, funded by the Wagner-Peyser Act of 1935, provides “core services” that consist of low-cost job search assistance, especially direct placement at jobs through public labor exchanges—computerized job banks where workers can quickly identify relevant job openings among those listed by firms. Workforce Investment Act programs provide “intensive services” involving long-duration job-search coun-

selling and training. One-Stops are administered through local Workforce Investment Boards that are led by businesses but that engage service providers and government.

Unique features of One-Stops give them the capacity to provide cost-effective services to unemployed workers. One-Stops can assemble at very low cost the information that millions of workers lack about available jobs and training opportunities. In addition, they act as honest brokers, imparting this information so that it speeds job searches and increases posttraining earnings. To facilitate efficient use of resources, One-Stops have adopted an effective “work first” approach in which they begin by providing low-cost information to help workers find jobs with advancement opportunities, then add more costly staff-intensive counseling as needed, and, if necessary, move to relatively expensive skill training and staff-intensive case management. Finally, by facilitating reemployment, they reduce the costs borne by taxpayers for unemployment insurance (UI) and other transfers.

In an average year, more than 15 million workers obtain services from close to three thousand comprehensive and affiliate One-Stops across the United States. Roughly 3 million workers are directly placed at the 6 million job openings listed by public labor exchanges. Most of the remaining 12 million workers receive assistance from One-Stops that helps them find jobs more quickly on their own. About 97 percent of the workers served by One-Stops receive only core services, which cost about \$50 per person. Around 3 percent receive intensive services, which cost about \$5,000 per person. Almost all intensive clients receive case management services designed to help them quickly find new jobs. About 35 percent also receive training vouchers that cost about \$2,000 per person, and about 20 percent receive lesser amounts of skill training.

Unfortunately, One-Stop funding has declined significantly in the past two decades. Today, approximately \$4 billion of federal funds are spent each year on core and intensive services, down from about \$6

billion in inflation-adjusted dollars in 1990. Given that both the labor force and job losses have increased substantially since 1990, One-Stops do not have sufficient resources to adequately help workers in good times, let alone in severe recessions. One-Stops have also been hobbled by a poorly conceived accountability system that drives One-Stops to offer services that look good on paper but that often fail to assist clients, ultimately wasting staff time.

In this paper, I propose a new approach to One-Stops that would allow these centers to provide more effective assistance to millions of dislocated workers, especially in today’s dire economic climate. Section 2 provides a brief overview of the role of One-Stops since their inception in the 1990s, while §3 outlines the current challenges facing One-Stops. Section 4 proposes key reforms to help One-Stops face these challenges, with a focus on coupling funding increases with revamping the accountability system. The key reforms are accurately measuring the benefits and costs of training, staff-intensive counseling, job placement through public labor exchanges, and other forms of low-cost job search assistance. These changes would lead One-Stops to offer the most cost-effective services to each client by overcoming perverse incentives and allowing oversight bodies to rapidly identify and correct managerial problems.

With a high-quality accountability system in place, increasing funding would give One-Stops the resources they need to expand job search assistance, counseling, and training to millions of UI claimants and other job losers who could greatly benefit from those services. As §5 demonstrates, the cost of helping UI claimants find jobs quickly would be covered by reductions in UI benefit outlays and increases in tax revenues, and the costs of helping workers increase their earnings by completing high-return training would be covered by increases in tax revenues. Section 6 concludes.

## 2. One-Stop History and Background

Wisconsin and other states began to experiment with One-Stop Career Centers more than twenty years ago to combine in one building employment and training services provided by a variety of separate programs. These programs were targeted at a range of people, from dislocated and disadvantaged workers to veterans, the elderly, persons with disabilities, and single parents receiving welfare payments. The growth of One-Stop Centers reflected recognition that many social programs have similar goals, but either provide duplicative services or use different approaches that work well in some circumstances but poorly in others. Policymakers recognized that integration of services could facilitate more efficient delivery of aid, at least in part by applying a common set of coherent performance measures. Moreover, they understood that taxpayers view many transfer programs as overly generous and prefer government services that foster self-sufficiency. These notions coalesced support for integrating employment and training programs in a way that was expected to reduce transfers and shift resources to helping workers find jobs.

One-Stops were designed to integrate services for two primary client groups: dislocated workers and economically disadvantaged workers. Dislocated workers lose jobs through no fault of their own and are eligible for UI. They often have great difficulty finding new jobs at comparable pay and benefits, and traditionally are served by DOL programs. Economically disadvantaged workers include the working poor who need help finding jobs with advancement possibilities, as well as single parents who need to make the welfare-to-work transition. Both disadvantaged groups often need to upgrade their career-related skills on the job or through

classroom training, and are served by both DOL and U.S. Department of Health and Human Services programs.<sup>1</sup>

The success of state experimentation led to One-Stop Career Centers being mandated under the 1998 Workforce Investment Act. This Act requires each of the more than six hundred Workforce Investment Areas in the United States to establish One-Stops centered on Employment Service and Workforce Investment Act programs. The Employment Service provides low-cost “core services” to any job seeker, but primarily serves UI claimants—who usually must register with the Employment Service to ensure that they are looking for work—as well as low-wage workers who often lack better avenues to find jobs. Most core clients visit One-Stops voluntarily, but some UI claimants receive mandatory call-ins to ensure that they understand and are abiding by job search rules, have a reasonable plan to find new jobs or build skills, and know where to obtain various types of job search assistance. Most of these mandatory call-ins are part of the Worker Profiling and Reemployment Services program carried out in cooperation with the UI system.

The Employment Service mainly provides different forms of job search assistance—services designed to help workers find suitable jobs quickly. One key form of job search assistance is direct placement at jobs listed by employers on public labor exchange computers. While most listings are provided by employers familiar with the Employment Service, Employment Service staff also perform job development—a second form of job search assistance—which entails contacting employers to encourage them to list openings. Short-term counseling, a

1. Economically disadvantaged youth are a third One-Stop constituency; local Workforce Investment Boards have responsibility for coordinating career-oriented education services. I do not discuss the role of One-Stops in serving youth because their role is minor compared to the local pre-K through Grade 16 education systems.

third form of job search assistance, is designed to help workers identify the characteristics of suitable jobs and determine the best means to locate those jobs. Other forms of job search assistance include workshops to review job search methods, assist with résumé writing skills, and improve interview techniques; and job-finder clubs where One-Stop clients meet periodically to share information and refine strategies, usually with some staff guidance. Employment Service staffs also refer clients to intensive One-Stop job search assistance and training services provided by Workforce Investment Act staff, and to other supportive services provided by a range of social service agencies, often colocated at the One-Stop.<sup>2</sup> Finally, the Employment Service provides resource rooms equipped with telephones and computers with Internet connections that clients can use to download applications, draft letters, create résumés, and communicate with prospective employers.

In contrast to the Employment Service, Workforce Investment Act programs provide higher-cost and more-individualized staff-intensive services. Almost all Workforce Investment Act clients receive customized career planning and counseling (a more expensive type of job search assistance), while about 20 percent also receive limited amounts of skill training, and 35 percent receive skill training lasting as long as eight months through Individual Training Account vouchers (Social Policy Research Associates 2008). Workforce Investment Act services are restricted by law mainly to dislocated workers and economically disadvantaged individuals—the two groups bearing much of the costs associated with productive economic change. In addition, Work-

force Investment Act programs are not obliged to serve every person eligible for aid and often lack the funds to do so. As result, they tend to ration funds, especially for training vouchers in areas where and periods when unemployment is high.

One-Stops provide similar services across the United States, but the degree of participation by programs that are not administered through the DOL varies greatly, as does the level and quality of cross-program integration and oversight. One-Stops provide a platform for service integration with a high degree of flexibility for states and localities to select a structure that meets local needs and combines local resources. However, the system has not removed the separate cross-program funding silos and overlapping responsibilities.<sup>3</sup>

One-Stop Career Centers touch the lives of more than 15 million of the almost 80 million workers who look for new jobs or opportunities to advance their careers in an average year (DOL 2009c).<sup>4</sup> About 97 percent of One-Stop clients obtain only low-cost core services over the Internet or at one of about 1,800 comprehensive One-Stops and 1,200 affiliated One-Stops distributed across the United States (America's Service Locator 2009). Core services are highly cost effective to society because they facilitate job placement for displaced workers who would otherwise receive about \$300 per week in UI payments for up to twenty-six weeks. Thus, core services make sizable reductions in the \$38 billion spent in an average year on UI payments and administration (U.S. Government Printing Office [GPO] 2008).

2. There are twelve “mandatory” One-Stop partners funded by separate “silos” such as veteran employment programs funded by the Veterans Administration, a host of federal and state welfare programs partially funded by the U.S. Department of Health and Human Services, and rehabilitation and exoffender programs funded by a variety of agencies.

3. In a few states, there is a single One-Stop staff, often provided by a consortium of governmental and nonprofit organizations. In most states, One-Stops have state Employment Service staffs and local Workforce Investment Act staffs working together under unified management. While it was hoped that complete integration would increase effectiveness and reduce cost, there is powerful evidence from Jacobson et al. (2004) that, in the absence of high-quality performance measures, completely merging the Employment Service with Workforce Investment Act staffs leads to sharp reductions in the number of workers served, especially through direct public labor exchange placements, and in overall cost effectiveness due to substitution of high-cost services for equally effective low-cost services.

4. The number of workers looking for a new job in a given year is roughly equal to the number of new hires, which equals about 40 percent of the labor force (DOL 2009b). In addition, at least 10 million incumbent workers obtain some training to upgrade their skill. The 10 million estimate is based on an extrapolation of the number of employed workers requesting One-Stop help (Social Policy Research Associates 2008).

Only 3 percent of One-Stop clients obtain intensive services, but these services absorb about 75 percent of One-Stop funds because they cost approximately \$5,000 per client, compared to approximately \$50 per client receiving core services (DOL 2005; O’Leary and Eberts 2008; Social Policy Research Associates 2008). Under the One-Stops’ work first policy, clients are generally moved to intensive services only if they fail to find suitable jobs using core services. Most intensive clients receive staff-intensive job search assistance. Training generally is provided only when workers have little prospect of finding suitable work without building new skills. Training vouchers, worth about \$2,000 apiece, are rationed because they are by far the most expensive service provided, and One-Stops lack the funds to provide training to all who might benefit from it. However, by focusing on job placement, One-Stops enable workers to obtain training directly from their new employers or from other sources that they can afford once they are reemployed. Training while employed usually generates the greatest returns because it is best aligned with advancement opportunities as well as existing skills and interests.

If provided to the right workers, intensive services can be cost effective for society. As shown in §5, the reduction in UI expenditures combined with higher tax revenues from the increased earnings of dislocated workers who find jobs more quickly or gain new skills can more than cover the cost of One-Stop services to taxpayers.<sup>5</sup>

One-Stops are unique because they have assembled at very low cost the information millions of workers lack about available jobs and training opportunities, and because they can act as honest brokers imparting this information so that workers make sound choices that increase the returns on investments in job search and training. One-Stops thus provide the information dislocated workers need to make the fundamental choice between immediately seeking a

new job or delaying job search and obtaining training to build skills that are in high demand. One-Stops then help workers who choose to search for a new job identify the best job openings available and use the most effective means to land those jobs. For workers choosing to enter training programs, One-Stops provide information about which training programs are most likely to increase their earnings over the long term.

Removing information deficits about reemployment opportunities is important because many dislocated job seekers do not recognize how difficult it will be to find suitable jobs. Workers may not realize that delays in returning to work can reduce earnings gains associated with learning on the job, or that many employers are reluctant to hire workers who have been out of work for long periods. As a result, workers often delay accepting large pay cuts by initially turning down jobs that they ultimately will come back and accept. This delay increases earnings losses and needlessly prolongs unemployment with its associated high levels of anxiety and depression, especially in prosperous times. In addition, workers who understand the consequences of delaying job searches are likely to avoid succumbing to the work disincentives inherent in the after-tax pay of new jobs, often being little more than UI payments at the outset.

Similarly, removing information deficits about the relative returns to training versus job search can help workers quickly identify situations where training is the best option, and choose programs that are likely to have the greatest effect on long-term earnings. Making a speedy assessment is important because most claimants cannot afford to remain in training programs after their UI benefits have been exhausted. Most workers have only a vague idea of the type and amount of training they need to increase earnings, the prerequisites for successful completion of various programs, the out-of-

5. Helping disadvantaged individuals land jobs with good advancement opportunities through a combination of JSA and training also can more than cover their costs by reductions in transfers (Bloom et al. 1997). These transfers include \$30 billion spent in an average year on Temporary Aid to Needy Families (TANF) as well as the \$190 billion spent on Medicaid (GPO 2008).

pocket and forgone earnings cost of the training, or which training institutions provide the highest-quality programs. This information is essential for job seekers to select training programs that have higher returns than they would receive by seeking new jobs. The information also is critical to selecting programs that are likely to be completed because they are well matched to trainees' prior schooling, work experience, and interests. For example, only workers who did well in high school math courses are likely to do well in highly remunerative IT and other Science, Technology, Engineering, and Math programs. Conversely, some workers fail to enter high-return training programs because they underestimate the returns and overestimate the direct costs and how those costs can be covered by student aid programs.

Moreover, solid information about training is difficult to obtain because community colleges and other training institutions do not have the resources to adequately counsel prospective students, and instead have financial incentives to enroll as many students as possible, independent of the benefits to the students. Obtaining accurate information about training alternatives is especially important during major downturns when jobs with good advancement opportunities are scarce, and building skills is more often a better alternative than a prolonged job search.

Thus, the role of One-Stops in the labor market is analogous to the role of real estate brokers in the housing market. Few individuals buy or sell homes without a broker, regardless of their education or income levels. For homebuyers, the key issue is lo-

cating the right home at the right price, which is similar to finding the right job with the right compensation package. But prospective homebuyers have several advantages job seekers lack. They can tour relevant neighborhoods, see first hand the attributes of various houses, and have homes inspected by experts to spot hidden flaws before purchasing them. In contrast, the vacancies open to job seekers and potential trainees often are hidden, expert advice is not readily available, and the attributes of jobs and training programs are difficult to observe, with their suitability becoming apparent only after the worker has begun work or training. In addition, the long-term benefits are hard to estimate because they depend on the performance of the worker and shifts in labor demand and supply.

In summary, no other public or private institution is equipped to provide job finding services and training to such a large and diverse group of workers at such low cost. Private job-placement firms are able to make a profit by providing similar information, but they do so mainly to workers with higher levels of skill and education than those helped by One-Stops. As a result, only some workers are able to obtain "free" services from private firms because employers searching for new employees are willing to pay the costs of those services, and only some workers are able to effectively use Web-based labor exchanges without staff assistance. With respect to training, no other institution is as well equipped to serve as an honest broker assisting workers to make wise choices among the array of public and for-profit training institutions and ensure out-of-pocket expenses are covered by training vouchers and other forms of aid.

### 3. Problems Facing One-Stops

In some ways, it is the best of times for employment and training programs. In many localities, people are satisfied with the effectiveness of One-Stop services, the integration of those services, the collection of information on the effect of services, and the constructive cooperation of employers, service providers, and policymakers. Moreover, there is reliable evidence that the benefits of the services provided are substantial and often exceed the costs.

But in other ways it is the worst of times for these programs. Federally mandated performance measures fail to provide accurate information about the benefits and costs of the services being provided, and funding has fallen dramatically. As a result, One-Stop staff cannot adequately meet worker needs, and in many areas fail to use the resources at their command to provide cost-effective services to large numbers of clients. This section discusses ways to deal with the accountability and funding challenges.

#### 3.1. Accountability Deficits

Putting in place a high-quality accountability system is essential for using existing funds effectively and persuading policymakers to provide adequate funding. The Workforce Investment Act has created an elaborate accountability system that specifies mandatory One-Stop performance measures and standards, requires careful monitoring of how well standards are met, imposes sanctions when performance is substandard, and efficiently collects data in a uniform way by making maximum use of UI wage records.

Although this system leads to “getting more of what is measured,” as the saying goes, experts and practitioners have concluded that what is being measured does not come close to reflecting the benefits and costs of the services being delivered (Barnow and Smith 2004). The goal of most Workforce Investment Act services is to help workers more quickly find jobs that have the same compensation packages and advancement opportunities that otherwise would be generated by longer searches. Nevertheless, current Workforce Investment Act performance measures do not include any indicator of how quickly new jobs are found, and include only a poor indicator of changes in compensation.<sup>6</sup> Instead, they use a measure of “entering employment” at the point clients are “exited.” This measure could provide some useful information, but in practice it is uncorrelated with quickness in return to work because One-Stop staff manipulate clients’ exit points to take advantage of the fact that most clients would eventually find jobs on their own. They also use a measure of earnings, but that measure is not one that makes it possible to assess if longer search would have led to higher pay. Similarly, Workforce Investment Act measures for training are based on posttraining quarterly earnings, which provide no information about what the value-added was of the training—that is, how much greater actual earnings are than they would have been in the absence of training.

To make matters worse, One-Stops are only held accountable for meeting intensive service goals. They rarely have accurate counts of clients receiving core services, and they fail to take cost into account, even though intensive services cost about a

6. Sometimes there is a trade-off between returning to work quickly and finding jobs with high pay and advancement opportunities. Thus, it is important to accurately measure service-induced changes in earnings as well as decreases in unemployment duration to ensure One-Stop services do not inappropriately limit the time needed to find the best available job. However, as described in §4, there is overwhelming evidence that One-Stops positively affect the speed of returning to work without adversely affecting the quality of new jobs by motivating workers to search more intensely using One-Stop provided information about job openings and how to search on their own.

hundred times more per person than core services. I estimate that 20 percent or more of staff time is wasted on tasks with little or no value, such as monitoring job searches of clients no longer receiving services. In addition, I estimate that 20 percent or more of funds are wasted because One-Stops too often use expensive services when low-cost services would be equally effective. The lack of adequate feedback also prevents managers from quickly identifying and resolving problems and allocating resources for diverse services such as obtaining job listings and using training vouchers in ways that are cost effective.

Remedying accountability problems will require applying cutting-edge estimation techniques to existing data, as well as collecting new data. Central to the accountability problem is developing value-added measures based on comparing actual labor market outcomes of One-Stop clients to what outcomes otherwise would have been. Without knowing what otherwise would have happened (i.e., without creating counterfactual estimates), One-Stops would be given credit for outcomes that they did little to create, and denied credit for outcomes they did much to create. In particular, many job seekers turn to One-Stops for help after months of failing to locate jobs by other means. Thus, simple comparisons of the duration of unemployment between the average job seeker and One-Stop clients would indicate that One-Stops prolong unemployment. Similarly, dislocated workers trained through One-Stop vouchers might show large earnings reductions relative to their prior jobs, but have substantially greater earnings than their former colleagues who did not receive training.

Whereas figuring out what would have otherwise happened is difficult, making no attempt to do so leads to a host of problems. The most well known is “creaming”: selecting workers for training or other intensive services who are likely to meet performance standards independent of the quality of the services received. As a result of creaming, workers who could benefit the most from intensive One-Stop services are denied them. In contrast, account-

ability measures that capture the value-added of the services would create incentives to select workers who can benefit the most from the service offered. Lack of accurate accountability measures makes it impossible for decisionmakers to identify the strengths and weaknesses of One-Stop services and do what is necessary to improve their cost effectiveness. Yet Washington and other states already periodically supplement federal measures with value-added measures that compare One-Stop clients’ actual reductions in the duration of joblessness and increases in earnings to what they would have been in the absence of One-Stop aid. Some states also measure the impact of core services rather than just intensive services. The experiences of these states can inform the design of an improved national accountability system and provide decisionmakers with a more-accurate assessment of One-Stop performance.

### 3.2. Inadequate Funding

There are several reasons to believe that One-Stop funding is inadequate. The need to find new jobs and build new skills has increased because there have been substantial increases in the incidence of permanent job loss and in the returns to education. In 1983, the median job of a fifty-year-old male worker started thirteen years earlier. By 1996, median tenure had fallen to ten years, and by 2006, median tenure had fallen to eight years (Employee Benefit Research Institute [EBRI] 2007). Related statistics suggest that in 1983 the median worker had lost about three long-lasting jobs from age twenty-five to retirement, in 1996 the median worker had lost five of those jobs, and in 2006, six of those jobs. In addition, the college to high school earnings differential has increased from 43 percent in 1980 to 85 percent in 1997 for men, and by comparable amounts for women (U.S. Bureau of the Census 1998). Thus, workers who were unable to obtain college credentials face increased job insecurity and real wage declines.

While workers’ need for aid has increased, One-Stop funding to provide that aid has decreased.

Wagner-Peyser funding for One-Stop core services supplied by the Employment Service has fallen to about \$703 million today from about \$1.4 billion in today's dollars in 1990 (O'Leary and Eberts 2008). These cuts have caused major declines in the number of One-Stop offices and staff. Workforce Investment Act funding for intensive services was about \$3.3 billion in 2004 (the latest year with reliable figures), but funding in 1990 for these services to Workforce Investment Act's predecessor was about \$4.2 billion in today's dollars (DOL 2005).<sup>7</sup> However, the workforce has increased by about 23 percent (DOL 2008), and up to 40 percent of the Workforce Investment Act funds are wasted by various perverse incentives.<sup>8</sup>

Federal funding declines for core services have been partially offset by increases in state funding, use of more efficient computer technology, and use of staff from other agencies colocated at One-Stops. Many One-Stops also place computer terminals in libraries and other public buildings, and have benefited

from providing links to expanded computerized job listings provided by newspapers and other for-profit companies such as Monster.com. However, technological improvements cannot effectively help the large number of One-Stop clients that do not have the skills sought by employers listing jobs on the Internet or who need personalized assistance to develop an effective search plan and to learn to use modern technology.

Federal funding declines for intensive services have been offset to some extent by a major expansion of low-cost training opportunities available through community colleges. As a result, most workers can afford to obtain training as long as they—or a family member—are employed at least part time. However, in the absence of One-Stop counseling, many dislocated and disadvantaged workers select courses that they are unable to complete or that are unlikely to boost their earnings, while others do not take enough courses to substantially boost earnings.

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7. More than \$1 billion in Workforce Investment Act appropriations currently go to employment and training programs that are not part of the One-Stop system, primarily to the Job Corps. Also, some Workforce Investment Act funds go to providing core services, although those services are mostly provided by the Employment Service.

8. Estimates of the waste of staff time stemming from “soft exiting” clients (monitoring their job search to ensure clients are employed at the point they are exited from the program and they will be counted as having entered employment) and other activities designed to make One-Stops look good on paper are derived from interviews conducted by the author at twenty-two One-Stops included in Jacobson et al. (2004), and from discussions held with a range of Maryland One-Stop staff and monitoring officials in the course of the author's activities as chair of the assessment committee of the Montgomery County (Maryland) Workforce Board.

## 4. A New Approach

One-Stops have a framework for delivering cost-effective services, organizational structures and staff capable of delivering high-quality services, and an accountability system that with feasible change would provide accurate feedback. At the heart of the new approach advocated here is modifying the current performance measurement system to accurately assess the benefits and costs of training, case management, public labor exchange placements, and other forms of job search assistance. Replacing the current poorly constructed system is essential for removing powerful perverse incentives to waste resources and not take the actions that would be most helpful to workers and firms. Putting a well-constructed system in place would ensure that most One-Stops come close to reaching their potential, not just those able to do so in spite of the performance measurement system.

The details of how a high-quality performance measurement system could be developed are discussed in §4.1. I follow this with a discussion of services that merit expansion based on existing evidence. Use of a high-quality accountability system would substantially increase service effectiveness and permit more workers to receive services. However, funding increases also are sorely needed to assist workers affected by the current severe recession, especially when existing evidence attests to the high cost effectiveness of One-Stop services.

### 4.1. Improving Accountability

Technical experts and practitioners widely agree that the Workforce Investment Act performance measures are poorly designed and are the sources

of major problems.<sup>9</sup> Research also indicates that Workforce Investment Act performance measures are at best uncorrelated with value-added measures and at worst negatively correlated with them (Barnow 2000). Barnow and Smith (2004) present a comprehensive summary of studies relating to the effects of performance measures and standards on the provision of One-Stop services. They note that Workforce Investment Act standards are often unreasonably high because they fail to take into account cross-area differences in client characteristics and business conditions or changes in those conditions. In such circumstances, One-Stops face even greater incentives to take actions designed to look good on paper rather than actions that best serve clients.

Extensive discussions with One-Stop staffs such as those described in Jacobson et al. (2004) suggest that perverse incentives in the current accountability system easily could waste more than \$1 billion (18 percent) of One-Stop funds annually. While the true number could be much greater or somewhat lower, there is little doubt that the current system is highly destructive in helping One-Stops fulfill their potential. An improved accountability system would compare earnings after training and job search assistance to what they otherwise would be and relate benefits to costs. This would reduce perverse incentives to substitute expensive services for inexpensive ones and for selecting the “wrong” clients to receive expensive services. In addition, the system would compare the actual time it takes a client to find a job to a reasonable estimate of how long it would take the same client to find a job without One-Stop services. This new accountability system would eliminate the possibility of One-Stops striving to look

9. Washington State officials led the Integrated Performance Information project to produce concrete recommendations for change with the assistance of Florida, Michigan, Montana, Oregon, and Texas officials (Wilson 2005). This effort was publicized by the National Governors Association Center for Best Practices at several forums. In addition, the National Association of State Workforce Agencies routinely discusses the problems created by poor measures at their annual conferences.

good on paper by perpetuating “soft exits,” where staff only exit clients who are no longer requesting help after those clients have returned to work.

The accountability system covering Employment Service services can be altered using well-established procedures for changing administrative rules. Workforce Investment Act performance measures, however, are embedded in the legislation. Workforce Investment Act reauthorization is long overdue and there is a reasonable chance that within a year or so new legislation will include return-on-investment measures that combine value-added and cost estimates. However, the Workforce Investment Act does not prevent states from using return-on-investment and other measures along with mandatory “common” measures. The DOL could also grant waivers allowing states to hold One-Stops accountable based on their use of improved measures as part of demonstration projects. Moreover, it should be possible to rapidly develop a set of options for revamping the current system using the existing Workforce Investment Act data collection structure. This could be done by building on the groundwork laid by existing efforts to develop high-quality accountability systems by Washington State, national organizations interested in increasing program effectiveness, and the research community. While the end product would not be perfect, it would be far superior to the one currently in place. The following sections explain how policymakers and researchers could develop an improved accountability system.

**4.1.1. Measuring the returns to training and other intensive services.** Measuring the benefits and costs to training and other intensive services requires comparing posttraining earnings and unemployment duration of One-Stop clients to what they otherwise would have been in the short and long run. Workforce Investment Act information systems currently in place could support such measures, but are not required to do so. Workforce Investment Act’s elaborate accountability system provides excellent data on the services received by intensive clients and uses UI wage records and sur-

veys to obtain accurate follow-up information. Six states have advocated using the return-on-investment measure (Wilson 2005). Hollenbeck (2008) demonstrates how to create these measures using existing Workforce Investment Act data and nearest-neighbor matching techniques.

Jacobson, LaLonde, and Sullivan (2005) examine the returns to training dislocated workers in Washington State. Their work uses the same type of earnings records used to produce the current performance measures, but links them to community college transcript files instead of Workforce Investment Act client records. Like Hollenbeck’s studies, the Jacobson, LaLonde, and Sullivan studies accurately measure the returns to training overall, but also estimate the returns to training in different fields.

The measurement techniques used by these researchers, if applied more broadly, would not precisely replicate results derived from experimental designs, but would produce measures that come reasonably close to estimates of the “true” value-added of One-Stop services. One-Stop researchers also could employ experimental methods by oversubscribing intensive Workforce Investment Act programs and randomly selecting participants among qualified volunteers (Burtless and Orr 1986). Denying services to volunteers is controversial, but can be justified in terms of ensuring cost-effective choices are being made and clients are being given accurate information. Such service denials often occur naturally when One-Stops exhaust or ration their Workforce Investment Act funds used to provide intensive services.

The value-added of intensive case management services (and lower-cost job search assistance) can be quickly measured because most of the positive effect stems from reducing the time it takes to find a job. However, the value-added of training cannot be rapidly measured, because typically it takes four or five years for the benefits to be fully realized, as workers are promoted or switch jobs to those where they can best apply their new skills. Using “aged”

results is not ideal because the returns to different types of training can sharply change over time due to structural and cyclical shifts in labor demand. Thus, additional research is needed to develop techniques that produce accurate “real-time” estimates of the returns to training so One-Stop training can rapidly be improved. A major effort should be made to estimate shifts in the returns based on the correlation between short-term indicators and long-term measures of earnings gains. For example, research might demonstrate that long-term earnings changes of trainees in a certain field are highly correlated with how quickly those trainees find jobs, and might use this information to estimate the value of current training programs.

#### **4.1.2. Measuring the returns to core services.**

Measuring the returns to core services is especially challenging. Because the cost of core services is low, those services would be cost effective even if benefits per person were small. In such situations, the benefits of many core services are about equal to the measurement error involved in calculating them, unless very large client samples are followed. To generate sufficiently large samples, systems are needed to put core client identifiers into One-Stop computers so UI wage records can be used for follow-up. Systems are also needed to identify which clients receive key services, whether delivered by staff or computer. High quality computer systems are needed because most core services are delivered via computer, and it would be prohibitively expensive for staff to record the receipt of every service they deliver to each of 15 million core clients.

Here I describe ways to measure the effect of two key core services: (1) placing workers at jobs through public labor exchanges, and (2) calling in UI claimants for screening and job search assistance. These two services are central to the effective functioning of One-Stops and have sufficiently large effects that they can be measured with readily obtainable data. Since most UI claimants must register with One-Stops, it is relatively easy to ensure that computerized databases contain identifiers and other information for this group required

to track employment and earnings from UI wage records. However, many One-Stops currently lack information on nonclaimant core clients. To collect information for nonclaimants, One-Stops should register these core clients, enter their information into One-Stop computers, and track the type and timing of service receipt. With this information, One-Stops can measure the returns to public labor exchange placements and UI claimant call-ins, and then equate costs to benefits.

The first step is to register all core clients and track service receipt. Washington State, Maryland, New York, and other states already use computer systems to register all clients who visit One-Stops; they also record the receipt of key staff-assisted core services such as counseling and workshops. Most other states could extend existing computer systems that monitor intensive services to register core clients and track staff-assisted services. Most states also have electronic systems that record registrants’ use of public labor exchange job banks, even when clients make self-referrals. The incidence of placements at jobs listed with One-Stops is usually known because staff monitors referrals and placements and removes job listings when they are filled.

However, only Oregon, California, and a few other states have a system to routinely register clients who use One-Stop computers only from remote sites. My discussions with Oregon and California officials suggest that these states’ voluntary reporting systems result in 80 percent or more of clients providing Social Security numbers. Thus, by building on Oregon’s system and those in other states, it should be possible to develop ways to register most One-Stop clients, determine the type and timing of staff-assisted and computerized services, and track at least the key outcome of being placed at a job listed with the public labor exchange.

Once data on One-Stop clients are available, the next step is to determine the speed with which these workers return to work following first requesting One-Stop aid, and to determine their earnings at their new jobs. Information about the timing of ser-

vice receipt and dips in quarterly UI wage records can be used to measure jobless duration following obtaining One-Stop aid. For UI claimants, more precise measures of jobless duration can be derived from the timing of weekly UI payments. For clients placed at jobs listed with One-Stops, the timing of the return to work generally is known from staff follow-up with employers. However, One-Stops may need to survey a representative sample of clients to determine which are placed at job listing Web sites accessed through One-Stop computers but maintained by other organizations. Surveys also would be useful to identify clients who do not show UI wage record earnings in their own state but nevertheless have returned to work. A system already exists to determine if workers not employed in the state where they receive services are employed in a UI-covered sector in another state or in the uncovered federal civilian and military sectors. However, most states do not track employment in other uncovered sectors such as state and local government, and no state tracks self-employment. Sometimes clerical errors lead to misreporting of employment or earnings.

The final step is comparing the actual duration of joblessness following obtaining One-Stop services to what joblessness and earnings otherwise would have been. To evaluate the impact of screening interviews and other services associated with calling in UI claimants, One-Stops can define criteria for the call-ins that lead more claimants to be selected than can be accommodated and then randomize which claimants are called in. Using this experimental technique to establish a control group is not controversial because any claimant can still volunteer to obtain core services. In addition, except for New York, which uses state funds to supplement federal allotments, resources are insufficient to call in most claimants. It is possible to obtain reasonably accurate measures of the value of being placed at a job listed at a One-Stop public labor exchanges by statistically matching individuals placed at a job to similar job seekers who have been out of work for the same amount of time when they were referred, but not placed. The accuracy of these nonexperi-

mental estimates can be improved by use of quasi-experimental designs based on identifying clients referred to jobs after they were filled, as described in Jacobson and Petta (2000).

**4.1.3. Equating benefits to costs.** Because costs vary widely across services, cost estimates are needed to assess returns on investments. Although One-Stops do not currently break down costs for each service, obtaining sufficient measures would not be especially difficult. Measuring major training costs is straightforward because current accounting procedures track funds spent on training vouchers given to individual clients. Current procedures also provide reasonable estimates of costs for buildings, computers, and staff, but do not provide details of how staff time is allocated across the provision of different services. It would be prohibitively expensive to collect data to determine how much staff time is devoted to providing different services to each client. However, to compare costs to benefits it should be sufficient to estimate the average amount of staff time spent on delivering various services to job seekers and working with employers to list, monitor, and remove job listings.

## 4.2. Helping Claimants and Other Workers More Quickly Find Jobs and Enter High-Return Training Programs

This subsection discusses how increased resources could speed UI claimants' return to work and reduce benefit outlays. First, I propose ways to improve job search assistance and work-search screening. Then, I turn to increasing One-Stop job placements by obtaining more job listings and by using automated systems to notify claimants that a suitable job listing has been found. Next, I discuss improving assessment and counseling to help claimants and other clients decide what type of training, if any, would be most effective in preparing them for well-paying jobs when economic conditions improve. Finally, I examine ways to increase funding for training through expanding Workforce Investment Act short-term programs, among others, making it easier for claimants to access programs that provide longer-term training.

#### 4.2.1. Improving UI claimant job search assistance and work-search screening.

Research over the past forty years points to several effective strategies to help UI claimants return to work more rapidly, and thus reduce UI outlays. For example, powerful evidence has accumulated that high-quality job search assistance helps claimants return to work more quickly with no negative effects on future earnings. Sharp funding cuts have led to most One-Stops dramatically reducing screening and job search assistance services. Increasing spending on these services would yield benefits much greater than the costs. Moreover, UI screening (work-test enforcement) has consistently been shown to reduce UI payments to workers who are not assiduously searching for work. Thus, it is plausible that net savings would reduce the \$38 billion in UI payouts and administrative expenditures in a typical year by enough to cover the cost of the entire One-Stop system.

Perhaps the most compelling study supporting the above views is the Tacoma, Washington, UI screening demonstration that systematically varied the degree to which claimants were screened (Johnson and Klepinger 1991). Relative to the standard procedure requiring claimants to file biweekly phone reports, allowing claimants to self-declare compliance with work-search provisions increased benefit payments by 2.3 weeks, while calling in claimants for group interviews reduced payments by 1.7 weeks, and paying a bonus to claimants who quickly returned to work reduced payments by 1.9 weeks. Similar results were obtained in studies in Maryland (Klepinger et al. 1997) and in the United Kingdom (Dolton and O'Neill 2002). Additional evidence on

mandatory call-in programs linked to high-quality job search assistance cited by Leigh (1990) and DOL (1995) strongly suggests that more intensive job search screening would markedly reduce the earnings losses experienced by claimants, and would reduce benefit outlays.<sup>10</sup> One way to ensure that funding is adequate to expand call-ins linked to high-quality job search assistance is for Congress to alter existing laws to allow UI trust funds for call-ins also to be used for “active” labor market programs, which have been shown to be highly cost effective.<sup>11</sup>

Importantly, adequate funding would permit many more call-ins to be made at the start of jobless spells as well as restore Periodic Eligibility Review programs that largely have been abandoned due to funding reductions. Restoring these programs, which continue to provide job search assistance as jobless periods lengthen, would be particularly valuable during the current recession when many claimants are likely to need help to modify both their search techniques and their expectations to sustain effective job searches under adverse conditions. As I discuss in §4.2.3 additional funding to support training would be especially useful now because many workers are likely to reconsider the merits of entering training programs as they obtain better information about the prospects of finding new jobs without training and when extended UI benefit programs could provide the needed income support during the training period.<sup>12</sup> In addition, the effectiveness of call-ins could be increased by changing the equations used to select claimants for call-ins based on the probability they are not searching assiduously and they would benefit from

10. DOL (1995), which collated information from an array of studies, found that call-ins in various states reduced UI payment duration by 0.7 to 4.3 weeks and had a benefit-cost ratio between 1.8 and 4.8. These studies cited in DOL (1995) led to launching the WPRS program in 1993. WPRS services reduced the receipt of UI benefits by one-quarter to one full week in Connecticut, Illinois, Maine, and New Jersey, but did not increase weeks employed. WPRS services were less effective than those in the earlier demos because cuts in One-Stop funding precluded providing services of an equivalent quality (US-DOL 1994 and Dickenson et al. 1995).

11. The Bush administration introduced legislation to use UI trust funds to expand claimant call-ins to monitor job searches, which is deemed permissible under current law, but did not ask to alter the law or the interpretation of the law to provide enhanced JSA, which would more substantially reduce UI payouts and speed the return to work.

12. The same arguments also hold for calling-in economically disadvantaged individuals receiving TANF and other transfers. However, there is no mechanism in place to make it mandatory for TANF recipients (with children attending school full time) to report for interviews. Consideration should be given to making such call-ins mandatory. Alternatively, letters could be sent to TANF recipients explaining the value of One-Stop services and requesting that they voluntarily report to One-Stops. A voluntary approach could be effective because TANF recipients have strong incentives to find jobs in order to preserve their limited lifetime entitlements.

One-Stop job search assistance, rather than just the expected duration of unemployment.

**4.2.2. Increasing the probability dislocated workers will be placed by One-Stops.** As already noted, One-Stops can help workers rapidly find new jobs by compensating for information deficits. The quickest and most effective way to overcome information deficits is to make it possible for clients to find suitable openings by reviewing public labor exchange job listings, much as the most effective way for homebuyers to find a new home is to review multiple home listings. Through the type of job search assistance known as “job development,” One-Stop staff can play a role analogous to real estate brokers by uploading job listings for clients to review.

Nonexperimental estimates (Jacobson et al. 2004) suggest that a placement reduced the duration of joblessness for UI claimants by 5.7 weeks in Oregon and yielded benefits that were 1.6 times the cost of the placement. Other states had comparable reductions in jobless duration. However, a quasi-experimental study (Jacobson and Petta 2000) indicates that the true effect of a placement is twice as great as suggested by these nonexperimental estimates. In addition, the reductions in UI benefit payments to claimants cover much of the entire Wagner-Peyser Act allocation used to support the Employment Service. This is the case even when the potential information value of referrals not leading to placements is ignored.

The above results are large because placements almost immediately end spells of joblessness, and most placed claimants are unlikely to quickly find jobs by other means. This is because most placed claimants have already experienced at least ten weeks of unemployment, and claimants who do not return to work within ten weeks rarely find jobs in the following ten weeks. These results also are in line with an earlier national evaluation of public labor exchange placements (Johnson, Dickinson, and West 1985). If we make the highly conservative assumption that there is only a two-week reduction

in duration of unemployment, each placement of a claimant reduces UI payments by about \$600, increases earnings by about \$1,000, and costs only about \$300.

This evidence suggests that the effectiveness of One-Stops is strongly related to their ability to directly place core and intensive clients. Moreover, states that have used their own funds to expand public labor exchange listing through job development by staff lead the nation in the proportion of job vacancies listed with public labor exchanges and in the probability that public labor exchange users are placed at listed vacancies. For example, Jacobson et al. (2004) shows that, through the receipt of substantial state funding, North Carolina placed about 20 percent of core clients, which is about three times the placement rate of the average state. However, staff cuts have sharply curtailed the ability of One-Stops in most states to develop new listings and make sure employers are satisfied with the speed and quality of public labor exchange referrals. In addition, by holding One-Stops accountable only for serving intensive clients, the current accountability system leads to withholding listings from the public labor exchange computers used by core clients and to developing listings for the sole benefit of intensive clients. These actions reduce the ability of One-Stops to quickly fill vacancies with well-qualified job seekers, and make it less likely firms will list their jobs with public labor exchanges.

In addition to increasing the number of listings, it is important to ensure that states upgrade computer-matching systems. Only the best systems, such as those in use in Oregon and Washington State, continuously monitor the suitability of new listings and automatically notify job seekers by email, letter, or phone (or a combination of these methods) when a new match is found. These systems make it easy for One-Stop clients to enter their qualifications and the types of jobs that they seek into public labor exchange computers and then retrieve job openings that best match their qualifications and interests. These systems also help One-Stop clients secure

job interviews before they are filled by other means, free staff to do high-value tasks that cannot be automated, and induce more employers to use public labor exchange services by quickly providing well-qualified applicants. Thus, high-quality matching systems increase the value of job development, especially development tailored to helping One-Stop clients who are having an unusually difficult time finding suitable openings.

**4.2.3. Increasing funding for assessing and counseling potential trainees.** In §4.2.2, I provided the argument for increasing funding for core services by citing some of the powerful evidence that these services both are highly valuable to job losers and reduce UI payouts by considerably more than the services cost. In this subsection, I make similar arguments for expanding One-Stop capacity to assess and counsel dislocated and other workers interested in training, and to pay for short-duration training. However, the evidence cited below suggests that training does not invariably produce higher returns than job search assistance. Too often, jobless workers (and One-Stop staff) select training programs that trainees cannot complete or that ultimately have no positive effect on earnings. Thus, assessment and counseling are likely to greatly improve adjustment outcomes by increasing the chances that job losers only opt for types of training that they can complete and that will boost their earnings.

In *Does Training Work for Displaced Workers? A Survey of Existing Evidence*, Duane Leigh (1990) summarizes findings about the merits of integrating various types of training with various types of job search assistance. As expected, combining training with job search assistance generally increases

the duration of unemployment because training takes time away from job searches. However, training fails to generate greater increases in earnings than staff-intensive job search assistance alone, which would not be expected unless training was often poorly matched to trainee attributes and local labor demand. Hollenbeck et al. (2005) reach remarkably similar conclusions. They find that, on average, intensive Workforce Investment Act service increases employment rates by 10 percentage points and quarterly earnings by about \$800, while Workforce Investment Act training increases employment rates by 4.4 percentage points and quarterly earnings by \$660.<sup>13</sup>

**4.2.4. Comparing cost effectiveness of classroom training and job search assistance.** It might be surprising that, on average, short-term classroom training is considerably less cost effective than the combination of direct placement through public labor exchanges, low-intensity staff counseling and workshops, and high-intensity staff counseling (case management). However, research using very large community college databases finds that returns to completed courses vary widely across fields and that many students fail to complete any high-return courses or so few that they will only have tiny effects on earnings (Bednarzik and Jacobson 1994; Jacobson, LaLonde, and Sullivan 2005; Jacobson and Mokher 2008). For example, Jacobson, LaLonde, and Sullivan (2005) track attendance at Washington State community colleges by every UI claimant who lost a job between 1990 and 1995. They find that, while close to 15 percent of all dislocated claimants registered for at least one community college course, about 40 percent of those registered failed to complete a single course, the majority of courses completed were in low-return

13. Independent reviews in *What's Working* (US DOL 1995) and another Upjohn monograph, *The Costs of Worker Dislocation* by Jacobson, LaLonde, and Sullivan (1993), reach identical conclusions. Importantly, all three studies examine training and JSA in recessionary periods, supporting the view that these services would be valuable in today's economic conditions. In addition, a large-scale random-assignment evaluation of intensive services offered to economically disadvantaged workers as part of the National Evaluation of the JTPA Program, Workforce Investment Act's predecessor, also reaches similar conclusions (Bloom et al. 1997). However, that demonstration included offers of on-the-job (OJT) training as well as classroom training. According to these studies, OJT has highly positive effects that are greater than JSA alone. While many observers use these results to support expanding provision of OJT, an alternative interpretation is that the staff time used to develop the OJT slots and the funds used to pay firms for providing training opened up opportunities that would not have been available to disadvantaged clients.

fields, and an average course completer finished fewer than two courses in high-return fields, such as health care and IT.

More recent research suggests that completion rates of high-return courses are low because students who did not perform well in high school sign up for courses that they have low probabilities of passing (Jacobson and Mokher 2008). For example, they may not remember that they did not do well in algebra in high school and did not enjoy being in math class, but nevertheless sign up for a computer programming or other Science, Technology, Engineering, and Math course. That so many dislocated workers sign up for courses that are unlikely to raise their earnings suggests that they do not carefully consider the full range of possibilities when selecting a course of study. That so many sign up for courses that they are unlikely to complete suggests that they do not carefully consider how well their selection fits with prior education, experience, and interests. Therefore, it is highly likely that most dislocated workers would benefit tremendously from assessments and counseling from a well-trained, honest broker.

**4.2.5. Increasing the effectiveness of One-Stop assessment and counseling to potential trainees.** The evidence cited above suggests that most often the highest-return “treatment” for a dislocated or disadvantaged worker is to find a job with advancement opportunities that uses existing skills, or a job where the employer will provide training. In cases where training is needed to help workers land a well-paying job, it is essential that trainees select high-return programs that they are likely to complete. Use of a high-quality accountability system that accurately measures the value-added of different services and sanctions low-performing One-Stops could substantially increase the quality of assessment and counseling services. In addition,

as discussed earlier, restoring funding cuts could allow One-Stop staff to conduct rigorous assessments and counseling sessions to make sure potential trainees understand the risks and rewards of different paths they could take.

McConnell et al. (2006) obtain the statistically significant estimate that requiring trainees to receive intensive counseling increases annual earnings by \$1,308 per person relative to not requiring counseling. Requiring moderate counseling increases earnings by \$740 per person, although this result is not significant. It also finds that trainees given larger grants and more counseling select more diverse training and remain in training longer. Conversely, evidence from the Trade Adjustment Assistance program (Corson et al. 1993) suggests that linking extended UI benefits to entering training without also requiring counseling led only some workers to complete high-return programs. Many job losers selected programs that unduly delayed a return to work without boosting earnings, either because they made poor choices or because they were interested mainly in extending benefit collection rather than in increasing their human capital.

The new approach suggested here would couple substantially higher funding for training with even greater funding increases to help workers select high-return programs. It also would put in place a system to provide accurate feedback to One-Stops and hold them accountable for ensuring the training was cost effective.<sup>14</sup> Increasing the quality and quantity of intensive services to potential trainees is likely to be particularly potent during the current recession when jobs with good advancement opportunities will be harder to find, and extended UI benefits will provide the income support needed to complete programs lasting up to nine months.

14. An alternative to increasing One-Stop funding for intensive services is to provide Personal Reemployment Accounts, worth about \$5,000 over each worker's lifetime, to every worker. The funds could be used to pay out-of-pocket expenses and income support for training, but with the new requirement that workers undergo One-Stop assessment and screening. A related approach would be to amend TANF to include training vouchers that would require mandatory One-Stop assessment and counseling that hold One-Stops accountable for training outcomes.

#### 4.2.6. Increasing funding for longer-term training to dislocated and disadvantaged adults.

Some workers would benefit from more expensive and longer-lasting training—training that would have a fair chance of offsetting earnings reductions associated with the loss of long-held jobs (LaLonde 1995, 2003). Despite the need for long-term training, I argue that One-Stops should focus on providing assessment and counseling plus funding for short-term training because no other institution specializes in providing these services and funding for assessment and counseling is in very short supply. Also, the vast majority of workers are not interested in long-term programs and about three workers could receive short-term training for each one receiving long-term training. Long-term training has high out-of-pocket expenses for workers, and the government must provide large stipends to offset workers' forgone earnings.

Instead, a realistic way to support long-term training would be to make the rules for computing aid from Pell Grants, Stafford Loans, and other existing student aid programs fairer to adults with family responsibilities. Under present eligibility rules, students qualify for means-tested financial aid based on

a system designed for recent high school graduates that do not already have high family expenses or family responsibilities that make attending school full time especially costly.

The federal government could increase grant sizes to dislocated workers by restoring provisions that base aid on forecasts of future earnings, rather than earnings from previous years. It also could increase the amount of financial aid available to dislocated workers who voluntarily have their training plans certified as likely to raise earnings or who successfully complete short-term programs. One-Stops would be an ideal certification agency since they can act as honest brokers, especially if they are held accountable using return-on-investment measures. Linking One-Stop assessment and counseling to longer-lasting and higher-cost training would enable many workers to finish these programs, rather than drop out due to difficulty in completing course work or lack of income support. More broadly, One-Stop assessment and counseling could help many aid recipients improve their education choices, especially if the organizations providing the counseling and the instruction were held accountable for positive outcomes.

## 5. Cost-Benefit Analysis

Section 5 provides estimates of the benefits and costs of the new approach. These estimates are based on a central tenet of this paper—that positive results stem from programs that are well managed and held to high standards. Because there is substantial variation in the quality of the management and adequacy of funding across One-Stops, advocates for expanding the programs can point to highly positive evidence, while program detractors can point to evidence suggesting the programs have small positive effects. The view taken here is that the new approach will dramatically increase the benefits to dislocated and disadvantaged workers and reduce the costs borne by taxpayers by accurately measuring performance and holding One-Stops to high standards. Thus, it is appropriate to use above-average estimates of benefits and below-average estimates of costs in this section.

In support of this view, it is noteworthy that much of the positive evidence already cited comes from Washington State—a state that applies the type of performance measures advocated in this paper to its programs. Washington’s tradition of adopting “sunset provisions” that require an objective evaluation by independent researchers before a social service program is renewed led to the execution of several of the studies cited here. In addition, knowing a program will be objectively evaluated and having accurate feedback on program performance directly contributes to cost effectiveness (U.S. Government Accountability Office [GAO] 1991). Thus, the results of Washington studies are indicative of the potential of well-monitored programs to serve clients effectively.

What follows is a rough estimation of the costs and benefits associated with adoption of the reforms advocated by this paper. I recommend increasing aid to an additional 5.6 million unemployed workers, which could provide high-quality adjustment assistance to most of the unemployed during the current

recession. Because \$1 of expenditures is estimated to return \$3.9 to the taxpayers, increasing funding as quickly as possible is warranted. Realistically, though, time will be needed to hire and train the forty thousand or more staffers needed to provide the enhanced services. Thus, I suggest increasing funding in two equal increments.

Some of the costs and benefits associated with improving One-Stops are difficult to estimate precisely. For example, there is little formal analysis of the benefits of revising the accountability system. There is also little formal analysis of general equilibrium benefits and costs. General equilibrium costs include possible displacement effects whereby One-Stop clients take jobs that nonusers would otherwise take. General equilibrium benefits include returns to firms stemming from finding more productive workers who change jobs less frequently. Moreover, even where there is a lot of evidence, results show substantial variation across One-Stops and across studies using different analytic techniques. Thus, the calculations presented below provide ballpark estimates of the potential for this paper’s proposals to benefit job losers and more than cover their costs by reducing transfer payments and increasing tax revenues. Because I am making an attempt to err on the conservative side, the actual benefits could be considerably greater than the calculations suggest.

### 5.1 The Cost of Reform

**5.1.1. Improving performance measures.** Moving from the current performance measurement system, which provides almost meaningless feedback, toward one that has the capacity to foster productive actions would be exceptionally valuable and could be done quickly and inexpensively. The key task associated with improving performance measures is designing a new system. Doing this would require little additional money because much of

the development work has already been done, and implementation would be inexpensive.

Thus, a new system can be rapidly developed by building on existing efforts by Washington State, national organizations interested in increasing program effectiveness, and the research community. Over time, however, research should be undertaken to better resolve thorny technical issues such as how best to measure the value added of core and intensive services and how to develop short-term indicators of long-term benefits. Perhaps \$12 million per year (about 0.2 percent of One-Stop budgets) should be spent on research analyzing existing data and initiating demonstration projects to obtain new information. These demonstrations could produce cost-effective ways to supplement administrative data with surveys and with random-assignment demos designed to improve the reliability of non-experimental value-added measures.

The cost of implementing a new system also would be exceptionally low because it can build on the existing data collection structures and be largely covered by existing administrative allocations. The main costs entail extending systems that currently track receipt of intensive services to also track receipt of core services, especially self-service use of public labor exchange computers. Policymakers should identify which states have the best systems and then determine how to make those systems available to every state. Even if some states would have to invest in new computer systems, those systems would likely pay for themselves many times over by saving staff time through facilitating self-service registration, automatically tracking service receipt, and making it easier for staff to record information about the services they deliver.

**5.1.2. Expanding job search assistance and job training.** The five key components of helping workers to more quickly find jobs and enter high-return training programs are

1. increasing UI claimant call-ins for work-search screening and adjustment services,
2. providing high-quality job search assistance through a combination of group workshops and one-on-one counseling,
3. increasing the probability that dislocated workers will be placed in new jobs by expanding job development to list more jobs in public labor exchange computers,
4. expanding assessment and counseling for potential trainees, and
5. providing funds to make training more affordable.

As noted above, a crucial element of making these improvements—improving the accountability system—can be executed at extremely low cost. Similarly, major gains in efficiency can be achieved through improving the selection of claimants to be called in, using staff more effectively, and improving the automation of key functions such as notifying individual public labor exchange users when a suitable new job listing is entered into the system. The cost of these efforts could be covered by increasing research and development funds by small amounts as well as reallocating administrative expenditures. The major cost of helping more workers, however, is increasing the size of One-Stop staffs. Additional staff will be required (1) to interview more claimants, (2) provide more intensive job search assistance, (3) obtain more job listings, (4) conduct group workshops and individual counseling sessions for potential trainees, and (5) ensure employers are receiving high-quality referrals. Table 1 provides ballpark estimates of the amount of staff time it takes to perform each of these five services, based on site visits conducted as part of the most recent national job service (public labor exchange) evaluation and details of the California Job Service for Unemployment Insurance demonstration.

TABLE 1

**Costs of Increasing One-Stop Services**

	Staff time per client (hours)	Staff cost per client <sup>1</sup>	Additional clients served (millions)	Total cost (millions)
Claimant call-ins	0.5	\$23	1.5	\$35
Job search assistance	8.0	\$360	1.5	\$540
Job development	15.0	\$675	0.7	\$473
<b>JSA-related total (unduplicated)<sup>2</sup></b>			<b>2.6</b>	<b>\$1,048</b>
Counseling potential trainees	12.0	\$540	1.0	\$540
Training vouchers		\$2,000	0.2	\$400
<b>Training-related total (unduplicated)<sup>3</sup></b>			<b>1.0</b>	<b>\$940</b>
<b>All services (unduplicated)<sup>4</sup></b>			<b>2.8</b>	<b>\$1,988</b>

## Notes:

1. An hour of staff time is estimated to cost \$45. Staff time needed to provide services is estimated from site visits by the author. The total increase in full-time staff is about 19,000 based on each staffer working 1,850 hours per year. Infrastructure expenditures for computer systems, buildings, and supervision are omitted because those costs would be paid for from increases in efficiency stemming from improved accountability systems.
2. The unduplicated count adjusts for the fact that many clients receive multiple services. I assume that half of clients who receive job search assistance have already been called in. Similarly, half of those who benefit from job development have already been called in or received job search assistance (2.6 = 1.5 + 1.5/2 + 0.7/2).
3. All clients receiving training vouchers are assumed to have received prior counseling.
4. Eighty percent of clients receiving training counseling are assumed to have received job search assistance-related services (2.8 = 2.6 + (1-0.8) x 1.0).

Table 1 also shows the cost of increasing the services to 2.8 million additional workers in one of two equal expansions. The baseline estimate is that a \$2 billion increase in funding would allow the One-Stop system to hire nineteen thousand additional staff members to do the following:

- Call in 1.5 million more UI claimants for interviews
- Provide an additional 1.5 million job seekers with high-quality job search assistance
- Increase job listings for seven hundred thousand job seekers, half of whom would be placed at those jobs
- Provide assessment and counseling to 1 million more workers interested in training
- Train two hundred thousand additional workers

## 5.2. The Benefits of Reform

**5.2.1. Improving accountability.** The current accountability system creates perverse incentives to waste resources by monitoring the return to work of clients not receiving useful services, substituting expensive services for equally effective inexpensive ones, and selecting the “wrong” clients to receive expensive services. Using the speed of the return to work as the primary performance measure would save about \$1 billion in staff time that otherwise would be spent on unproductive monitoring of the return to work, and using the return-on-investment would increase the effectiveness of Workforce Investment Act intensive services by another \$1 billion. The assumption here is that these savings would be used to provide higher-quality services and to serve more clients who are not claimants as

well as to build the infrastructure (mainly expanding office space, purchasing additional computer terminals, and hiring more supervisors) needed to serve the additional clients.

### 5.2.2. Expanding job search assistance and job training.

The benefits of expanded job search assistance and training would accrue both to workers and to taxpayers. The private returns to workers include short-term increases in earnings (net of taxes and decreased UI payments) stemming from a quicker return to work and long-term increases in earnings from improved skills. The returns to taxpayers include reductions in UI outlays (which are a cost to workers), increases in income tax revenues from workers returning to work more quickly, and increases in tax revenues from long-term earnings gains accruing to more productive former trainees.

The goal is to produce conservative estimates of the benefits of a new system with high-quality accountability measures. I do this by focusing on results from states with better-monitored programs, while ignoring the positive effect that improved matching of worker skills to available jobs has on workers' long-run earnings, assuming that only training raises long-term earnings. I also ignore the positive effects of referrals to jobs listed on public labor exchange computers stemming from learning about the characteristics of available jobs, assuming that only placements reduce jobless duration. In addition, I consider displacement effects stemming from about 20 percent of clients' reduction in job search coming from lengthening the job search of nonclients.

Table 2a displays the net benefits to workers for each of the five service expansions listed in Table 1 for one of the two equal increments. It shows the decrease in UI payments, which is a cost to workers, and the increase in earnings net of taxes, which is a benefit to workers, for each of five separate services. It also reproduces the estimates of the increases in clients served from Table 1. Overall, about 2.8 million additional workers receive services and obtain benefits of \$1.6 billion from job search assistance–

related services and \$2.5 billion from training-related services.

The key element of Table 2a is the estimate of the reduction in weeks of benefit payments. I estimate that claimant call-ins (without high-quality job search assistance) reduce claims duration by 1.1 weeks, based on results from the Job Service for Unemployment Insurance demonstration (Jacobson 2003), the Worker Profiling and Reemployment Services evaluation (Dickinson et al. 1999), and earlier demonstration projects. For high-quality job search assistance, I estimate a 2.8 week reduction in joblessness, taking a conservative view of the estimates from the Minnesota and Nevada demonstrations cited in *What's Working* (DOL 1995), as well as estimates from the seven-state Workforce Investment Act intensive-service evaluation (Hollenbeck et al. 2005). Job development programs are estimated to reduce unemployment by 3.8 weeks, based on the quasi-experimental estimates from the Oregon and Washington study (Jacobson and Petta 2000) as well as results from the last two national evaluations of job service placements (Jacobson et al. 2004; Johnson et al. 1985). With respect to training, I estimate a 0.8-week reduction for counseling of potential trainees. This reduction is small because this counseling primarily is aimed at helping clients determine whether training is a better option than finding the best available job without training, and only adds a small amount of information useful for finding a new job. For training itself, the 9.0 week increase in duration is based on the average duration of training and average duration of joblessness without training (Jacobson, LaLonde, and Sullivan 2005). Reductions in weeks of benefit collection are translated into reductions in UI payouts by multiplying the reduction in weeks of payments by \$225, the current average weekly UI payment net of taxes.

Using the same studies, I also estimate short-term increases in earnings in Table 2a. Call-ins without high-quality job search assistance increase weeks worked by only 0.3 weeks because call-ins early in a jobless period have been shown to mainly reduce

TABLE 2A

**Benefits to Workers of Increasing One-Stop Services**

	Reduction in UI weeks claimed per worker <sup>1</sup>	Change in UI payout per worker <sup>2</sup>	Increase in weeks employed per worker	Change in after-tax earnings per worker <sup>3</sup>	Average benefits per worker	Additional workers served (millions)	Total benefits to workers (millions) <sup>4</sup>
Claimant call-ins	1.1	-\$248	0.3	\$135	-\$113	1.5	-\$169
Job search assistance	2.8	-\$630	2.8	\$1,260	\$630	1.5	\$945
Job development	3.8	-\$855	4.5	\$2,025	\$1,170	0.7	\$819
<b>JSA-related total (client counts unduplicated)</b>						<b>2.6</b>	<b>\$1,595</b>
Counseling potential trainees	0.8	-\$180	1.2	\$540	\$360	1.0	\$360
Training in first year	-9.0	\$2,025	-9.0	-\$4,050	-\$2,025	0.2	-\$405
Training after first year	N/A	N/A		\$12,750	\$12,750	0.2	\$2,550
<b>Training-related total (client counts unduplicated)</b>						<b>1.0</b>	<b>\$2,505</b>
<b>All services (client counts unduplicated)</b>						<b>2.8</b>	<b>\$4,100</b>

N/A = Not applicable.

Notes:

1. Reductions in UI weeks claimed and increases in weeks worked based on experimental and nonexperimental studies cited in the text.
2. UI payouts estimates based on an average client receiving \$225 per week in benefits (net of taxes).
3. After-tax earnings are based on paying 25 percent of gross pay in taxes. Earnings changes stemming from changes in duration of unemployment are based on earnings of \$600 per week. After-tax earnings changes from training are based on an annual increase in earnings of \$1,000. Studies suggest that this increase could be achieved by completing a 4-month training program in a high-return field (Jacobson, LaLonde, and Sullivan 2005).
4. Total benefits are the sum of the benefits for each service (even though number of clients need to be unduplicated) because per client benefit estimates are averages for all workers receiving the service. For example, trainees may have received no benefits from job search assistance, but those clients that did benefit had well above average effects.

benefit outlays (Dickinson et al. 1999). Increases in weeks worked due to job search assistance are estimated as equal to reductions in weeks claimed. This is a conservative estimate because most claimants exhaust UI benefits after twenty-six weeks (in normal times) but can continue to remain unemployed long after benefits are exhausted. Increases in weeks worked due to job development are estimated to exceed reductions in weeks of benefit payments by 0.7 weeks because many claimants obtain targeted job

development close to or after they exhaust benefits. Counseling is assumed to have a 0.4-week larger effect on weeks worked than on earnings because claimants interested in training often have considerable trouble finding suitable work and therefore often exhaust benefits. In all cases, larger estimates were not used because about 20 percent of the reduction in the period of joblessness for One-Stop clients is offset by increases in the duration of non-clients (Davidson and Woodbury 2000). Finally,

training after the first year is estimated to increase earnings by about \$1,000 per year. The present discounted value of a \$1,000 annual increase in earnings over twenty-five years is roughly \$17,000 using a real rate discount of 3 percent. The \$1,000 estimate is a conservative estimate of the increase observed from high-return training documented in Jacobson, LaLonde, and Sullivan (2005), but greater than the average return estimated from existing evidence of programs that did not require high-quality assessment and counseling. The breakdown of pay between taxes and worker earnings is based on the standard estimate that about 25 percent of the increase in earnings for claimants typically receiving One-Stop aid goes to taxes.

Table 2b displays taxpayer benefits stemming from reduced UI payouts and increases in tax revenues due to workers' quicker return to jobs or improved skills. I use the same estimates of the per worker reduction in weeks of benefit collection and increase in weeks worked shown in Table 2a. Overall, the direct benefits to taxpayers are \$3.6 billion, with a little more than half stemming from increased taxes. Most of the benefits of job search assistance accrue to taxpayers because these services lead to a reduction in UI payouts. In contrast, the benefits to training accrue more to workers than to taxpayers because taxpayers bear the expense of the training and the UI payments made to workers in training, while workers receive the benefits of higher earnings net of taxes.

TABLE 2B

**Benefits to Taxpayers of Increasing One-Stop Services**

	Reduction in UI weeks claimed per worker	Change in UI payout per worker	Increase in weeks employed per worker	Change in tax revenues per worker	Benefits to taxpayers per worker	Additional workers served (millions)	Total benefits to taxpayers (millions)
Claimant call-ins	1.1	\$248	0.3	\$45	\$293	1.5	\$439
Job search assistance	2.8	\$630	2.8	\$420	\$1,050	1.5	\$1,575
Job development	3.8	\$855	4.5	\$675	\$1,530	0.7	\$1,071
<b>JSA-related total (client counts unduplicated)</b>						<b>2.6</b>	<b>\$3,085</b>
Counseling potential trainees	0.8	\$180	1.2	\$180	\$360	1.0	\$360
Training in first year	-9.0	-\$2,025	-9.0	-\$1,350	-\$3,375	0.2	-\$675
Training after first year	N/A	N/A		\$4,250	\$4,250	0.2	\$850
<b>Training-related total (client counts unduplicated)</b>						<b>1.0</b>	<b>\$535</b>
<b>All services (client counts unduplicated)</b>						<b>2.8</b>	<b>\$3,620</b>

N/A = Not applicable.

Table 3 aggregates the costs and benefits. There are net social benefits because One-Stop services increase output by getting idle resources back to work, raising productivity through better matching of workers' skills to job requirements, and increasing human capital through training. In contrast, benefits to taxpayers in the form of decreased UI payments net out because they are costs to workers. Overall, the combined benefits to taxpayers and workers equal \$7.7 billion compared to the cost, which is \$2 billion. This produces a highly respectable benefit-cost ratio of 4:1. About 63 percent of the net benefits stem from job search assistance-related services, which account for about 53 percent of the cost. As a result, the benefit-cost ratio is an exceptionally high 4.5:1 for job search assistance-related services, compared to a respectable ratio of 3.2:1 for training-related services.

Table 3 also shows that the net benefits from job search assistance-related services are about 28 percent higher to taxpayers than to workers. For training-related services, however, net benefits to workers are four times greater than those from job search assistance-related services, while taxpayers actually experience a net loss. For the relatively few workers receiving training, the net per worker benefits are more than \$10,000, compared to about \$600 from job search assistance. This large per person gain is a key reason why training often is highly regarded, even though the benefits to taxpayers may be negative. In addition, while it is possible to realize large per person gains from training, this rarely has been the case in the past, and only could be counted on in the future if steps are taken to ensure workers enter high-return programs they are likely to complete.<sup>15</sup>

TABLE 3

### Comparison of Costs and Benefits to Society of Increasing One-Stop Services

	Total benefits to workers and taxpayers (millions)	Total costs (millions)	Net benefits (millions)	Ratio of benefits to costs	Net benefits to taxpayers per worker served	Per person benefits to workers served
Claimant call-ins	\$270	\$35	\$235	8.0	\$270	-\$113
Job search assistance	\$2,520	\$540	\$1,980	4.7	\$690	\$630
Job development	\$1,890	\$473	\$1,418	4.0	\$855	\$1,170
<b>JSA-related total</b>	<b>\$4,680</b>	<b>\$1,048</b>	<b>\$3,632</b>	<b>4.5</b>	<b>\$784</b>	<b>\$614</b>
Counseling potential trainees	\$720	\$540	\$180	1.3	-\$180	\$360
Training	\$2,320	\$400	\$1,920	5.8	-\$1,125	\$10,725
<b>Training-related total</b>	<b>\$3,040</b>	<b>\$940</b>	<b>\$2,100</b>	<b>3.2</b>	<b>-\$405</b>	<b>\$2,505</b>
<b>All services</b>	<b>\$7,720</b>	<b>\$1,988</b>	<b>\$5,732</b>	<b>3.9</b>	<b>\$583</b>	<b>\$1,464</b>

Note: This table outlines the annual cost and benefits of serving 2.8 million additional workers each year with One-Stop Services. The author proposes scaling up to a total of 5.6 million additional workers each year in two increments of 2.8 million workers.

15. The above estimates apply to workers of primary current concern—those needing adjustment assistance due to the current recession. Eventually, attention also should be given to providing counseling and assessment as well as training to low-income and incumbent workers. Interestingly, the social returns to training these individuals are likely to be considerably greater than to training claimants because these workers would not be collecting additional UI benefits and also would have to bear lower forgone earnings costs. This is because these workers could combine training with working, and also would have lower earnings in the absence of training.

## 6. Conclusions

One-Stop Career Centers provide highly valuable job search assistance and training mainly to job losers (dislocated workers) and low-income (economically disadvantaged) workers. However, One-Stops lack the ability to assist all who could benefit from their help because they have been hobbled by sharp reductions in funding and counterproductive federal performance measures. Since 1990, funding for One-Stops has fallen by 33 percent while the labor force has grown by 23 percent. The current accountability system wastes as much as half of the \$4 billion of federal funds spent on One-Stops. This waste occurs because the accountability system creates powerful incentives for staff to make One-Stops look good on paper rather than to provide effective aid.

The new approach described in this paper would dramatically increase the cost effectiveness of One-Stops. It would replace the current performance measures with a system that provides One-Stop staff with incentives to help workers reenter the labor market at the lowest cost to taxpayers. In addition to implementing an improved accountability system, policymakers should further increase the capacity of One-Stops to provide job search assistance and screening to more UI claimants and provide assessment and counseling that helps workers select high-return training programs that they are likely to complete. I recommend boosting

funding in two increments, each costing \$2 billion. Each increment would extend high-quality services to 2.8 million workers by allowing One-Stops to hire nineteen thousand additional staff members. The benefits of expanded job search assistance and training would accrue to workers in the form of higher earnings (net of taxes and UI payments) and to taxpayers in the form of reduced UI payouts and higher tax revenues, returning \$3.9 to the taxpayer for every \$1 spent.

As policymakers attempt to save and create jobs during this economic downturn, One-Stops represent a ready-built system that can deliver highly effective assistance to displaced workers. Adopting the approach outlined in this paper can dramatically improve the services provided to each One-Stop client and increase the number of clients served. The reforms and investments called for would help dislocated (and disadvantaged) workers find new jobs and build earnings-enhancing skills, largely by removing information deficits. Because One-Stops reach individuals who most need government assistance, reduce the waste of resources due to unemployment and underemployment, and build skills that enhance earnings, they play a vital role in maintaining the competitiveness of U.S. employers. Thus, even after the recession is over, maintaining the higher levels of One-Stop resources would be warranted.

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## Acknowledgments

This paper benefited directly and indirectly from the input and support of many people. In particular, the author greatly appreciates the many discussions concerning the policy implications of research he has had with his coauthors of the cited papers, including Dr. Bednarzik, Dr. LaLonde, Dr. Mokher, Dr. Sullivan, and Dr. Yudd; colleagues at the Upjohn Institute, including Dr. Eberts, Dr. Hollenbeck, Dr. O'Leary, and Dr. Woodbury; and many U.S. Department of Labor officials, especially David Balducchi and Stephen Wandner. He also gratefully acknowledges the excellent support he received from the Brookings Institution, especially help in preparing the paper from Wally Adeyemo and Manasi Deshpande, as well as from Dr. Burtless and Dr. Holzer. Finally, he acknowledges the valuable conversations he has had and the excellent research contributions he has received from many hard-working and perceptive state and local staff who run the Wagner-Peyser and Workforce Investment Act programs, especially Jeff Jaksich of the Washington State Employment Security Department; Eric Seleznow, executive director of the Maryland Governor's Workforce Investment Board; and Bob Straits, director of employment services for Kalamazoo and St. Joseph counties in Michigan.

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