

THE PUBLIC
EMPLOYMENT
SERVICE
IN THE
UNITED STATES

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UNITED STATES

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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Foreword

This study examines the public employment service (PES) in the United States. PES agencies are at the centre of current policy debates on how best to design and implement efficient and equitable employment-oriented labour market and social policies. Given the range of issues addressed, this study is broadly defined to include the public labour exchange, unemployment insurance, referral mechanisms for active labour market programmes, and certain employment-related aspects of social welfare programmes. In order to highlight the decentralised structure of the PES, the review includes an in-depth look at policy implementation in two leading states where policy changes have been quite extensive – Connecticut and Wisconsin.

The review is part of a series on the PES in OECD countries, with 18 countries covered to-date. Other recent editions include *The Public Employment Service: Greece, Ireland and Portugal* (1998), *The Public Employment Service: Belgium* (1997), *Labour Market Policies in Switzerland* (1996), *The Public Employment Service: Denmark, Finland, Italy* (1996), and *The Public Employment Service: Austria, Germany, Sweden* (1996). These reviews also contribute to the follow-up of the OECD *Jobs Study*. They pay particular attention to institutions and practices, which are essential for the effective pursuit of labour market policies. A synthesis of the findings and conclusion of earlier reviews was published in *The OECD Jobs Strategy: Enhancing the Effectiveness of Active Labour Market Policies* (1996).

This volume is based on a visit to the United States in March 1998 by Secretariat staff from the Directorate for Education, Employment, Labour and Social Affairs, as well as extensive OECD correspondence with the state and national authorities during the period February to September. The report has been prepared by Robert Fay and Douglas Lippoldt of the Secretariat. It was discussed by the OECD's Employment, Labour and Social Affairs Committee in October 1998 and is published on the responsibility of the Secretary-General of the OECD.

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Chapter 1

Introduction

The US economy has experienced a strong economic expansion since 1991. The labour market has been characterised by substantial growth in employment and the unemployment rate has declined to its lowest since the early 1970s. However, certain groups continue to face difficult labour market conditions. Youth and persons with low educational attainment face double-digit unemployment rates. Moreover, the average duration of unemployment is higher than at similar points in previous expansions. Income and earnings inequality have been increasing and, until quite recently, real earnings had stagnated for many workers. Poverty rates show an overall increase relative to the situation in 1980 and high shares of Black, Hispanic and female-headed households are subject to poverty-level incomes.

It is in this economic context that the federal and state governments have undertaken a series of labour market and social policy reforms during the 1990s. They have significantly altered the policy content, and the manner in which the state and local public employment service (PES) and social service agencies implement policy and interact with their clients. Common themes in these initiatives are “work-orientation” and “personal responsibility”. Job-seekers are being encouraged to find their jobs drawing on information from the local one-stop centres. Adults, largely women, benefiting from the former Aid to Families with Dependent Children programme (AFDC) are being pushed into the labour market, often supported by various programmes aimed at overcoming barriers to employment, although there is much variation in support across states.

The transparency of policy has been improved – from a client perspective – through functional integration in the delivery of services. New technological applications have increased the opportunities for self-service, streamlined the unemployment claims process and expanded access to labour market information. One-stop centres are being implemented nation-wide, with the goal of co-locating access points to most employment services. Service providers have introduced a tiered approach to serving their clients. Self-service devices provide a first line of service with more personalised and intensive services available

largely to those who seek out additional assistance. The most intensive services are reserved for those, such as disadvantaged or dislocated workers, who satisfy specific programme criteria. Overall, relatively buoyant labour markets have probably facilitated the operation of these labour market and social policies by providing increased employment opportunities.

Many of these reforms had their origins in administrative initiatives of the federal and state governments or in state law, in some cases depending on waivers from federal programme requirements. They have gained a more substantial legislative foundation during the last two years, in particular with the signing into law of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996 and the creation of the Temporary Assistance for Needy Families (TANF) programme which replaced the AFDC programme.

In the United States the PES is quite decentralised. While continuing to set certain administrative, resource allocation and targeting requirements, the federal government has permitted state and local governments substantial discretion to implement policies. State and local agencies argue, however, that federal requirements complicate their field operations, in effect forcing the new one-stop centres to operate as negotiated networks of service providers rather than as fully integrated entities from an administrative perspective. These same agencies have exploited the existing flexibility under federal law to introduce numerous changes. The pace of change has heightened as a result of various employment service revitalisation initiatives introduced in the mid-1990s and full-scale implementation of welfare reform. Already, there are indications, positive and negative, that some of these recent changes are having an impact. However, the evidence as to what works remains fragmentary due to the limited coverage of the empirical evaluations to-date and the recent nature of many of the reforms.

The term “PES” is used here to refer to the broad network of institutions that provides job-broking services, labour market information, unemployment and related benefits, referral to active labour market programmes (ALMPs) and employment-related welfare reform services.¹ This usage goes beyond the traditional definitions of the “employment service” in the United States, which vary, but generally refer narrowly to the labour exchange activities and closely related services within the purview of the federal-level US Employment Service (located in the US Department of Labor) and associated state-level agencies (funded under the Wagner-Peyser Act).² The broad definition of the PES as used in this report also includes activities of other sections of US Department of Labor (*e.g.* the Unemployment Insurance Service) and certain other state and local institutions (*e.g.* those which operate under the Job Training Partnership Act). The existence of numerous inter-related programmes and decentralised institutional structure made it neces-

sary to frame this study broadly in order to assess the implications of labour market policy for the individual clients of the PES.

The analysis herein focuses on federal policies related to the PES and their implementation in two states – Connecticut and Wisconsin. Although there is very wide variation in state implementation of PES policies, it is not feasible to analyse all the individual state and territorial systems in one study. The selection of Connecticut and Wisconsin rested on a number of factors including the advanced nature of policy changes in these states and the openness of the state governments to the review process, as well as logistical and other administrative considerations. Although no two states can be representative of the entire US, these two do provide an interesting range of experience that will prove useful to other OECD countries. In addition to the obvious geographic contrasts, the economic situation and policy approaches differ. Connecticut, for example, has recently had to face a number of structural issues such as responding to employment reductions in its key shipbuilding and defence related industries. Wisconsin has enjoyed a more robust economy in recent years, but still has areas in need of revitalisation and, in some fields, problems with “labour shortages”, among other economic issues.

The reader should note that subsequent to the drafting of the original text for this publication, the Workforce Investment Act of 1998 (WIA) was signed into law. The WIA is not yet fully implemented and has not been taken into account here. The Act codifies and expands many of the elements of the recent PES reforms described in this report.³

The report is organised as follows. Chapter 2 provides a basic overview of the labour market situation and the institutional framework for the PES. The core functions of the PES are discussed in Chapters 3 through 5, with particular emphasis given to the introduction of self-service devices and tiered-service provision, the integration of services under the one-stop rubric, and the use of profiling mechanisms to aid in the referral of at-risk unemployment insurance (UI) claimants to programmes. Chapter 6 focuses on ALMP implementation and evaluations. In view of the high-priority given to employment-oriented welfare reforms in the United States, a special thematic section (Chapter 7) has been included to discuss the inter-linkages of these reforms to the PES and labour market policy goals. Findings and conclusions are presented in the final chapter.

Chapter 2

The American Labour Market and Basic PES Structure

A. Labour market overview

1. Introduction

The US economy endured a recession early in the 1990s, but by 1991 exhibited signs of recovery and expansion continues to this day. The recovery from recession has not been uniform, however, and there is significant variation by state. The recession hit Connecticut relatively hard, for example. In Wisconsin, on the other hand, the recession slowed growth somewhat, but the Gross State Product continued to expand on an annual basis throughout the 1990s. Overall, the US labour market has performed relatively well in the current expansion. Since the national recovery began in 1991, employment growth has been strong enough to produce a steady decline in the overall rate of unemployment, which stood at 4.5 per cent as of October 1998 compared with its recession peak of 7.8 per cent.⁴

2. Population and labour force

Table 2.1. presents basic population and labour force statistics. The United States is the largest OECD country in terms of population with more than twice as many residents as the next largest country, Japan. Since 1980, the population has been increasing at a rate of about 1 per cent annually. Immigration has had a notable influence, accounting for over 30 per cent of population growth during the period 1990 to 1994, for example, and by 1996 the foreign-born accounted for over 9 per cent of the population [OECD (1997a)]. The population is diverse with non-Hispanic Whites accounting for about 72 per cent of the population and minorities for the balance.⁵

Connecticut and Wisconsin are roughly mid-sized states in terms of population, ranking 28th and 18th, respectively, among the 50 states. Since 1980, the population in both states grew more slowly than the nation as a whole; in Connecticut the average annual growth rate was about 0.3 per cent and in Wisconsin it was about 0.6 per cent.

Table 2.1. **Population^a and labour force levels, 1997**

Thousands, except as noted

	United States	Connecticut	Wisconsin	OECD countries 1996
Resident population	267 901	3 270	5 170	1 092 208
Civilian labour force ^b	136 297	1 723	2 928	507 363
Civilian employment ^b	129 558	1 635	2 821	471 000
Wage and salary employment	118 873	..	..	..
Unemployment ^b	6 739	88	108	36 363
Unemployment rate (per cent)	4.9	5.1	3.7	7.2

.. Not available.

^a State population estimates are for 1 July 1997.^b US national labour force statistics refer to persons aged 16 to 64; for OECD Member countries, data refer to persons aged 15 to 64; and for Connecticut and Wisconsin, persons aged 16 and older.*Sources* : US and state population – US Bureau of the Census; all other state data and US labour force and dependent employment – US Bureau of Labor Statistics (CPS). Data from these agencies were drawn from their Internet sites, CEA (1998) and unpublished agency reports. Other data are estimates from OECD databases.

During the period 1991-1995, the labour force in Connecticut declined to a recent low and despite a modest increase since then, as of 1997 it still had not regained its previous level. The labour force in Wisconsin has been more buoyant, shrinking slightly in 1990, but then growing to new highs in the second half of the decade.

3. Trends in employment/population ratios

Tables 2.2 and 2.3 present employment/population ratios based on data drawn from March iterations of the Current Population Survey (CPS) pooled in three-year intervals.⁶ The employment/population ratio rose modestly in the United States over the 1990s. By 1997, it had increased to about 73.5 per cent, the highest in the OECD area except for Denmark, Iceland, Norway and Switzerland [OECD (1998a)].⁷

The CPS data highlight the differing trends in employment/population ratios by gender, age, educational attainment and state. Overall, the ratio for men dropped during the 1990s, with the greatest decline for male youths aged 16 to 24 years. At the same time, the ratio for women has increased, with notable gains for prime-age and older women. As shown in Table 2.3., those groups with greater educational attainment tend to have higher employment ratios (with the exception of men with some post-secondary education, but not a university degree).

Developments in the employment/population ratio for Connecticut have been less favourable than for the nation as a whole. In the earlier periods, the state ratio was significantly higher than the national average, but this gap decreased by more than three percentage points during the 1990s. Among the various groups, recent declines in employment/population ratios were especially striking for men with less than secondary education, young men and older women.

Table 2.2. **Labour force developments^a**

Population aged 16 to 64

	United States			Connecticut			Wisconsin			OECD average ^b
	1980-82	1987-89	1995-97	1980-82	1987-89	1995-97	1980-82	1987-89	1995-97	1997
Total										
Unemployment rate	8.2	6.1	5.8	5.0	3.3	6.0	9.7	6.7	4.9	7.0
Labour force participation rate	72.2	75.2	76.8	77.0	81.1	80.0	77.1	80.8	85.2	69.7
Employment/population ratio	66.3	70.6	72.4	73.1	78.4	75.2	69.6	75.4	81.0	64.8
By gender										
Men										
Unemployment rate	8.5	6.4	6.2	4.8	2.7	7.9	11.4	8.2	5.7	6.5
Labour force participation rate	85.0	84.7	84.0	89.4	88.8	85.5	87.9	89.3	89.4	81.1
Employment/population ratio	77.8	79.3	78.8	85.1	86.4	78.7	77.9	82.0	84.3	75.9
Women										
Unemployment rate	7.9	5.7	5.3	5.3	4.1	4.1	7.7	4.8	4.1	7.8
Labour force participation rate	60.3	66.1	69.9	65.7	73.8	75.1	67.0	72.2	81.0	58.5
Employment/population ratio	55.5	62.3	66.2	62.2	70.7	72.0	61.8	68.7	77.7	54.0
By age and gender										
Youth (16-24 years old)										
Men										
Unemployment rate	16.9	12.7	13.4	9.4	5.4	15.4	23.8	13.2	13.2	12.9
Labour force participation rate	71.6	69.0	66.9	75.6	71.0	64.3	76.6	77.0	78.3	57.1
Employment/population ratio	59.4	60.2	58.0	68.5	67.2	54.4	58.3	66.9	68.0	49.7
Women										
Unemployment rate	13.6	11.0	10.9	8.4	6.5	10.0	12.6	7.1	8.5	14.0
Labour force participation rate	59.3	61.7	61.0	65.2	66.3	65.1	66.5	74.0	74.6	46.2
Employment/population ratio	51.2	55.0	54.4	59.7	62.0	58.6	58.2	68.8	68.3	39.7
Prime age (25-54 years old)										
Men										
Unemployment rate	6.4	5.2	4.9	3.5	2.3	6.6	8.1	6.9	3.9	5.3
Labour force participation rate	94.1	93.5	91.8	96.6	97.0	92.9	96.3	96.1	94.5	93.0
Employment/population ratio	88.0	88.6	87.3	93.3	94.8	86.7	88.5	89.5	90.9	88.1
Women										
Unemployment rate	6.3	4.7	4.3	4.5	3.4	2.9	5.9	4.3	3.3	6.8
Labour force participation rate	65.4	72.6	76.1	70.0	80.0	83.3	71.8	77.5	84.9	67.5
Employment/population ratio	61.3	69.2	72.8	66.9	77.3	80.9	67.6	74.2	82.1	62.9

Table 2.2. **Labour force developments^a (cont.)**
Population aged 16 to 64

	United States			Connecticut			Wisconsin			OECD average ^b
	1980-82	1987-89	1995-97	1980-82	1987-89	1995-97	1980-82	1987-89	1995-97	1997
Older (55-64 years old)										
Men										
Unemployment rate	4.4	4.1	4.2	4.6	1.0	7.0	6.5	8.6	7.1	5.5
Labour force participation rate	71.8	67.5	67.3	81.6	78.0	75.3	72.6	75.2	75.1	63.5
Employment/population ratio	68.6	64.7	64.4	77.8	77.2	70.0	67.9	68.7	69.8	60.1
Women										
Unemployment rate	4.0	2.9	3.4	4.2	5.0	5.2	5.0	3.7	2.3	4.7
Labour force participation rate	41.9	43.1	50.2	52.3	56.5	44.6	47.4	47.5	67.4	37.7
Employment/population ratio	40.2	41.9	48.5	50.1	53.7	42.3	45.0	45.7	65.9	35.9
Female head of family with no spouse										
Unemployment rate	12.9	12.1	10.6	..	..	..	..	..	..	..
Labour force participation rate	65.8	66.1	70.8	..	..	..	..	..	..	..
Employment/population ratio	57.3	58.0	63.3	..	..	..	..	..	..	..

.. Not available.

a) Except for OECD figures, these data refer to March. Also, note that there were breaks in series for the CPS in 1990 and 1994.

b) For OECD, indicators are based on weighted monthly averages for the population aged 15 to 64 years.

Sources : OECD Secretariat estimates using US Bureau of Labor Statistics, March CPS micro-data; and OECD, *Employment Outlook*, June 1998.

In contrast, the ratios for most groups in Wisconsin have tended to increase over time and, on average, are well above the national average. The increase in the ratio for older women is particularly notable.

4. Job tenure and precarious employment

In some respects, the US labour market is relatively dynamic or has more churning in comparison with many other OECD countries. One international comparison found the US rate of labour turnover to be roughly twice as high as the unweighted average rate of eight other OECD countries [OECD (1996a)]. Median job tenure in the United States was 4.2 years in 1996, significantly lower than the unweighted average for OECD countries of 6.7 years [OECD (1997d)]. These aggregate figures mask significant differences across the various groups in the population. For example, there is a significant gender dimension in the US job tenure developments over time. Median

Table 2.3. **Labour force developments by educational attainment and gender^a**

Population aged 16 to 64

	United States			Connecticut			Wisconsin		
	1980-82	1987-89	1995-97	1980-82	1987-89	1995-97	1980-82	1987-89	1995-97
Less than upper secondary									
Men									
Unemployment rate	14.7	12.9	13.8	12.1	2.0	21.4	22.4	19.6	17.1
Labour force participation rate	71.7	68.3	65.1	76.5	76.6	70.2	77.1	70.9	73.2
Employment/population ratio	61.2	59.5	56.2	67.2	75.0	55.2	59.8	57.0	60.7
Women									
Unemployment rate	14.4	12.2	13.7	6.9	11.1	8.6	14.8	12.0	11.4
Labour force participation rate	43.1	44.5	45.0	52.8	60.1	56.1	49.9	59.5	67.4
Employment/population ratio	36.9	39.0	38.8	49.1	53.4	51.3	42.5	52.3	59.7
Upper secondary									
Men									
Unemployment rate	9.0	6.8	6.6	4.3	3.2	10.4	12.2	8.1	6.0
Labour force participation rate	90.3	89.0	87.2	94.2	92.5	86.0	91.2	93.7	89.9
Employment/population ratio	82.1	83.0	81.4	90.1	89.6	77.1	80.1	86.1	84.5
Women									
Unemployment rate	7.8	6.0	5.5	6.4	2.9	7.0	7.6	4.6	5.1
Labour force participation rate	63.8	68.0	70.3	67.3	73.2	70.7	71.0	73.1	79.5
Employment/population ratio	58.9	63.9	66.4	63.0	71.1	65.8	65.6	69.7	75.4
Post-upper secondary									
Men									
Unemployment rate	5.9	4.5	5.4	2.8	1.4	7.2	5.9	5.8	5.6
Labour force participation rate	85.5	86.3	84.7	85.8	86.4	81.6	86.2	87.6	89.0
Employment/population ratio	80.5	82.4	80.1	83.4	85.2	75.7	81.1	82.5	84.0
Women									
Unemployment rate	5.4	4.2	4.8	4.0	2.3	3.2	5.9	3.6	3.0
Labour force participation rate	67.1	73.3	73.9	69.0	73.8	73.3	66.4	74.4	82.7
Employment/population ratio	63.4	70.3	70.3	66.2	72.1	71.0	62.5	71.7	80.2
University									
Men									
Unemployment rate	2.3	2.2	2.6	1.0	3.2	1.7	1.3	2.8	1.6
Labour force participation rate	94.8	94.0	93.1	96.9	94.9	93.3	96.2	97.7	96.1
Employment/population ratio	92.6	91.9	90.7	95.9	91.8	91.7	94.9	94.9	94.5
Women									
Unemployment rate	3.0	2.2	2.5	2.3	3.7	1.5	2.6	1.6	1.4
Labour force participation rate	75.6	81.3	82.7	75.1	84.8	87.0	78.2	78.4	87.3
Employment/population ratio	73.4	79.5	80.7	73.4	81.7	85.7	76.1	77.2	86.1

a) Data refer to March.

Sources : OECD Secretariat estimates using US Bureau of Labor Statistics, March CPS micro-data.

job tenure for men aged 25 or older was more than one-half year longer than the comparable figure for women (although the gap is decreasing over time) and, for some groups – the less educated and adult men – median tenure has declined over the past two decades.⁸

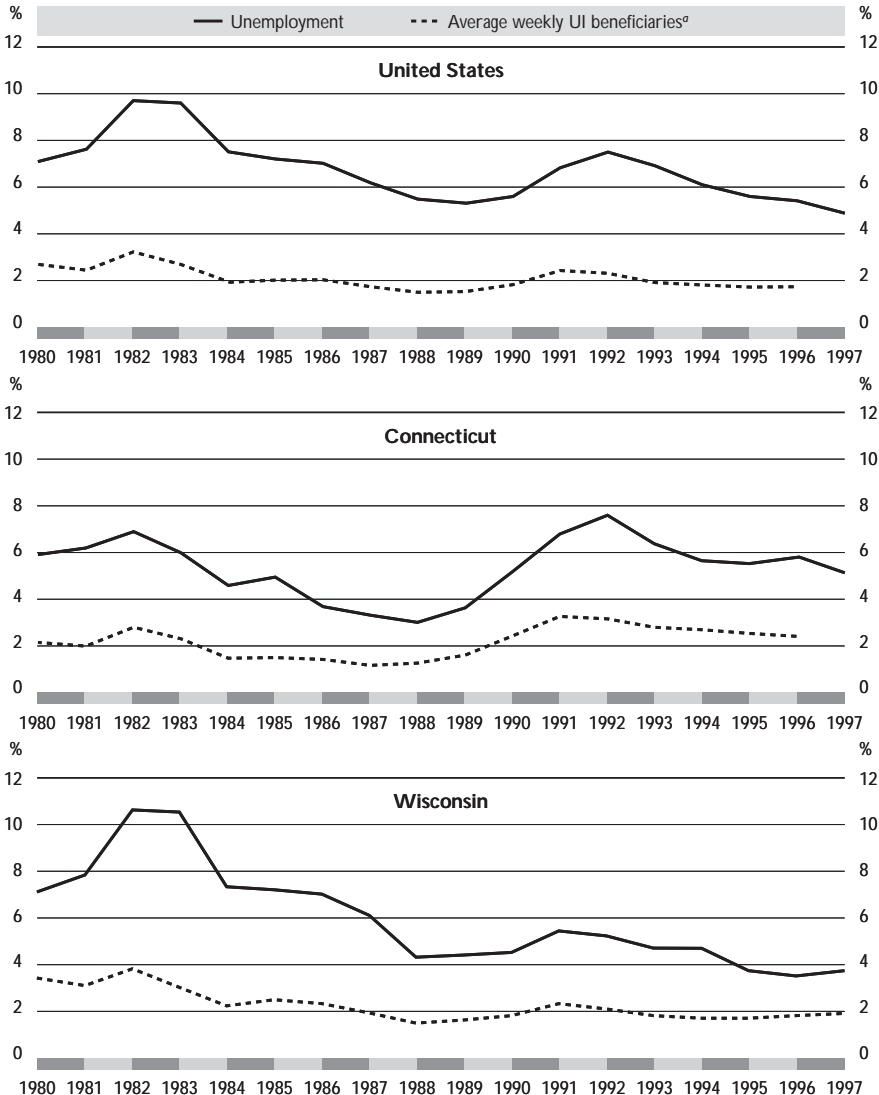
One possible factor contributing to the changing patterns of job tenure may be the long-term trend toward growing use by businesses of temporary or contingent workers. The US Bureau of Labor Statistics (BLS) reports that, as of February 1997, about 4.4 per cent of US workers (5.6 million) were in contingent employment situations, *i.e.* they did not expect their jobs to last more than one year.⁹ Generally, these workers tend to be younger than non-contingent workers and often they combine school with work. They also tend to be lower paid and less likely to receive health benefits or be eligible for employer-provided pension plans. The majority of contingent workers would have preferred permanent jobs.

By another measure, the BLS tracked workers in so-called “alternative employment arrangements”. While the largest group of such workers was independent contractors (some 8.5 million, as of February 1997), the group of temporary help workers is expanding, amounting to about 1.3 million persons or roughly 1 per cent of employment.¹⁰ These workers were more likely than workers in traditional arrangements to be women, young, Black or Hispanic. A further BLS survey found that between 1989 and 1994, employment in the temporary help services industry grew by 43 per cent, while overall non-farm employment grew by only about 5 per cent. There is substantial variation among this group in terms of wages paid. However, with respect to employer-provided benefits, while many temporary agencies offer benefits such as paid holidays and vacations or health insurance, few of their workers actually receive them. At the same time, such firms typically make training programmes available to their employees and about 40 per cent of the workers covered by the survey were selected for training or trained [BLS (1995)]. About 60 per cent of temporary help agency workers would have preferred to have a traditional job.

B. The structure of unemployment

The overall increase in employment during the current expansion has been accompanied by a significant reduction in unemployment (Chart 2.1). The latest peak in the annual average unemployment rate came in 1992. Since then, the rate has dropped, hitting a 24-year low of 4.9 per cent in 1997 (Table 2.1.), a rate nearly one-third below the OECD average. Along with the decline in the unemployment rate has come a reduction of over 40 per cent in the numbers of persons who were unemployed as a result of losing their jobs, a measure which includes lay-offs.¹¹ Nationally, the average duration of on-going unemployment spells came down from a peak in 1994 to a recent low in 1997 (Table 2.4.). However, this reduction is considerably less than one might have expected based on the experience of the economic expansion of the mid-to-late 1980s. Moreover, both the average and median duration in 1997 remained much higher than in 1989, the previous cyclical low.

◆ Chart 2.1. **Unemployment and unemployment beneficiaries, 1980-1997**
As a percentage of the labour force



a) Estimated as the total number of weeks of benefits paid in the year divided by 52.

Sources: US Bureau of Labor Statistics Internet site (<http://stats.bls.gov>); and ITSC Internet site (see Table 2.14).

Table 2.4. **Duration of unemployment, selected years**

	1983	1989	1994	1997
Weeks of unemployment, on-going spells				
Average duration	20.0	11.9	18.8	15.8
Median duration	10.1	4.8	9.2	8.0
Incidence of long-term unemployment as a percentage of total unemployment^{a)} (survey based data)	13.3	5.7	12.2	8.7

a) Long-term unemployment refers to unemployment spells of 12 months or longer.

Sources : US Bureau of Labor Statistics as cited in CEA (1998); and OECD, *Employment Outlook*, June 1998.

Across the United States, there is significant variation in unemployment rates. In 1997, unemployment rates varied from lows in North Dakota (2.5 per cent) and Nebraska (2.6 per cent) to highs in Alaska and the District of Columbia (both at 7.9 per cent). In Connecticut and Wisconsin, the 1997 unemployment rates were 5.1 and 3.7, respectively [BLS (1998a)].

1. *Unemployment by population group*

Unemployment remains concentrated among certain groups of the population (Table 2.5.). Youth aged 16 to 19 years faced an unemployment rate in 1997 of more than three times the national average. Black Americans recorded a rate of twice the national average. Women maintaining families also experienced higher than average unemployment rates as did those with less than upper secondary school educational attainment.

Table 2.5. **Unemployment rates for selected demographic groups and years**

	1989	1992	1994	1997
Total	5.3	7.5	6.1	4.9
Youth, aged 16-19	15.0	20.1	17.6	16.0
Women who maintain families	8.1	10.0	8.9	8.1
Blacks	11.4	14.2	11.5	10.0
Black male youth aged 16-19	31.9	42.0	37.6	36.5
Black female youth aged 16-19	33.0	37.2	32.6	28.7
All persons with less than complete secondary school educational attainment ^{a)}	11.0	16.3	15.4	13.7

a) These data refer to March.

Sources : CEA (1998); and OECD Secretariat calculations using US Bureau of Labor Statistics, March CPS micro-data.

A recent survey of employers in four cities – Atlanta, Boston, Detroit, and Los Angeles – highlighted the difficult labour market situation of these groups of the population, particularly in the centre-city [Holzer (1996)]. Holzer notes that there are many fewer vacant jobs available to those living in the city than for those who live in the suburbs. Those with low educational attainment are particularly disadvantaged, as most employers require certain educational or experience credentials (*e.g.* high school diplomas) and almost all vacancies – regardless of location – require reading, writing, arithmetic, computer use and/or customer contact. The survey also found that employers tended to be wary of those with unstable work histories and that employment possibilities for minority applicants may be hampered by employers' perceptions of low-skill levels among these applicants relative to job requirements. Moreover, jobs for non-college graduates often have low starting wages and benefits, a situation made worse in the case of women, who can also face some degree of discrimination in the labour market.

2. *Lay-offs and worker dislocation*

A striking feature of the American labour market is the use of temporary lay-offs subject to recall, whereby a separated worker may be eligible for return to his/her former position in the event the employer's need for labour recovers. Although there has been a downward trend in the use of such lay-offs, they still account for a large share of all lay-offs [Corson (1997)]. During each year of the period 1985 to 1994, for example, between one-quarter and one-third of all job losers were on temporary lay-off. In some cases, employees may be informed of a recall date at the time of lay-off. BLS data on mass lay-offs (defined as 50 or more initial claims from a single establishment in a five-week period) indicate that they resulted in over 1.5 million initial claims for unemployment benefits in 1997 (or about one in 11 initial claims).¹² Of these, about 1 million claimants were involved in extended mass lay-offs lasting at least 31 days [BLS (1998*b*)]. Nevertheless, many of the employers concerned anticipated a recall. In the fourth quarter of 1997, for example, over 70 per cent of such employers anticipated a recall and most expected the recalls to occur within six months and to involve at least one-half of the workers. At the same time, as noted by Corson (1997), over the past fifty years there has been a trend toward increases in longer-term dislocation among job losers.

The BLS also periodically collects information on workers (20 years or older) displaced from their jobs due to plant closure or relocation, insufficient work, or abolishment of their positions [BLS (1996)]. During 1993-1995, a total of 4.2 million workers with three years or more of job tenure were displaced from their jobs. An additional 5.2 million workers were displaced from jobs they held for less than three years. Nearly 30 per cent of the total 9.4 million workers were still not employed at the time of the survey in February 1996. Among those workers displaced from full-time wage

and salary jobs who found new ones, about one-third suffered earnings losses of 20 per cent or more. These dislocations have important implications concerning the potential demands placed on the public employment service. Various studies summarised by Corson (1997), for example, note that compared with the average UI claimant, dislocated workers (particularly those with relatively long job tenures) have lower re-employment rates, longer spells of unemployment, higher unemployment benefit exhaustion rates and greater earnings losses.

C. Earnings and income

Despite overall increases in real pay in recent years, longer term earnings growth has been weak and earnings dispersion has increased. The incidence of low-paid employment is significant and upward earnings mobility out of low-paid employment remains limited. While overall poverty rates increased, there was significant variation across demographic groups and geographic areas.

1. Recent earnings experience

Table 2.6. highlights the progress in real average annual pay in the United States from the recession in 1991 through the fifth year of the current expansion, 1996. Among the states, Connecticut ranked third in average annual pay in 1996, after the District of Columbia and New York. Connecticut's position was, in part, influenced by its employment structure. For example, it has the highest share in the nation of employment in "technology-based" jobs (15.8 per cent), many of which are relatively well-paid. Wisconsin ranked 28th in that year with respect to average annual pay. Both Connecticut and Wisconsin experienced above average growth in average annual pay.

Table 2.6. **Average annual pay, constant 1996 US dollars**
For all workers covered by unemployment insurance^a

	1991	1993	1996 ^b	Percentage change 1991 to 1996
United States	28 314	28 628	28 945	2.2
Connecticut	35 354	36 022	36 579	3.5
Wisconsin	25 157	25 640	26 021	3.4

a) Annual pay figures include direct wages, bonuses, pay in kind, and in some cases deferred compensation.

b) Preliminary.

Sources : US Bureau of Labor Statistics Internet site (<http://stats.bls.gov>); and OECD Secretariat calculations.

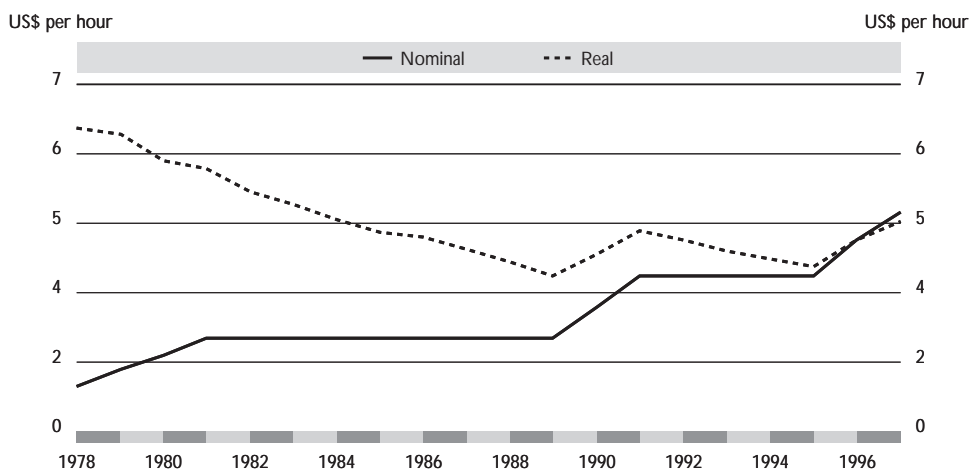
Nationally, the recent increases in pay may have been fuelled partly by a tightening labour market. In 1997, the unemployment rate declined to less than 5 per cent of the labour force, below many estimates of the so-called non-accelerating inflation rate of unemployment. Average weekly earnings of production and non-supervisory workers in private non-agricultural industries increased by 2.1 per cent in real terms in 1997, the first increase of that magnitude since 1983. The growth reflected increases in both average hours and average hourly earnings. Nevertheless, over the long term, real average weekly earnings for these workers have tended to decline since peaking in the 1970s. Indeed, the real average weekly earnings in 1997 remained below the levels of the 1960s [CEA (1998)].

Over time, the upward pressure on earnings has been dampened by a number of factors, probably including changing worker perceptions of the labour market situation, and declines in the real value of the minimum wage. For example, following a series of widely publicised restructurings and downsizings in the 1980s and early 1990s worker perceptions of job insecurity have increased. Given the tightening in the labour market since 1992 [CEA (1998)] and based on past behaviour, this may have led to a reduction in wage demands below what they would have otherwise been. Moreover, pressures from organised labour have decreased as the unionisation rate among employed workers in the United States has fallen by about one-third since 1980.¹³

Chart 2.2 highlights developments over the last twenty years in the nominal and real minimum wage. Between 1995 and 1997 the federally-set hourly minimum wage was increased from US\$4.25 to US\$5.15. In real terms, this increase raised the minimum to the highest level since 1984 [USDOL (1998b)]. The minimum wage in mid-1997 amounted to 36 per cent of the mean hourly pay in manufacturing [(OECD (1998a))]. Table 2.7. highlights the US minimum wage rate in comparison with those in selected OECD countries. By the two indicators shown, the US minimum wage rate is substantially lower than in France and Netherlands, somewhat lower than in Canada, and higher than in Japan, Korea and Mexico.

There are some exceptions to the US minimum wage requirements, as laid out in the Fair Labor Standards Act (FLSA). For example, a sub-minimum wage of US\$4.25 is applicable for employees under 20 years of age during their first 90 days of employment. Employers may also apply to the US Department of Labor (USDOL) for permits to pay less than the minimum wage for persons who suffer from severe disabilities, who are then paid according to commensurate wage rates based on their ability to produce and the prevailing wage rates in the geographic area. States may also establish minimum wage laws, but these do not exempt employers from the FLSA requirements. In Connecticut, the law provides for the state minimum wage to increase automatically to one-half of 1 per cent above the federal level. Wisconsin currently has the same minimum wage rates as laid out in the federal statute.

◆ Chart 2.2. **Nominal (current US\$) and real (1996 US\$) minimum wage**



Note: Deflated using the CPI-U (Consumer price index – Urban population).

Source: USDOL Internet site (<http://www.dol.gov/dol/esa>).

Table 2.7. **Minimum wage relative to earnings and pay, comparison with selected OECD countries, mid-1997**

Percentages

	Full-time mean earnings including overtime pay and bonuses	Mean hourly pay for time worked in manufacturing
Canada	35.7	38.2
France	46.3	68.7
Japan	27.1	46.8
Korea	21.5	30.7
Mexico	..	27.6
Netherlands	45.2	58.1
United States	30.6	36.1

.. Not available.

Source: OECD, *Employment Outlook*, June 1998.

2. Earnings inequality and mobility

Earnings dispersion increased rapidly in the United States during the 1980s and the first half of the 1990s, with the scale of the increase and the consistency of developments standing in contrast to most other OECD countries for which data are avail-

able [OECD (1996a)]. This trend has been characterised by increases in the ratios of earnings in the upper and lower deciles to the median (Table 2.8.). The deterioration of the relative position of earnings for men in the bottom decile is particularly striking. Moreover, data for the period 1986-1991 indicate that among low-paid full-time workers in 1986 (those earning less than two-thirds the median) more than a third remained in low-paid employment in 1991 and about two-fifths left full-time employment. Thus, the possibility of upward earnings mobility was poor among this group.

Table 2.8. **Trends in earnings dispersion, 1979-1995^a**

	1979	1989	1995	Average five-year change ^b	
				1979-1989	1989 onwards
Males					
D9/D5	1.73	1.97	2.04	0.12	0.06
D5/D1	1.84	2.05	2.13	0.11	0.07
Females					
D9/D5	1.73	1.92	2.03	0.09	0.09
D5/D1	1.77	1.90	1.95	0.06	0.04

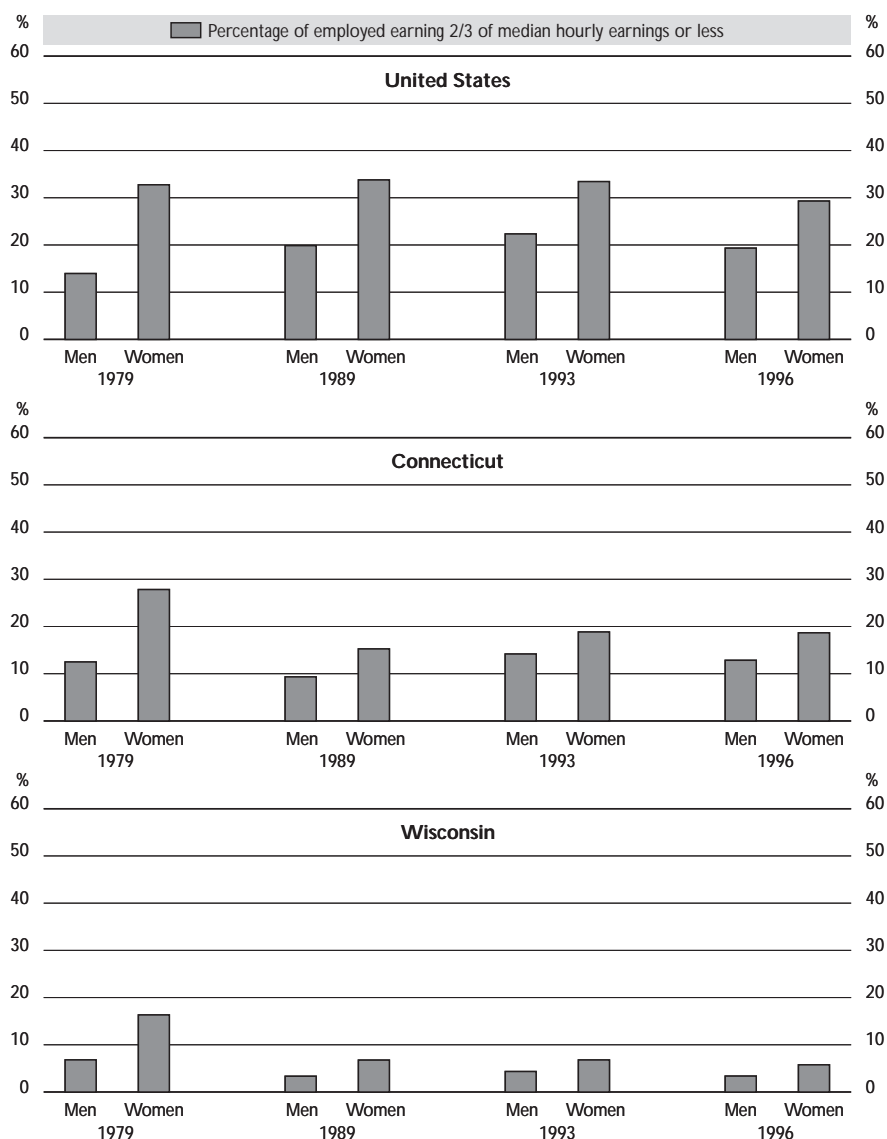
a) D1 and D9 refer to the upper earnings limits of, respectively, the first and ninth deciles of employees ranked in order of their earnings from lowest to highest, i.e. 10 per cent of employees earn less than the D1 earnings limit and 90 per cent earn less than the D9 earnings limit. D5 is defined similarly and corresponds to median earnings.

b) The average five-year change for the recent period has been adjusted to correspond with a standard five-year period.
Source: OECD, *Employment Outlook*, July 1996.

Compared with 1979, the incidence of low-paid employment (defined as employment with hourly earnings of less than two-thirds the median) has increased somewhat for the United States as a whole, while both Connecticut and Wisconsin have experienced some variation over time. Nationally, low-paid employment accounted for nearly one-fourth of total employment, despite some improvement between 1993 and 1996. Among the employed population, relatively high incidences of low-paid work are experienced by women, youth and persons with low levels of educational attainment. The incidence of low-paid employment varies significantly by state.

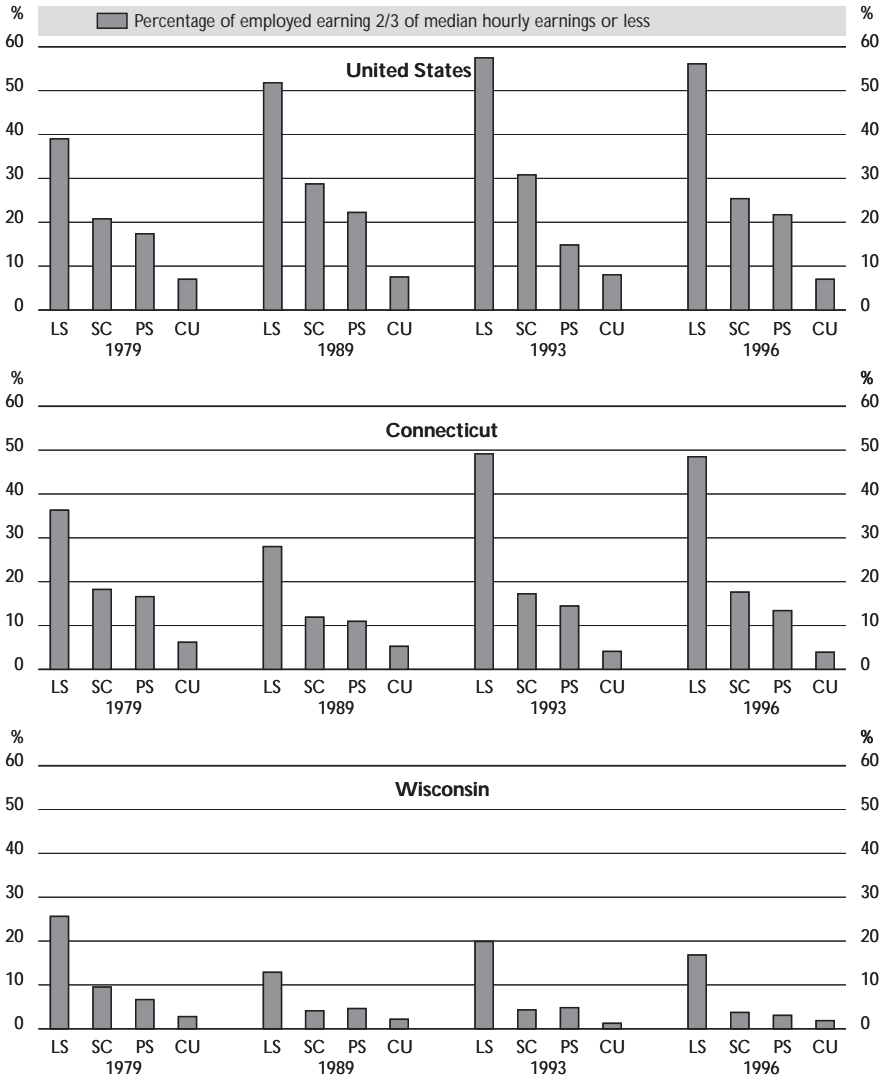
Charts 2.3 and 2.4 present developments over time in the incidence of low hourly earnings by gender, age, educational attainment and state. The incidence of such employment for youth aged 16 to 24 years and those with less than upper secondary education, in particular, is much higher than average. In 1996, for example, youth were nearly three times as likely to be in low-paid employment as the 25 to 34-year-old age group. Chart 2.4 highlights the inverse relationship between the incidence of low-paid employment and the level of educational attainment. Those with less than upper secondary education were more than twice as likely to be in low-paid employment as

◆ Chart 2.3. *Incidence of low hourly earnings, by gender^a*



a) Hourly earnings are calculated as average gross weekly earnings divided by usual weekly hours, except where workers reported their hourly earnings directly.

Source: OECD Secretariat calculations using US Bureau of Labor Statistics, CPS annual earnings microdata (outgoing rotations).

◆ Chart 2.4. *Incidence of low hourly pay, by level of educational attainment*

LS: Less than upper secondary;
 SC: Upper secondary completed;
 PS: Some post-secondary;
 CU: College or university degree.

Source: See Chart 2.3.

those who ended their formal education by completing upper secondary school. The earnings situation of those with low educational attainment deteriorated significantly between 1979 and 1996 and over half were in low-paid employment as of 1996. This group also has the largest share in employment earning minimum wage or less.

The developments in the incidence of low-pay for those with less than secondary school completion are particularly striking in Wisconsin. Their share in low-paid employment was over 60 per cent compared with under one-half for the same group in Connecticut. The employment situation of those with less than secondary school completion in Wisconsin was highlighted in a recent study by Dresser, Rogers and Whittaker (1997). They found that while, nationally, real average hourly earnings fell 3.2 per cent between 1979 and 1993, the comparable fall in Wisconsin was 8.6 per cent. For those without a high school degree in Wisconsin, they found a greater decline in hourly wages than was experienced by their peers on average in the nation.

3. *Incomes and poverty*

Income includes earnings plus other revenues such as government transfer payments; its levels and trends vary across the different population groups. Table 2.9. presents real median income developments between 1980 and 1996, highlighting the relatively flat developments for men and the fairly significant gains made by women. Black males experienced an increase in real median incomes while white males experienced a slight decline. Nevertheless, black males continued to have median income levels well below white males. A significant gap between men and women also continued, despite some narrowing over time. This is in part due to the different employment experience of women (in terms of hours actually worked, for example). However, even controlling for this, women had a median income only three-quarters as large as men in 1996 [CEA (1998)].

Table 2.9. **Median annual money income^a by demographic group**
Constant 1996 dollars

	1980	1990	1996
All men	23 888	24 361	23 834
All women	9 380	12 089	12 815
Black men	15 269	15 448	16 491
Black women	8 731	9 997	11 772
White men	25 409	25 414	24 949
White women	9 431	12 385	12 961

a) Money income excludes non-cash benefits such as food stamps, subsidised housing, and in-kind health benefits. It is measured prior to the deduction of mandatory social insurance contributions, income tax withholding, union dues and the like.

Sources : US Census Bureau Internet site (<http://www.census.gov>); and US Department of Commerce (1997).

Table 2.10. presents developments in poverty rates between 1980 and 1996. On average across the nation, the poverty rate increased slightly during the period. Connecticut experienced a substantial increase in poverty, while Wisconsin had a more modest one, and both states remained below the national average. Nationally, poverty among Blacks declined somewhat, while it increased across the Hispanic population. In general, Blacks, Hispanics, children, and families headed by women with no spouse present, had poverty rates well above the national average [US Census Bureau (1998)]. Families headed by women accounted for over half of the 7.5 million families in poverty; nearly one-third of the families headed by women were in poverty [CEA (1998)].

Table 2.10. **Percentage of the population in poverty^a**

	Poverty rate		
	1980	1990	1996
Total	13.0	13.5	13.7
Connecticut	8.3	6.0	11.7
Wisconsin	8.5	9.3	8.8
Blacks	32.5	31.9	28.4
Hispanic ^b	25.7	28.1	29.4
All children (under 18 years of age)	18.3	20.6	20.5
Black children	42.3	44.8	39.9
Hispanic children ^b	33.2	38.4	40.3
Persons in families with female householder, no spouse present	36.7	37.2	35.8

a) Based on CPS data. The poverty rate is the percentage of the population with money income below the poverty threshold based on the poverty index calculated by the Social Security Administration. Money income excludes non-cash benefits such as food stamps, subsidised housing, and in-kind health benefits. It is measured prior to the deduction of mandatory social insurance contributions, income tax withholding, union dues and the like. The poverty threshold was originally calculated (in the 1960s) as three times the minimum cost of a nutritionally adequate diet, with some further adjustments. In recent years it has simply been updated using the rate of change in the BLS Consumer Price Index.

b) Persons of Hispanic origin may be of any race.

Source: US Census Bureau (1998), *Historical Poverty Tables-Persons*, Table 2, from Internet site (<http://www.census.gov/hhes/poverty/histpov/perindex.html>).

The employment status of households is one factor in determining low income. Among working-age households, those with only one adult present have the greatest risk of non-employment [OECD (1998a)]. The incidence is particularly high for households with children and only one adult present, a group comprising nearly 7 per cent of working-age households in the United States. More than one-third of

these households experienced non-employment in 1996. For this type of household, the risk of low income was over 90 per cent in that year.¹⁴ Across single-adult households (with or without children), the experience of some work (defined as having at least one member of the household employed more than three weeks during the 1995) was associated with a much smaller risk of low income; less than one-in-five adults in such situations had low income status.

D. Employment protection

Compared with many OECD countries, the United States takes a relatively permissive stance with respect to employment protection legislation governing such issues as restrictions on lay-offs due to economic reasons and notice periods. While federal law does not restrict such lay-offs and severance payments are not set in legislation,¹⁵ the United States does require notice to be given in the case of certain plant closures and mass layoffs. The notice requirements are laid out in the Worker Adjustment and Retraining and Notification Act (WARN), which became effective in 1989. Workers notified under WARN are eligible for federally-funded assistance under the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA), which is discussed in more detail in Chapter 6.

WARN covers non-government employers who employ 100 or more workers.¹⁶ It requires employers to give 60 days notice to employees: *i*) in the event of a plant closure that will result in the layoff of 50 or more employees over a 30-day period; or *ii*) in the event of a mass layoff involving 50 or more workers (if it affects one-third of the employer's workforce) or any case involving 500 or more workers –both over a 30-day period. In certain cases, notice may be required when there are multiple individual events below the threshold, but the cumulative effect over 90 days is above the thresholds. Exceptions to the notice period include lay-offs due to risk of bankruptcy, unforeseen circumstances, natural disaster, or ending of a temporary activity or project.

A further marginal constraint on lay-offs linked to federal legislation may come from the use of employer experience rating to establish unemployment insurance contribution rates. Under the US system, described in more detail in Chapter 3, employers with greater lay-off frequencies are subject to higher contribution rates. This may indirectly discourage lay-offs in cases where the employer experience rate is not extremely high or low – *i.e.* where there is a significant marginal cost to the employer in terms of additional unemployment contributions. Moreover, in recent decades the employers' ability to lay-off workers at-will has been limited through a series of civil court decisions that define more clearly what constitutes wrongful termination; the cost to employers of litigation and potential damages in such cases can be considerable.¹⁷

E. The origins of the public employment service in the US

The public employment service in the United States has been built in a relatively decentralised manner, with the federal government generally using voluntary inducements, and financial and tax levers to guide its development. While the basic system components have been implemented nation-wide, there is considerable variation, innovation and autonomy among the various state systems. From its inception, the core elements of the current system included provision of free access to basic labour exchange services and unemployment insurance for covered wage and salary employees (*i.e.* those meeting certain minimum work criteria). In the years following World War II, the mandate of the employment service system was extended to include specialised services for certain target groups in the population and provision of extensive labour market information.

1. *Labour exchange and labour market programmes*

The public employment exchanges had their origins in initiatives by individual states and cities. According to Shorter and Tilly (1974), the first state employment exchange was established in Ohio in the 1890s. Twenty other states and a number of cities soon followed suit, but the scale of such operations remained very modest. In January 1918, President Wilson acted to create a federal-level US Employment Service through an executive order. Nevertheless, the system developed only with difficulty, facing employer resistance and competition from private placement agencies. Tripartite advisory boards were established to help build the responsiveness of the emerging system, but problems continued as it suffered under weak management and budget cuts in the 1920s [Janoski (1990)]. Finally, as the government came under pressure to respond to the consequences of the 1930s depression, legislation was introduced to restructure and revitalise the system.

The Wagner-Peyser Act (WPA) became law on 6 June 1933, establishing the basis for the current system. WPA reforms focused on the creation of a joint, voluntary federal-state labour exchange system, in part to assist in channelling job-seekers to work opportunities in public works or relief projects. Initially, the federal government required matching funds from participating states and it took several years for the fledgling system to expand to cover most states. Then, during the Second World War, the federal government took operational control of the employment service network.

Following the war, state employment service agencies resumed their operations and the system took on the new task of providing specialised services to veterans. Still, it was not until 1949 that the federal-level US Employment Service was definitively transferred to USDOL and the overall network of state employment service agencies began to evolve to include a broader range of services for special groups. At first these included youth, older workers, and the disabled. During

the 1960s, the mandate of the employment service expanded and training programmes, labour market information activities, and targeted initiatives for the economically disadvantaged were added or greatly expanded [Balducchi, Johnson and Gritz (1997)].

In the 1970s and 1980s, however, the trend toward expansion of employment service operations was halted. New federal legislation shifted the policy emphasis to local design and control of training and other programme services for the unemployed. The 1982 Job Training Partnership Act (JTPA) had a lasting impact in this regard, as it created a separate funding channel and the framework for the creation of Private Industry Councils (PICs) to manage a significant share of training and programme resources.

2. Unemployment insurance

The unemployment insurance (UI) system also developed as a distinct programme with separate funding channels. As in the case of the employment service, UI grew out of the pressures of the Great Depression. The federal government enacted the Social Security Act in 1935, authorising the establishment of a federal-state UI system, using tax offsets as an inducement to attract state participation. By 1937, all states plus Alaska, Hawaii and the District of Columbia had passed the requisite state legislation establishing UI programmes [Blaustein, O'Leary and Wandner (1997)]. These developments led to the expansion of the mandate for the employment service to include UI work-test related activities (*e.g.* registration, referral to suitable vacancies, and notification of non-compliance).

3. Public assistance

Public assistance for the needy of working age in the United States developed separately from the employment-related programmes. Such assistance was provided largely through local government until early in the 1900s when most states passed mothers' pension laws, mainly to support widows with children. In 1935, the passage of the Social Security Act led to the establishment of a federal framework for assisting persons in need who were aged, blind or minors [Kaplan (1997a)]. That framework included a programme for single parents, Aid to Dependent Children, that was subsequently reconfigured as the main welfare programme, Aid to Families with Dependent Children (AFDC, renamed in 1962). Under the system that evolved, the oversight of national-level welfare and related programmes was generally handled by the Health and Human Services Department (and its predecessors),¹⁸ while the field implementation was generally handled by social services departments at the state and local levels. For example, AFDC remained largely locally administered, but federally-funded, throughout most of its history, up until its replacement with Temporary Assistance for Needy Families (TANF) as part of the wel-

fare reforms of 1996. The national-level programmes were often complemented with additional state and local initiatives.

Much of the history of public assistance in the United States has been coloured by periodic debates on the “deserving and undeserving poor”, women in the labour market, problems posed by children living in poverty and notions about the centrality of paid employment. Over time, there have been swings in emphasis in the methods for promoting transitions to employment. For example, in the early 1960s there was an emphasis on social services while in the late 1960s and early 1970s there was more stress on income support and making-work-pay [Kaplan (1997a)]. Many of these initiatives conditioned the benefits of able-bodied working-age individuals on registration with the employment service, as an indication of an active search for work. The emphasis on paid work increased with the granting of federal waivers to states experimenting with welfare reforms beginning in the second half of the 1980s. The federal welfare reforms of 1996 created a national framework for work-oriented social assistance and led to closer co-ordination at all levels of government between such programmes and the employment service. However, the existence of separate funding channels for the various programmes continues to complicate the administration of integrated approaches to service delivery.

F. Key labour market policy institutions and actors

Under the US federal system, there is significant devolution of power to the states, although this varies according to the specific policy area. The US Constitution specifies that the federal government has primary authority in certain areas such as defence, inter-state commerce and monetary issues, but on certain others such as education it is silent and leaves them primarily in the domain of state and local policies. Responsibilities for labour market and social policies are shared, although the federal government is able to use funding levers to shape developments. State prerogatives exist mainly in the implementation of federally-established programmes and the establishment of additional state policies (*e.g.* states operate unemployment insurance programmes within federal requirements, but may also establish additional benefits if they wish).

There is a balance of powers at the federal and state levels between the executive, legislative and judicial branches of government. Generally, the framework for labour market and social policy is grounded in legislation, with budget parameters determined by the legislative branch of government. The executive branch is charged with implementation of policy within the legislative guidelines, but it also proposes legislation or budgets for consideration by the legislative branch. In some instances, legislation permits the executive branch considerable discretion in policy implementation. A significant example is the development of so-called “one-stop” centres

(described below and discussed in detail in Chapter 4) which were developed largely as an administrative policy initiative.

Non-governmental associations and interest groups play an important role in lobbying and advising the executive and legislative branches in shaping labour market policy. They can influence the allocation of resources and responsibilities between state and local governments and help to define programme content. These influences have contributed to the establishment of separate funding channels and allocations to state and local governments with respect to the various elements of JTPA, TANF and Welfare-to-Work programmes. One well-known non-governmental association, the Interstate Conference of Employment Security Agencies (ICESA), represents officials from the state agencies charged with implementing employment service, unemployment insurance, training and labour market information programmes. ICESA membership covers all of the state agencies (except Guam) and helps to ensure that the views of these agencies are considered in the federal policy development process. It also works to facilitate the diffusion of innovation and experience across state agencies (*e.g.* relating to development of one-stop career centres) and to support research and technical assistance projects.

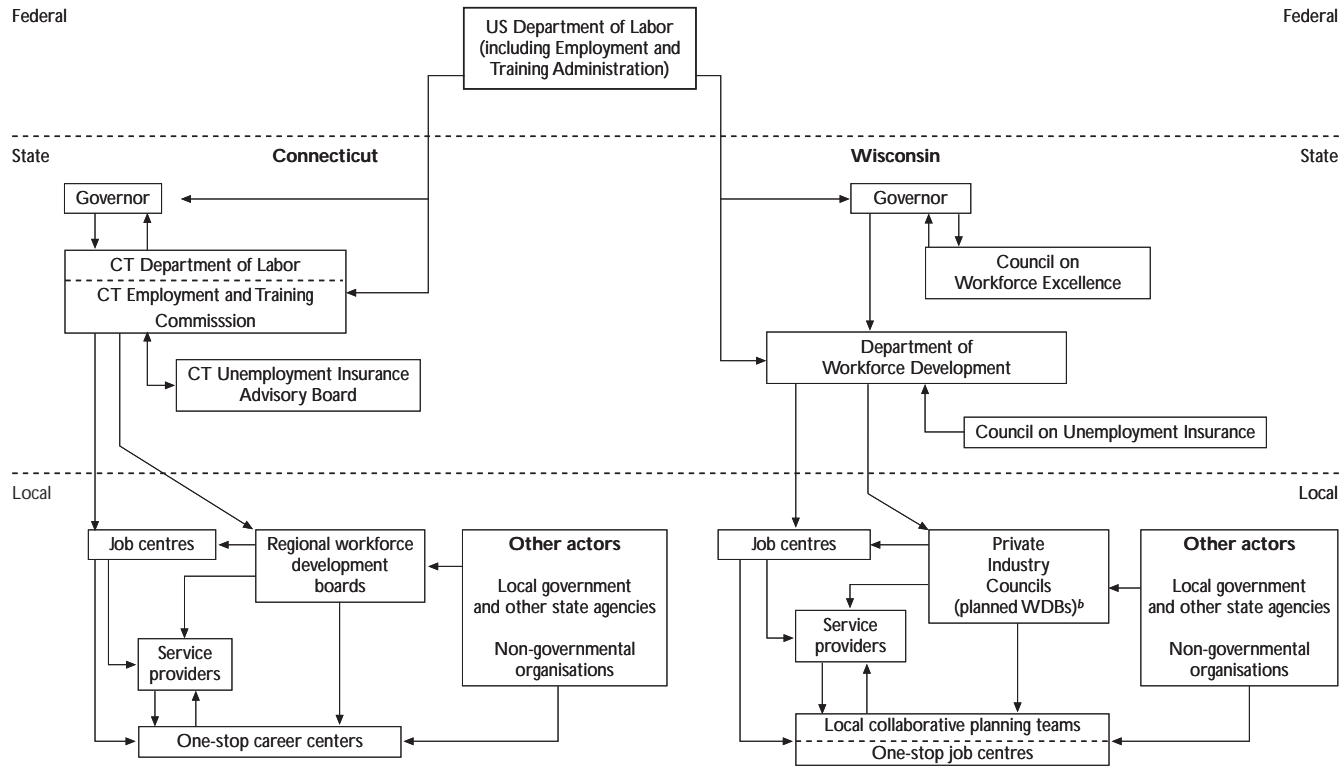
The judicial branch has prime responsibility for ensuring the constitutionality of laws and interpretation of law with respect to an individual's rights. Historically, it has played a significant role in defining the limits of labour market policy, as in the early 1900s when it blocked several attempts by state legislatures to regulate or constrain private placement agencies or in the second half of the 1930s when the courts upheld the constitutionality of laws establishing the unemployment insurance system [Janoski (1990)]. The executive branch also plays a role in the interpretation of administrative law with respect to individuals' rights; for example, the state unemployment insurance agencies have primary responsibility for adjudication procedures in cases where a person's eligibility for unemployment compensation payments is disputed. However, certain UI appeal cases are handled by the judicial branch.

G. US Department of Labor and the state employment security agencies

1. US Department of Labor

Chart 2.5 provides an overview of the main units of the employment service (ES)¹⁹ and UI systems with respect to the administrative flow of requirements across the executive branch, *i.e.* across those entities charged with implementing these policies. USDOL provides national-level direction for the system, with most of this responsibility assigned to the Employment and Training Administration (ETA). However, there is only a partial integration of the ES and UI functions, as they are administered by separate services within ETA. Employment service affairs are overseen

◆ Chart 2.5. **Main actors in employment service and unemployment insurance policy implementation: flow of requirements^a**



a) Where one-stop centres exist, the job centre operations are fully incorporated.

b) Workforce development boards.

Source: Information provided by the US authorities.

primarily by the US Employment Service (USES), while unemployment insurance issues are managed by the Unemployment Insurance Service. Moreover, revisions to the WPA in 1982 reduced the federal role in employment service management, leaving USDOL primarily responsible for monitoring compliance with federal requirements, promoting research and evaluation, and providing technical assistance to help states improve performance. USDOL maintains 10 regional offices that handle liaison with state agencies. Responsibility for labour market information is mixed, with the BLS holding the bulk of the responsibility, but the various ES and UI offices at all levels of government assist with the collection of administrative data and the dissemination of information.

Within USDOL, there is also a separate Veterans' Employment and Training Service (VETS), which assists veterans in enforcing their employment rights and arranges for service delivery to veterans. VETS provides grants to state or local government agencies or non-profit organisations to fund these services, which are reserved exclusively for veterans. As a consequence, the staff serving veterans generally operate with a degree of autonomy with respect to the regular employment service operations.

USDOL co-ordinates the administration of certain employment-related programmes with other federal agencies. A key agency is the Department of Health and Human Services which administers the TANF benefits and the Medicaid programme and which plays a role in evaluation of the USDOL-administered Welfare-to-Work programme. The Social Security Administration manages the main pension and disability programmes. Other agencies operating employment-related programmes include the US Department of Agriculture (which administers the Food Stamp programme) and the US Department of Education (which administers the School-to-Work programme with USDOL and is involved in training policy).

2. *State employment security agencies*

Although there is a diversity among the states in their approaches to service delivery, institutionally there are certain common features. The ES and UI programmes are generally administered by separate units located within a common agency, generically known as a state employment security agency (SESA); nation-wide, there are 54 SESAs.²⁰ The SESAs differ by state in terms of their organisation and the extent of their other responsibilities beyond ES and UI programmes.

The consultation of interested parties occurs through councils set up to participate in the management of employment and training programmes and unemployment insurance. With respect to the former, the JTPA requires governors to establish multipartite consultative councils to co-ordinate and review initiatives operating or planned under the JTPA and the WPA. The members of these councils were originally drawn in fixed proportions from business and industry (30 per cent), state and local

government and local education agencies (30 per cent), organised labour and community-based organisations (30 per cent), and the general public (10 per cent) as laid out in federal JTPA guidelines, but there is now some variation. Generally, states have also established tripartite consultative bodies, usually appointed by SESA directors, to oversee the management and operation of UI programmes.

In Connecticut, the SESA is the Connecticut Department of Labor (CTDOL). Although responsibilities for the ES and UI operations are assigned to separate divisions within the Department, they both report to the same Deputy Commissioner. Under the state's welfare reform initiative, Jobs First, the Department has been designated as the Welfare-to-Work grant administrator and a unit has been established for this purpose. This unit also reports to the Deputy Commissioner responsible for ES and UI operations. CTDOL works on welfare issues in co-operation with the Department of Social Services, the state TANF agency.

The operations of CTDOL are guided, in part, by the Connecticut Employment and Training Commission (CETC) which was established by the state legislature in 1989 and which serves under state law as the advisory body for policy in this area. The CETC is located in the department and appointed by the governor. It is charged with planning, co-ordination and review of employment and training programmes in the state. In 1997, additional mandates were added restructuring the CETC composition and requiring it to prepare programme report cards emphasising employment placement and to submit these annually to the appropriate legislative committees and the state Office of Policy and Management.²¹ The majority of the 24 members of the CETC must now be drawn from business and industry, with the remaining members drawn from state and local government, organised labour, education and community-based organisations. In addition, a UI Advisory Board has been set up to advise the labour commissioner on unemployment insurance policy.

In Wisconsin, the SESA is the Department of Workforce Development (DWD). Responsibilities for ES and UI operations are assigned to separate divisions in the DWD, but unlike Connecticut, these divisions report directly to the office of the Secretary of the Department, *i.e.* the top executive of the agency. The DWD is also charged with administering Wisconsin's package of welfare reforms, known as W-2 and, consequently, it is the state-level TANF and Welfare-to-Work grant administrator. The DWD co-ordinates with the state Department of Health and Family Services which administers certain complementary programmes including Medicaid-related benefits.

Wisconsin's policy is partly guided by the Council on Workforce Excellence (CWE), a statutory body established in 1995 which oversees employment and training policy.²² The council has a mandate to oversee the planning, co-ordination, administration and implementation of specific programmes, including those operating under the JTPA and WPA. It makes recommendations to the governor concerning

workforce development needs and planning and directly advises the DWD on certain aspects of its work. The council facilitates co-ordination across state agencies through the participation of their representatives in the decision-making process including the Departments of Workforce Development, Commerce, Public Instruction, and Administration, as well as the Technical College system and other public and private sector entities such as businesses and labour unions.

A separate Council on Unemployment Insurance is appointed by the Secretary of Workforce Development to advise the department and the state legislature on the administration of the state's unemployment insurance law and to recommend any changes to that law. The council has 11 members, including five representatives of business, five employee representatives and one non-voting representative from the department. Non-voting representatives of the state legislature also participate in the council's deliberations and serve as a channel for communications between the legislature and the council.

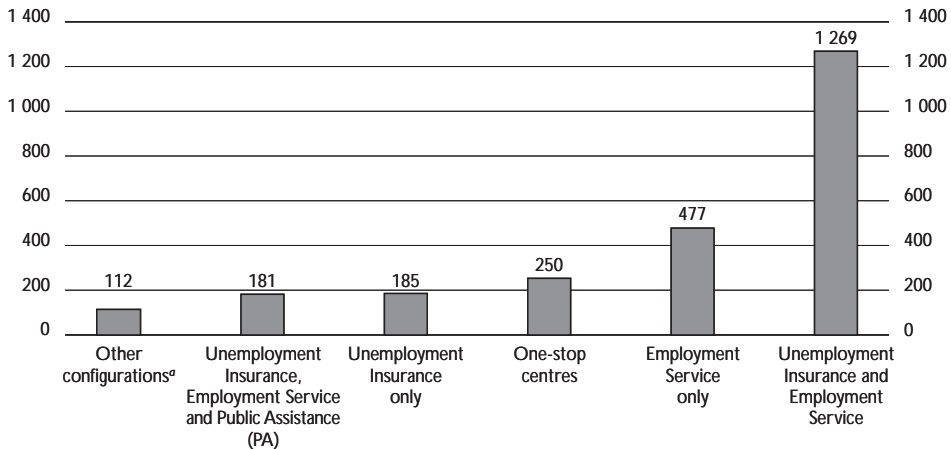
3. *Local-level service provision*

Characterising the nation-wide network of local offices is difficult because of its decentralised organisation. Federal tracking of the employment service side of the system, for example, focuses on financial costs and operational data rather than on physical inputs such as staff and offices. Information on the local office structure is available through the database of America's Workforce Technology Solutions (AWTS), an institute supporting SESAs that is run as a co-operative venture between ICESA and the Kansas Department of Human Resources.

According to the AWTS database, as of November 1997 there were 2 474 local offices (ES, UI and related) in the US employment security network. Somewhat more than one-half of these were joint employment service and unemployment insurance offices (Chart 2.6). About one-fourth were set up as either employment service or unemployment insurance offices, while most of the remaining offices offered a combination of ES/UI and either JTPA or social assistance or both. Among these offices, some 250 were designated as one-stop centres. However, these figures are rapidly changing as participation in the one-stop initiative expands. As of May 1998, the USDOL's One-Stop Team estimated that there were 710 such centres across the nation.

A key feature in the local tier of the US employment security system is the diversity in the structures for delivery of services and benefits. This diversity is partly due to the existence of separate funding channels for the various federal programmes (including unemployment insurance, employment service, welfare and other benefits) as well as state-specific initiatives. In the decades following the Second World War there were several attempts to integrate the broad range of services, but these were not widely sustained until the one-stop initiatives

◆ Chart 2.6. *Distribution of PES local office types in the United States*
As of November 1997



a) These include: UI + ES + PA + JTPA: 30; UI + ES + JTPA: 27; PA only: 27; ES + JTPA: 15; ES + JTPA + PA: 6; ES + PA: 5; UI + JTPA: 1; PA + JTPA: 1.

Source: Local Office Directory, America's WorkForce Technology Solutions (formerly ESSi), 1997.

sprang up in the 1990s [Balducchi, Johnson and Gritz (1997)]. However, the management of the PES system continues to be complicated by the failure to streamline the funding channels and the associated administrative requirements for the various PES programmes.

The JTPA and its predecessor, the Comprehensive Employment and Training Act (CETA), by mandating the creation of local structures involving interested parties (including business, labour and government), gave impetus to the integrated management of training service provision. Initially under JTPA these structures were called Private Industry Councils (PICs) and they planned and administered training funds in specially established administrative areas known as Service Delivery Areas (SDAs, roughly corresponding to local labour markets). The PICs (and their successors in some states, the Regional Workforce Development Boards), are playing a key role in the subsequent moves to integrate a wider range of services beyond training into one-stop centres. Currently, in many states there is a period of transition and coexistence where various areas are served by existing job centres and PICs or integrated one-stop centres.

UI service provision is also going through a period of transformation. In the past, UI services were generally delivered through independent local centres or joint ES-UI

centres. Now, some states have moved to more centralised claims service for UI, in part through the introduction of telephone-based service provision. This, in turn, has led these states to remove most UI staff from local offices (except for some adjudication-related staff).

Chart 2.5 shows the key local actors with respect to ES-UI service provision in Connecticut and Wisconsin. In Connecticut, the SESA field operations are focused around a network of 18 offices that is being partially restructured through a state initiative called Connecticut Works to operate on a one-stop basis. Thus, there are, coexisting in the state, job centres in some areas and one-stop centres in others. The establishment of one-stop centres has required elaborate planning and co-ordination among the various actors and has depended heavily on the CETC and the nine Regional Workforce Development Boards (RWDBs) to ensure an inclusive process (see Chapter 4). Both the older job centre/RWDB structures and the new one-stop structures rely on contracted service providers to deliver a portion of their services. Moreover, the CTDOL is in the process of establishing a UI telephone claims system that will result in the removal of most UI operations from the local offices.

The Wisconsin system is also in flux. Nearly all areas are now served by one-stop centres. In all, there are 78 local offices in various stages of development. The one-stop centres have been built around local collaborative planning teams that involve the key partners and that continue to ensure integrated management once the operations are underway. Wisconsin is currently in the process of restructuring its PICs and consolidating the SDAs into 11 units which will be serviced by Workforce Development Boards. These boards will continue to play a key role in the development and operation of the one-stop centres. As in Connecticut, contracted service providers handle a portion of the service provision for the local offices. Wisconsin has already moved to centralise its UI system by introducing a telephone claims system and removing most UI staff from the field.

H. Staffing

The federal approach to employment service operations was altered during the period 1982 to 1984 [Fisk and Greiner (1998)]. In 1982, federal funding was cut and most employment service funding was shifted to a statutory formula basis that allocated grants taking into account each state's labour force and relative share of national unemployment. Previously, federal support was allocated based on an administrative formula emphasizing workload factors and denominated in terms of state employee positions. Beginning in 1984, the federal government dropped its requirement for the states to report on the number of employment service positions. The last relatively comprehensive count of nation-wide employment service staff was conducted by the Congressional General Accounting Office in 1987.

Estimates of government staffing in PES and related programmes are presented in Table 2.11. These show the staff according to the major sources of federal funding, including initiatives going beyond the traditional ES and UI components of the PES. The Federal Unemployment Tax Act (FUTA, described below and in Chapter 3) supports the core ES and UI operations and funds the largest share of the staff in the PES system. However, as can be seen from the state-level data, significant staffing is provided through other funding sources with separate administrative channels. With respect to FUTA funding, one issue of contention has been the degree to which delivery of core labour exchange services can be contracted out. USDOL has maintained that core labour exchange services under the WPA should be delivered by public employees and has successfully defended this position in a recent court challenge by the State of Michigan.²³ However, certain employment services other than those under WPA (*e.g.* job-search skills workshops in some states) and much of the JTPA client-service provision are handled by contractors, whose numbers are not reflected in the table.

Table 2.11. **Estimated labour market programme staff by funding source, Programme Year (PY) 1997**

Full-time equivalents, government personnel

	FUTA	JTPA	TANF	Veterans Employment Service	Welfare-to- Work ^a
US (estimated)	53 900	2 855 ^b	82 (US Department of Health and Human Services only)	2 800	75 (USDOL only)
Connecticut	715 ^c	52	75 ^d	31 ^e	3 ^f
Wisconsin	758 ^g	32 ^h	131	63	.. ⁱ

a) Welfare-to-Work counts reflect numbers planned for December 1998.

b) Estimated 1996 level, based on staff counts by the International Association of Personnel in Employment Security.

c) Includes 143 Wagner-Peyser positions and 572 UI positions.

d) Planned for PY 98. CTDOL did not administer employment services under TANF during PY 97. These services were administered by the state Department of Social Services.

e) Total will be 35 when all vacant but funded positions are filled.

f) Planned for PY 98.

g) Includes 158 ES and 600 UI positions.

h) JTPA staff of 32 includes 10 ES field staff and 22 state office staff.

i) No estimate of Welfare-to-Work staffing levels was available.

Sources : OECD correspondence with state agencies, the US Department of Labor and the International Association of Personnel in Employment Security.

Table 2.12. presents the staffing of the PES according to the office structure. The table provides an indication of the decentralised allocation of staff across the US systems; in 1997 USDOL had less than a 1 per cent share of the estimated total

PES staff in all. This is a much smaller share than in many other OECD countries, where the national offices typically have staff shares of 5 to 8 per cent and sometimes more. It also highlights the difference in structure between Connecticut and Wisconsin, which is influenced in part by the difference in population density between the two states. The former has opted for local office districts serving larger populations and has also allocated a slightly greater share of its combined employment service, JTPA and related staff to local offices.

Table 2.12. **Public employment service and related agencies: office structure and staff, 1997**

	State Agencies			USDOL
	Nation-wide	Connecticut	Wisconsin	
Total number of offices (ES, UI and related, as of November 1997) ^a	2 528 (incl. 54 state/ territorial offices)	19 ^b	86 ^b	1 national + 10 regional
Number of local employment service offices (excludes UI-only offices)	2 260	18	78	n.a.
Average local employment service office district (km ²)	n.a.	697	1 803	n.a.
Average population per district	118 423	181 659	66 278	n.a.
Total PES staff	70 050	799	984	632
Employment service and related staff (including JTPA)	31 150	227	384	424
Of which:				
National office staff	n.a.	n.a.	n.a.	110
State-level or ETA regional staff	..	27	63	314 ^f
Local office staff	..	200	321 ^d	n.a.
Average employment service and related staff per local employment service office	n.a.	11	4 ^e	n.a.
Unemployment insurance staff	38 900	572	600	208
Of which:				
National office staff	n.a.	n.a.	n.a.	83
State-level or ETA regional staff	..	315	290	125 ^f
Local UI office and call centre staff	..	257	310	n.a.

.. Not available

n.a. Not applicable.

a) Excludes training centres.

b) In Wisconsin, there were two UI call and adjudication centres, four UI adjudication field offices, 78 local job service or one-stop offices (operating or under development), plus two state offices (ES + UI).

In Connecticut, there were 18 local job service or one-stop offices, plus one state office.

c) All figures are full-time equivalents. State agency total PES staff figures include staff employed in the state and local-level offices.

d) Job Service field staff, including JTPA and certain contract staff.

e) Does not include partner agency staff; there are numerous county employees working in job centres.

f) Estimated.

Sources : OECD correspondence with state agencies, US Department of Labor, the International Association of Personnel in Employment Security, and America's Workforce Technology Solutions (formerly ESSi).

Table 2.13. presents workload indicators for the PES. The system is staffed relatively modestly with respect to population, with a national average in 1997 of 1 staff member per 3 821 residents. In comparison, in Austria and Germany the ratios were about 1:1 899 and 1:912 respectively in 1994 while only Japan had a higher ratio. Also, in Connecticut and Wisconsin, the stocks of benefit recipients per staff member were relatively high. In terms of job-seeker registrations and vacancy notifications, PES staff in the United States on average handled greater inflows than their counterparts in the European countries in the table, but less than their counterparts in Japan.

Table 2.13. Indicators of PES staff workload

	Connecticut	Wisconsin	United States	Belgium	Austria	Germany	Japan
	1997			1995	1994		
Total PES staff^a	799	984	70 050	12 200	4 230	89 300	15 294
Stock per PES staff member							
Population	4 092	5 254	3 821	830	1 899	912	8 173
Labour force	2 156	2 976	1 946	352	916	444	4 359
Wage and salary earners ^b	2 002	2 874	1 697	245	763	364	3 401
Registered job-seekers ^c	60	33	..	59	55	56	121
Benefit recipients ^d	51	55	33	48	46	32	51
Notified vacancies ^e	17	7	..	2	7	3	78
Annual flows per PES staff member							
New registrations of job-seekers ^c	166	184	263	..	164	84	332
New claims resulting in benefit payment ^e	263	135	114	..	168	62	128
Inflow of notified vacancies ^c	63	127	86	12	61	35	357
Placements ^c	9	11	31	9	..	26	95

.. Not available.

a) For Connecticut, Wisconsin and the United States, all figures are full-time equivalents.

b) For Connecticut and Wisconsin, wage and salary earners are estimated from March CPS micro-data and are 1996 figures.

c) For Connecticut, Wisconsin and the United States, data refer to programme year 1996.

d) Estimated as the total number of weeks of benefits paid in the year divided by 52.

e) For the United States, number of first payments; for other OECD Member countries, the number of initial claims.

Sources : OECD, *The Public Employment Service: Belgium* (1997); US Bureau of Labor Statistics Internet site (<http://stats.bls.gov>); USDOL (1997a); and OECD correspondence with state agencies; for USPES Staff, see Table 2.12.

I. Funding the PES system

A key federal lever guiding the ES and UI system is the Federal Unemployment Tax Act (FUTA) of 1939. FUTA is a national payroll tax collected from employers by the Internal Revenue Service. The proceeds are used to fund most of the administrative aspects of the ES and UI system, as well as certain benefit-related elements in the system including half of the federal-state Extended Benefits Program (see Chapter 3),

and a federal account for loans to the states. Under current law, 80 per cent of FUTA revenue is allocated to the administrative account and 20 per cent to the federal account financing extended benefits; the loan account only receives funds indirectly in cases where the administrative account or the extended benefit accounts exceed certain ceilings.

Employers in states complying with federal requirements receive a substantial tax credit that reduces the FUTA tax rate from 6.2 to 0.8 per cent, which is levied on the first US\$7 000 of each worker's wages in a given tax year.²⁴ The risk of being charged the higher rate provides a strong incentive for states to comply. The principal requirements are that a state have a conforming unemployment insurance programme and not be in arrears on system-related federal loans. (A listing of selected FUTA and Social Security Act requirements is shown in Annex 2.A.) Since all states have conforming programmes, employers across the nation benefit from the lower effective federal tax rate. As of January 1996, no states had outstanding federal loans [Committee on Ways and Means (1996)].

Throughout much of the system's history, there have been diversions of FUTA resources for use in balancing the federal budget. Although between 1954 and 1968 there were initiatives to earmark the FUTA tax revenues or to protect the FUTA funds in dedicated ES/UI accounts, the FUTA funds finally were integrated into the federal budget in the Fiscal year 1969 budget. As a result, the expenditure of FUTA funds became subject to congressional appropriation. Administrative funding for the system was reduced on several occasions due to federal across-the-board budget cuts and, in some years, low unemployment projections used in the budget process, *i.e.* they underestimated actual developments.

Following congressional appropriation of the overall funding amounts, USDOL makes allotments to the individual states for employment service operations and unemployment insurance administration. This is done primarily using a formula approach, although there is an element of flexibility.²⁵

States fund UI benefit payments and one-half of the extended benefit payments through an additional employer payroll tax (discussed in more detail in Chapter 3).²⁶ Revenues from the state UI taxes are deposited in Unemployment Trust Fund (UTF) accounts held by the US Treasury. Beyond the basic ES and UI programmes, most other federally-sponsored PES-related programmes including JTPA and TANF/Welfare-to-Work are funded from general tax revenues. Unemployment insurance for federal employees is also funded from general revenues as have been portions of federally-established temporary emergency benefits. State funding for policies to top-up or complement federal labour market programmes is also usually drawn from general tax revenues.

J. Key programmes and benefit schemes

Table 2.14. highlights key federal programmes and benefit schemes that operate with direct or indirect links to the public employment service or the welfare reform initiatives. The numbers provide only a very rough guide to the relative size of the programmes as of 1996. In terms of the number of participants, the largest programmes were Medicaid and Food Stamps. The main welfare programme, AFDC was much smaller. Among the employment-related programmes, the Earned Income Tax Credit (EITC) scheme (19 million beneficiaries) and the Employment Service (18 million newly registered job seekers) each served about the same number of labour market participants. Unemployment insurance was much smaller than the other large programmes, serving less than 9 million clients in 1996.

In terms of funding, Medicaid is by far the largest programme with over US\$150 billion expended in FY 1996, while the Supplementary Security Income, Food Stamp and Earned Income Tax Credit programmes are of roughly the same order of magnitude with expenditures on benefits in the US\$20-30 billion range. Unemployment Insurance was comparable in size, amounting to about US\$22 billion in 1996. In comparison, the main active labour market programmes shown here, the employment service labour exchange function and JTPA had much smaller budgets of US\$0.9 and US\$3.8 billion, respectively.

Table 2.14. **Selected federal assistance and support measures for individuals and families, United States, 1996**

Programme	Number of participants (thousands)	Amount expended (US\$ billions)	Overview
I. Selected employment-related programmes			
Earned Income Tax Credit (EITC, 1995)	19 334	26.0	The EITC is a federal income tax credit for low-income workers; if greater than tax due, the excess can be paid directly.
Employment Services	18 407	0.9 ^a	The federal-state public labour exchange programme facilitates job placement and conducts work tests for unemployment benefit claimants.
New Registrations of Job-seekers (PY 1996)			
Connecticut (PY 1996)	133	..	
Wisconsin (PY 1996)	181	..	
Job Training Partnership Act (inflows) (FY 1996)	1 507	3.8	JTPA provides job-training services for economically disadvantaged adults and youth, dislocated workers and others who face significant employment barriers.
	(FY 1996)	(FY 1996)	
Connecticut	..	..
Wisconsin (PY 1996)	18	..	
Unemployment Insurance Benefits	8 700 ^b	21.8 ^c	The federal-state Unemployment Insurance programme provides temporary benefits to covered workers who lose their jobs involuntarily or who quit with good cause.
Connecticut	133 ^d	..	
Wisconsin	225	..	
II. Main social programmes			
Food stamps	24 910 (average month)	23.7 ^e	The Food Stamp programme helps to increase the food purchasing power of eligible low income families.
Connecticut (December)	214	..	
Wisconsin (December)	246	..	
Medicaid (Total recipients)	36 118	152.9 (FY 1996)	Medicaid is a federal-state entitlement programme providing medical assistance for low-income persons who are aged, blind, or disabled, also for certain pregnant women, children, and members of families with dependent children.
Connecticut	328	..	
Wisconsin	434	..	

Table 2.14. **Selected federal assistance and support measures for individuals and families, United States, 1996** (*cont.*)

Programme	Number of participants (thousands)	Amount expended (US\$ billions)	Overview
Aid to Families with Dependent Children ^f	12 312 (average month)	18.1	AFDC provided income support to families with children deprived of parental support due to parental absence or inability to work, or unemployment.
Connecticut (January)	162	..	
Wisconsin (January)	184	..	
Supplemental Security Income (Total recipients, as of December)	6 614	28.3 (CY 1996)	SSI is a federally-administered programme to provide cash support for needy aged, blind or disabled persons.
Connecticut	46	..	
Wisconsin	95	—	

.. Not available.

CY = calendar year;

FY = fiscal year (beginning 1 October).

a) Estimated based on basic FUTA allocations to states plus supplementary information from USDOL on federal one-stop grants and allocations for USES activities during fiscal year 1996.

b) Estimated number of beneficiaries. The average weekly number of beneficiaries was 2.6 million.

c) Regular and extended benefits payments only, excludes FUTA administrative funds.

d) Estimated as number of first payments.

e) Total programme cost.

f) Subsequently replaced by the Temporary Assistance for Needy Families programme.

Sources : Committee on Ways and Means (1996), Table 5-1; Connecticut Department of Labor and Wisconsin Department of Workforce Development correspondence with the OECD; Health Care Financing Administration (1998); Social Security Administration (1998); Information Technology Support Centre Internet site (<http://www.itsc.state.md.us>), for data from ETA *Financial Data Handbook* 394; US Department of Agriculture (1997a); US Department of Agriculture (1997b); USDOL (1997^d); USDOL (1998^d); US Department of Health and Human Services (1997); US Department of Health and Human Services (1998); and US Internal Revenue Service (1997).

Annex 2A

Selected FUTA and Social Security Act Requirements for Participating States

Requirements for employer tax credits

FUTA lays out the minimum federal requirements that states must meet in order for employers to obtain the 5.4 per cent tax credit. Among other requirements, states must ensure that:

- compensation is paid through public employment offices or other approved agencies (1935);
- no compensation is paid until two years after the first period with respect to which state contributions are payable (1935);
- all of the funds collected under the state programme are deposited in the federal Unemployment Trust Fund (UTF), with the distribution of the tax among the various accounts prescribed by the Social Security Act (1935);
- all of the money withdrawn from the UTF is used to pay unemployment compensation, to refund amounts erroneously paid into the fund or for other specified activities (1935);
- compensation is not denied to anyone who refuses to accept work because the job is vacant as the direct result of a labour dispute, or because the wages, hours, or conditions of work are substandard or if, as a condition of employment, the individual would have to join a company union or resign from or refrain from joining any *bona fide* labour organisation (1935);
- compensation is paid to employees of state and local governments (there are also limitations on benefit entitlement during vacation periods for certain employees in education) (1935);
- compensation is paid to employees of FUTA tax-exempt non-profit organisations, including schools and colleges that employ four or more workers in each of 20 weeks in the calendar year (1970);
- state and local governments and non-profit organisations may elect to pay regular employer contributions or to pay actual benefit costs on a reimbursable basis (1970);
- compensation is not payable in two successive benefit years to an individual who has not worked after the beginning of the first benefit year (1970);
- compensation is not denied to anyone solely because the individual is taking part in an approved training programme or because the individual's claim for benefits was filed in another state or Canada (1970);

- the state participates in arrangements for combining wages earned in more than one state for eligibility and benefit purposes (1970);
- extended compensation is payable under the provisions of the Extended Unemployment Compensation Act of 1970 (extended benefit programme); and
- reduced tax rates for employers are permitted only *on the basis of the unemployment experience of the employer* (1935).

Requirements for administrative grants

The Social Security Act provides for payments from the federal UTF to the states to meet the necessary costs of administering the unemployment compensation programmes in the states and most of the cost (97 per cent) of operating their public employment offices. Under this Act, grants are available only to those states that have a UI law approved under FUTA and that are certified by the Secretary of Labor as meeting certain conditions. In particular, states must ensure that:

- the methods of administration permit full payment of unemployment compensation when due (1935);
- unemployment benefit payments are made through public employment offices or other approved agencies (1935);
- a system of profiling new UI claimants is used to identify those likely to exhaust benefits and to need job-search assistance (1993);
- individuals will have an opportunity for a fair hearing in cases where claims for unemployment compensation have been denied (1935);
- all funds collected are paid into the federal UTF (1935);
- all of the money withdrawn from the state trust fund account will be used either to pay unemployment compensation benefits (excluding administrative expenses), to refund amounts erroneously paid into the fund, or for other specified activities (1935);
- reports are filed as required by the Secretary of Labor (1935);
- information is provided to federal agencies administering public works programmes or assistance through public employment (1935);
- expenditures are limited to the purpose and amounts found necessary by the Secretary of Labor for proper and efficient administration of the state law (1939);
- there is repayment of any funds that the Secretary of Labor determines were not spent for unemployment compensation purposes or have exceeded the amounts necessary for proper administration of the state unemployment compensation law (1939);
- any claimant referred to re-employment services pursuant to the profiling system participates in such services as an eligibility condition (1993);
- information is provided to the Railroad Retirement Board as the board deems necessary (1938);
- the state co-operates with every agency of the US charged with the administration of any unemployment insurance law (1938);

- any interest on advances to the state is paid by the date required and is not paid directly or indirectly (by an equivalent reduction in state unemployment taxes or otherwise) from amounts in its trust fund account (1983);
- information is provided to the US Department of Agriculture and state food stamp agencies with respect to employee wages, UI benefits, home address, and job offers (1980);
- employee wage information is provided to state or local child-support agencies (1980);
- claimants are required to disclose whether or not he/she has child-support obligations (deductions from benefits shall be made for any such child-support obligations, and the amount of such deduction shall be paid by the state UI agency to the appropriate child support agency) (1981);
- information for purposes of income and eligibility verification is requested and exchanged in accordance with the requirements of the Social Security Act (1984); and
- wage-claim information is disclosed to the Department of Health and Human Services and the National Directory of New Hires for child-support enforcement and other purposes (1996).

Source: Adapted from West and Hildebrand (1997).

Unemployment Insurance in the United States: Regular and Extended Benefits

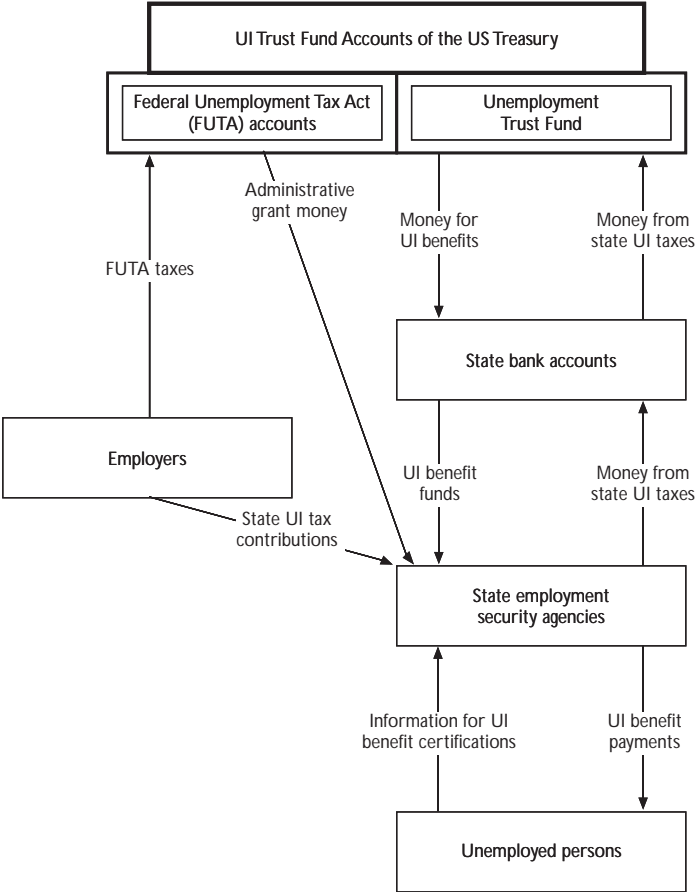
A. Unemployment insurance

Unemployment insurance (UI) constitutes one of the first lines of social protection for workers who lose their jobs involuntarily. In terms of programme expenditure, UI is the largest of the basic active and passive labour market programmes in the United States, comparable in size to some of the principal social programmes targeting the poor or disadvantaged. Nevertheless, it is a porous first line of defence and many unemployed do not receive unemployment benefits.

The UI system has operated with two primary purposes: to provide a temporary and partial wage replacement to workers who fall into unemployment through no fault of their own; and to help stabilise the economy during economic downturns [Committee on Ways and Means (1994)]. The UI programme – as created under the original Social Security Act of 1935 – was developed under a fairly conservative funding scenario with much concern about the potential financial viability of the system. The potential benefit liability of the system was limited through its design in terms of the share of workers covered by the system, the eligibility of covered workers for benefits and the generosity of the benefit package. However, by the 1950's, the system operators and Congress had gained experience and the coverage and benefit package were expanded on several occasions. In recent decades, the system has suffered from low levels of reserve funds, which may have hampered its ability to work in a counter-cyclical fashion.

Chart 3.7 gives an overview of the financial and informational flows across the UI system. USDOL is responsible for oversight, but each state administers its own programme. The federal-level legal basis for the UI programme is laid out primarily in the Federal Unemployment Tax Act (FUTA) and the Social Security Act [Committee on Ways and Means (1996)]. State law generally determines individual qualification requirements, disqualification provisions, eligibility, weekly benefit amounts, potential weeks of benefits and the state tax structure used to finance the

◆ Chart 3.1. *Major financial flows in the United States Unemployment Insurance System*



Source: Skrable (1997).

benefits. The Social Security Act provides for the administrative framework, authorising federal grants to the states for the administration of the system, the establishment of the Federal Unemployment Trust Fund and federal advances or loans in the event individual state programmes become insolvent. For the purposes of UI, federal law defines the District of Columbia, Puerto Rico, and the Virgin Islands as “states”, which brings the total number of state programmes to 53.

B. Basic aspects of funding unemployment insurance

The system has suffered from the diversion of FUTA resources from UI administrative purposes for use in balancing the federal budget [West and Hildebrand (1997)]. Nearly all states receive much less than they contribute in FUTA taxes. The administrative grant funding (on a payment per claim basis) has tended to vary inversely with the total unemployment rate, placing increased constraints on the system at a time when potential demands for services increase [Advisory Council on Unemployment Compensation (1996)].

States have greater control over the state UI payroll tax arrangements, although the federal government imposes some constraints.²⁷ States have adopted taxable wage bases at least as high as the federal level of US\$7 000 for example, because taxing a smaller wage base would amount to foregoing a portion of the federal 5.4 per cent credit to employers. As of January 1996, 41 states had taxable wage bases higher than the federal taxable wage base.

The state reserve funds are held by the US Treasury in interest-bearing accounts of the Unemployment Trust Fund (UTF). The UTF has 53 state benefit accounts, four federal accounts and two special accounts linked to a special UI programme for railroad workers. The federal accounts include: the Employment Security Administration Account, which funds administration; the Extended Unemployment Compensation Account, which funds the federal half of the EBP; the Federal Unemployment Account, which funds loans to insolvent state UI programmes; and the Federal Employee Compensation Account, which funds benefits for federal civilian workers and military personnel. However, the partitions between these funds are not rigid and non-interest-bearing loans can be made among the accounts to cover deficiencies. Alternatively, interest-bearing loans can be made to the accounts from general revenues. Although the states are responsible for management of their trust fund accounts, they are also legally required to continue paying benefits even if the trust funds are exhausted and some states have found it necessary to borrow from the Federal Unemployment Account.

The state UTF accounts faced serious financial problems during the recessions of the 1970s and 1980s (Table 3.1). The combined reserves fell from a US\$11.9 billion surplus in 1970 to a US\$2.6 billion deficit in 1982. Despite a subsequent improvement, as of 1995 the balances in the state accounts still remained well below the balances in the early 1970s (after adjusting for inflation). The overall reserve ratio (reserves as a percentage of total wages paid) of the system was less than one-half of the figure for 1970. Moreover, as of 1995, 35 states and the national system as a whole had reserve ratios that were lower than the requirements in their previous high cost year, as measured by the High-Cost Multiple indicator (see Table 3.1 for definition). That is, given their UI Trust Fund balances, they would have less than one year's reserves if their previous worst case experience were repeated.

Table 3.1. **Financial condition of unemployment trust fund reserve accounts**

	Net reserves (end of calendar year, US\$ million)			Reserve ratios ^a (percentages)			High cost multiple ^b (HCM)	State rank (by HCM)
	1970	1982	1995	1970	1982	1995	1995	1995
United States (average)	11 903	-2 645	35 403	3.11	-0.24	1.44	0.65	—
Connecticut	252	-252	117	0.08	-1.21	0.27	0.08	52
Wisconsin	322	-413	1 504	4.29	-1.53	3.12	1.00	17

a) Reserves as a percentage of total annual wages paid.

b) The HCM is the current reserve ratio as a share of the high cost rate. The high cost rate is the ratio of highest annual costs to total covered wages in the high-cost year.

Source: Committee on Ways and Means (1996), Table 5-8.

States have incentives to maintain adequate reserves in their UI Trust Fund accounts. When they fall into deficit, they are required to continue paying benefits, but they may borrow from the federal loan account to cover shortfalls. This usually leads to an increase in the burden on employers as taxes will not only have to cover the cost of current benefits, but also repay any loan funds plus interest. In order to ensure adequate revenues and fund balances, most states utilise flexible UI tax rates, temporary solvency surtaxes or special assessments. These are often designed to be activated by trigger mechanisms linked to minimum desired fund balances [Miller, Pavosevich and Vroman (1997)].

Connecticut, in particular, has faced a series of serious reserve shortages since 1970 and has been insolvent in a number of years, a situation that eventually resulted in added costs for employers. In June 1993, facing a US\$712 million deficit, the state was forced to take action [Connecticut General Assembly (1995)]. A US\$1 billion bond was issued and in 1994 a schedule for increases in the taxable wage base was agreed (raising it to US\$15 000 in January 1999). A new special annual employer payroll assessment was added to service the bond principal, interest and administration. In addition, it was decided that a solvency tax would be levied annually on all employers to ensure that the reserve balance does not fall below 0.8 per cent of the total wages paid to covered workers during the year ending 30 June. As a consequence, Connecticut had a UI tax rate that was roughly half again as large as the national average. By 1995, the state had developed a reserve of US\$117 million, but still ranked second to last among the states in terms of its reserves relative to the requirements during the worst previous recession.

The Wisconsin UI reserve account also ran into financial difficulties in the early 1980s. The state borrowed from the federal UI loan account and incurred debts that were not fully reimbursed until 1989. The state increased UI tax rates, a solvency tax was instituted and benefit rates were reduced. Since then the state has conservatively managed the account by mutual accord of employers (who wish to avoid inter-

est charges from federal UI loans and tax increases during recession periods) and workers (who want to ensure sufficient benefit reserves). By 1995, the state UI reserve account had a substantial positive balance and was fully funded with respect to its relative requirements during the worst previous recession. The steps taken to build the reserves and the state's current economic expansion have enabled the state to moderate its UI tax rates.

The Advisory Council on Unemployment Compensation (1996) expressed concern that the low levels of reserves in some state trust funds may hamper the ability of the UI system to contribute to economic stabilisation in a down-turn. The council's 1996 report cited evidence that states with higher taxable wage bases tended to have higher UTF reserves. It recommended that the federal taxable wage base be increased to US\$9 000 and that it be adjusted according to future developments in the Employment Cost Index.²⁸ In addition, the council recommended a nationally-set state UTF reserve target of one year's reserves as measured by previous high costs, *i.e.* a High-Cost Multiple of 1.0, based on an average of the three highest cost years. This latter recommendation fits with the actual experience of state funds; those with higher reserves as measured by the High Cost Multiple had much less need of recourse to borrowing in support of their UTF accounts during downturns [Miller, Pavosevich and Vroman (1997)].

C. UI tax rates and experience rating

The average effective combined UI tax rate in the US amounts to about 1 per cent of total wages (Table 3.2). This is comprised of an effective FUTA tax rate of about 0.2 per cent and an effective average state UI tax rate of about 0.8 per cent. There is significant variation in the rates for individual employers depending on their lay-off experience, salary structure and state. Total unemployment taxes in 1995 paid by employers for a full-time, full-year worker earning the average wage in covered employment averaged US\$301, or 15 cents per hour.²⁹ Connecticut and Wisconsin have estimated average tax rates (on all wages) that are about 0.4 and 0.1 percentage points above the national average, respectively. The federal government, under the provisions of FUTA, requires states to utilise some form of experience rating in establishing state UI payroll tax rates for employers. Under this principle, employers pay UI contributions according to tax schedules that take into account their recent experience with lay-offs that led to UI benefit payments. Those who make greater use of lay-offs are generally taxed at higher rates than those who do not. The specific experience-rating formulas vary widely across the states, but commonly contribution rates are linked to either a firm's individual reserve account balance (as in Wisconsin) or to the actual UI benefits paid-out to the firm's laid-off employees (as in Connecticut) [Levine (1997)]. States fix minimum and maximum experience-rated tax rates as well as the taxable wage base (*i.e.* the tax is only lev-

ied on amounts up to a fixed maximum wage amount). States may cap the amount that the tax rate can climb for an individual employer from year to year, regardless of changes in the firm's UI benefit experience.

Table 3.2. **Unemployment payroll tax bases and rates, 1996**

	Tax base	Experience rates		Estimated average tax rates as a percentage of:	
		Minimum	Maximum	Taxable wages	All wages
State UI taxes					
United States (range)	US\$7 000 (12 states) to US\$25 000 (Hawaii)	0.0 (16 states) to 1.0 per cent (2 states)	5.4 per cent (15 states) to 10.0 (3 states)	2.2 (US average)	0.8 (US average) (0.2 in North Carolina to 2.1 per cent in Rhode Island)
Connecticut	US\$11 000	0.5	6.4	4.4	1.2
Wisconsin	US\$10 500	0.0	8.9	2.2	0.9
Federal UI taxes					
FUTA	US\$7 000	n.a.	n.a.	0.8	0.2
Total UI tax rates					
United States (average)				3.0	1.0
Connecticut				5.2	1.4
Wisconsin				3.0	1.1

n.a. Not applicable.

Source: Committee on Ways and Means (1996), Table 5-10.

The effective state UI tax rate for an employer varies as a function of its unemployment experience and the taxable wage base of the state. Some states also have separate schedules for small and large employers, *e.g.* Wisconsin charges lower rates for employers with annual payrolls less than US\$500 000.

As shown in Table 3.2, in 1996 the minimum experience rates excluding any solvency taxes were all in a relatively narrow band ranging from zero to 1 per cent. Maximum experience rates show wider variation. Except for certain government and non-profit employers, there is always some deviation from a one-to-one relationship between lay-off experience and UI tax rates.³⁰ Other factors that influence the tax rate include the need to cover employees of employers that no longer operate, the payment of benefits that cannot be charged back specifically to an employer and the minimum and maximum experience rate limits.³¹

The use and structure of the experience-rating mechanism received a relatively positive assessment from the Advisory Council on Unemployment Compensation (1996). The council cited studies confirming that experience rating reduces unem-

ployment through financial incentives for employers to limit their use of temporary lay-offs. The council also noted that there is no evidence that the experience-rating approach results in large numbers of employer challenges of legitimate UI claims. Moreover, Anderson and Meyer (1995) found that while workers bear most of the cost of the UI tax overall (*e.g.* in the form of lower wages), they also found that under the experience-rating system, firms were only able to shift a small share of differentials in UI tax costs to workers.

However, the scope of the beneficial effects of the current experience-rating system is subject to some limits. The 1996 council report cites a substantial body of research indicating that an expansion of the experience-rating system (*e.g.* by increasing maximum tax rates) could further reduce temporary lay-offs, with some studies pointing to potential reductions in overall unemployment of up to 0.8 to 1.5 percentage points. However, it makes no recommendation in this regard, as it is unclear to what extent such an expansion might affect hiring rates or hurt marginal employers unable to support higher tax costs. In addition, although experience rating does influence lay-off patterns, it is just one of several factors involved. As noted in the council's report, lay-off decisions are often the result of major external economic conditions beyond the control of employers. Indeed, UI costs are only a small portion of labour costs and savings from lay-offs are often greater than the associated UI cost increases. Moreover, employers may also be able to avoid increases in their experience ratings through the use of temporary employment agencies to meet variable employment needs, a phenomenon observed by some SESA employees in Connecticut and Wisconsin.

The experience-rated system has a disadvantage in states with low reserve ratios in their UTF accounts because it may result in more rapid increases in tax rates for those employers who face the greatest lay-off difficulties during cyclical downturns. For example, the 1996 council report notes that the 15 states with the lowest reserve ratios during the recession of the early 1990s had the greatest increases in UI taxes, an average of 51 per cent, as compared with a change of 21 per cent in all other states. Such large increases contribute to a problem of timing, whereby those firms that are hit hardest by the downturn are faced with increases in the overall UI tax schedules just as their experience ratings begin to increase, both at a time when they can least afford them. However, this problem is primarily linked to the lack of sufficient forward funding rather than to the nature of the experience-rating system *per se*.

D. Coverage and eligibility under UI

1. Extent of UI coverage

Coverage of the UI programme was initially limited to workers in industrial or commercial enterprises employing more than 8 workers for at least 20 weeks per year. This threshold was dropped to four workers in 1954, then to one worker

in 1970.³² Also in 1970, coverage was extended to include workers of most non-profit organisations with at least four workers. Further amendments in 1970 and 1976 resulted in coverage being extended to all state and local government employees and some agricultural workers. Federal employees and military personnel were covered through separate programmes established during the 1950s. Through these various expansions of the system, over 90 per cent of all civilian employment is now covered (nearly 98 per cent of wage and salary employment). The principal gaps in coverage concern agricultural workers on small farms and the self-employed.

2. Eligibility criteria for unemployment insurance

In spite of the extension of UI coverage, benefit reciprocity rates remain relatively low by OECD country standards. Eligibility is determined with reference to base-year employment that is generally defined as the first four of the last five completed quarters. Both monetary and non-monetary criteria are used.

3. Monetary criteria

Monetary criteria refer to a claimant's recent employment experience. As of 1996, all but six states required claimants to have been employed in at least two quarters of the base-year. All states have specified minimum qualifying base year wages that are required in order for a claimant to be eligible for at least the minimum weekly benefit. Connecticut has a relatively low earnings requirement at US\$600 base-year earnings, while Wisconsin is closer to the median requiring base year earnings of US\$1 560 (Table 3.3). A key issue is that the base year for the earnings criteria is generally defined as the first four of the last five completed quarters. Thus, in most cases the eligibility determination does not take into account the most recent employment experience of claimants.

Table 3.3. **Unemployment benefits: minimum qualifying earnings and work experience, 1996**

	Minimum required total earnings in base year ^a	Minimum work in base year (quarters with any earnings)
United States (range)	US\$130 (Hawaii) to US\$4 280 (Oklahoma)	Either not specified, but implied by earnings requirements, or fixed at 2 quarters
Connecticut	US\$600	2 quarters
Wisconsin	US\$1 560	2 quarters

a) Base year is generally defined as the first four of the five completed quarters prior to the unemployment benefit claim.

Source: Committee on Ways and Means (1996), Table 5-3.

Problems with UTF account solvency and the introduction of federal interest charges on borrowing prompted most states to increase their monetary eligibility requirements during the 1980s. Between 1981 and 1987, 35 states increased their minimum earnings requirements, with the average increase amounting to 63 per cent or more than twice the change in wages and salaries [Advisory Council on Unemployment Compensation (1996)]. The Council found that changes in the monetary eligibility rules between 1978 and 1990 resulted in a 3.5 per cent decrease in the share of unemployed who satisfied their states' UI requirements (after accounting for demographic shifts).

These changes have a disproportionate impact on low-wage workers, part-time workers, and workers with intermittent work histories. This effect may increase in significance with respect to the on-going work-oriented welfare reforms. If former-AFDC/TANF beneficiaries move into unstable or low-paid jobs, it is possible that a certain percentage will not have sufficient earnings to be monetarily eligible for UI at the time of a subsequent spell of unemployment. Moreover, if they have reached the five-year lifetime limit on AFDC/TANF benefits (see Chapter 7), they may have few alternative sources of income.

Blank and Card (1991) used CPS data to develop estimates of the share of unemployed persons satisfying their states' eligibility requirements during the period 1977 through 1987. Overall, they estimated that only 43 per cent potentially satisfied eligibility requirements. They found that among the unemployed who had worked in jobs covered by UI, but who were nonetheless ineligible for benefits, just over one-half had failed to satisfy the monetary requirements for earnings or weeks of employment.³³

In sum, monetary criteria pose a relatively high and rising barrier to access to benefits.

4. *Non-monetary criteria*

Non-monetary criteria are intended to check the involuntary nature of the claimant's unemployment and the attachment of the claimant to the labour force. A principal pre-condition for eligibility for unemployment benefits is the involuntary loss of a job or the separation from a job with good cause. Unemployment due to other reasons may lead to disqualification from benefits or reduction or postponement of benefit rights. Generally, when someone has become unemployed there is a one-week waiting period before they become potentially eligible. However, 11 states, including Connecticut and Wisconsin, do not have such a requirement.

Claimants must also demonstrate continued attachment to the labour force throughout the claim period, although states vary in their specific requirements [Anderson (1997)]. In all states, claimants must demonstrate that they are able and available for work. Most states also require active job search by claimants and all of them impose penalties for refusal to access suitable work. In Connecticut and

Wisconsin, refusal of suitable work results in disqualification from benefits for the duration of the unemployment spell.

As defined under FUTA, suitable work does not include positions vacant due to a labour dispute, positions paying less than the prevailing wage, or positions requiring or precluding trade union membership. States are free to use other additional criteria in defining suitability and what constitutes refusal of suitable work. Most states take into account the claimant's health, safety, physical fitness, experience, earnings and commuting distance. Although a suitable job is generally considered to be one in which the wage is similar to the previous job, as the duration of unemployment increases, jobs with lower wages may be considered suitable, as is the case in Connecticut and Wisconsin.

Although not a federal legal requirement, UI claimants must generally register with the employment service as a job-seeker. SESAs also tend to require evidence of active and reasonable job-search efforts, including a minimum number of employer contacts each week (*e. g.* Wisconsin requires one employer contact per week) or other work search initiatives, such as registering with a union hiring hall. States usually require claimants to report weekly on this activity, but some permit a measure of flexibility. Claimants who are on lay-off with a recall date or who have a union hall hiring arrangement are generally exempted from the job-search requirements, although they are still required to renew their claims weekly to confirm their status as unemployed. SESAs may verify the claimants' job-search activity reports, but most claimant reports are not checked. In Wisconsin, job search is not currently monitored beyond the basic claimant weekly reporting requirement and random audits of about 0.5 per cent of all claims. In Connecticut, in addition to the basic reporting requirements, selected claimants are summoned for eligibility reviews at which their work search and related activities are assessed.

SESA flexibility with respect to job-search requirements is sometimes linked to concerns about employer relations and job-seeker motivation. Employment service managers generally do not want to pressure unemployment claimants if it leads them to apply for jobs for which they may not qualify. Employment service staff in Connecticut and Wisconsin generally noted that most employers are tolerant about such inquiries (after all, enforcement of job-search requirements may help to shorten unemployment benefit durations and reduce employer tax burdens). However, in areas where there is labour market slack or there are a limited number of employers, employers may perceive an undue burden from "frivolous" applications from unemployment benefit recipients. At the same time, the employment service does not wish to demoralise claimants by pushing them on fruitless job searches in cases where there are no suitable jobs available.

State SESAs may also test availability for work by proposing suitable jobs to claimants through the state employment service. However, given the current low unemploy-

ment rate and constraints in resources for administration, many states are not doing this. This choice may also reflect a perception by administrators that there is a relatively low probability that a determination process concerning refusal of suitable work will result in denial of benefits: the rate of denial of benefits in such cases was only 28 per cent in 1994 [Advisory Council on Unemployment Compensation (1996)].

SESAs are having to grapple with some new issues with respect to job-search tests. One is the increasing use of centralised telephone units to handle unemployment benefit claims. Although these are accompanied by increased automation that may permit improved monitoring of claimant records, they also entail a greater physical separation between staff in the labour exchange offices and the unemployment claims units. There is a need in such cases for managers to maintain staff awareness of the importance of focused efforts to maintain and assist the job-search efforts of claimants. The UI claimant profiling system introduced in 1994 (see Chapter 5) may also help in this regard because, for certain claimants, it mandates participation in programme services, which are often delivered in co-operation with the employment service offices.

Job-search requirements appear to yield important cost savings with respect to the UI system, a point that has been confirmed in a number of experiments conducted in co-operation with employment services in several states. For example, Anderson (1997) cites an experiment in Washington State which estimated that abandoning the active job-search policy would have increased UI outlays by US\$265 per claimant – an amount that is greater than the probable savings in administrative costs. Indeed, the entire federal administrative grant per claimant in Washington State was only US\$251 in 1993 [Advisory Council on Unemployment Compensation (1996)]. A study conducted in Maryland found that an employment service policy of job-search verification and employer contacts yields significant reductions in UI benefit payments in comparison with a policy of non-verification [Klepinger *et al.* (1997)]. Moreover, the authors found that increasing the number of required employer contacts from two to four per week also resulted in substantially reduced UI payments.

E. Disqualifications, denials and adjudication issues

1. Disqualifications and denials

Data on disqualifications for *initial* claims filed in 1995 are shown in Table 3.4. Among initial claims meeting the monetary requirements for unemployment compensation, more than one in five were disqualified for non-monetary reasons. Leading reasons for non-monetary disqualification were voluntarily quitting without good cause or discharge due to misconduct on the job. Less than 2 per cent of those disqualified had refused suitable work.

Table 3.4. **Disqualifications of monetarily-eligible initial UI claims, 1995**

Initial unemployment benefit claims	18 550 000
Monetarily-eligible initial unemployment benefit claims	17 200 000
Number disqualified for non-monetary reasons	3 940 000
Number disqualified for non-monetary reasons as a percentage of initial claims	21.2
Reasons for disqualification (percentage)^a	
Total	100.0
Not able to work or unavailable for work	19.6
Voluntarily left job without cause	27.1
Fired for misconduct on the job	17.0
Refused to accept suitable work	1.3
Other (e.g. working)	35.4

a) Percentages do not add to 100 due to rounding.

Sources : Committee on Ways and Means (1996); and OECD Secretariat calculations.

As outlined above, *continuing* unemployment benefit claims (prior to exhaustion) may be denied if the claimant no longer satisfies the conditions under which they were granted. USDOL collects data on denials of benefits related to non-separation issues (*i.e.* reasons for denial other than those linked to the claimant's separation from his/her employer) which generally involve continuing claims. Because benefits claims are continued on a weekly basis, the data on denials are generally presented as a percentage of weekly claimant contacts.

Nation-wide data on benefit denials for non-separation issues are shown in Table 3.5. Overall, in 1994 about 13 per cent of weekly claimant contacts resulted in denial of benefits for non-separation issues. The leading causes include not being able and available for work, earning disqualifying income and failure to meet reporting requirements. Only 2 per cent of such denials were linked to refusal of suitable work.³⁴ Across states, rates of denial of benefits per 100 weekly claimant contacts for

Table 3.5. **Disqualifications of UI claims for non-separation issues, 1994**

Percentage of claimant contacts resulting in disqualification for non-separation issues ^a	13.0
Reasons for disqualification (percentage)	
Total	100.0
Not able to work or unavailable for work	37.0
Disqualifying income	25.0
Violation of reporting requirements	22.0
Refused to accept suitable work	2.0
Other disqualifying issues	14.0

a) Claimant contacts refer to new and additional initial claims and weekly claims certifications.

Source: Adapted from the Advisory Council on Unemployment Compensation (1996, p. 124).

non-separation issues varied widely from one to 60 per cent in 1994. Connecticut and Wisconsin had denial rates of 10 and 18 per cent, respectively [Advisory Council on Unemployment Compensation (1996)].

2. *The adjudication process*

Initial and continuing unemployment benefit claims are reviewed with respect to the eligibility criteria. In cases where questions remain, additional information may be sought from the claimant and the employer. If there is still an unresolved eligibility issue related to the legal validity of the claim (generally, these are related to job separation issues), then a fact-finding interview may be held that permits the parties to present further information. Based on the information collected, the administrative staff of the SESA make an initial determination concerning the claim. If either the claimant or the employer disputes this, an appeal may be made to a referee or administrative law judge. In Connecticut and Wisconsin, these hearings are handled internally by the SESA. Overall, in 1994 these lower-authority appeals amounted to 6 and 4 per cent of initial claims in Connecticut and Wisconsin, respectively. The administrative decisions of the SESA in both states may be further appealed to a review board or commission, although generally no further evidence is admitted.³⁵ Subsequent higher-level appeals may be made through the courts.

The use of employer experience-ratings in determining UI payroll tax rates gives employers financial incentives to contest unemployment benefit claims. About one-quarter of all lower-authority appeals and nearly one-third of the higher-authority appeals were originated by employers in 1994 [Advisory Council on Unemployment Compensation (1996)]. Nationally, the rate of employer appeals is increasing in part due to state efforts to facilitate employer participation in the adjudication process, *e.g.* through the use of teleconferencing in the first-level of the adjudication process. Employers have also become more active in their use of outside consulting firms to monitor and manage their UI costs, which may explain a portion of the increased activity. Nevertheless, the Advisory Council on Unemployment Compensation could find little concrete evidence of excessive employer use of the adjudication process resulting from the experience rating system. For example, in an examination of employer UI appeals data from Wisconsin and Texas, the council found no systematic variation of employer success in appeals according to their experience ratings (which might indicate a higher propensity among some employers to challenge legitimate benefit claims).

Access to information about rights and procedures, as well as participation in the processes, appear to play an important role in the determination of UI case outcomes for both the unemployed and employers [Advisory Council on Unemployment Compensation (1996)]. One measure taken in both Connecticut and Wisconsin to improve access has been the introduction of teleconferencing as an option in

their adjudication systems.³⁶ In Connecticut, the move was taken to involve employers in the adjudication process. This action stemmed in part from a review published by Connecticut General Assembly (1995) that argued that Connecticut had the highest rate of non-monetary eligibility determinations in favour of benefit claimants (in 1993, 73 per cent of these issues were decided in favour of the claimant). Employer failure to participate in initial fact-finding hearings, it was presumed, partly accounted for this. For example, in 1993, where employers participated in a fact-finding hearing, their view prevailed in 33 per cent of the cases. Where employers did not participate, their “success rate” was minimal.

F. UI benefit duration and levels

1. UI benefit duration

The maximum duration of regular unemployment insurance benefits is 26 weeks, except in Massachusetts and Washington State, where it is 30 weeks. Most states vary the length of actual benefit entitlement according to the claimant's work history in the base year. The federal EBP may extend the duration of regular state benefits by up to an additional 13 weeks subject to unemployment attaining certain trigger levels, for a total maximum duration generally available nation-wide under current permanent law of 39 weeks.³⁷ In 1970, the extended benefit legislation, first temporarily enacted in 1958, was made permanent and subject to a trigger based on the individual state's insured unemployment rate (UI claimants as a percentage of UI-covered employment in the first four of the previous five completed quarters). Generally, these triggers activate where insured unemployment exceeds 6 per cent – or in some cases 5 per cent – of the covered population. Extended benefits are co-funded from the states' UI reserves and FUTA tax revenues. Since 1992, states have been permitted to establish somewhat more liberal extended benefit triggers based on their total unemployment rates.

Over the past twenty-five years, Congress has occasionally enacted additional temporary emergency or supplemental protection for those exhausting their benefit entitlements. It has done so during periods of economic difficulty beginning in 1972, 1975, 1982 and 1991 [Woodbury and Rubin (1997)]. These temporary measures were funded from FUTA or federal general revenue resources and they became more important after the extended benefits rules were tightened. The 1982 and 1991 measures linked the actual duration of the emergency or supplemental benefits to the unemployment situation in a given state.

Overall, the potential duration of benefits in the US is less than in many OECD countries. In addition, many countries complement the regular UI benefits with access to means-tested unemployment assistance benefits for those who are no longer eligible for UI. In 1996, for example, Germany offered up to 32 months of unemployment

benefits (depending on age and employment history) followed by unlimited access to unemployment assistance. The relatively short duration of regular benefits in the US is associated with relatively high exhaustion rates: during the period 1992 to 1994, for example, over one-third of UI claimants exhausted their regular benefits.

Empirical research summarised by Decker (1997) indicates that the duration of benefits has an influence on the length of unemployment spells (longer durations are associated with longer spells). At the same time, Decker cites evidence indicating that more generous UI benefits may enable the unemployed to search for better job matches. However, this point is difficult to confirm because the evidence on initial re-employment wages is mixed, and a better job match may be manifested in difficult-to-measure aspects such as non-wage compensation or training or advancement potential. In view of the possibility of improved employment outcomes, it would appear that the benefit duration issue merits further review (in particular, this may become important during future economic downturns where overall durations of unemployment spells might be expected to increase).

2. UI benefit levels

In the public discourse concerning the UI programme, it has often been argued that a reasonable goal for generosity of the system would be to replace one-half of lost earnings [Advisory Council on Unemployment Compensation (1996)]. This general goal was more specifically defined by President Nixon as 50 per cent of lost earnings for four-fifths of the recipients, a formula later endorsed by the National Commission on Unemployment Compensation (1980) and the Advisory Council on Unemployment Compensation (1996). A review by the Advisory Council of the actual experience in six states (including Wisconsin) found that they were not far from this goal; they replaced more than one-half of lost earnings for between 70 and 90 per cent of recipients.³⁸ Wisconsin did so for 83 per cent of recipients. The average actual replacement rates in these six states ranged from 52 to 72 per cent; in Wisconsin it was 71 per cent.

In general, states fix weekly benefit amounts as a fraction of a claimant's average weekly wage, subject to a maximum and to limitations on duration as described above. The state-determined weekly benefit amounts generally replace between 50 and 70 per cent of a claimant's average weekly pre-tax wage up to the state-determined maximum [Committee on Ways and Means (1996)]. In many cases, the average weekly wage is determined using the calendar quarter in the base year in which the claimant's wages were highest.

Benefit schedules tend to replace greater shares of lost earnings for lower wage workers than for higher wage workers. Minimum and maximum weekly benefit amounts vary widely. Connecticut is somewhat more generous than Wisconsin in terms of the maximum weekly benefit amounts and the benefits for the hypothetical low-wage workers as shown in Table 3.6. Maximum potential benefits (weekly benefit

times number of weeks) are also linked to earnings. Benefits under the EBP correspond to the amounts under the regular state benefit programmes.

These potential benefit amounts do not reflect the net (*i.e.* after-tax) amounts retained by benefit recipients. In the past 20 years, federal laws have made unemployment benefits taxable: for certain unemployment benefits beginning in January 1979, and all such benefits from the end of 1986. In addition, the federal government requires benefits to be reduced by the amount of any work-related pensions paid by employers included in the claimant's base-period wage records or paid by Social Security. States can reduce these offsets in proportion to worker contributions towards those benefits; for example in the case of Social Security, the offset can be reduced to one-half [Committee on Ways and Means (1996)]. Also, all states have provisions reducing benefits in cases where recipients have earnings. Most states disregard all earnings up to a modest fixed amount (*e.g.* US\$25-50) or a fixed proportion of the claimant's weekly benefit amount (*e.g.* one-third); earnings above these limits result in benefit reductions.

The OECD has developed a summary measure for international comparisons of net replacement rates that takes into account the UI and related benefit schedules at two income levels, three durations of spells, and three family situations [Martin (1996)]. By this indicator, in 1995 the US average net replacement rate at 16 per cent was the lowest among 18 OECD countries for which data are available. (The OECD average rate was 31 per cent.) The low US position is tied to the short duration of benefits in the US. In most OECD countries, the unemployed may potentially draw benefits for multi-year periods (depending on their family and labour market situations.)

The 50 per cent pre-tax earnings replacement goal for overall UI benefit generosity in the US is only slightly below the average first month gross replacement rate of 52 per cent for 18 Member countries reviewed by the OECD for 1994 [OECD (1996a)]. However, a replacement rate of 50 per cent for low-wage workers (*i.e.* those earning two-thirds of the pay of the so-called "average production worker"), places the US marginally lower in the rankings, particularly in cases where the worker has dependants. In reality, there is wide variation in the gross replacement rates by state (Table 3.6), ranging from 37 to 97 per cent in the case of a low-wage worker with a non-working spouse and two children in January 1996. Connecticut and Wisconsin had gross replacement rates slightly above the 50 per cent criteria for such a person. In Connecticut, the benefit is boosted by dependent allowances of US\$30 (*i.e.* US\$10 for each dependent, to a maximum of five). The replacement rates in the US are somewhat higher on a net basis (after-tax and including other benefits), in some cases by up to 10 percentage points. Still, in considering the adequacy of these replacement rates, it is important to keep in mind that there is a relatively high incidence of poverty among low-wage workers. The loss of income resulting from a spell of unemployment can be particularly damaging to their financial situation.

Table 3.6. **State minimum and maximum weekly benefit amounts (WBA) and duration limits, total unemployment, as of 1 January 1996**

	Minimum WBA (dollars)	Maximum WBA (dollars)	Lowest duration limit (weeks)	Maximum duration limit (weeks)	Hypothetical benefits ^a (gross replacement rates shown in parentheses)		Average actual WBA and duration (1995)
					Full-time minimum wage worker: US\$4.25 per hour	Full-time worker earning US\$9.00 per hour ^b	
United States (range)	5 (Hawaii)- 87 (Indiana)	133 (Puerto Rico)- 362 (New Jersey), In Massachusetts, maximum WBA with dependent allowances amounts to 521	4 (Oregon)- 26 (Connecticut, Hawaii, Illinois, Louisiana, Maryland, New Hampshire, New York, Puerto Rico, Vermont, West Virginia)	26 in all states (except 30 in Massachusetts and Washington state)	77-176 (45-103.5%)	133-350 (36.9-97.2%)	US\$186 and 14.9 weeks
Connecticut	15 (25 with 1 dependent child)	350 (400 including maximum dependent allowance)	26	26	95 (55.9%)	210 (58.3%)	US\$202 and 17 weeks
Wisconsin	52	274	12	26	88 (51.8%)	187 (51.9%)	US\$174 and 13 weeks

a) Benefit amounts include dependent allowances. Assumes for minimum wage worker: 40 hours per week, 52 weeks per year, non-working spouse, no children. For US\$9.00 per hour worker: same assumptions, except two children.

b) US\$9.00 per hour was roughly two-thirds the average direct pay of a manufacturing production worker in 1995.

Sources: O'Leary and Wandner (1997); Committee on Ways and Means (1996, Table 5-7); OECD correspondence with the Connecticut Department of Labour; and OECD Secretariat calculations.

G. Trends in receipt of UI benefits

Over the past 30 years, the share of unemployed workers in receipt of unemployment benefits has tended to decline in the US, despite increases in the coverage rate among the employed and despite an increasing share of job losers among all unemployed. As noted by the Advisory Council on Unemployment Compensation (1996), by 1984 the share of UI claimants as a percentage of total unemployment had dropped to a post-World War II low of 28.5 per cent. Although there was subsequently some recovery in this indicator, it still remains below its historic average. In 1995, unemployment benefit recipients amounted to only 36 per cent of overall unemployment. This rate is much lower than the 87 per cent average for OECD countries; indeed, the US had the second lowest reciprocity rate among the countries studied [OECD (1998a)].

Reasons for this trend include federal and state policy changes restricting eligibility, population shifts to states with historically low UI claims rates, declines in unionisation, and decreases in employment in the manufacturing sector.³⁹ With respect to policy changes, there is evidence that states may seek to shift costs of supporting certain low-income individuals from the largely state-funded UI benefits to other federally-funded programmes such as Food Stamps or AFDC.

Within this broad trend, there is significant annual variation in the benefit receipt rate – see Chart 2.2.⁴⁰ First, UI reciprocity varies over the business cycle because during recessions a higher proportion of the unemployed consists of those who have involuntarily lost their jobs. Secondly, there is wide variation across states, depending, for example, on local economic conditions, state eligibility criteria and state mechanisms for appeals. In 1995, the ratio of UI claimants to total unemployment varied from a low of 18 in Virginia to a high of 65 per cent in Rhode Island. In Connecticut and Wisconsin, the rates were 49.0 and 43.6 per cent, respectively [Advisory Council on Unemployment Compensation (1996)]. The most disadvantaged are often disproportionately represented among those unemployed who are not in receipt of UI benefits, and it is unclear whether over the medium to long-term there are adequate alternative income support mechanisms available to this group (see Chapter 7).

H. Fraud control and performance monitoring

The UI programme maintains several systems and procedures to combat fraud such as improper benefit payments and employer UI tax evasion [Skrable (1997)]. Benefit payment control systems are used to identify fictitious employers, disqualifying claimant income and other abuses. The SESAs rely on their own data to monitor certain aspects of the claims, but they have also profited from improved technology and the ability to cross-match claims records against other non-agency data such as

prison data or employer new hire data (depending on state laws) and to cross-match against claims and wage records of other states. They also use a variety of non-standard approaches such as following-up tips or reviewing classified ads, business license information and phone listings.

SESAs efforts to control fraud and overpayments are benefiting from the new hiring reporting system required under the welfare reforms (used by TANF agencies to enforce child-support payments). With these data, SESAs can cross-match hiring information against the unemployment benefit data (using social security numbers) to determine whether people are working and claiming UI benefits at the same time. This allows the SESAs to catch any fraud more quickly. In Connecticut, for example, new hirings data are reported to CTDOL usually within three to four days compared with the employer wage data which are reported on a quarterly basis.

Under a Quality Appraisal system first developed during the 1970s, USDOL sets performance standards for the UI system. These standards relate to SESA performance and promptness in claims and management, and in overpayment recovery under the benefit payment control system [USDOL (1996e)]. Results are determined based on a sample of the particular activity type (*e.g.* non-monetary determinations).⁴¹ Under this system, a sample of claims records are reviewed and 2 per cent of covered employers are audited each year. Unfortunately, differences in audit selection precludes precise estimates of employer under-payment of contributions. Using results from a special employer audit in Illinois, Skrable (1997) estimated that under-reporting of wages by employers may have resulted in a loss of US\$0.9 billion nation-wide in 1994 (or about 4 per cent the total contributions actually collected).

Since 1987, USDOL has operated an additional programme called Benefits Quality Control and, more recently, Benefit Accuracy Measurement. Under this programme, states select a random sample of claimant cases for verification (averaging between 480 to 1 800 cases per state per year) [Skrable (1997)]. A team of auditors reviews and verifies all information using telephone and fax contacts, and personal interviews. Using the resulting information, the states are able to develop estimates of the scale and nature of improper payments. According to data from this programme, it was estimated that, in 1994, there were benefit overpayments of US\$1.8 billion, or about 8.6 per cent of the total benefit payments, down from overpayment rates of 12 to 15 per cent in the early 1980s. Most of these overpayments resulted from claimant ineligibility due to their failure to report to the SESA under the weekly claim renewal procedures.

The Quality Appraisal system also sets standards for recovery of benefit overpayments [USDOL (1996e)]. The desired level of achievement for recovery of identified fraudulent and non-fraudulent overpayments was 55 per cent in each case. In 1996, Wisconsin exceeded the standard, ranking among the top ten SESAs in the nation for both indicators. Connecticut fell short of the standard – as did about half of

the SESAs; it ranked 36th for recovery of fraudulent overpayments and 34th for non-fraud overpayments.

The Advisory Council on Unemployment Compensation (1996) has taken the position that federal performance requirements are excessive with respect to benefit quality control and state UI tax collection, and that these aspects of system operation should generally be left to state monitoring (within the framework of generally accepted accounting procedures). It recommended that federal requirements be refocused on issues of national interest including greater emphasis on forward funding and access to the UI system for unemployed and employers. USDOL is currently working with states to develop and implement revised measures that focus more on the overall system performance including more qualitative aspects such as the accuracy of SESA decisions to deny benefits.

I. Recent innovations in the UIS system

The challenge of meeting federal requirements and performance standards in the face of funding constraints has heightened the incentives for states to innovate and improve their UI operations. Despite the variation between states in the specific structure of their systems, there remain many common operational issues that they must face. Directly and through such institutions as ICESA, states often co-operate and exchange information on these issues. The dissemination of innovation is also facilitated at the federal level by the Unemployment Insurance Service (UIS).

Much innovation in recent years has been related to automation. One tool is the Information Technology Support Center (ITSC). UIS sponsors this centre, which is operated by a consortium including the state of Maryland, the University of Maryland and private contractors Lockheed Martin and Mitretek Systems. The ITSC collects information on UI operations and technological developments, much of which is posted on the ITSC Internet site.⁴² Other UIS-supported innovation focuses on sharing data across state boundaries and automating various procedures. One idea under development, for example, is the electronic reporting of wage data by employers using the Internet.

Innovations involving automation have also played a significant role in streamlining benefit processing and management. One is the combined use of computer and telephone systems in handling claims procedures. As of early 1998, eight states had fully implemented initial claims telephone systems, including Wisconsin (see Box 3.1). Ten other states had implemented pilot or partial systems, and 27 states, including Connecticut, were in the planning process for such systems.

Establishment of a UI system based on phone centres entails fairly high up-front costs. In Wisconsin, start-up costs of the call-based system approached 10 per cent of the annual UI administrative grant excluding the cost of restructuring the office net-

work and making the necessary staff adjustments (*i.e.* reducing the UI claims staff). UIS is supporting this shift nation-wide through a federally managed grants programme, including competitive grants for automation of UI operations. To date, claimant surveys indicate very high levels of satisfaction with the new approach.

Box 3.1. UI call centres in Wisconsin

In FY 1996, the Wisconsin SESA closed its UI local offices and established two call centres in Madison and Milwaukee.¹ These centres handle initial claims and continuing claims that raise benefit eligibility questions.² Four adjudication facilities were also established, attached to the two call centres and two additional state locations (Appleton and Eau Claire). The adjudication centres also handle business via telephone, without the need for in-person hearings. State-wide, the field operations are staffed with about 310 positions.

These centres operate using a new system based on fully-integrated telephone and computer technologies. The use of Interactive Voice Response (IVR) and automatic call distribution systems enables a portion of the UI call operations to be handled without direct UI staff involvement in the individual transactions. For example, when a claimant calls to make an initial claim, the IVR system records birth date, social security number, telephone number, and responses to yes/no questions. The call and data are then routed to a UI claims specialist who completes the recording of information, explains benefits rights information and weekly claims procedures, and handles any questions.³

Staff training has been important. Staff must pass tests for computer skills and customer service skills. In Madison, there is an in-house training centre where staff get training in use of the Windows operating system, basic UI software and routines to deal with more specialised issues, as well as customer service. The training is organised in a modular fashion with on-going refresher courses.

The start-up costs for the state-wide telephone initial claims system (hardware, software, training, and consultancy) were estimated at US\$4.3 million. Overall, annual savings were projected at US\$1 million from reduced staffing, facilities costs and paper use. A special transition programme was developed to assist those civil service staff who would be potentially displaced by the system.

The staff consist of one-third full-time permanent employees and two-thirds part-time permanent employees. Part-timers work flexible hours that vary by season, generally 1 000 hours per year with benefits. The managers at the Madison UI call centre use special scheduling software that enables them, in so far as possible, to take into account the working hour requests of the staff.

The automated systems enable supervisors to monitor in real time the individual work stations. Quantity standards are set for the staff and include the number of calls

(continued on next page)

Box 3.1. UI call centres in Wisconsin (cont.)

calls handled and the length of talk time. There are also quality standards. Both sets of standards were developed by a special management/staff work group, and were voted on in each unit.

Initial claims lines are staffed Monday through Friday. Additional lines with limited automated services are available during extended hours seven days a week. These lines handle simple cases of re-opened claims and supplementary claims, where there are no special issues (*e.g.* where there is a single employer lay-off with recall). Eligible weekly claims made by Sunday 5:00 p.m. are paid via check through the mail by 1:00 p.m. Monday. The payments are made by a bank contracted by the UI division for the service. In addition to the toll-free lines for initial claims handled by the staff, there is a special toll-free number for employers. There are also special lines for questions concerning weekly (continuing) claims and for general inquiries. The inquiry lines use special voice recognition systems to handle some 70 per cent of such calls. Other inquiries get routed to staff for handling.

The call centre has taken steps to deal with claimants that have special needs. There are four Spanish-speaking staff and one Hmong-speaking staff. Other foreign language speakers are handled on-line through an interpreter via the language-line service of a private company (240 languages are available). A special interactive teletype (TTY) system for the deaf is being tested for claims and adjudication, but the call durations are fairly long (about 20 minutes for an initial claim).

Claimant reactions to the telephone initial claims system have been very positive. A survey of 316 claimants (first quarter, 1998) found that of those who had applied under both the old and new systems, 95 per cent found the new system to be more convenient. Out of the total sample, over 80 per cent rated the new system excellent or good (on a five-point scale). SESA managers report that some clients who might not have applied under the former system (*i.e.* when they had to go down to the "unemployment office") are willing to apply for benefits via the phone system. These managers note that some claimants may feel less stigmatised when they apply by phone.

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1. Only in the event of a mass-layoff notified under the WARN act might initial claimants have a chance to meet with UI staff. For example, this could occur when the Division of Workforce Excellence has requested that UI staff participate in a rapid response team.
 2. At the Madison call centre, during the year the claim load has varied between 6 000 and 22 000 claims per week. In the peak operating season from November through January, the centre handles about 10 000 to 12 000 calls per day. Routine continuing claims are handled by a separate automated system with payment processing through the DWD central administrative offices.
 3. To file a new initial claim, claimants also provide their Wisconsin driver's license number (if applicable), information on their labour market status and a list of all employers for the previous 18 month period. The claimant must provide the names, addresses, telephone numbers and dates of employment.

Job-broking and the Development of One-stop Centres

A. Quantitative indicators of job-broking activities

Job-broking activity is often monitored using the number of job-seekers, vacancies and placements. Chart 4.8 shows annual inflows of registered job-seekers as a percentage of the labour force for the United States, Connecticut and Wisconsin. Nationally, following a recession-linked peak in 1992, these inflows as a percentage of the labour force declined in subsequent years to below 15 per cent. Connecticut and Wisconsin both have below-average job-seeker inflow rates of 7.7 and 6.2 per cent, respectively. As shown in Table 4.1, many OECD Member country employment services handle proportionally larger flows of job-seeker registrations.⁴³

Table 4.1. **PES activity: international comparisons of basic flows**
Percentages of the labour force

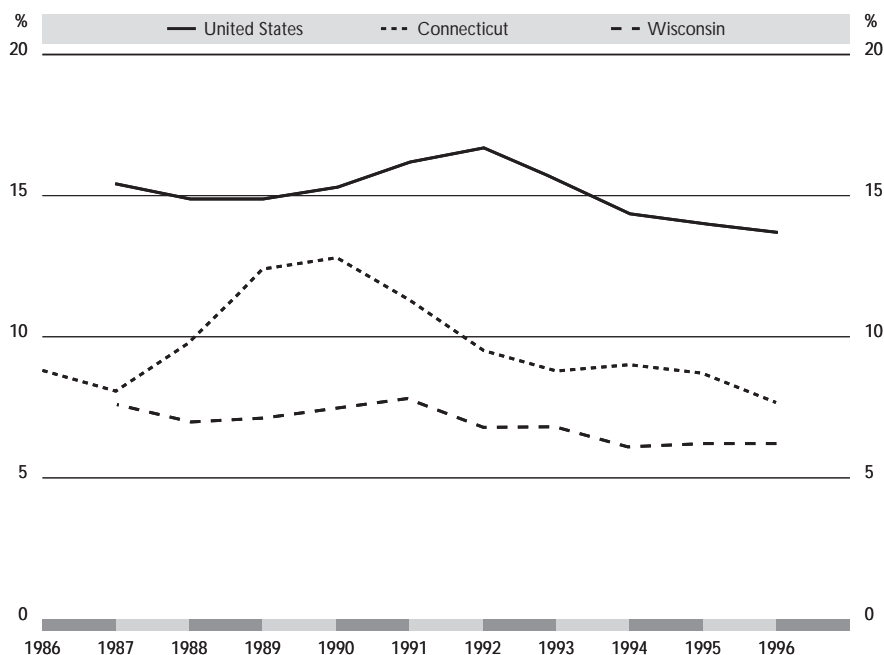
	Connecticut	Wisconsin	United States	Austria	Belgium	Finland	Germany	Ireland	Japan	Netherlands	Sweden	United Kingdom
	1996	1996	1996	1994	1995	1994	1994	1996	1994	1994	1994	1994
Registered job-seekers	7.7	6.2	13.7	17.9	..	19.3	18.9	21.5	7.6	15.6	19.5	..
Vacancies	2.9	4.3	4.5	6.6	3.5	5.8	7.9	3.0	8.2	3.8	8.0	8.9
Placements	0.4	0.4	1.6	..	2.5	3.0	5.9	1.1	2.2	2.4	3.8	6.8

.. Not available.

Sources : Various PES reviews; OECD PES database; and correspondence between OECD, USDOL and the state agencies.

Chart 4.9 highlights recent trends in notified vacancies and recorded outflows into employment. The rate has been relatively flat during the past five year. Connecticut has vacancy notification rates below the national average, but the rate in Wisconsin, as of

◆ Chart 4.1. **Registered job-seeker inflows,^a 1986-1996**
Annual flows, as a percentage of the labour force^b



a) Individuals registered in programme year.

b) Annual average.

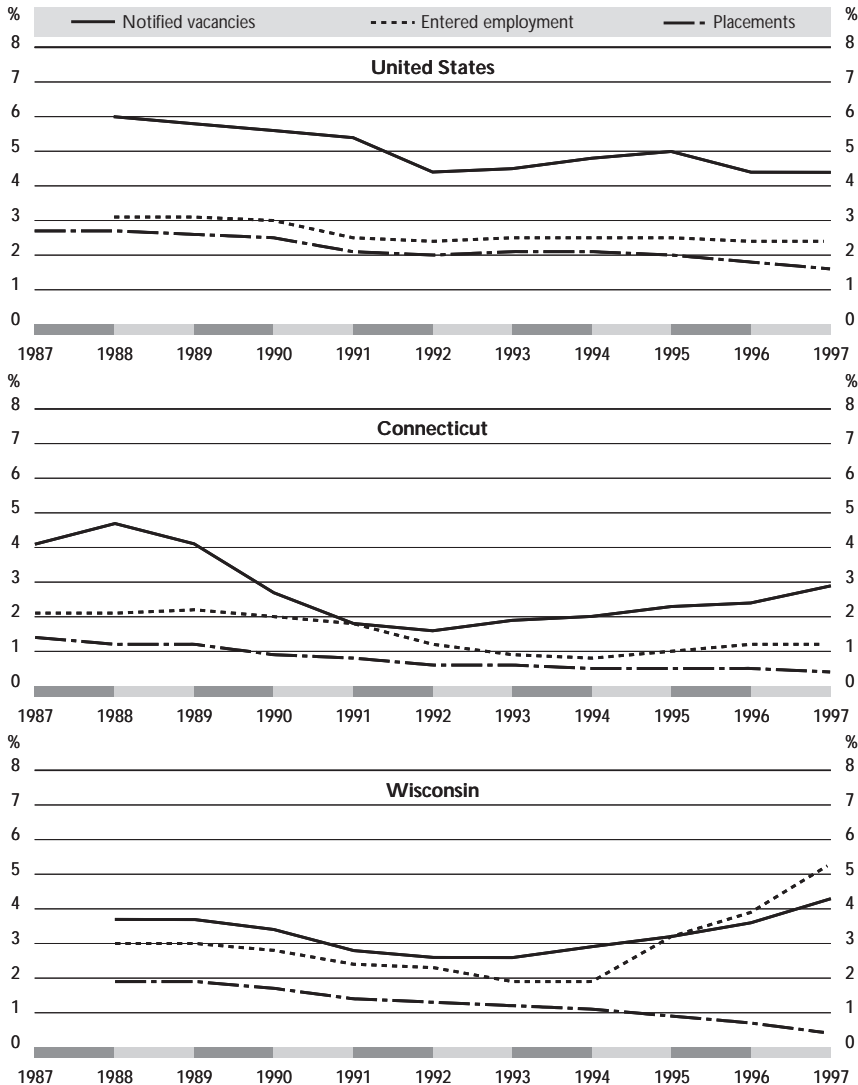
Sources: US Bureau of Labor Statistics Internet site (<http://stats.bls.gov>); USDOL (1996a) and (1997a); and OECD correspondence with state agencies.

1997, was in line with the national average. The rates in both states dropped with the onset of the early 1990s recession but, unlike the national average, they have shown continuous increases since. Recently, the vacancy notification rate in Wisconsin grew to exceed the rates of the late 1980s. The overall vacancy notification rate in the United States is lower than in six of the nine other OECD countries shown in Table 4.1.⁴⁴

Chart 4.9 shows outflows as placements and entries into employment (both as percentages of the labour force). The USES tracks both flows in monitoring the performance of SESAs. A placement is defined as the hiring of a registered job-seeker following a referral from the employment service. Entries into employment are defined as the sum of placements plus those who “obtained employment” within 90 days of receiving one or more services wholly or partly funded by the employment service.⁴⁵

◆ Chart 4.2. **Notified vacancies, entered employment and placements, 1987-1997**

Annual flows, as a percentage of the labour force^a



a) Annual average.

Sources: See Chart 4.1.

The rate of recorded placements in the United States as a whole and in the two review states has shown a gradual decline over the past 10 years or so. Nationally, the rate has dropped from nearly 3 per cent of the labour force in the late 1980s to well under 2 per cent. In Connecticut and Wisconsin, the rates have declined more sharply, with the rates in recent years below one-half of 1 per cent of the labour force. These rates are low in comparison with the OECD countries shown in Table 4.1 with the sole exception of Ireland.

By comparison, the “entered employment” rate has remained relatively flat in the US as a whole, while Connecticut experienced a modest increase [USDOL (1997a)]. The trend in Wisconsin was markedly different, with the entered employment rate there moving sharply upward in the mid-1990s. This flow amounted to about 2.5 per cent of the labour force nation-wide in 1996, a bit more than 1 per cent in Connecticut and more than 5 per cent in Wisconsin.

These outflow rates must be interpreted with care, however, as they reflect differences in local economic conditions, differences in tracking of outcomes and differences in the effectiveness of the individual SESAs. One indication of the difference in economic conditions faced by the SESAs is the share of job-seeker applicants who are dislocated workers. In Connecticut, this share was about 53 per cent in PY 1996, whereas in Wisconsin it was less than 1 per cent [USDOL (1997a)]. Dislocated workers often have specific difficulties in entering employment and tend to have relatively long unemployment spells.

A portion of the gap between the placement and entry-into-employment rates may be attributed to the increased provision of *self-service and light-assistance* by the employment service, based on the philosophy of helping workers to find their own jobs rather than mediating their job searches. Thus, clients not directly referred to a vacancy through the employment service, may still find a job as a consequence of contact with the employment service – even jobs not listed with the employment service. While this is a common situation in many countries, the scale of such service provision in some US states is greater than in many OECD Member countries. One result of this philosophy is that the numbers entering employment may exceed the numbers of notified vacancies, as happened in Wisconsin in recent years. Also, some states, including Wisconsin, have moved to largely open vacancy listings that are accessible via the Internet. As a result, any job-seeker (registered or not) may secure a position due to the assistance of the employment service but without its direct knowledge. Wisconsin plans to close this gap by introducing an on-line registration procedure. In both states, staff in employer service units generally seek to follow-up vacancy listings with employers and in some cases they are able to learn of placement outcomes in this manner.

Table 4.2 provides further indicators of PES performance and market share. By most measures the market share of the PES in the US is much lower than in the other

Table 4.2. **Basic flows, stocks and market share indicators, PY1995-PY1996 (July 1995-June 1997)**

	Connecticut		Wisconsin		United States		Belgium	Germany	Japan	Netherlands	United Kingdom
	PY95	PY96	PY95	PY96	PY95	PY96	1995	1994			
PES administrative data (thousands per year)											
Annual job-seeker registrations	150	133	177	181	18 543	18 407	..	7 485	5 074	1 118	..
Annual vacancy registration	41	50	105	125	5 917	6 038	149	3 133	5 465	272	2 537
Annual placements	8	7	21	11	2 376	2 205	109	2 347	1 448	174	1 927
Labour market data											
Dependent employment ^d (thousands)	1 555	1 600	2 714	2 800	116 040	118 873	2 990	32 093	52 360	5 920	21 907
Hiring rate ^b (per cent of dependent employment, monthly)	1.2	1.2	1.6	1.6	..	..	1.1	1.6	1.7	1.7	2.5
Derived indicators (per cent)											
Placements/newly registered vacancies	19	14	20	9	40	37	73	75	26	64	76
Newly registered vacancies/ dependent employment	3	3	4	4	5	5	5	10	10	5	12
Placements/dependent employment	0.5	0.4	0.8	0.4	2.0	1.9	3.6	7.3	2.8	2.9	8.8
Newly registered vacancies/hirings	18	20	42	49	..	..	39	51	51	23	39
Placements/hirings	3	3	8	4	..	..	28	38	14	14	29
Placements/annual job-seeker registrations	5	5	12	6	13	12	..	31	29	16	..
Memorandum											
Entered employment (thousands)	20	21	114	155	3 216	3 255	..	..	..	..	..
Entered employment/ newly registered vacancies (per cent)	49	43	109	124	54	54	..	..	..	..	..
Entered employment/ dependent employment (per cent)	1	1	4	6	3	3	..	..	..	..	..

.. Not available

a) For Connecticut and Wisconsin, dependent employment was estimated from US Bureau of Labor Statistics, March CPS micro-data.

b) Hiring rates are only approximate. They reflect SESA-provided estimates of the number of hires during PY96 imputed from establishment survey data.

For Connecticut and Wisconsin, the hiring rates for PY95 and PY96 are assumed to be equal.

Sources: OECD (1997e); USDOL (1997a); and correspondence between OECD, USDOL and the state agencies.

countries. At the national level, one exception concerns registered vacancies as a percentage of dependent employment, where the US rate is comparable to Belgium and the Netherlands. The ratio of vacancies to overall hirings in Wisconsin exceeds the ratios for three of the Member countries shown in the chart and approaching those of the other two. This may be due to Wisconsin's efforts to improve and open its vacancy listing process (discussed in greater detail below). However, the hiring estimate for Wisconsin may be low, which would bias these ratios upwards; as noted above, at the national level labour turnover is generally estimated to be higher in the United States than in most OECD Member countries [OECD (1996a)].

Table 4.3 shows the shares of unemployed using various job-search methods in the United States and Connecticut.⁴⁶ Most of the unemployed contacted at least one employer directly in the search for work during the 4-week period preceding the survey. Placing or answering advertisements was the second most frequent method. The use of personal networks appears to have increased and in the most recent period marginally exceeded the use of the public employment service. Nationally, the use of the public employment service declined slightly over the years, but was still around 20 per cent by this measure. In Connecticut, however, there was a substantial increase, with about 30 per cent using this channel in the recent periods. Private placement agencies had much smaller utilisation rates at less than 10 per cent nationally and less than 20 per cent in Connecticut.

Table 4.3. **Methods of job search by the unemployed**
Percentages of all unemployed

	United States			Connecticut		
	1986-88	1989-91	1992-93	1986-88	1989-91	1992-93
Actions taken during the previous 4 weeks^a						
Checked with employer directly	67.2	62.7	64.9	61.1	64.3	64.6
Placed or answered an advertisement	30.9	33.6	35.2	52.3	44.6	43.3
Checked with friends or relatives	15.6	16.9	20.4	14.5	26.1	36.7
Checked with public employment agency	21.7	20.4	20.1	13.7	28.5	30.6
Checked with private employment agency	5.8	7.4	8.1	13.5	21.3	18.5
Did something else	5.0	4.3	4.3	9.7	5.8	4.1
Did nothing	2.2	1.4	1.6	2.8	0.7	1.5

a) The percentages add up to more than 100 because each individual may choose multiple methods of job search. The question was dropped from the survey in 1994. Data are not available on this basis for Wisconsin.

Source: OECD Secretariat estimates using US Bureau of Labor Statistics, March CPS micro-data.

B. Job-brokering and employment policy

During the post-war period, there have been several initiatives to improve the market share and effectiveness of the ES in the US [Janoski (1990)]. In the late 1940s,

the Department of Labor issued a “Six Point Program” calling for improved placement, counselling, occupational information, employer services and local employment development. During the 1950s, two task forces reviewed the USES and urged similar initiatives, which led to some increased employer outreach and placement efforts but little lasting improvement. As noted in Chapter 2, during the 1960s the USES received a mandate to better serve target groups under the social policy initiatives of Presidents Kennedy and Johnson. However, even as the USES expanded, it faced strong criticism from civil rights activists and competition from social service agencies. At the same time, private employers generally by-passed the ES in their regular hiring decisions.

In the 1970s and early 1980s, the ES continued to modernise its labour exchange operations, in part through greatly expanded use of computerisation. However, with respect to placements, it faced increasing competition from local government and community-based entities implementing CETA and, subsequently, JTPA programmes. In addition, during the 1970s, the ES was assigned certain non-placement related responsibilities, such as alien labour certification, that risked distracting attention away from the basic labour exchange activity.

The federal involvement in the labour exchange function was reduced following the 1982 amendments to the Wagner-Peyser Act. As a consequence, USDOL was left with compliance monitoring and technical assistance as its primary responsibilities in this area. The basic federal requirements with respect to the SESA labour exchange activity relate to provision of services to employers and job-seekers and implementation of the placement function. The SESAs were left with responsibility for programme design and implementation.

Overall, during the 1980s there was a decline in the delivery of some of the main placement-related services. In 1989, a General Accounting Office (GAO) review of local ES office performance found that provision of one-on-one assistance (at time of registration), counselling, and testing had declined significantly between 1980 and 1987, with probable negative impacts on placement capabilities [GAO (1989)]. The number of job-seekers receiving counselling, for example, declined by about 50 per cent between 1980 and 1987. The report also noted significant variation across local offices and concentrations of offices with high or low placement rates in certain states.⁴⁷ State officials attributed the decline in tailored services to reductions in federal funding, which amounted to a 7 per cent real drop in funding between 1984 and 1987.

Concern with the placement performance of the system continued into the 1990s and was highlighted in two Congressionally mandated studies released in 1991. The first of these was a GAO review of the placement performance of the employment service [GAO (1991)]. That study found that placement performance was better in states that focused on programme performance (through measurable goals and on-site eval-

uations) and client orientation (through more frequent communication with employers and use of self-service). At the same time, the report's recommendations focused on the need for USDOL to increase its technical assistance activities and to assist states in the development of performance standards. A 1995 GAO report gave an overview of the 163 programmes and funding streams provided for under US employment training policy. The report noted that "[...] this fragmented 'system' wastes resources and confuses and frustrates clients, employers, and administrators" [GAO (1995a, p. 1)].

In 1991, the National Commission for Employment Policy (NCEP) summarised comments from hearings, interviews and a literature review indicating that there was a sense of unfulfilled potential with respect to the labour exchange function of the ES [Ainsworth (1991)]. These concerns related to the limited ES market share, the focus on special target groups and the limited types of job vacancies registered by the ES. At the same time, the ES was recognised as the only widely available source of free labour exchange services, with employer and job-seeker clientele who often would not be served by other government programmes or private placement agencies. The report noted that the funding reductions of the 1980s had led to increased co-location of programme field units (*e.g.* JTPA, UI and ES), with the result that there had been a reduction in duplication of services, a development which foreshadowed the more systematic national efforts to promote one-stops centres in the 1990s.

During the period 1993-1994, PES reform efforts were renewed on a number of fronts in an effort to create a more coherent "workforce development system" [Balducchi, Johnson and Gritz (1997)]. In 1993, based on the results of USDOL-sponsored trial programmes, Congress passed two sets of amendments to the Social Security Act, mandating profiling of state UI claimants and requiring selected claimants to participate in services. These amendments provided the basis for the system of Worker Profiling and Re-employment Services that seeks to assist those UI claimants most at risk of exhausting their benefits (see Chapter 5). In 1994, the Clinton Administration proposed legislation called the Re-employment Act, which would have consolidated the fragmented employment and training programmes and funding while increasing competition among service providers. Although the bill failed to pass Congress, USDOL pressed forward with administrative reforms that reinforced, expanded and complemented the changes underway in many states.

The federal-state administrative reform initiatives focused on revitalisation of the ES labour exchange system, improved provision of labour market information, and integrated provision of employment and training services through one-stop career centres. In all three areas, USDOL took a leading role in promoting a basic policy framework and in sponsoring the development of key tools for its implementation. At the same time, much of the actual development work was contracted out. Although there has been much progress in the development of the basic systems needed for implementation of the reforms, not all aspects are operational. Moreover,

there is much variation in progress across states. Overall, Connecticut and Wisconsin are among the leaders in implementing ES reform.

C. Federally-led initiatives to improve the employment service

1. ES revitalisation

In response to criticism of the ES as failing to respond to the needs of its customers, USDOL launched an initiative in 1993 to develop a long-term vision and a short-term action list to promote that vision. A working group was formed with representatives of SESAs, ES staff representatives, organised labour, USDOL and ICESA, to consider these issues and a final report was released in October 1994 [Balducchi, Johnson and Gritz (1997)]. The Employment Service Revitalisation Work Plan called for the employment service to become the “Nation’s recognised leader in providing efficient labour exchange services and a universal gateway to workforce development resources by professional, empowered employees” [Employment Service Revitalization Work Group (1994, p. vi)].

This plan laid out some of the key elements incorporated in subsequent PES reform actions, including the development of one-stop career centres. While endorsing the principle of universal access to services, it advocated a three-tier approach to service delivery depending on client needs (self-help, basic staff intervention, and intensive services). States decide which clients will be targeted for more intensive services. The plan also highlighted the importance of monitoring “customer satisfaction” and the need to improve job-matching operations. Other areas included: the need for improved local office design; staff training, development and recognition; labour-management collaboration; collaboration with other agencies; and marketing. USDOL subsequently established co-operative agreements with six SESAs to take stock of the situation in certain of these areas and established a partnership with ICESA to establish a web site for continued exchange of information.

2. ES information resources

USDOL’s Employment and Training Administration (ETA) has played a key role in ES and UI reforms by sponsoring development of information resources for the clients of the PES and for the system operators. Development has been conducted on a collaborative basis with the SESAs, but with USDOL contracting out many substantial tasks to individual states or consortia of states, as well as local government or private enterprises. The result is a multitude of systems and acronyms. At the same time, some states have undertaken their own information resource development efforts, which has led to some redundancies. For example, states continue to operate and invest in proprietary job-match systems for intrastate placements.

The USDOL-sponsored system for job-seeker and employer users is called America's Career Kit. It is based on three national databases that are accessible free-of-charge via the Internet, with a fourth database soon to be added. The core of the updated labour exchange services is built around the electronic vacancy and resume databases, known as America's Job Bank (AJB) and America's Talent Bank (ATB), respectively. A third database, America's Career InfoNet (ACI) provides users with basic labour market information. In May 1998, an integrated user interface was implemented for all three, establishing a sort of electronic one-stop for labour exchange users.⁴⁸ The final segment in the client systems, America's Learning Exchange, is slated to become operational in the second half of 1998 and will provide information on training and education offerings across the nation.

USDOL and the SESAs have operated a national exchange of vacancy listings since 1979, but with a focus on providing information to the SESAs. The new client-oriented and open-access AJB was developed in the mid-1990s and is operated by the New York SESA under a co-operative agreement with USDOL. By October 1997, 50 SESAs had linked their vacancy databases with AJB to offer users nation-wide search capabilities. During the first half of 1998, the ATB became operational, permitting job-seekers to post their resumes for browsing by registered employers. As of 10 June 1998, the system had nearly 712 500 vacancies and 71 000 job-seeker resumes. The latter figure is much lower than was originally projected for this point in time, in part due to delays in release of the ATB software. However, there may also be issues of access for some job-seekers, particularly those who are intimidated by the prospect of working with the computer-based system. Some states, including Connecticut and Wisconsin, use touch screen self-service computers that help to overcome this problem.

Job-seekers and employers accessing the AJB/ATB site can also access selected labour market information and data through the linked ACI web site. The latter site is a customer-oriented labour market information source containing material on occupational characteristics and trends, wage trends and state economic profiles. The Career InfoNet web site uses the same format and has the same "feel" as the AJB/ATB web site. The labour market information is drawn from federal and state sources, including the BLS, Bureau of the Census, US Department of Education, Bureau of Economic Analysis and SESAs. This site is a first step toward the development of user interfaces for a more comprehensive system for labour market information known as America's Labour Market Information System (ALMIS).

USDOL has also sponsored the development of tools with application in direct support of the one-stop initiative and ES revitalisation. Effort is now focused on the ALMIS database and related projects. USDOL supports a separate web page where the ALMIS partners and others can exchange information and status reports.⁴⁹ Development of the full ALMIS database will require co-operation of the SESAs who will be responsible for inputs and updates of the state-level information.⁵⁰ The data-

base will contain information about employment, occupational projections, wages, layoffs, employers, educational programmes, population demographics, and other economic indicators.

In addition to the AJT/ATB, ACI and ALMIS web sites, the ETA web page lists 10 additional ETA-affiliated web sites. A key site targeting the internal technical needs of the PES is the Training Technology Resource Center (TTRC), which was established in 1991 by USDOL to offer information on various USDOL-supported programmes and technical advice on dealing with problems encountered by employment and training programme staff, such as how to budget and allocate costs in situations where programmes share facilities and how to promote continuous quality improvement.⁵¹

A further USDOL-sponsored electronic tool is O*NET, the Occupational Information Network, which is a database replacing the older Dictionary of Occupational Titles. O*NET was built through a federal-state collaborative effort drawing on technical support from private contractors and developed in consultation with potential users. O*NET occupational classification data are already used in the AJB/ATB system, but the database has potential for a range of tasks related to collecting, organising, describing and disseminating data on job characteristics and worker attributes.

In partnership with ICESA, USDOL supported the establishment of an Internet-based clearinghouse for SESA information on their employment service revitalisation activities.⁵² The web site is a focal point for information on each of the current national initiatives, plus state updates on their individual efforts and practises.

SESAs have also emphasised access to labour market information as part of their one-stop initiatives. The Connecticut and Wisconsin SESAs offer access to key indicators through their one-stop centres and Internet sites. These sites offer access to a range of state and local information as a part of the customer choice philosophy.

One redundancy across the SESAs appears to be in the area of systems to track interactions of various state agencies with individual employers. Several states, including Connecticut and Wisconsin, have undertaken independent projects to develop systems to enable state agencies to monitor employer interactions and to exchange information on them. The goal is to minimise duplicate requests for information or other actions that may burden employers, while maximising the information available to the state agencies. As these systems appear to have much in common, it may be that there could be economies made in the remaining states by adapting existing systems from other states.

The investments in technology affect the way in which the SESAs interact with their employer and job-seeker clients and have the potential to improve access to services and information. At the same time, the multiple state and federal Internet sites and sub-systems (each with a different name and acronym) risks overwhelming the casual user. The user interfaces of the core AJB/ATB systems are relatively

user-friendly, as evidenced by the substantial usage levels they have already achieved. The challenge will be to integrate these systems into a manageable whole and to ensure that those with limited technical skills get the assistance they need to benefit from these developments as well. While the system offers some users the potential for greater individual access from home via the Internet, many job-seekers will continue to need access to the equipment and personalised assistance available through the local office network.

3. *The development of one-stop centres*

In the years since World War II, there were numerous federal and state-level initiatives to improve co-ordination between the various employment and training service providers. Until recently these efforts had not succeeded in breaking down barriers. The addition of new employment and training programmes with separate funding streams and client groups, in fact, led to increased fragmentation. However, the situation began to change in 1994 with USDOL's announcement of a competitive grant programme in support of the development of one-stop career centres and with the establishment of an *ad hoc* national-level one-stop career centre team to promote and co-ordinate this.

The impetus for this more integrated approach came from a recognition of the necessity to reduce costs and increase the effectiveness of the various agencies. Also, the reduction in fragmentation from the perspective of the clients came to be viewed by USDOL and the SESAs as central to improving perceptions of the system. This led to a focus on one-stop centres as a way to make the system more transparent to the clients, giving them an integrated interface for a broad range of services.

From the outset, USDOL has used financial incentives to give the one-stop initiative direction and shape the basic characteristics. USDOL laid out four operational principles [Balducchi, Johnson and Gritz [(1997, p. 476)]:

- *Universal access* to core services for individual employers and job-seekers;
- *Customer choice* within the constraints of the individual programme eligibility requirements;
- *Integrated service provision*, such that the clients view the system as seamless in spite of the multiple agencies and funding streams that are involved; and
- *Accountability*, such that the operations are performance-driven, with measured outcomes including customer satisfaction.

USDOL made state grant awards conditional on the inclusion of six USDOL programmes in the one-stop centre plans [SPR (1997a)]:

- Employment Service;
- Unemployment Insurance;

- JTPA, Title II programmes for economically disadvantaged youth and adults;
- JTPA, Title III and other services for dislocated workers;
- Senior Community Service Employment Program (Title V, Older Americans Act); and
- Veterans Employment and Training Services (VETS), including services for disabled veterans.

USDOL awarded planning and/or implementation grants to states in three competitive rounds.⁵³ The first one-stop centre grants were awarded to six lead states in October 1994, including Connecticut and Wisconsin; 19 other states received modest planning grants. By June 1998, all but eight states and territories had received grants and the remaining jurisdictions were expected to qualify by the end of the year. USDOL also awarded two sets of grants to promote one-stop centre innovations. The first involved awards in 1995 to eleven localities to develop “learning laboratories” to test one-stop components and train a number of SESA staff from across the country. A second series of such grants in 1996 was awarded to 12 state and local groups to test one-stop innovations. Between FYs 1994 and 1998, USDOL appropriations for the one-stop system amounted to about US\$560 million, a supplement of about 14 per cent on top of the regular Wagner-Peyser allotments to the states (US\$3.96 billion) during this period.

Since FY 1994, USDOL has officially maintained its intention to limit the one-stop centre grant funding to a three-year commitment. The implementation grants are awarded on a three year basis, with release of full funding in the latter years dependent on the progress of the individual SESAs against their grant objectives. Although states are able to carry over unexpended grant funds for up to two years after receipt, USDOL is not planning any additional grants for maintenance of the one-stops. Thus, states will need to rely on other sources such as the regular ES administrative funding. There is currently much concern about the sustainability of the initiative once the grant funds are exhausted. For example, it is not clear how states will fund the renewal of technology in the centres as the current systems become dated.

To deal with the funding problem, many state and local stakeholders in the one-stop system are lobbying the federal government for additional resources and many states are topping up federal funding for SESAs with resources from their own budgets.⁵⁴ A key issue here is the low share of FUTA tax revenues returned to the states for SESA administrative uses and a broad coalition is supporting proposed legislation to increase and secure this proportion.⁵⁵ The Advisory Council on Unemployment Compensation (1996, p. 17) also raised its concern that “adequate amounts of dedicated FUTA payroll taxes be made available to state agencies and to USDOL for their intended uses.” In the meantime, many states are drawing on alternative funding sources to give the one-stop centres an expanded menu of services. In some states, including Connecticut and Wisconsin, SESAs are including activities funded

under federal programmes such as Welfare-to-Work or TANF. These programmes, however, necessarily have additional administrative requirements and further increase the complexity of the one-stop operations.

Many states are also exploring the option of charging fees for services such as employer-requested testing. A USDOL-sponsored survey found that, among 224 state and local agency respondents, about 20 per cent were already engaged in fee-for-service activities [Regional Employment Board of Hampden County (1997)]. These are generally conducted on a small scale and usually involve charging employers fees for supplementary services beyond the core services. Many respondents also noted their opposition to fee-for-service options directed at the unemployed. Some contention has also arisen between the PES and private consulting firms over the introduction of PES fee-for-service activities. The state agencies and other one-stop partners are offering additional fee-paid services to their customers, such as personnel management seminars. Although these activities are conducted on a fee-for-service basis, they still benefit from public funding of certain infrastructure giving rise to criticism of being unfair competition.⁵⁶

As a result of the variations in funding and partner agencies, the specific configurations of the one-stop centres vary across and within states. An initial evaluation contracted by USDOL noted that the grants awarded through July 1997 – when fully implemented – were expected to make access to one-stop services available to 80 per cent of the nation's civilian labour force [SPR (1997a)]. By mid-1998, roughly 800 one-stop centres were operating or being implemented. The USDOL Strategic Plan for the period FY 1997-FY 2002 calls for the expansion of the one-stop centre network to include 95 per cent of all ES/UI/JTPA local offices by the end of PY 2002 (*i.e.* by June 2003).

D. Implementation of one-stop concepts: the cases of Connecticut and Wisconsin

Connecticut and Wisconsin were pioneers in the shift to a PES based on the one-stop centre approach. Both were among the initial recipients of USDOL one-stop implementation grants. Their policy approaches are packaged as Connecticut Works and the Partnership for Full Employment (PFE), respectively.

1. Connecticut Works

Co-ordination of labour market programmes in Connecticut was boosted by the establishment in 1989 of the Connecticut Employment and Training Commission (CETC). During the early 1990s, the CETC's advocacy led to a restructuring of the Connecticut Department of Labor (CTDOL) that involved a flattening of the organisation, cross-training of field staff, establishment of business service units across the state, and consolidation of management of ES and UI at all levels. The CETC also was

a key agent promoting the establishment of Regional Workforce Development Boards. By 1994, the state legislature had passed legislation formally authorising the implementation of a state-wide system of integrated centres and CTDOL and the RWDBs had already begun to establish "Transition Centers" for dislocated workers [SPR (1996)]. With the subsequent receipt of USDOL's one-stop implementation grant (awarded in October 1994), the state's one-stop initiative took shape.

Under the Connecticut Works framework, CTDOL and the nine Regional Workforce Development Boards are leading an inter-agency state-wide planning committee charged with implementing the one-stop approach. The system involves a broad coalition of additional partners including the state-level Departments of Education, Higher Education, Social Services, Motor Vehicles, Economic and Community Development, the state library system and a range of community organisations. In their current "vision" statement, the Connecticut Works partners outline their goal as being to serve all customers (job-seekers, employers, and participating agencies) through building a universal, performance-based workforce development system. This system is to offer customer choice and an integrated array of services in support of businesses and individuals [CT Works Partners (1998)].

Core CTDOL programmes included in the one-stop career centres are Wagner-Peyser Act employment services, VETS, JTPA, Trade Adjustment Assistance, Migrant Seasonal Farmworker Programs and UI (although the state is planning to shift more of the UI work to phone-based systems). Other core one-stop programmes funded through non-CTDOL channels include the state's training programme for employed workers (Customized Job Training), apprenticeships, adult basic education, and welfare employment and training (both federal and state programmes). Centres integrating these core functions and adopting the new service delivery approaches are certified through the Connecticut Works system as one-stop centres.

The system operates 19 individual Connecticut Works centres (some are still in the process of conversion to one-stop structure) and computerised information kiosks at 102 public libraries. One-stop centres are governed locally by committees co-chaired by the staff director for the Regional Workforce Development Board and the local ES/UI director (a CTDOL employee). These committees name a director for the one-stop centre, who is responsible for the day-to-day operations. The committees also produce annual operating plans that must be approved by the chair of the RWDB and a designated local elected official, as well as CTDOL and CETC.

Connecticut Works has sought to develop a "state-of-the-art" technological infrastructure, improve the lay-out of local offices, co-locate the local operations of local partners and build the capacity of the staff through training (including cross-training among partner agency staff). Automated systems have been developed to expand direct client services including self-service opportunities for clients and to support internal system operations. The system's wide-area-network is relatively comprehen-

sive and facilitates communications and information sharing among CTDOL and RWDB partners (except where confidentiality is an issue, as with some wage and UI records). At the same time, CTDOL's Internet site focuses primarily on the needs of job-seekers and employers rather than the needs of system partners. In terms of the physical infrastructure, the state has made a substantial investment in improving the conditions in the local offices, an initiative that is perceived as having helped to reduce the stigmatisation of the employment service.

2. Partnership for Full Employment

Wisconsin has been a leader in restructuring the approach to service delivery and in linking employment and training policy with certain aspects of social policy. The integration of service delivery under current policies is laid out in functional standards for state and local agencies and institutions, and in specific service standards for the job centres. According to the one-stop plan, all job centres will be up-graded to meet these service standards by mid-1999. The functional standards mandate integration on a district-by-district basis; within each "Workforce Development Area" (the restructured service delivery areas), they apply to all agencies and institutions with services funded under the Wagner-Peyser Act (basic employment services), TANF and W-2 (the state welfare reform package), the Rehabilitation Act, JTPA, the Food Stamp Employment and Training programme, the Welfare-to-Work initiative, the Carl Perkins Vocational Education Act and the Adult Education Act.

With the creation of the Department of Workforce Development and the launching of the PFE in 1996, the state government has increased its efforts to consolidate its employment and training system, which previously involved over 100 separate programmes. The essential aspects of service delivery under the PFE approach include: single points of access to services for all job seekers and employers; customer choice and service paths that begin with self-service and group services, but include access to case-managed services for individuals with special needs and to tailored services for employers; appropriate service provision based on needs; and case management that promotes immediate access to work, but offers remedial services for clients.

The partnership was organised through a state collaborative planning team that involves the agencies directly participating in employment and training programmes including the DWD, the Technical College System Board, the Educational Approval Board, and the Departments of Public Instruction, Veterans' Affairs, Development and Corrections. At the local level, policy is co-ordinated through local collaborative planning teams that include – at a minimum – the local employment service, technical colleges, W-2 agency, vocational rehabilitation office, and JTPA administrative body. The state granted these local actors substantial discretion to determine how to realise the standards for service delivery and to allocate the local share of federal one-stop implementation grant funds. The local teams oversee the operations of the

76 one-stop centres that were operational as of mid-1998 (two additional centres are under development).

Technology has played an important role in building the system. The system's wide area network is directly accessible by most offices and DWD's Internet page has been used to provide information to one-stop partners as well as job-seekers and employer clients. The restructuring and modernisation of local offices has also been given priority, but full co-location of the partner agencies has not been introduced for all offices. In some cases, there is only limited representation of some partner agencies at an individual one-stop centre. Other teams, such as in Racine, have sought to co-locate a broad range of services.

The DWD priorities for the next stage in the system include:

- further development of partnerships with local elected officials, businesses and non-profit organisations;
- attacking a lingering bureaucratic malaise;
- pushing the legal limits of administrative reform;
- introducing of further technological change, including increased use of electronic access to services;
- increasing apprenticeship opportunities including within the prison system;
- combating stigmatisation;
- marketing the system.

E. Staffing issues

The revitalisation and restructuring of the PES is requiring substantial adjustment on the part of the staff, particularly in the one-stop centres. Those centres require a greater multi-skilling of staff to deal with various tasks according to shifts in client flows. The staff from the various one-stop agencies in each centre are being challenged to work as a team and focus on the performance of the centre as a whole. Staff training is playing an essential role in accomplishing these adjustments. USDOL has sponsored the development of staff training resources and many states, including Connecticut and Wisconsin, have used a portion of their one-stop implementation grant to fund training.

CTDOL has instituted cross-training and testing based on modular curricula developed with the assistance of consultants. It took two years for CTDOL to retrain and test some 200 staff members, including some staff from partner agencies. The training was overseen by a special labour-management team.⁵⁷ In Wisconsin, DWD developed new curricula in co-operation with higher education institutions to cover such topics as customer service, team building, employer relations, intake and registration procedures, and assessment.

The shift to a one-stop system also poses challenges for labour-management relations. The SESAs in Connecticut and Wisconsin are facing tough state hiring restrictions that limit their ability to add staff. At the same time, the nature of the work is changing. For example, the share of total staff time devoted to job-seeker services has declined, while the share devoted to employer service has increased. Moreover, new functions and staff related to welfare reform are being added. Thus, the SESAs are finding it necessary to restructure, revise job descriptions and, in some cases, to relocate personnel. These changes require extended negotiation with the highly unionised staff. In Connecticut, management used mobility offers and pay raises to support and provide incentives for the restructuring.⁵⁸ In Wisconsin, where there are eight unions representing state employees in the SESA, there are monthly labour-management meetings that facilitate discussions about the restructuring and other issues on an on-going basis.

Moreover, unlike employer and job-seeker clients, programme operators do not see the one-stop centres as seamless. Staff from different agencies and, in some cases, private-sector service providers, work side-by-side but according to different terms of employment depending on their funding agency. To date, managers report

Table 4.4. **Hartford, Connecticut, one-stop career centre staff according to principal funding source and employer**

As of early March 1998

Employer	Funding sources	Staff
Connecticut Department of Labor	Mainly FUTA funded, some JTPA dislocated worker and VETS funding	48 staff, including Center Director and four programme co-ordinators
Regional Workforce Development Board	Mostly JTPA funded	18 staff, including two managers
Special services for disabled persons (four employers):	US Departments of Education and Veterans Affairs, and state and local funds	Four part-time representatives
i) IAM Cares (a provider linked to the International Association of Machinists union)		
ii) Local US Department of Veterans Affairs hospital		
iii) Board of Education		
iv) Connecticut Department of Rehabilitation Services		

Source: OECD Secretariat visit in March 1998.

that this has generally not posed a problem. In Wisconsin, some managers noted that the team approach creates peer pressure for performance, even where conditions of employment may vary for the individual team members.

Tables 4.4 and 4.5 highlight the staffing at two one-stop centres in Connecticut and Wisconsin, respectively. At the Hartford centre, in Connecticut there are two principal agencies that provide the full-time staff drawing on four main funding sources.

Table 4.5. **Racine County, Wisconsin, workforce development centre staff according to principal funding source and employer^a**

As of early May 1998

Employer	Funding sources	Staff
Kaiser Group (contractor)	TANF, FSET, JTPA, Children First, Child Care Administration, DWD	13 staff, including two WDC team leaders (job readiness functional team, W-2 employment support unit)
Wisconsin Department of Workforce Development	FUTA, VETS, State budget resources, JTPA, Trade Adjustment Assistance	7.5 staff, including one WDC team leader/ES supervisor (resource room functional team)
Gateway Technical College	Technical college funds, TANF and JTPA	Seven staff
Racine County Economic Development Corporation	TANF and JTPA	Four staff, including one WDC team leader (employer services functional team)
Racine Area Manufacturers and Commerce Association	TANF, JTPA, FSET, Children First, DWD	Three staff
Goodwill Industries (contractor)	FSET, Children First	Three staff
Southeastern Wisconsin, Private Industry Council	JTPA	Two staff
OIC (Opportunities Industrial Centers, contractor)	Racine City and County	One staff member
Senior Aides Program ^b	Senior Aides Program	One staff member
Child Care Resource and Referral service (local)	TANF via DWD	One staff member
University of Wisconsin at Parkside	TANF, JTPA, FSET, University funds	One WDC team leader (specialised services – targeted populations unit)

a) The table does not include Racine County Human Services Department staff servicing public assistance recipients. These staff are funded from TANF and other sources.

b) The Senior Aides Program provides part-time work experience to low-income persons aged 55 and older in 27 states and the District of Columbia. This programme has the dual purposes of community service and older worker employment. It offers low-income older persons opportunities for growth, skill enhancement, and economic independence, through employment in areas such as health, education, child care, ageing and adult services. Funding is provided, in part, through the USDOL as authorised under Title V of the Older Americans Act.

Source: Correspondence between OECD and Wisconsin Department of Workforce Development.

Part-time representatives from four other agencies provide a link to specialised services for the disabled. At the Racine County centre in Wisconsin, the partners have gone farther in terms of integrating functions and staff. Employees from 11 organisations are grouped into three functional teams and two specialised units. Each team or unit has staff drawn from multiple employers. This diversity is due, in part, to the approach of the PIC in Racine, which contracts out a significant share of its client administration, unlike the Regional Workforce Development Board in Hartford. As a result, team leaders in Racine provide functional supervision of staff who are often not employed by the same partner agency or contractor.

F. Job-seeker registration, counselling and access to services

Job-seeker access to services is generally available through one of three tiers. The first and most common method is via self-service. Job-seekers may access information through the Internet or, with minimal staff assistance, through self-service tools in the job centres or other service points such as kiosks in public libraries. In some states with open vacancy listings, such as Wisconsin, job-seekers may access the listings and apply directly without registering with the SESA as a job-seeker. However, most states still require job-seekers to register before they can access employer information or utilise the full range of self-service options.

The second tier of services consists of basic interventions (including limited individual services such as basic assessment and employment counselling) and access to group sessions such as job-search assistance workshops. The latter are widely used and are considered by PES managers to be effective tools in promoting transitions into employment, a point supported by a recent evaluation study in Maryland [Klepinger *et al.* (1997)]. Access to the second-tier services typically requires the job-seeker to complete a simple application form containing basic identification information. The third level consists of relatively intensive, individualised services and is generally reserved for clients from groups targeted by special programmes. Under this tier, many clients receive access to mediated job-search and case-management services, as well as other programme services such as training.

Access to services is generally client-driven (as illustrated in Box 4.1). In cases where there appear opportunities to serve a particular client, SESA staff may recommend alternative levels of service based on the individual's circumstances (*e.g.* a dislocated worker may be encouraged to take advantage of more individualised assistance).

Box 4.1 The Hartford one-stop centre: job-seeker inflows

The one-stop centre, which opened in 1996, handles 1 000 to 2 000 clients per week, applying the principles of the one-stop initiative. Clients walk directly into an entry area where they can branch out in different directions. First time visitors, those with appointments and others seeking directions are usually met by a staff member who routes them to the appropriate destination. Job-seekers and UI applicants are routed to the customer service desk which can provide forms and information, or accept benefit applications and job-seeker registrations. Return visitors wishing to pursue self-directed job search or career planning may proceed directly to the resource centre or to the self service information area. Special assistance is available for those who are not fluent in English. Under the new system with multiple service channels and increased self and group-service provision, the waiting time for an initial service contact has decreased from over an hour – in some cases – to about 6 minutes.

The use of cross-training and flexible deployment of staff are further innovations facilitating client flows. The expanded programme knowledge of the staff has enabled managers to shift personnel across functions during the course of the day; additional staff are assigned to in-take in the morning and then shifted back to other services as the day progresses. In addition, the working hours of the staff have been adjusted to the pattern of client visits. For example, there are more staff on site on Mondays when the client flow is heaviest.

There are two principal controls on initial client access to the centre: one for UI claimants and one for other job-seekers.* UI claimants must first file a claim; one week later they are invited for a basic rights interview and an orientation to the one-stop services. Except for those who are profiled and referred to services, UI claimants can choose whether they prefer a self-service or mediated approach to job-search. Other job-seekers are assigned immediately to orientation. Generally these brief overviews are organised as group sessions, but if there is a slack period, they may be handled on a one-on-one basis. The sessions are run throughout the day and the waiting time is kept to minimum. During the session, the ES staff try to identify workers (using a basic checklist) that are possibly dislocated or disadvantaged. These individuals are referred to the JTPA staff who make the final determination. Those with special needs or disabilities may be referred to one of the partner agencies that are represented on a part time basis in the centre.

After the orientation, clients can use the self-service area with basic job-search information and computer kiosks offering access to the federal and state job banks. The kiosks use a touch screen system available in English and Spanish. Paper copies of vacancies are not posted, except for a few listings that are not available on line such as those for day jobs and certain government positions. The customer service desk provides vacancy details to those who have identified promising job offers. The staff monitor whether the job seems appropriate, but no reference checks are made before a referral. Access to vacancy information is also available to job-seekers who have identified ES-registered job offers through the Internet or a newspaper advertisement. A special notice on the Internet listings discourages people from calling the centre, but rather asks them to send their resume to the one-stop centre for forwarding to the employer.

(continued next page)

Box 4.1. The Hartford one-stop centre: job-seeker inflows (*cont.*)

Clients who complete a short job-seeker registration form can gain access to the centre's resource room, which offers computers with a wide range of software for resume and cover letter preparation, career planning, and other job search-related tasks. Clients have free access to telephones, faxes, postage stamps and stationary, and additional information resources. The resource room is staffed with professionals who can advise job-seekers and those planning their careers (and who control for abuse of the resources for non-job search related activity). The staff inform the clients that they are available to assist, but generally they allow the clients to decide for themselves whether to seek assistance. For those in need of additional assistance, the resource room staff may propose participation in a workshop or job club. They may also provide clients with access to more personalised assistance from a counsellor or arrange for screening and possible enrolment in one of the more targeted programmes. All clients referred to the RWDB are handled using a case-management system.

The resource room workshops also serve as a channel for clients to learn about the one-stop facility and later access other services. These sessions are advertised on the Internet, in community centres, through newspaper advertisements, and through internal means. Topics are oriented toward job-seeker needs and include job-search techniques, interview skills and other career-oriented topics. The sessions are often conducted by one-stop centre staff but, in some cases, the centre will contract with outside service providers or accept employer offers to conduct no-fee sessions.

In short, the one-stop centre operates an internal network with services accessed from various points. At the same time, there is an external information network that functions across various media, and state and local agencies. This external network serves to channel information to job-seekers in multiple locations as well as to draw them into the centre for more tailored assistance. In Hartford, the RWDB has staff at two other locations who can provide potential clients with information. This information exchange serves to inform job-seekers and the unemployed about the services available, drawing in a broader clientele and providing them with information so that they are better prepared upon arriving at the centre. These functions also help to facilitate the flow of clients in the office.

* In Connecticut, job-seeker records are generally kept in the active file for 90 days. If there is not any action for 70 days, they may be sent a follow-up notice. Once a year the records of those who fail to respond to the follow-up notices are purged. If there is any contact with the system, the individual's active status is extended for 90 days. Also, if unemployed, a random sample is matched periodically against the UI records to test whether they are employed.

G. Vacancy registration

Vacancies are generally registered with the employment service through the local job centres, but the ES is working to expand employer use of on-line vacancy

registration via the Internet. Vacancies generally include information on the location, title, job description, hours, duration of the job (permanent or temporary) and application information. Employers are also encouraged to specify a salary range, and education and experience requirements. SESAs vary with respect to the inclusion of employer contact information in the listings (*i.e.* open or semi-open vacancy treatment).⁵⁹ A notable difference between many one-stop centres in the United States and those in other OECD countries is the absence of posted paper copies of vacancy listings; SESAs have largely shifted to computerised listings.

The treatment of Internet-listed vacancies varies between America's Job Bank (AJB) and the state job banks. Employers must register to list vacancies directly with AJB or on certain state job banks (not all states maintain separate vacancy databases or permit direct data entry). The registration process permits system operators to verify basic employer information to ensure that the firm is a legal employer. Once registered, employers may list vacancy information directly on-line, although in some states the vacancy listing is subject to screening. This is the case in Wisconsin, where it mainly serves to permit staff to review the employer's status and to review the listing for readability and appropriateness prior to uploading on the state's JobNet system and AJB. In Connecticut, employers wishing to register a vacancy on-line are routed to AJB. Interestingly, AJB permits some employers to by-pass the semi-open vacancy listing policies of some SESAs; employers in those states may still choose to list an open vacancy on AJB. Vacancies registered on AJB remain active for 30 days, with the possibility of renewals in 30-day increments.

At the job centres, most vacancy listings are received by phone, fax or mail. In Connecticut, there is no fixed length of validity for a vacancy, it is generally left up to the employer. Normally, if there are no referrals or other actions for a vacancy within two weeks (a status referred to as "not resulted"), it is purged. In Wisconsin, job orders taken at a local office are generally placed on-line within one day. In some one-stop centres, such as Wausau, a large share of job orders are faxed in using a standardised format. At that centre, there is no automatic close out of vacancies and maintenance of the vacancy register is done "manually". State practise requires follow-up of every vacancy, generally on a bi-weekly basis. In Wisconsin, as in many other states, if a listing has no activity, an employer service representative may recommend that it be adjusted to improve its clarity or marketability. In the future, the state is considering a more systematic use of the new system of hiring notification (set up as part of the TANF reforms) to enable the SESA to track vacancy outcomes better.

In Connecticut, most vacancy listings continue to be semi-open. This is partly linked to concerns about tracking job-seeker use of the system. The state is planning a trial open listing procedure at selected offices in 1998. In Wisconsin, as part of the shift towards self-service and empowerment of job-seekers to find their own jobs, the SESA shifted to use of open listings for most vacancies, with employer contact infor-

mation shown. Usually, more than 98 per cent of vacancies are open. The job centres will accept semi-open vacancies in cases where the employer requests such treatment (*e.g.* where there is concern about large numbers of applications) or where the employer requests special pre-screening of candidates.

H. Job matching

Nationally, the approach to matching has shifted from active matching to include a greater share of client initiated matches. As one manager in Connecticut noted, "Before, the staff view was, 'I'm responsible for finding someone a job'. Now it is, 'I'm responsible to make sure the client has the skills needed to get a job'". Although matching through self-service plays a significant role in both states, Connecticut and Wisconsin have taken somewhat different approaches. Connecticut conducts more active job matching, whereas Wisconsin has greatly reduced this except for certain participants in programmes as VETS and JTPA. These different approaches appear to have an impact on operating costs, although other factors, such as variation in local economic conditions, are also important. Overall in PY 1996, USES estimates that the system spent a total of about US\$300 for each entry into employment, including Wagner-Peyser Act expenditure of US\$230. Connecticut was a relatively high-cost state, spending US\$430 in Wagner-Peyser funds per entry into employment, while Wisconsin spent US\$81 per entry into employment [USDOL (1997a)].

AJB and the associated state job banks permit staff and clients to search for jobs by location, job title, occupational codes, and key words. The searches can be narrowed to screen for recently listed jobs, educational requirements, experience requirements, salary range, and nature of the job (*i.e.* full-time/part-time and temporary/permanent). America's Talent Bank now provides employers with the opportunity to search directly the job-seeker resume listings. The system offers text searches (*e.g.* by skill words) and searches via other screens including job-seeker preferences for location, job duration and salary or job-seeker characteristics (*e.g.* education or occupation).

The one-stop centre in Hartford provides an illustration of the active job-matching process in Connecticut. At the centre, job orders and job-seeker information are entered in the automated system daily; each night a batch job is run usually screening by occupational code or skills but with other screens possible including education, desired shift, geographic location, salary, or veterans' preference, among others. For job-seekers in the case-managed programmes, counselling staff notify them when promising matches occur. UI benefit recipients may also be informed of promising jobs; if they refuse to apply, then UI staff are notified. All beneficiaries who refuse a referral or who fail to show up for a referral are called in for a "fact-finding interview". They may be sanctioned if they refuse suitable work or if they fail to make a reason-

able effort to find a job at least three times per week. The business services unit (see below) also monitors active matching results. The staff receive a daily report with rank-listings of job-seeker clients who match employer job orders, with generally 25 to 50 matches per order. Then, at staff initiative, a profile of each candidate is printed off and a letter can be generated informing likely job-seekers about the job opening.

In Wisconsin, the nature of the placement operation has shifted and relatively little active matching is conducted except for participants in certain programmes. Before, the Job Service marketed people (especially certain target groups) to employers. Now the ES seeks more to provide employers with information to assist them in identifying the most qualified candidates for their vacancies. The one-stop centres may also offer assistance with screening and testing clients (see below), but this is done in only a minority of cases and sometimes on a fee-for-service basis. Unlike Connecticut, employer service units generally do not do job placement.

In both Connecticut and Wisconsin, job-seekers can review self-service listings and, upon finding an appropriate vacancy, print out the results of their search. In Connecticut, job-seekers can take this printout to a nearby help desk to ask for employer details. Alternatively, they can ask to meet with a counsellor to get a referral. Counsellors are also available to help clients with their job-search browsing. Referrals are made based on information provided by the job-seekers; no reference checks are made by the employment service staff. In Wisconsin, the open listing approach enables clients to self-refer in most cases, although they are free to consult with customer service staff for assistance.

The active matching and self-service processes merit continued close monitoring by the system operators as not all job-seekers may be able to adapt to the self-service approaches. Jacobson (1995, p. i) states that "There is strong evidence that the ES is turned to by workers who lack access to the best sources of information or have failed to locate suitable work using other sources". He goes on to note "that the ES apparently helps individuals particularly unlikely to help themselves is a strength of the institution." In view of this important function and, particularly, the fact that some job-seekers may fail to self-select appropriate services, it is likely that the ES will need to continue to provide a balanced mix of active matching assistance and self-service options in order to serve all segments of its clientele. Indeed, such a balanced approach complements the goal of the one-stop initiative to deliver a universal service.

I. Employer outreach

1. Introduction

The ES used to greatly emphasise services for job-seekers, particular those with special needs. During the 1990s, however, this emphasis has been balanced by an increase in the emphasis given to employer services, particularly vacancy listing

(which also assists job-seekers in finding jobs) and, increasingly, more tailored services such as provision of labour market information. This shift is motivated, in part, by the desire to expand employer support of SESA programmes.

In Connecticut, employer outreach is handled primarily by dedicated employer services units in the one-stop centres. Staff in these units actively contact employers to inform them about Connecticut Works programmes and to solicit vacancy listings.⁶⁰ Each counsellor is assigned a specific list of companies to work for vacancies. Much staff time is spent on the incumbent worker training and apprenticeship programmes as well as the organisation of job fairs. Connecticut Works also brokers programmes for other agencies, such as community colleges or the Department of Economic and Community Development. Where employers agree to list vacancies, the Employer Services Units can offer interview facilities or can assist on-site with recruitment. As noted above, the staff sometimes actively assist in the job-broking process. While seeking to service employer needs, the staff also seek to involve them in programmes targeting specific job-seeker needs such as school-to-career and Welfare-to-Work. In addition to provision of state resources for training, there is also direct state-level employer support through the CTDOL Internet site. That site offers on-line vacancy registration and access to information on state programmes and labour market developments.

In Wisconsin, the increased emphasis on employer service led to the establishment, in February 1997, of a state-level Employer Services Bureau in the SESA. This bureau works directly with employer associations and employers and provides support to employer service units in the one-stop centres. The bureau is also responsible for the programme of employer workshops including the sessions mentioned above on attracting, retaining, and training of personnel (ART). About 75 per cent of the employers evaluating the ART seminars ask for more such seminars and additional modules are being developed. The ART sessions are marketed as equipping employers to deal with untapped parts of the labour market. In addition, the bureau supports labour law clinics. Often, they include a section about programmes such as Welfare-to-Work, or entitlements such as earned income credits that the workers can claim on their income taxes.

A Business Resource Network web site has also been established by DWD on the Internet (<http://helpbusiness-wi.com/>). This site is designed to provide links for employers to other sites where they can get information on government regulations, laws (such as the Americans with Disabilities Act), and related issues. It is overseen by a steering committee made up of representatives from technical colleges, businesses, and others. Since the implementation phase began in September 1997, usage has grown steadily.

In Wisconsin, the one-stop centres each have employer services divisions that conduct a range of activities including job fairs, labour law clinics, seminars on dealing

with employment shortages, and provision of space for employer interviews at the one-stop centre, training for certain newly hired job-seekers (*e.g.* TANF clients), labour market information and analysis, and specialised employer services. The latter sometimes include fee-for-service activities. Managers are now considering whether to launch a new initiative to develop industry specialists among the local office staff.

2. Employer services: The case of the Racine County Workforce Development Center

The Racine County Workforce Development Center (WDC) in Wisconsin provides an example of the renewed importance placed on employer services. This large one-stop centre opened in the fall of 1996 with the active involvement and consultation of employers. In addition to the usual state and local partner agencies, the Racine Area Manufactures and Commerce association (RAMAC) has a seat on the board. Among a staff of 43 working on the PES functions in the one-stop, there are 9 assigned to the employer services team. The team is split into 5 account managers and 4 representatives providing specific services linked to partners in the WDC including the Racine County Economic Development Corporation, RAMAC, Gateway Community College, as well as DWD (notably for labour market information and labour exchange services). The object of the employer outreach activities is to present employers with an integrated menu of services and one point of contact. As the labour market has tightened, recruitment issues in particular have become more important for employers.

The employer services team is systematically contacting the 4 000 registered employers in Racine. Through March 1998, the staff had contacted 2 700 and, as a result, had generated 1 200 active employer "accounts". The procedure is to first send a letter, then call to make a brief presentation of the menu of services. They invite employers to come to the WDC, but otherwise they mail materials to the employer. The team also produces a quarterly newsletter that is distributed to employers.

The WDC menu of services is developed in consultation with an employer advisory board. Overall, the state's JobNet vacancy database is the most popular service for employers. The employer services staff do not generally provide placement or job-matching assistance directly to employers, but rather give them access to the database. Upon employer request, they will screen potential applicants using objective criteria, but this option is not commonly used. The second most popular service is the use of the WDC for on-site recruitment and interviews. Other popular services include business development support (*i.e.* for various local, state and federal incentives) and provision of labour law information. The team also offers fee-for-service activities including an annual job fair and periodic mini-job fairs as well as assessment services (*i.e.* testing of job applicants). The fees are set to recover the centre's costs of materials and staff time. The team also makes employer referrals to other

WDC services including apprenticeships, short-term training for specific skill shortages, and customised training for incumbent workers, as well as referrals to outside service providers, who work partly on a fee-for-service basis (*e.g.* in relation to customised job training).

J. Vocational guidance and special services

1. Vocational guidance

Vocational guidance in the US is largely provided through the educational system, although the SESAs do play a role. In Connecticut and Wisconsin, one-stop centres assist by providing job-seekers with access to self-service resources including specialised computer software or to group counselling sessions and, in some cases, access to personalised assistance from an employment counsellor (*e.g.* as part of state apprenticeship programmes). In general, such services are particularly useful for non-college bound students, who sometimes find they do not get sufficient information on careers through the educational system. Connecticut Works staff are also involved directly in the schools where they make presentations on the Connecticut Works programmes and occasionally conduct motivational or job-search workshops. In many states, the SESAs are also involved in activities funded through the joint USDOL-US Department of Education School-to-Work initiative and which may include provision of advice on career options.

2. Services for veterans and disabled persons

The Veterans Employment and Training Service (VETS) in USDOL operates two main programmes: the Disabled Veteran's Outreach Program and the Local Veteran's Employment Representatives Program. VETS provides grants to the states which are used primarily to fund veterans specialists for outreach and services to veterans and co-operative initiatives with employers. Although field services for veterans are being co-located with other PES staff as part of the federal one-stop initiative, they maintain a clear programmatic distinction. In particular, the VETS representatives activities are strictly oriented towards veterans and, as a result, they usually do not contribute to the more general operations of the one-stop centres (*e.g.* they do not handle calls from non-veterans, even where there is a temporary overflow from other parts of the one-stop centres).

There is a federally-mandated vacancy preference for veterans that requires the PES to maximise their employment and training opportunities, with priority for disabled veterans and Vietnam-era veterans. In practise many states, including Connecticut and Wisconsin, seek to realise this requirement, in part, by reserving vacancies for veterans during the first 24 hours after listing. In Wisconsin, if there is a strong veteran candidate for a position, a VETS representative may reserve a vacancy

for an additional 24 hours. This has raised concern among some FUTA-funded ES staff, who note that veterans comprise a decreasing share of the US population and that the reservation period may slow the ability of the ES to be responsive to employer needs. The VETS staff are aware of these concerns and tend to avoid use of the extended hold-periods, except in cases where they have a serious prospect of placing a veteran. A second criticism sometimes raised by ES managers is that the VETS approach to employment service delivery remains based on a case-management system with intensive one-on-one counselling and mediation efforts. This approach demands significant investments of staff time and is contrary to the PES strategy for other job-seekers, which is based on empowering individuals to find their own jobs rather than helping them directly to find employment.

The Americans with Disabilities Act (of 1990) required employers to take steps to accommodate the needs of persons with disabilities and raised awareness of disability issues. As part of the one-stop initiative, USDOL and the US Department of Education established a standing work group to foster partnership between one-stop centres and vocational rehabilitation services at the state and local levels. Some states, including Wisconsin, are already working to integrate their vocational rehabilitation agencies into their new workforce development systems. Connecticut Works and other SESAs set aside resources to assist in the purchase of adaptive equipment where it is required for the employment of a disabled worker. Also, under the one-stop initiative many centres are adding user-friendly equipment for the disabled including computers with large screen monitors and phone amplifiers or special phone systems for the hearing impaired, among other items.

K. Performance measures for one-stop centres

A central principle in the ES revitalisation and one-stop initiatives has been accountability. Although the federal government has required states to track specific programme-related measures (as with respect to WPA, JTPA or VETS) for years, the existing measures were viewed as insufficient. In recent years, however, many states participating in the one-stop system – including Connecticut – have moved to address this issue.

A key factor behind the renewed performance measurement effort was the passage of the Government Performance and Results Act of 1993 which mandated improved accountability of federal programmes. A second factor was the perception on the part of federal and state agencies that the lack of clear performance measures contributed to the decline in programme funding. In the absence of concrete evidence of performance, it was difficult for the ES to build a strong constituency in support of its funding base. The introduction of performance measures was seen as

facilitating the defence of programme funding, especially where services to employers can be measured.

Under the ES revitalisation initiative, USDOL established a project in co-operation with the Rhode Island SESA and ICESA's Center for Employment Security, Education and Research to examine customer satisfaction nation-wide and to develop measurement and training tools to assist states in implementing their own customer service improvement programmes [Center for Employment Security Education and Research (1997)]. Standardised questionnaires were developed for measurement of job-seeker/UI claimant, employer, and staff satisfaction and a national pilot survey was conducted. These standardised questions and the norms established were intended to permit agencies to measure their performance on several different levels including: i) on an absolute basis (*e.g.* level of positive response); ii) in comparisons across functional areas (*e.g.* placement services *vs.* training services); iii) in comparisons with other agencies; iv) in comparisons between units of the same organisation; and v) in terms of trends over time.

Beginning in 1996, a USDOL team worked to develop a set of voluntary performance indicators tailored for the new integrated workforce development approach to PES operations.⁶¹ In an effort to build consensus and encourage participation of the various stakeholders in the establishment of measures, USDOL established a federal-state committee with four work groups to prepare proposals. A working list of nine system-wide core measures was finalised in June 1998 and USDOL is seeking to arrange a pilot test during PY 1998 (Table 4.6). The federal-state committee also developed 15 additional non-core and experimental measures that would be used for specific purposes or audiences. Although the performance measures review covered three areas (outcomes, efficiency, and customer satisfaction), most of the core measures focus on outcomes. The committee also mapped out a management strategy for continuous improvement that would be used in conjunction with the performance indicators.

At the same time, the USDOL team worked to prepare a working list of performance measures specifically for the labour exchange segment of the system. In June 1998, USDOL released a Federal Register Notice soliciting comments on draft measures targeting the following system segments: self-service (focused on activity-related counts for the AJB/ATB system); facilitated self-service (focused on usage and customer satisfaction); staff-assisted service (focused on effectiveness, speed of service and customer satisfaction); and cross-cutting labour exchange operations (focused on cost and effectiveness).

Connecticut has been a pioneer in improved performance measurement. Already at the time of the re-organisation of CTDOL, a special unit was established for performance measurement. With the advent of the one-stop initiative, a special committee of state and local partners was established to prepare a method for performance mea-

Table 4.6. **Workforce development system (WDS) performance measures initiative: menu of core measures for voluntary use by states and localities**

Performance measure	Data source	Focus of measure
Entered employment rate The number of individuals entering unsubsidised employment following the receipt of a WDS service as a percentage of all those who received a WDS service; based on data for quarter in which service was received and following quarter, with certain exclusions.	UI wage records; Child support enforcement New Hire Database; education, employment and training programme administrative data.	Employment
Annual earnings gain <i>a) For those with recent prior earnings:</i> the average change in earnings between the four full quarters after entering employment (following WDS service receipt) and the four full quarters before registration/enrolment; <i>b) For those without recent prior earnings:</i> average earnings in the four full quarters after registration/enrolment.	UI wage records	Employment and Earnings
Employment retention Average duration of employment for those entering employment following WDS service receipt; measured for the four full quarters following entry into employment.	UI wage records and other follow-up mechanisms (<i>e.g.</i> , mail or phone surveys)	Employment and Workplace
Post-employment ratio of self-sufficiency for public assistance recipients Ratio of average annual earnings of individuals who receive WDS services and enter employment compared to the cost-of-living for a family of three in the state or local area.	UI wage records; WDS administrative records noting receipt (or prior receipt) of TANF, general or emergency assistance, Food Stamps, housing assistance, Medicaid, or Supplementary Security Income disability benefits.	Self-sufficiency
Basic skills attainment Percentage of individuals enrolled in basic skills programmes who earn certificates of attainment or mastery during the reporting period (<i>i.e.</i> , certificates leading to secondary school diploma or certificates of initial mastery).	Records of standardised assessments based on standardised tests, third party verification, administrative records, and other sources.	Knowledge/Skill attainment
Occupational skill attainment Percentage of those exiting occupational skill training who were awarded a credential recognised as leading to employment (<i>e.g.</i> , certificate of advanced mastery or post-secondary degree).	Administrative records of individual attainment of occupation-specific skills recognised by business/industry.	Knowledge/Skill attainment
Transition success rate The percentage of all people exiting skill training measures who obtain a job or successfully transition to further education (by following year).	Agencies submit data with unique identification numbers for all exiters. Data sets cross-matched with WDS administrative and UI data	Knowledge/Skill attainment

Table 4.6. **Workforce development system (WDS) performance measures initiative: menu of core measures for voluntary use by states and localities** (*cont.*)

Performance measure	Data source	Focus of measure
Job opening fill rate The number of WDS applicants hired into WDS-mediated job openings, divided by all WDS-mediated job openings (including those not filled).	WDS-accessible data systems	Employment, Matching labour supply/demand, One-stop operations
Customer satisfaction Indices for: employers, job-seekers, and internal system customers.	Customer satisfaction surveys using specially developed indices.	Customer satisfaction, One-stop operations
<i>Source:</i> USDOL's Workforce Development Performance Measure Initiative Internet site (http://www.wdsc.org/transition/measure/index.htm).		

surement in the new environment (subject to ratification by the CETC). Ownership of the system was encouraged by involving stakeholders, including staff, in the development and selection of indicators. This process resulted in the establishment of a clear and concise quarterly report for the one-stop centres that includes outcome, process, context, and workload measures (presented in Table 4.7).⁶²

The performance measurement system attempts to counterbalance volumes against results. This means, for example, that the volume of job referrals is contrasted against the effectiveness of each referral on average (placements per referral). The workload indicator (new UI claims per full-time equivalent position) is notable in that it relates flow to an input rather than to a population; this approach was not used in the draft federal measures. Connecticut is in the process of developing measures for employment retention and the share of clients entering employment who experience earnings increases, outcomes that figure among the core federal measures.

Each one-stop centre receives a tailored report that includes for each measure: five quarters of data, the best state-wide four-quarter average score and the goal for the office. The quarterly results are presented numerically and with a symbol indicating whether the result was above-average, below-average or average in comparison with other offices. The result is a user-friendly product permitting office managers to assess at a glance their position relative to other offices and their own past performance and present goals.

As the system in Connecticut evolves, staff and others are concerned that an effort be made to improve measurement of output. This is particularly a concern with respect to tracking the ES labour exchange function. Since the labour exchange is a universal service with a large number of clients and since many placements are not recorded, PES

Table 4.7. **Connecticut one-stop performance report indicators**

Outcome measures	
Activity area	Indicator
Entered employment	1. Percentage of applicants who entered employment 1a. Percentage of applicants who received services and entered employment
Job Bank	2. Percentage of purged job orders with at least one placement
Process measures	
Activity area	Indicator
Customer satisfaction	3. Index of overall applicant/claimant satisfaction
Wait time	4a. Percentage of applicants who waited too long 4b. Average number of minutes for longest wait
UI	5. Percentage of non-monetary decisions made on time 6. Percentage of first payments made within 21 days
Employability services	7. Percentage of applicants receiving employability or other services 8. Percentage of newly-registered applicants assessed 9. Percentage of applicants receiving a service within 30 days of assessment
Context measures	
Activity area	Indicator
Employment services	10. Percentage of new, fully-registered applicants 11. Percentage of applicants receiving at least one referral
Referral and placement	12. Percentage of applicants receiving at least one referral 13. Proportion of individuals referred to individuals placed 14. Percentage of placements initiated from microfiche or kiosk
Job Bank	15. Average number of referrals per purged job opening
UI – voice response	16. Percentage of continued claims processed by voice response 17. Percentage of calls transferred to staff that were unanswered on the third try
Workload measures	
Activity area	Indicator
UI	18. New UI claims per full-time equivalent position

Source: Adapted from the Connecticut job centre performance overview report format.

managers are concerned that this contributes unfairly to a perception that the PES is not effective. As the PES moves increasingly to open vacancy listings (*i.e.* with full employer co-ordinates shown) and Internet access, this problem may become worse. Consequently, some system participants are debating whether to require the social security number from users of the state job banks as an aid in tracking results (and as a precondition for fully open vacancy listing). The social security number could subsequently be cross-checked against UI wage records, for example, as a means of determining transitions to employment.

In some local offices, the SESA is testing a new system to monitor use of self-service resources. At the Hartford one-stop centre, for example, when clients initially come in to use the resource room, some basic client information is

recorded including name, address, social security and phone number; a bar-coded swipe card is then issued. Each time the client accesses a self-service resource, he/she must insert the card in a reader that records their social security number and the type of service accessed.⁶³ The sign-in screen also asks if the client is a JTPA client and asks the person's employment status. The system will initially be used to develop a quarterly usage report on service provision. Potentially, it could be linked to other data sources to determine labour market outcomes associated with PES service provision (*e.g.* if someone used the job bank to look at vacancies, this information could be cross-matched in the future against UI wage data or new hire data to see if the person entered employment).

Overall, the goal of the Connecticut system is to focus management attention on critical operations and to encourage continuous improvement by providing benchmarks for comparison. The system emphasises management-staff collaboration and is used to identify areas for improvement and training rather than to sanction shortfalls. The SESA management has found that the development, implementation and refinement of the performance management system requires staff who are specifically charged with these tasks and who have management support. They note that the development and maintenance of the system has been facilitated by a perception on the part of all that it is a useful tool.

In Wisconsin, quantitative performance measures focus on customer satisfaction surveys and outcome measures. These are complemented with additional qualitative standards that one-stop centres must meet in terms of what services are available and how they are delivered. Performance measurement is facilitated by a system used to produce 24 periodic reports with information for users at the federal, state and local level.

Customer satisfaction is measured in Wisconsin through surveys of JobNet users, targeted groups of job-seekers and employers (all employers who list jobs are surveyed twice a year). Information is also collected through supplements to state tax-payer surveys which enable the SESA to collect information on clients and non-clients. In addition, individual one-stop centres sometimes conduct supplemental informal surveys of clients. *Outcome performance* is measured primarily using the existing programme-specific measures. Current job-seeker measures focus on job placement; earnings, wages, and benefits; and employment retention and labour market attachment. Employer-oriented measures focus on employer utilisation of the system, vacancy fill rates, and employment retention (the latter is used as an indicator of how well those placed in jobs satisfied employer needs). In the future, the SESA is planning to incorporate measures from the federal-state Workforce Development Performance Measurement Initiative. *Functional standards* for all one-stop centres focus on joint planning by partners, common client in-take, unduplicated client assessment, common case management, joint job development (vacancy registration) and

employer relations. One-stop centre *service standards* are site-specific and relate to client access to information and availability of assistance.

In sum, across the nation, progress toward the one-stop initiative goal of accountability and performance measurement has been made, but the development of national one-stop performance measures has lagged behind the progress made in some states. In part, the delays have been due to the use of a committee approach to develop and approve cross-cutting one-stop indicators and the need to involve stakeholders in a voluntary system. The potential utility of this exercise may not be known until the pilot testing is completed and national implementation gets underway. The ultimate success of the system will be measured by its ability to encourage attainment of the one-stop goals. This point was highlighted by the results from the national pilot survey on customer satisfaction cited above. That survey found that, while overall perceptions of the ES were relatively positive, it was still seen as too bureaucratic, ineffective in some areas (*e.g.* in assistance with job search and readiness, including preparation for interviews), and – importantly – failing to utilise customer feedback to improve service quality, among other results [Center for Employment Security Education and Research (1997)].

As the Advisory Council on Unemployment Compensation (1996) found with respect to the UI system, performance measurement is an appropriate federal concern, but the council recommended that federal involvement should focus on essential national interests. With respect to the one-stop system as a whole, the possibility of establishing a federal requirement for a limited number of core measures might also be explored as one way of encouraging attainment of one-stop initiative goals across those elements of the system that are largely federally funded (possibly in conjunction with a reduction of reporting requirements in other aspects of the PES).

L. Private placement agencies

As noted in Chapter 2, private placement agencies have a long history in the United States. Although, as in many OECD countries, far more job-seekers use other means of job search, private placement agencies nevertheless have a substantial market share in the United States: the CPS national data for 1992-1993 indicate that about one in twelve job-seekers had checked with private employment agencies (see Table 4.3).

In terms of actual shares of placements, there is little comprehensive evidence. One study by Holzer (1996) found that private agencies had a market share of nearly 10 per cent among hirings in four cities for jobs requiring less than a college education during the period 1992-1994.⁶⁴ This compares with a rate of 24 per cent for hirings through newspaper advertisements or 26 per cent for hirings through referrals from current employees. The state employment service market share by this

measure was less than 2 per cent. Data published in a recent USDOL brochure indicated that private employment agencies had a success rate of about 25 per cent in placing those who sought work through them.⁶⁵ At the same time, the most popular and successful means of job search, applying directly to employers, led to jobs for about half of those using this means.

In Connecticut and Wisconsin, CTDOL and DWD, respectively, are responsible for regulation of private employment agencies. These states differentiate between those employment agencies that are paid by employers to recruit candidates and those that charge job-seekers a fee for placement assistance. In both states, employer-paid agencies (including temporary agencies) are simply registered by the corresponding department with relatively little further special oversight. The states tend to leave employers to seek legal recourse in the courts in cases where there are disputes. As of 1997, there were about 380 such agencies in Connecticut and more than 300 in Wisconsin. Job-seeker paid agencies are more strictly regulated and must acquire a special state license to operate. The state laws require such agencies to be bonded and the laws lay out special record-keeping requirements. In cases where job-seekers file written complaints, the state agencies will investigate. As of 1997, there were only eight such agencies in Connecticut and 14 such agencies in Wisconsin.

In recent years, private employment agencies have tended to develop relatively good relationships with the state employment services, especially at the level of the individual one-stop centres. Private agencies have profited from use of the public databases with labour market information (especially AJB). In both Connecticut and Wisconsin, they list vacancies with the ES and recruit on-site at the one-stop career centres (for employer-paid vacancies only), in effect helping the state agencies by providing a service to job-seekers.⁶⁶ In such cases, the private agencies must also function in accord with the ES rules governing vacancies, for example, by certifying that they are not recruiting to fill positions that are vacant due to a labour dispute.

Profiling Unemployed Job-seekers: Identifying those At-risk of Long-term Unemployment for Early Intervention and Assistance

A. Introduction

The OECD has recommended that Member countries adopt an early intervention strategy for unemployed job-seekers at-risk of becoming long-term unemployed, hoping that this will facilitate a faster return to work [OECD (1997c)]. There are two main reasons for this recommendation. First, many countries currently do little to determine who needs assistance and, combined with doing little in the way of follow-up over the course of unemployment, some job-seekers drift into long-term unemployment. Second, due to cost and other considerations, not all the unemployed can be helped in finding work. Some method must be used to determine who is at-risk of long-term unemployment and when to offer them assistance. While this typically has been through staff judgement, some countries have introduced statistical techniques hoping to better target resources on job-seekers most in need, usually referred to as *profiling*. This chapter describes the American profiling system, the services offered and how these vary in Connecticut and Wisconsin. It then discusses how well the strategy has worked to date and raises several critical issues as to its effectiveness. In particular, it examines the resourcing of the system, the targeting of services, model and data concerns, and the potential to help former welfare clients.

B. Profiling procedures in the United States

In November 1993, Congress enacted legislation requiring each state to set up its own Worker Profiling and Re-employment Services (WPRS) system. WPRS consists of three basic steps: early identification of unemployment insurance (UI) claimants likely to exhaust their entitlement to benefits; provision of re-employment services to these claimants; and collection of information on outcomes in order to check continuing benefit eligibility and to facilitate evaluations [OECD (1998b)].

Profiling has three main goals [USDOL (1994)]:

- to identify claimants who are likely to exhaust their benefits and need re-employment services early in their unemployment spell. These are usually referred to as dislocated workers, or those who have been permanently separated from their employers;
- to link these claimants with re-employment services appropriate to their individual needs; and
- to get claimants into re-employment faster and into better-paying jobs than they would have got without assistance.

Connecticut and Wisconsin were among the “first-wave” states in the development of profiling systems: they were the first to receive grants to develop the statistical models to identify at-risk job-seekers and to create the systems necessary to carry out profiling.⁶⁷ This took about one year and profiling-based referrals began in early 1995. Profiling is technically complex so states were assisted in their efforts by USDOL. It provided a team skilled in econometrics and UI data systems to help states develop and refine their statistical models [Wandner (1998)]. Connecticut decided to develop its own model, while Wisconsin purchased theirs from Mathematica, Inc.

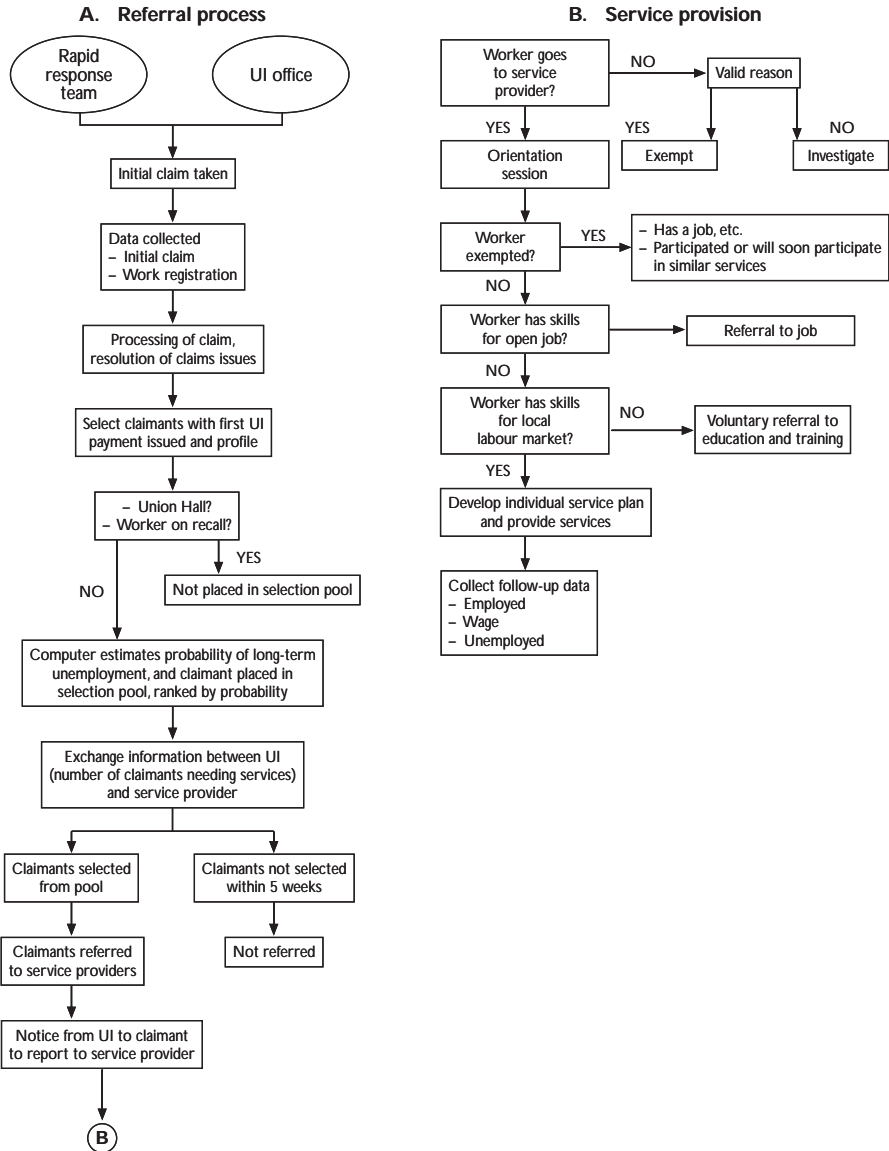
Prior to the introduction of profiling, few dislocated workers were offered services. Dislocation was primarily self-identified – except in cases of mass layoff – and few workers identified themselves as such. Now, when job-seekers are selected for follow-up via profiling they are automatically considered dislocated. Profiling was the first major change to UI law in decades that expanded the work test to include mandatory attendance at re-employment services as a condition for UI receipt. Profiling thus explicitly ties dislocation to follow-up services. Moreover, the goal is to do so in the most effective manner, *i.e.* by targeting assistance on those most in need given the limited resources available. Profiling is also, therefore, used as a resource allocation tool.

No additional funding was provided, however, for re-employment services other than an initial one-time US\$20 million grant to expand capacity in the states [Wandner (1998)]. Thus, the system is constrained by the supply of services. Funding comes via WPA and/or JTPA Title III. States are also required to set-up agreements among the various partners involved in profiling, *e.g.* UI offices and service providers to ensure co-ordination among them.

C. Profiling in Connecticut and Wisconsin

Both Connecticut and Wisconsin follow a similar process to profile workers. This is outlined in Chart 5.1 and summarised below:

◆ Chart 5.1. *The profiling process in Connecticut and Wisconsin*



Source: Information provided by the US authorities.

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- All UI claimants who are issued a cheque within the first 5 weeks of their initial claim are profiled. Claimants with adjudication issues (over their eligibility to UI) or who for any other reason have not received a payment within 5 weeks are not profiled.⁶⁸
- Information on the job-seeker is gathered at the time of the initial claim for later use in the calculation of the probability of exhaustion of benefits. The data include: whether the job-seeker has been laid off with a definite recall date or has a union hiring hall status; personal characteristics, including previous job tenure, occupation, industry and level of education; and labour market data which, to date, are limited to the unemployment rate in the locality where the claimant resides.
- A characteristics screen is run first, *i.e.* those with a definite recall date, a union hiring hall status (or in Wisconsin, those already in a training programme) drop out from profiling at this stage. For claimants who pass these screens, a statistical model is run on a weekly basis. The model weights the personal characteristics and labour market data to generate an estimate of the probability of exhaustion of benefits for each claimant. These claimants are then placed in a selection pool that sorts them by local area and their estimated probability.⁶⁹
- The job/one-stop centres receive a weekly list of profiled claimants in the selection pool in their area from UI staff who run and maintain the model. These offices then decide how many profiled claimants in the selection pool can be served (based on resources) and notify the UI staff of their list. PES staff cannot use their own judgement to select those for follow-up services: they can only base their selection of claimants on the estimated probability and the ability of local providers to supply re-employment services. The UI office then sends letters to these selected claimants, indicating that they must attend an orientation session at their local job/one-stop centre. Claimants are typically allowed 1 to 3 weeks to report, although in some cases there may be exemptions for justifiable cause, *e.g.* those already in a new job.
- At the orientation session, job-seekers are told why they were chosen to participate, their obligations and the types of services available. An individual assessment and service plan is developed and the job-seeker is then referred to a service provider(s). The service plan is a signed document: profiled claimants are obliged to follow it and service providers are expected to track their clients through the services to ensure compliance. Immediate referral to jobs takes place if the claimant has the skills required for available job openings.

D. How does profiling work in practice?

1. *Services provided*

Each state draws profiled claimants from the selection pool and refers them to re-employment services based on their probability value and the availability of services. These services mainly take the form of job-search assistance in both states, since programme evaluations have found it to be the most cost-effective method of helping dislocated workers re-enter employment [Wandner (1998)]. Job-search assistance includes resume preparation, job-search skills, interview skills, career decision-making assistance, provision of labour market information and networking skills. Local areas may vary the services offered although individual states usually set some core services that have to be offered. In both Connecticut and Wisconsin, an orientation session and a personal needs assessment are mandatory. In Connecticut, a workshop on strategies for managing change is also compulsory.

Orientation sessions typically outline the services available at the one-stop centres. In Racine county in Wisconsin, for example, an orientation session includes a tour of one-stop centre facilities, indicating resources available to the job-seeker such as workshops, specialised programmes, etc. The personal needs assessment involves assisting clients determine what help they need to get back to work.

A number of providers can supply services. These include the ES, the PIC or RWDB and other providers as agreed to in the profiling agreement. In Wisconsin, the agreement must include how profiling will fit into the one-stop agreements and local county planning teams. In practice, most services are provided at the one-stop centres where most partners are located.

Federal government regulations mandate that states collect data on the types of follow-up services provided and the number of participants in each. These data are presented in Table 5.1, which reveals several interesting points. First, although orientation sessions are mandatory, not all participants appear to attend them, a puzzling finding. It is probable that the numbers, however, are not accurate. Non-profiled job-seekers can also attend the sessions, but they do not have to be reported, which in practice may mean that those who have to attend are not always counted either. Nevertheless, it does not appear that all job-seekers are systematically receiving the orientation session, which is important to determine the types of assistance that the job-seeker needs. Second, it does not appear in Wisconsin that claimants who attend their orientation session receive very much additional assistance given the low numbers of claimants who attend other types of services. Third, few job-seekers are referred immediately to job placement, a surprising result given the recent economic climate. In Connecticut, however, clients are first sent to workshops in job-search techniques (where the number of referrals are high) and are then expected to find their own jobs. Indeed, few claimants receive extensive individual counselling, con-

sistent with an apparent preference for less costly workshops. Finally, the data presented in Table 5.1 suggest that either greater care needs to be placed on how they are collected to get a better picture of the types of services given to claimants, or that many claimants are not receiving the assistance that is the intent behind profiling.⁷⁰

Table 5.1. **Profiling services in Connecticut, Wisconsin and the United States, 1997**

	Connecticut		Wisconsin		United States
Total profiled^a	32 740		209 919		7 032 127
Selection pool ^b	32 740		85 714		2 142 473
Referred to services ^c	8 686		11 580		745 152
Exempt ^d	978		589		264 203
		As a per cent of referrals		As a per cent of referrals	
Reported to services^e	7 058	81	9 053	78	982 295
Orientation	5 095	59	8 659	75	..
Assessment	5 541	64	3 691	32	..
Individual counseling	308	4	908	8	..
Placement to jobs	2 253	26	865	7	..
Workshops	6 022	69	2 903	25	..
Employment and training	243	3	2 220	19	..
Appeals	58	1	32	0	..
Memorandum item					
Number referred/number in pool	27		14		35

.. Not available.

a) This refers to the number of initial claimants put through the state profiling mechanism. This is generally equal to the number of first payments made to claimants.

b) This refers to the number of profiled claimants who were not eliminated by the profiling screens. Each individual in the pool has a probability level associated with him/her.

c) This refers to the number of claimants in the selection pool who were referred to profiling services.

d) This refers to the number of profiled claimants who were exempted from services.

e) This refers to the number of claimants referred to services who actually reported. In some cases, this number may be greater than the number referred because states have incorrectly gathered the data. For example, some have counted the number of services each individual received as opposed to only the number of individuals referred. Each individual can, however, attend more than one service so the number beside each service refers to the number of claimants who reported to that service.

Sources : OECD correspondence with US Department of Labor and state agencies (based on USDOL reporting form ETA9048).

2. Sanctions arising from non-participation in the profiling process

In each state, profiled job-seekers selected for re-employment services may be exempted from participation. Exemptions can arise for a number of reasons, *e.g.* job-seekers may have already found work, be enrolled in training, or have already received similar services as part of a layoff package from their former employer or on their own initiative. In addition, claimants may have “justifiable cause” – as defined

in UI law – to not attend profiling sessions. The “profiler” located in the job centres must make this determination and, as such, must know adjudication procedures to determine whether the claimant is fulfilling his/her obligations under UI receipt. It is the UI adjudication officer, however, who makes the final determination on sanctions based on information supplied by the profiler. A claimant could, for example, question the need for certain services and the profiler must be able to justify them.

In Connecticut, failure to attend the orientation session results in denial of benefits for that week. Benefits are reinstated if the individual participates the following week. Benefits are also denied for lack of participation in any re-employment service. If the individual had no intention of participating and/or fails to respond to a hearing request, disqualification could be indefinite. In Wisconsin, failure to attend sessions can also lead to a loss of benefits for the week, but job-seekers requalify when job search resumes.

In this context, one concern that was raised when WPRS was first introduced was whether it would be simply used to increase UI disqualification rates [Wandner (1998)]. Sanctions, however, have been rare as most profiled job-seekers have been willing to participate and, when this has not been the case, it is usually because of some reason that violates UI regulations such as not being available for work. For example, when further follow-up has taken place as to why the job-seeker did not show up for the orientation session, it was more often than not because the job-seeker could not meet all of the UI eligibility criteria as opposed to avoiding profiling services. Furthermore, it appears that staff try not to place job-seekers in too many services to reduce the chance that sanctions could occur for non-participation [USDOL (1996b)]. The sentiment appears to be that by placing job-seekers in a large number of services, it may be more difficult to attend them all, resulting in a possible sanction.

E. How do profiled job-seekers fare in the labour market?

States are also required to collect data on outcomes of profiling participants, and submit them to USDOL via a form called ETA9049. These data show, for those referred to services in one quarter, the number employed over the subsequent four quarters, their wages relative to what they earned prior to claiming UI (base-period wages) and whether the new job involved a change in industry.⁷¹ Follow-up data are not collected for those who have not found work.

Table 5.2 presents basic data on profiling outcomes. In Connecticut, about one-half of profiled and referred workers were employed in the following quarter, rising over time to about two-thirds. Relative to their previous job, profiled claimants referred to jobs earned two-thirds of their salary rising to about 80 per cent after one year. About one-third changed industry in their new jobs. Wisconsin results are

similar, although showing slightly better employment and wage outcomes and a higher proportion of industry changes.⁷²

Table 5.2. **Profiling outcomes in Connecticut and Wisconsin**

	Connecticut		Wisconsin
	30 June 96 2 239	30 September 96 2 330	30 September 96 2 976
Number referred (persons)	Outcomes (percentage of referrals)		
Number employed ^a			
Quarter 1	52	53	61
Quarter 2	63	62	68
Quarter 3	66	66	73
Quarter 4	66	67	73
Number who changed industry ^b			
Quarter 1	37	38	44
Quarter 2	49	46	52
Quarter 3	34	34	57
Quarter 4	33	33	57
	Wages in quarter relative to base period wages ^c		
Quarter 1	67	69	75
Quarter 2	77	74	78
Quarter 3	83	82	88
Quarter 4	81	81	90

a) Percentage of claimants employed in each subsequent quarter following receipt of profiling services.

b) Percentage of employed claimants who changed industry relative to their former job.

c) Base-period wages refer to wages prior to receipt of UI.

Sources : OECD correspondence with state agencies (based on USDOL reporting form ETA9049).

What the data do not reveal is how many profiled workers actually did get work because job changes could be counted more than once. For example, in Connecticut the 66 per cent employed in the fourth quarter after referral may not include all of the same people employed in the first quarter after referral, *i.e.* some of those employed initially may have lost their jobs and others may have found one. Moreover, although on the surface the data suggest that profiling services were to a large extent successful, many workers who have permanently lost their jobs get work anyway. Indeed, a recent paper by Hipple (1997), found of workers displaced in 1993-94, between 70 and 80 per cent were employed two years later, with earnings close to 80 per cent of those earned in their previous job.

These data are, therefore, insufficient to evaluate the impact of profiling. What is needed is a rigorous evaluation to determine what would have happened to profiled and referred claimants had they not received the services. Currently, there is no such information in this area for either Connecticut or Wisconsin. But some preliminary evidence from an evaluation conducted in those states where models were prototyped

does exist. In particular, an evaluation of *the net impact of profiling* in the WPRS Evaluation Report to Congress in Delaware, Kentucky and the state of New Jersey found that [USDOL (1997d)]:

- WPRS reduced UI receipt by about one-half of a week per profiled claimant referred to re-employment services in Kentucky and by almost three-quarters of one week in New Jersey. In each state, this amounted to about US\$100 in savings per referred claimant.
- Significant earnings and employment gains were found in only one of the three prototype states with reliable impact data, New Jersey, *i.e.* they were higher relative to what claimants would have received in the absence of the profiling services. Employment was up about 1 percentage point and earnings about US\$200 in the second quarter following the initial claim.
- Profiled claimants referred to services received substantially more services than claimants who were not referred.

These findings provide only mixed support for the contention that profiling leads to net benefits relative to the counterfactual case. It is, however, possible that initial profiling impacts may increase over time as the systems stabilise and as states move up the learning curve. For example, profiling has encouraged better co-operation among service providers, such as the Employment Service and other bodies, as well as encouraging an individual assessment of all clients. Taken together, these factors might lead to improved outcomes in the future.⁷³

F. Improving the performance of profiling: key issues that must be addressed

1. Resources

As noted above, although considerable importance has been attached to profiling as a method to reduce the unemployment duration of dislocated workers, no additional federal resources have been provided to states to carry out follow-up services. This need not create large problems if efficiency gains are possible within the existing budget constraint. For example, states were receiving considerable funding via JTPA before profiling. Since the number of dislocated workers actually getting services was low, profiling may have increased the efficiency by better targeting funds on these workers. This could have involved, for example, a change in the nature of services provided away from training towards job-search assistance which is less expensive, considered more cost-effective and would allow more dislocated workers to be assisted. Increasing the number of less costly services provided to dislocated workers who were rarely served in the past, will likely require an increase in funding. In this context, JTPA funding for Title III has increased (see Chapter 6) although it need not be directed solely at WPRS.

An important point is that, even with the low unemployment rates that currently prevail in the United States, worker dislocation remains high. For example, the average duration of unemployment in the United States is still well above its 1989 level – 15.8 weeks in 1997 compared with 11.9 weeks in 1989 – and is higher for permanently separated workers [Wandner (1998)].

One statistic which points to clear resource constraints is that many profiled workers in the selection pool are never referred to any services (Table 5.1). In 1997, Connecticut referred 27 per cent and Wisconsin about 14 per cent. These are well below those reported in other states. For example, for the United States as a whole, about 35 per cent of claimants in the selection pool were referred to services. To place such statistics in perspective, however, requires some notion of how many claimants *should* receive services. An initial judgement could be arrived at by examining the probability of benefit exhaustion levels of those who are referred (although data in this area are currently unavailable for the two review states).

An important equity issue also arises: claimants with similarly estimated probability levels may be treated very differently across local areas due to resource constraints. Since local offices only select claimants registered in their own area, it is quite likely that some areas where funding levels are higher – or where labour market conditions are better – are able to reach deeper into the selection pool. Thus, it is very possible that one area may not be able to serve those with the highest probabilities of benefit exhaustion while others can serve those with lower probabilities. An example may help clarify this point. After a claimant passes profiling screens, he/she is assigned a probability level, *e.g.* that he/she is 90 per cent at-risk of becoming long-term unemployed. In one local area, this level may be high enough for the job-seeker to be referred to services; in another, it may not because there are not enough slots available at service providers. It is, therefore, necessary to know not only how many are referred to services, but their probability level by local office.

Additional issues related to funding include:

- The use of any funding stream has its own conditions attached, *i.e.* administrative burdens discussed further in the next chapter. These include paperwork requirements and the tracking of performance outcomes. In Connecticut, these take up about 20 per cent of a profiler's time, time that could be spent on individual assessment of claimant needs.
- The level of funding available differs across local areas to reflect varying labour market conditions. However, such conditions can change, sometimes rather suddenly. An area that sees an increase in dislocated workers might have difficulty offering services to many of them, even if additional funding could be found, because it is unlikely that service provision could be expanded in 5 weeks, the cut-off to get into profiling.⁷⁴ This point is related to the equity issue mentioned above.

- Given the policy of universal access to all job-centre services, it is possible that employed persons wishing to update their job-search techniques could crowd referred profiled claimants out of some workshops. By contrast, directing funds more towards the latter group could crowd out assistance to dislocated workers who were not assessed as at-risk, but who may still be eligible for JTPA services. A balance must, therefore, be found between the numbers that can be helped through profiling services and others who are eligible for assistance via other programmes.
- Now that profiling is a universal programme, it is likely that more and more job-seekers will become aware of it and the services offered. Dislocated workers could begin to self-identify themselves as such without the need for profiling. If they begin to enrol in greater numbers, this may also place severe pressure on resources.

Funding issues will take on increased importance in an economic downturn. Profiling should ensure that claimants most at-risk are referred to re-employment services, *i.e.* it will function both as a work test for those most at-risk and ensure they are followed up with re-employment services. In a recession, a greater proportion of UI claimants will almost inevitably be at-risk of exhausting their benefits. It remains an open question as to whether the system is (or will be) resourced enough to handle a downturn and keep claimants from drifting into long-term unemployment or whether so few claimants will be referred that profiling will simply have a trivial labour market impact. To the extent that profiling works effectively, however, the longer-run costs associated with assisting job-seekers may become lower because fewer will need the more expensive programmes usually used to assist the longer-term unemployed.

2. Early intervention and the services offered

The purpose of profiling is early intervention. In addition, several other elements are important to ensure the system is as effective as possible. For example, the job-seeker should receive the most appropriate basket of services and further follow-up might be considered if claimants do not get work. This leads to a number of issues about the current process. For example:

- The 5-week limit for referral is consistent with early intervention. But if many job-seekers in the pool are considered at high risk of exhausting benefits, they should be provided assistance as soon as possible. This argues against a 5-week limit.
- Profiled claimants receive individual assessments, but little attention appears to be paid to the appropriate mix of individualised services. Indeed, the evidence suggests that many claimants are offered a similar basket of services in each state. One reason for this may be that obliging some claimants

to participate in more services than others could be seen as unfair. It could lead to a greater risk of sanctions in that participation in more services increases the risk of not being able to complete them all. Another may simply be lack of time and resources to tailor plans. In addition, there is little hard evidence as to what mix of services offered to claimants works best and for what types of claimants.

- To date, there has been little follow-up of profiled claimants after the outcome is recorded. Currently, when profiling services end, so does active contact with the at-risk group. For example, according to Table 5.2, roughly one-third of this group in Connecticut and one-fourth in Wisconsin is not employed after one year and it does not appear that these individuals are called back into the office and given any additional assistance. Given that these job-seekers have been determined as at-risk, it could be argued that more active follow-up needs to be considered. Indeed, if they have not found work, this would seem to imply that more assistance is in fact necessary.

Thus far, the focus has been on job-search assistance. An open issue is how extensively *training* should be available and provided to profiled claimants referred to services. If job specific skills have deteriorated, retraining may be appropriate. Undoubtedly, the decision depends both on the individual and the economic climate. With jobs plentiful at the current juncture, job-search assistance may be sufficient to find jobs. But in a downturn, training might take on more importance to tie assistance to job openings. This in fact is a goal of JTPA. However, providing more training requires greater resources and implies that fewer job-seekers will be assisted in other ways.⁷⁵

3. Model and data issues with respect to profiling

As noted in OECD (1998b), statistical models used in profiling can give rise to two types of errors. First, they may identify individuals as being at-risk of exhausting benefits when they are not thus generating deadweight losses if services are offered. Second, they might fail to identify a job-seeker at-risk who does need assistance. Unfortunately, there is currently limited evidence on the how important these are.

Studies from the United Kingdom indicate that statistical models do a poor job of identifying job-seekers at-risk of becoming long-term unemployed [Wells (1998)]. For example, their research revealed that of the 10 per cent of new clients with the highest estimated probabilities of remaining unemployed, only 35 per cent were still claimants after one year, and that fewer than 1 in 5 of those who actually became long-term unemployed were picked up by the selection. On the other hand, one American experiment – which was influential in starting up profiling – indicated that a profiling model of the type currently used in most states does a better job of identifying at-risk job-seekers than staff judgement using a set of characteristic screens

(which do not weight the various characteristics) [Wandner (1998)]. Thus, even though deadweight losses exist using statistical models, they also exist using staff judgement and appear to be lower using a statistical model that weights client characteristics. More research is necessary to settle this issue.

A key question in the current economic climate is whether, once dislocated, workers face a lower probability of exhausting benefits because of a larger number of vacancies. The models currently in use were estimated a few years ago when the probability of exhausting benefits was probably higher and may now “over predict” the number at risk of exhausting benefits. Although this problem is not intrinsic to profiling models, it does have resource implications, *i.e.* too many people are offered assistance and the money could potentially be put to better use. In order to deal with this problem, USDOL recommends that states reestimate their models every couple of years to account for changing economic conditions.

Another way to avoid these problems is to ensure that the statistical models include as many relevant factors as possible. In practice, this is very difficult. Because of civil rights issues, age, gender and race cannot be used as variables in state models although each characteristic is usually a factor in accounting for unemployment duration. The main variables in the model are restricted to job tenure, educational attainment, previous occupation and previous industry, which may proxy to some extent for age and gender. Motivational variables are also important – for example, a job-seeker's motivation to find work is important to his/her success in getting a job – but difficult to include in a statistical model. In addition, models could be set up by region to ensure that local labour market conditions are best accounted for – and, indeed, the original Connecticut model was set-up for their (formerly) 9 regions – but this is a difficult undertaking both because of data problems and because these models are more difficult to maintain. Connecticut has, therefore, moved to a state-wide model.

There is, unfortunately, little in the way of international experience to help in assessing all of these issues. Australia is the only country with a similar programme, although there are important differences [OECD (1998b)]. In Australia, profiling is used to decide on the level of assistance that a job-seeker requires when the person signs on for unemployment benefits. Unlike the United States, job-seekers can access a whole range of services from job-broking to training, depending on the outcome from the statistical model. In addition, Australia hopes to keep deadweight losses to a minimum by using a comprehensive screening mechanism, the Job-seeker Classification Instrument (JSCI). The JSCI model includes objective variables such as age and educational attainment, and motivational-based variables. These were built into the instrument by a group of experts that modified Australia's initial statistical model results to include non-survey based data. For example, one variable in the instrument is “disadvantage resulting from personal factors requiring professional or specialist judgement”. There is currently no evaluation evidence to judge whether

this instrument is more effective than their previous one, which more resembled current profiling models in use in the United States. Australian efforts to enrich their model, however, suggest some possible ways that the United States might consider improving their models, albeit probably at a higher cost that would have to be weighed against any potential increase in their performance.

4. *Accounting for former welfare clients*

One issue that will take on more importance in the US context is how welfare clients who lose jobs should be assisted under profiling. Much will depend on the types of jobs that welfare clients get but, as discussed more in Chapter 7, the evidence is that many will be in high-turnover, relatively low-paid jobs. The likelihood of former welfare recipients meeting UI eligibility requirements is, therefore, low [Gustafson and Levine (1998)].⁷⁶ But if they do become eligible, they would be profiled similar to any other claimant. Current models, however, will rank them low on the ladder of requiring assistance to get a job. This is because job tenure is an extremely important variable in predicting at-risk groups. This basically reflects job-specific skills that are not relevant to other firms, or those which have become obsolete. In actual fact of course, welfare clients with low job tenure would probably fall into the group at-risk to exhausting their benefits. This problem may be overcome by re-estimation of the model when welfare clients who have lost jobs join the ranks of the unemployed, but it is unlikely that they will ever make up a large enough share of UI benefit exhaustees to drive a change in the tenure variable, although more weight may become placed on the coefficient of the educational attainment variable. One way around this problem would be to include some measure of previous dependence on income support by claimants in the model, but such data are scarce. The question, therefore, arises as to how welfare clients who might otherwise be considered dislocated – permanently separated from their previous employer – should be assisted.

Employment and Training Programmes

A. Introduction

The main focus of this chapter is on federal employment and training programmes. It begins with an overview of active labour market programmes (ALMPs) and their administration. It then turns to a discussion of training programmes, focusing on the Job Training Partnership Act. A number of key features that make it unique among OECD countries are discussed. A brief discussion of other main training programmes targeted at adults and youths follows. It finishes with a discussion of the use of wage subsidy programmes.

B. Overview of spending and participation in active labour market programmes (ALMPs)

Among OECD countries, the United States ranks close to the bottom in terms of public spending on active labour market programs. In the programme year 1996-1997, expenditures were 0.17 per cent of GDP. Only the Czech Republic, Japan and Korea spent less (Tables 6.1 and 6.2). About 40 per cent of total expenditures are devoted to active programmes, slightly higher than the OECD average of 35 per cent. This share has increased as spending (in US dollar terms) on passive programmes has declined more than on active programmes. Spending by broad programme categories, which ranges from 0.01 per cent of GDP on subsidies to employment to 0.04 per cent on labour market training, is low relative to other OECD countries. The one category well above the OECD average is the per cent of GDP devoted to PES administration, likely reflecting the large amounts of job-search assistance type measures provided to clients. Actual expenditures on active programmes amounted to about US\$13.5 billion in 1996-1997. Participant numbers are incomplete, but indicate that about 1 million people or 0.8 per cent of the labour force participated in labour market training and close to 800 000 (0.6 per cent of the labour force) participated in youth programmes.

Table 6.1. **Public expenditures and participant inflows in labour market programmes**

	Public expenditures as a percentage of GDP							Participant inflows as a percentage of the labour force						
	United States ^a						OECD average	United States ^a						OECD average
	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1996-97	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1996-97
1. Public employment services and administration	0.08	0.08	0.08	0.07	0.08	0.06	0.14							
2. Labour market training	0.05	0.04	0.04	0.04	0.04	0.04	0.22	0.7	0.7	..	..	0.7	0.8	2.4
<i>a)</i> Training for unemployed adults and those at risk	0.05	0.04	0.04	0.04	0.04	0.04	0.18	0.7	0.7	..	..	0.7	0.8	1.7
<i>b)</i> Training for employed adults	–	–	–	–	–	–	0.04	–	–	–	–	–	–	0.7
3. Youth measures	0.03	0.04	0.04	0.03	0.03	0.03	0.10	0.5	0.9	..	..	..	0.6	1.0
<i>a)</i> Measures for unemployed and disadvantaged youth	0.03	0.04	0.04	0.03	0.03	0.03	0.04	0.5	0.8	..	..	0.4	0.5	0.5
<i>b)</i> Support of apprenticeship and related forms of general youth training	–	–	–	–	–	–	0.06	–	0.1	–	–	..	0.1	0.5
4. Subsidised employment	0.01	0.01	0.01	0.01	0.01	0.01	0.26	0.3	0.3	..	..	..	..	2.7
<i>a)</i> Subsidies to regular employment in the private sector	–	–	–	0.01	–	–	0.10	0.3	0.3	..	..	..	..	1.4
<i>b)</i> Support of unemployed persons starting enterprises	–	–	–	–	–	–	0.01	–	–	–	–	–	–	0.1
<i>c)</i> Direct job creation (public or non-profit)	0.01	0.01	0.01	0.01	–	0.01	0.15	0.1	0.1	–	–	0.1	0.1	1.2
5. Measures for the disabled	0.04	0.04	0.04	0.04	0.04	0.03	0.13	0.8	0.8	..	..	..	..	0.2
<i>a)</i> Vocational rehabilitation	0.04	0.04	0.04	0.04	0.04	0.03	0.05	0.8	0.8	..	..	..	..	0.1
<i>b)</i> Work for the disabled	–	–	–	–	–	–	0.08	–	–	–	–	–	–	0.1
6. Unemployment compensation	0.66	0.59	0.43	0.35	0.34	0.26	1.39							
7. Early retirement for labour market reasons	–	–	–	–	–	–	0.17							

Table 6.1. **Public expenditures and participant inflows in labour market programmes** (*cont.*)

	Public expenditures as a percentage of GDP							Participant inflows as a percentage of the labour force						
	United States ^a						OECD average	United States ^a						OECD average
	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1996-97	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1996-97
Total	0.88	0.81	0.65	0.55	0.53	0.43	2.42							
Active measures (1-5)	0.22	0.21	0.21	0.20	0.19	0.17	0.85	2.4	2.7	..	..	..	..	6.3
Passive measures (6 and 7)	0.66	0.59	0.43	0.35	0.34	0.26	1.56							
Share of active in total (per cent)	25	26	33	37	36	39	35							

– Nil or less than half of the last digit used.

.. Not available

a) Fiscal years from 1 October.

Source: OECD database on labour market programmes.

Table 6.2. **Public expenditures and participant inflows in US labour market programmes, 1996-97^a**

	Public expenditures (millions \$)	Participation inflows (persons)
1. Public employment services and administration	4 779	
Employment services	886	
Veterans Employment and Training	182	
Work activities under TANF	1 000	
Food Stamp Employment and Training	212	
Administration	2 499	
2. Labour market training	3 113	1 058 800
a) Training for unemployed adults and those at risk	3 113	1 058 800
Adult training grants: JTPA IIA	894	367 300
Employment training for dislocated workers: JTPA III	1 230	608 300
Trade Adjustment Assistance	85	24 400
NAFTA Training	28	3 800
Vocational education (Perkins Act)	748	—
Veterans' training	8	—
Measures for natives, migrants and seasonal farmworkers	120	55 000
b) Training for employed adults	—	—
3. Youth measures	2 417	777 427
a) Measures for unemployed and disadvantaged youth	2 401	673 969
Youth Training Grants: JTPA IIB	127	115 800
Summer Youth: JTPA IIC	871	492 900
Job Corps	1 185	65 269
School-to-work	218	—
b) Support of apprenticeship and related forms of general youth training	16	103 458
National Apprenticeship Act	16	103 458
4. Subsidised employment	573	..
a) Subsidies to regular employment in the private sector	110	..
Targeted Job Tax Credit	110	..
b) Support of unemployed persons starting enterprises	—	—
c) Direct job creation	463	92 300
Senior Community Employment Program	463	92 300
5. Measures for the disabled	2 577	..
a) Vocational rehabilitation	2 577	..
Veterans	401	..
Other	2 176	..
b) Work for the disabled	—	—
6. Unemployment compensation	21 044	
Unemployment benefits	20 828	
Trade Adjustment Allowance	199	
NAFTA benefits	17	
7. Early retirement for labour market reasons	—	
Total	34 503	
Active measures (1-5)	13 459	
Passive measures (6-7)	21 044	
Share of active as a percentage of total	39%	

— Nil or less than half of the last digit used.

.. Not available

a) Fiscal year from 1 October.

Source: OECD database on labour market programmes.

Participation in ALMPs is voluntary, *i.e.* job-seekers do not have to participate as a condition to receive UI – other than those referred to re-employment services through the WPRS system, discussed in Chapter 5 – so ALMPs are not used as a work-test (unlike the case in many other OECD countries). For those receiving UI, participation in a programme is usually considered active job-search. Many programmes, particularly training, are also not conditional on either UI receipt or the duration of unemployment, whereas the latter is usually one of the main criteria used for selection in other OECD countries. Indeed, if job-seekers meet eligibility criteria they may be able to access programmes at the beginning of their unemployment spell. Moreover, job-seekers may qualify for a number of different programmes at the same time and PES staff are expected to choose the most appropriate.

Programmes are generally targeted on specific groups such as youths, veterans, migrants, older workers and dislocated or economically disadvantaged workers (defined below). Direct job creation programmes are small, targeted mainly on special groups such as older workers, veterans and people with disabilities. Few programmes are entitlements: applicants must meet eligibility criteria *and* resources must be available. Funding for most programmes comes primarily from the federal government which also usually imposes eligibility criteria. However, local areas have considerable flexibility to design and deliver training programmes, usually done through a mixture of public, private and community-based organisations. Programmes usually have a non-displacement clause and laws also exist to ensure that there is no discrimination in access.

C. The administrative context of ALMPs

A study by the GAO identified 163 federal employment and training programmes for adults and out-of-school youths, administered by 15 federal agencies, an increase from 125 in 1991 [GAO (1995a)]. There are also a large number of programmes at the state level. For example, an audit of Wisconsin's employment and training programmes in 1992-1993 found 12 different government department/agencies running 101 different programmes [LAB (1994)]. In Connecticut in 1995-1996, there were 59 programmes run by 15 agencies [CETC (1997)]. There are two main reasons for the different number of programmes at the state level: not all federal programmes are administered in each state; and states also create and run their own programmes independent of those funded federally. The large number of agencies involved in the administration of programmes reflects the different funding streams at both the federal and state level. For example, some programmes are associated with USDOL, while others rest with different government departments.

The ability to efficiently and equitably run such a large number of programmes often involving different agencies and jurisdictions raises a number of important

issues. For example, audits conducted by Wisconsin and the GAO (1995a) reveal a number of troubling features:

- duplication of resources with many programmes offering the same services and sharing common goals;
- different programmes serving the same groups;
- different definitions of eligible groups, *e.g.* youths may be defined in a number of different ways;
- some programmes operate on different planning cycles – with different criteria – hampering the ability of programme administrators to co-ordinate assistance; and
- other than some of the major federal programmes, little is known about the cost-effectiveness of many programmes.

As one example of overlap, the Wisconsin audit noted that “an economically disadvantaged, unemployed 23-year-old woman living in Madison, who is a single parent not eligible to receive AFDC benefits would likely qualify for 10 programmes provided by four agencies”. Furthermore, the services offered under each programme are similar in nature, including classroom training and career counselling.

The duplication of resources can lead to inefficiencies, including elevated administrative costs – as each agency maintains its own structure – that can reduce both the effectiveness of service delivery and reduce the amount of aid actually directed towards eligible groups. It can also lead to confusion to both job-seekers and employers on programmes for which they are eligible or from which they can access job-seekers. It can be confusing for staff who have to choose among the programmes and it may lead to different agencies contacting the same employer trying to find jobs for the participants.

To address these widely-acknowledged concerns, two approaches have been tried. First, as noted in Chapter 4, one-stop centres have been created to make the programmes “seamless” to the job-seeker. Although this reduces some of the confusion that the job-seeker faces, considerable staff effort must be spent dealing with the rules associated with each programme, such as reporting requirements, and problems with overlapping groups/eligibility requirements still remain. Second, to improve co-ordination among programmes, states have given greater powers to their job training co-ordinating councils: the Employment and Training Commission in Connecticut (CETC) and the Council on Workforce Excellence in Wisconsin (CWE). Nevertheless, these steps only partly address the problem. Overlapping definitions and duplication of services will continue to exist as long as different funding streams are associated with different programmes and until legislation changes to make them more coherent.

D. The Job Training Partnership Act

The largest training programme in the United States is the Job Training Partnership Act (JTPA). Funded at about US\$4.5 billion per year, it provides services to around 1 million people. It came into effect in October 1983 (it was passed into law one year earlier with a one-year transitional phase) and replaced the Comprehensive Employment and Training programme (CETA). CETA ran into disrepute because of the widespread use of its public sector job creation programmes that were seen as corrupt and mismanaged [Friedlander *et al.* (1997)]. Key changes under JTPA were the implementation of outcome-based performance standards, a move away from programme stipends that could lead to abuse and increased involvement of the private sector on the types of training that should be offered. Indeed, the JTPA can be viewed as a partnership between the public and private sectors. The federal government funds the programme while local governments, in combination with private business leaders and other local and community groups, identify training needs and set up training programmes [Blank (1997a)].

Box 6.1 and Table 6.3 describe the programme in more detail and provide information on eligibility and funding criteria for each element of the JTPA.

1. How is JTPA administered and funded?

JTPA runs on a programme year basis – July 1 to June 30 – and the federal government legislates eligibility requirements, mandates funding arrangements and imposes performance targets. Within these, the states have some flexibility on how to deliver services and can impose their own additional performance targets.⁷⁷ Local governments play the most important role in the design and delivery of training services. Administration falls under five broad categories: co-ordination and delivery structure; funding; access; contracting out; and performance standards.

2. Co-ordination and delivery structure

The delivery structure of services, as mandated by federal law under JTPA, is as follows [USDOL (1996d)]:

- Each state must have a State Job Training Co-ordinating Council (or Human Resource Investment Council) to advise the governor on training activities. In Connecticut, this role is filled by the Employment and Training Commission; in Wisconsin, by the Council on Workforce Excellence. Members are appointed by the governor and represent a variety of interests, including business, labour and education. Their role is defined by the governor. In Connecticut, the commission, among other things, is tasked with ensuring co-ordination of all employment and training programmes. It also sets goals/performance measures and approves all JTPA training plans. In Wisconsin, the

Box 6.1. Job Training Partnership Act (JTPA)

The JTPA has a number of Titles. In general, Titles II and III are funded by the federal government, but administered by the states. Title IV programmes are funded and administered by the federal government.

Title I authorises, describes and provides procedures for the administration of the act.

Title II is training for the economically disadvantaged and others facing significant barriers to work and contains three elements:

Title II-A – Adult Training Program is targeted mainly at economically disadvantaged adults aged 22 years and over. The services offered include classroom-based training either of a general nature or directed towards specific occupations, on-the-job training and work experience programmes. Needs-based payments are also possible.

Title II-B – Summer Youth Employment and Training Program is targeted at economically disadvantaged youths aged 14-21 years. It offers jobs and training over the summer months. Its purpose is to enhance basic educational skills, encourage school completion and provide links to the world of work.

Title II-C – Youth Training Program offers year-round training and employment programmes for economically disadvantaged youths aged 16-21 years (or 14-21, if in a job training plan) both in and out of school via training grants.

Title III is training for dislocated workers through the *Economic Dislocation and Worker Adjustment Assistance Act* (EDWAA). It targets workers who have lost their job and will not be returning to their former employer. More recently, any worker referred to re-employment services through the WPRS system is by definition considered dislocated (see Chapter 5). EDWAA provides a range of options such as rapid response through a dislocated worker unit, retraining, readjustment services *e.g.* job-search assistance and counselling. They may also be eligible for needs-related payments to complete training if UI is exhausted. Workers dislocated by trade are eligible for other forms of support (see below). In addition, each state must have a rapid response unit to deal with plant closing or mass layoffs within 48 hours.

Title IV authorises federally administered programmes for Native Americans, migrant and seasonal farm workers and veterans. It also includes the *Job Corps* for disadvantaged youths, technical assistance programmes, and funding for pilot, demonstration and labour market information programmes.

Title V is a set of miscellaneous provisions. Among other things, it outlines amendments designed to encourage the JTPA and the ES to work closer together.

Source: Department of Labor Fact Sheet.

Table 6.3. Federal JTPA guidelines for Title II and III programmes

JTPA	Eligibility criteria	State funding
Title IIA^a	<ul style="list-style-type: none"> • Aged 22+ years • 90% economically disadvantaged: Household with low income over 6 months prior to JTPA • In receipt of cash welfare or food stamps • Disabled and poor • 65% with one or more barriers to employment: <ul style="list-style-type: none"> • Basic skills deficiency • School dropout • Welfare recipient • Offenders • Disability • Homeless • SDA defined 	<ul style="list-style-type: none"> • Funds allocated to states by formula: <ul style="list-style-type: none"> 1/3 on basis of substantial unemployment (rate of at least 6.5%) 1/3 on basis of excess unemployment (rate > 4.5%) 1/3 on basis of number of economically disadvantaged • 77% is allocated to SDAs based on Governor's criteria (local poverty and unemployment rates) • 8% for state education and training (requires 100% state matching) • 5% for older workers • 5% for administration • 5% for performance incentives and capacity building
Title IIB^b	<ul style="list-style-type: none"> • Aged 14-21 years • Economically disadvantaged or meet eligibility criteria for free meals under the National School Lunch Act 	<ul style="list-style-type: none"> • Funds allocated to states on same basis as IIA • 100% allocated to SDAs by governor using same criteria as IIA
Title IIC^c	<ul style="list-style-type: none"> • Aged 16-21 years • Aged 14-21 years if in approved job training plan • 90% economically disadvantaged • 65% with at least one of: <ul style="list-style-type: none"> • Basic skills deficient • Educational attainment one or more years below grade level • Pregnant or parenting • Homeless or runaway youth • SDA defined 	<ul style="list-style-type: none"> • Funds allocated to states on same basis as IIA • 82% allocated to SDAs on same basis as IIA • 8% for state education and training • 5% incentive grants to SDAs • 5% administration
Title III^d	<ul style="list-style-type: none"> • Terminated or laid off or received notice of termination or layoff, eligible for or exhausted UI, and unlikely to return to previous industry or occupation • Terminated or received notice as a result of permanent plant closure or substantial layoff • Long-term unemployed (15 weeks+) and limited opportunities for employment in same or similar occupation in area where individual resides • Self employed and unemployed as a result of economic conditions 	<ul style="list-style-type: none"> • 80% of Title III funds are allocated to states by formula: <ul style="list-style-type: none"> 1/3 on basis of excess number (over 4.5%) of unemployed individuals who reside in each state as compared with total number of excess unemployed in all states; 1/3 number of unemployed for 15 weeks or more in each state as compared with total number of such individuals in all states; 1/3 relative number of unemployed in each state as compared with total number of unemployed in all states. • 20% is held by the Secretary of Labor in the National Reserve Account. • Of the 80%, up to 40% can be reserved for the governor's use. The remaining (at least 60%) are allocated to SDAs by governor's formula.

a) Both states impose an SDA resident requirement to access services. Connecticut also excludes some types of income when determining economically disadvantaged.

b) SDA resident requirement in each state.

c) In both Connecticut and Wisconsin, 50 per cent of participants must be out-of-school youth.

d) Wisconsin imposes a prior work history constraint on participants. They must have been dislocated in the last five years, and have two years of work if aged 22 and over and four years of work if aged 21 or less.

Sources : DHHS (1998a); and OECD correspondence with state agencies.

council identifies workforce development needs and oversees the planning, co-ordination, administration and implementation of employment and training programmes, which include not only JTPA but a host of other programmes.

- Service Delivery Areas (SDA) are substate areas which administer the JTPA Title II funds. Any area with a population greater than 200 000 is automatically eligible. Governors may set other criteria on which to create SDAs. Title III funds are managed by substate grantees which typically correspond to the SDAs.
- Private Industry Councils (PICs) are established by local elected officials in each SDA to oversee their JTPA funds. Each PIC designates an administrative entity – for example, the local government – to allocate funds to providers and to determine who is eligible for its programmes. PIC membership includes representatives in business, education, labour, community-based organisations and the employment service. A majority of members must be from business and industry while the PIC chair is from business.

Each SDA submits a Job Training Plan (JTP) to the governor every 2 years. Before reaching the governor, it must first be signed by the PIC chair and the local elected official and then submitted to the Employment and Training Commission in Connecticut and the Council on Workforce Excellence in Wisconsin. They then recommend approval or disapproval to the governor who has 30 days to decide whether to accept the decision. Their role is to ensure that all state and federal criteria for the JTPs are met in each SDA. The USDOL provides guidance to states on elements it wishes to see in the JTPs. In the latest round of 1998-1999 programme year plans, for example, the Employment and Training Administration has three strategic goals for states to meet and outcome measures that it will use to ensure they are followed.⁷⁸

The PICs role is very important. With agreement from the chief local elected officials, they design the local JTP and oversee its implementation. The JTP includes the types of training needed to meet local labour market needs, who should be trained, who should do the training and how it is to be provided. The goal is to tap into the expertise of PIC board members, particularly those in the private sector.⁷⁹

Recently, Connecticut has reorganised its PICs into Regional Workforce Development Boards (RWDBs). Wisconsin is also encouraging the voluntary establishment of Workforce Development Boards to replace its PICs and is in the process of changing its SDA structures to Workforce Development Areas (WDAs). The goal of the change is to make the PICs become more strategic in planning workforce development strategies and improve co-ordination among the various actors in employment and training programmes. Currently, there are eight RWDBs in Connecticut and 11 SDA/WDAs in Wisconsin.⁸⁰

3. JTPA funding

Table 6.4 provides the funding streams for each of the major components of JTPA. There has been a clear shift away from funding JTPA Title IIA and IIB towards funding JTPA Title III. Indeed, funding for economically disadvantaged workers and youths has been halved while that for dislocated workers has increased fivefold. While each shift may seem at odds with general growing concerns about poverty and disadvantages in the labour market, they are consistent with the move towards early identification of dislocated workers at risk of long-term unemployment. Early intervention, if successful, could help to reduce the number of economically disadvantaged workers.

Table 6.4. **JTPA funding, 1985 to 1997**
Millions of US\$

	1985	1991	1995	1997
National (fiscal years)				
JTPA IIA	1 886	1 779	997	895
JTPA IIB	825	683	127	127
JTPA IIC	..	..	867	871
JTPA III	223	527	1 229	1 286
Other	816	1 078	1 291	1 329
Total	3 749	4 067	4 510	4 508
Connecticut (programme years)				
JTPA IIA	..	10	9	8
JTPA IIB	..	9	6	7
JTPA IIC	..	5	2	1
JTPA III	..	6	14	12
Other	..	0	0	..
Total	..	30	31	28
Wisconsin (programme years)				
JTPA IIA	..	25	12	9
JTPA IIB	..	11	1	9
JTPA IIC	..	..	4	1
JTPA III	..	7	9	9
Other	..	1	1	..
Total	..	45	27	28

.. Not available

Sources : National budget statements; and OECD correspondence with state agencies.

Nominal funding for JTPA in Connecticut has remained fairly flat over the 1990s. There have been compositional shifts, however, with increases in funding for Title III

offsetting declines in funding for youths. By contrast, nominal JTPA funding has fallen significantly in Wisconsin. This decline follows the national pattern, mainly reflecting falls under Title IIA funds.

Each state receives JTPA funds based on a weighted set of federal criteria, including unemployment (Table 6.3). The difference in funding levels between the two states, therefore, reflects the better labour market performance in Wisconsin, a state which was barely affected by the 1990 recession. States then distribute funds to SDAs, based on similar criteria. To ensure that SDAs can plan programmes effectively, there is a “hold harmless” provision for Title II funds where the funding allocation is set at 90 per cent or more of its allocation in the preceding year. As regards Title III, as noted in Table 6.3, part of it is held in the Secretary of Labor’s National Reserve Account for discretionary projects. These may arise from mass layoffs, natural disasters, demonstration programmes, etc. They are awarded based on application by governors and must be spent in the two years subsequent to the grant [USDOL (1996d)]. In addition, states have the option of keeping up to 40 per cent of their Title III allocation for their own governors discretionary use, and both Connecticut and Wisconsin do so. Transfers of up to 20 per cent are also allowed from JTPA Title IIA funds to Title III.

4. How do individuals enter JTPA in Connecticut and Wisconsin?

Job-seekers typically enter JTPA programmes via the one-stop centres. JTPA case managers ensure that eligibility criteria are met, prepare an “objective assessment” of the types of services that are needed which includes, if necessary, an individual service plan and referral of participants to service providers.⁸¹ Although the staff are usually located in the one-stop centres, their funding stream is via JTPA and, therefore, they could be located elsewhere. Indeed, prior to the creation of the one-stops, JTPA services were often separate from the employment service.

In general, *self-selection* into programmes is the primary means of recruitment via information made available to prospective clients. For Title II programmes, service providers are usually responsible for providing this information. This can take the form of marketing their programmes in the local community and then referring potential clients to the one-stop centres for assessment. Job-seekers are not, however, necessarily sent back to this provider, even if they meet eligibility requirements. One-stop centres usually recruit for Title III dislocated workers since they have greater contact with them. This reliance on self-selection – based on the provision of adequate information – appears to allow eligibility criteria for programmes to be met, but is probably not sufficient to get those who face the greatest barriers to work into these programmes. For example, service providers have performance standards to meet (discussed below) and may not have a direct interest in expending the extra effort that is probably necessary to recruit those who have motivational and other problems.

Job-seekers may be eligible for a number of programmes at the same time. While this allows costs to be shared across programmes, it can be confusing for staff and job-seekers. Nonetheless, an important role of staff is to ensure the best allocation of resources and, given constraints, the most appropriate programme. For example, a dislocated worker might be eligible for dislocation assistance via JTPA Title III; they might be economically disadvantaged and therefore eligible for programmes under JTPA IIA, or if dislocated via trade, eligible for trade-related programmes. When resources are not immediately available, potential participants may be also issued a certificate of continuing eligibility. In addition, dislocated workers assessed as being eligible, but who do not participate, remain eligible if they accept temporary employment of less than six months duration (not with their previous employer). This may encourage some individuals to continue searching for work, but there are no data to indicate how widespread this is in practice.

Another role of JTPA case managers is to arrange on-the-job training contracts for eligible job-seekers. This is a costly process because it requires case managers to separately negotiate a specific contract with an employer for each job-seeker. It covers up to 50 per cent of the wage to provide skills to the worker that might have prevented him/her from being hired. Typically, employers are not allowed to take on more than a couple of trainees because it is felt that increased numbers diminish supervision and the quality of the training.

Job-seekers usually have a choice of providers. Providers can, however, refuse to accept job-seekers and can refer them back to case managers for further assessment.⁸² This raises serious questions about access to JTPA services. Even if case managers do attempt to send clients facing the greatest number of barriers to a service provider, they might be refused. This may encourage case managers to "cream" clients, *i.e.* select those that are most likely to succeed in training. Service providers could be compelled to accept a job-seeker's choice unless they can prove that the client had been inappropriately assessed. This is currently how job-seekers are allocated to providers in Australia. The risk, however, is that this could lead to an expensive appeal process which would not help the job-seeker get services quicker.

Voucher programmes are possible for JTPA at the SDA's discretion. They have been used in the Hartford area in Connecticut, but not in Wisconsin. Clients who need specific skills training are given the choice of three different providers on an approved list with a limit set at US\$3 000. Clients must be sure that all of the costs of training can be met with the voucher.

5. *The interaction between benefits and programmes*

The JTPA does not have a benefit associated with it – needs-based payments exist but are very limited – so participants rely on other benefits to support them during participation. For example, about one-half of dislocated workers are in receipt of

unemployment insurance (see below). Economically disadvantaged workers receive cash welfare payments and other types of support such as food stamps. The type of income support has implications for client motivation to participate and for the duration of the programme. For dislocated workers, it is usually seen as important to keep skills training short to get them either back into work or looking for work before their UI benefit runs out.

One feature common to training programmes in some OECD countries is that participation leads to an extension of unemployment benefits. This can lead to a situation where job-seekers move from benefits onto training and then back onto benefits again, significantly delaying their return to work and probably reducing their chances of getting a job. This is usually referred to as the *carousel effect*. In the United States, however, UI benefits are not extended because of participation in a training programme so this effect is not important in practice (although a needs-based payment may be issued to complete training). Providers, however, may screen candidates on whether they have a visible means of income support. In part, this is to ensure that participants can afford to finish the programme which helps to ensure performance standards are met. But this may work against participation by the most disadvantaged. Participants in on-the-job training who receive a wage do not face such barriers. In the past, however, depending on the circumstances of the individual, on-the-job training was not always a desired option because the wages would reduce welfare benefits or other support services such as medical insurance.

6. The training market and the role of contracting out

The United States is one of the few OECD countries that contracts out training on a widescale basis. In many countries, the PES has a monopoly provision and this has probably led to elevated costs in some because competitive pressures to keep costs low are weaker. In order to derive efficiency benefits from such a system of contracting-out, it is desirable to separate purchasers from providers. Generally, this is the case in the United States. In some cases, PICs have provided training directly, but there has been a clear trend towards the use of outside contractors wherever possible.

Contracting out is complicated. A number of procurement methods are used, including sealed bids, competitive bids and non-competitive bids, the latter usually done when there is only one provider. Exactly how procurement takes place varies by SDA, local needs and the ability of local providers to meet these needs. For example, the number of potential providers in rural areas may be quite limited compared with urban areas.

Service providers span all types of organisations. In Connecticut, they include community-based organisations, private-for-profit and not-for-profit organisations, community/technical colleges, local boards of education and so forth. In Wisconsin, there are a total of 76 service providers with about one-third being community-based

organisations. Private businesses account for less than 10 per cent of providers. Others include community-technical colleges, local education agencies, state or county agencies, labour and the PICs.

Safeguards to protect job-seekers and ensure accountability of funds also exist. In Connecticut, JTPA procurement standards have been set by CTDOL. They are designed to ensure that recipients of JTPA funds follow a specific code of conduct in contracting out. Procurement plans are certified for use by the PIC chair and grant recipient, and are reviewed by CTDOL for certification. For an acceptable training contract, there are about 50 required elements, and SDAs can add their own. In Wisconsin, a detailed list of procurement standards also exist and contractors must show that they can meet both them and federal reporting requirements.

Situations can arise where there is the appearance of a conflict of interest. Grubb (1995) notes that service providers can be represented on the PICs and might, therefore, be able to direct contracts towards their own organisations. Another situation that can arise is where service providers are both funding sources for one-stop centres and also employing staff in them. This could give them preferential treatment in the number and types of job-seekers referred through creaming, leading to the appearance of a conflict of interest. For example, where a community college is a funding source and also employs staff in the centre, these staff could allocate the relatively easier-to-train job-seekers to programmes run by their funding source and harder-to-train individuals to other service providers. Safeguards are clearly necessary to ensure that such creaming is minimised and Connecticut does have written policy to prevent conflicts of interest among service providers who serve on Regional Workforce Development Boards. One way would be to ensure that, wherever possible, job-seekers have a choice in providers. Another way would be to ensure that those who make the decision on the choice of sub-contractors are not also those involved in the referral of JTPA clients. It is unclear whether states consider these situations to be problems or not. On the one hand, funding constraints for the ES have forced them to look for alternative sources. On the other, conflicts of interest may be detrimental to the job-seeker because the training may not be the most appropriate for his/her needs.

Some PICs also provide services on a fee basis. Although it is not clear how widespread a practice this is, various PICs in Wisconsin have done so. For example, the Western Wisconsin PIC conducted a turnover and employee satisfaction study for a local employer, and has offered consulting services to other public agencies on how to work successfully with the private sector. Typically, the same staff that run the fee-for-service programmes also provide the standard free PIC services [Fischer *et al.* (1997)]. It is not a large revenue generator, at least at the moment, and it is unclear how far it should be expanded given that PICs are publicly funded and their first pri-

ority should be to their own clients. Staff doing fee-for-service must account for time spent in these activities, however, and are monitored closely at the state level.

7. Performance standards

Performance standards for ALMPs are not common in most OECD countries. The Training and Enterprise Councils (TECs) in the United Kingdom operate mainly on a set of input standards. By contrast, recent reforms in Australia have put providers of all types of labour market services on output-based performance contracts that relate to whether clients get jobs. The JTPA also has a series of output standards that SDAs must meet. These are presented in Table 6.5 and must be reported to the federal government for JTPA Titles IIA, IIC and III within 90 days of the end of each programme year. Connecticut also tracks the average wage at placement for Title III participants. Meeting performance standards is defined to mean meeting at least four of the six core standards which relate only to Titles IIA and IIC.⁸³

Standards are not used to determine state JTPA funding levels. They are used, however, to ensure that SDAs meet various federal and state goals. This is done via incentive payments for SDAs, which also introduces an element of competition among them. In order to receive incentive awards, SDAs must generally exceed the core performance standards. Moreover, when an SDA fails to meet the performance standards in the first year, it cannot receive any incentive awards and the governor is required to provide technical assistance to the SDA. If the SDA fails a second time to meet the standards, the governor must also impose a reorganisation plan, which could include a change to the PIC. In this manner, standards help keep those who administer the programme accountable (Box 6.2). Federal performance standards pertain to the SDA as a whole and SDAs can also set their own performance criteria for subcontractors.⁸⁴ For example, SDAs could set standards to increase the employability of the participant through training that does not directly lead to work (but rather leads to further training) and can then follow-up with providers to determine whether they should continue to receive contracts.

The process to set standards is multi-tiered. The US Secretary of Labor first establishes national standards. Typically, numerical standards are set so that at least 75 per cent of SDAs can meet them. These figures are derived from the previous year's performance data for the JTPA and there may be some additional adjustment to reflect the secretary's future goals for JTPA. Governors are then required to adjust the numerical targets to reflect the local area circumstances of each SDA. The governor is not free, however, to do this in an arbitrary way. Restrictions are placed both on the types of data that can be used and the procedures followed. The governor can also set additional standards if desired.⁸⁵

The goal of the adjustment is to ensure level-playing field conditions among SDAs such that those with a harder-to-serve population or where economic condi-

Table 6.5. **Federal JTPA performance standards for the 1995 programme year**

Performance standard	Federal	Connecticut ^d	Wisconsin ^d
Title IIA			
Adult follow-up employment rate ^b	59%	48-61%	48-68%
Adult weekly earnings at follow-up ^c	US\$245	US\$191 to US\$258	US\$183 to US\$265
Welfare follow-up employment rate ^d	47%	44-53%	44-62%
Welfare weekly earnings at follow-up ^e	US\$223	US\$175 to US\$217	US\$173 to US\$250
Title IIC			
Youth entered employment rate ^f	41%	37-52%	27-55%
Youth employability enhancement rate ^g	40%	23-47%	12-41%
Title III			
Entered employment rate ^h	67%	64-68%	..

.. Not available.

a) Each state uses the USDOL model to adjust the federal standard to reflect the characteristics of each SDA. The range therefore refers to the lowest and highest model-adjusted standard across all SDAs in the state.

b) Total number of adult respondents employed (for more than 20 hours per week) during the 13th full calendar week after termination divided by the total number of adult respondents (who completed follow-up interviews after adjusting for non-response bias).

c) Total weekly earnings for all adult respondents employed (more than 20 hours per week) during the 13th full calendar week after termination, divided by the total number of adult respondents employed at the time of follow-up.

d) Same as b) but for individuals who received AFDC, general assistance or refugee cash assistance.

e) Same as c) but for individuals who received AFDC, general assistance or refugee cash assistance.

f) Number of youths who entered employment (more than 20 hours per week) at termination divided by the total number of youths who terminated.

g) Number of youths who attained one of the employability enhancements at training (e.g. a degree) whether or not they obtained a job, divided by the total number of youths who terminated.

h) Number of individuals who entered employment (more than 20 hours per week) at termination, excluding those who were recalled or retained by their original employer, divided by total terminations excluding those who were recalled or retained by their original employer.

Sources : OECD correspondence with US Department of Labor and state agencies; and SPR (1997b).

tions are poor are not unduly penalised [SPR (1997b)]. To help in this exercise, USDOL has developed an econometric (regression) model based on participant data from all SDAs. Basically, the model weights a series of client characteristics, e.g. age, educational attainment, labour force status, local labour market conditions, etc., to determine how much performance standards should vary given differences in these characteristics across SDAs.⁸⁶ Both Connecticut and Wisconsin use this model to adjust SDA standards and it appears that one reason behind the enormous data collection for JTPA is for use in this model.⁸⁷ A limitation, however, is that the model is based only on the *observed* characteristics of JTPA participants. SDAs may screen clients in different ways, for example, some may consider motivation while others may not. It is, therefore, not clear how to interpret the regression coefficients used to make the adjustment. The ranges for standards within each state are also presented in Table 6.5. Updates to standards may include both the implementation of new stan-

Box 6.2. Federal and state government and SDA roles in setting performance standards

The federal goal is to foster accountability and cost-effectiveness without placing undue constraints on the design decisions of SDAs. Its role is to: identify performance measures that reflect federal goals for JTPA; set national performance standards at levels that convey overall performance expectations; establish parameters within which standards are to be adjusted for local conditions; provide optional models that states can use to develop suitable performance standards for SDAs; and define uniform criteria to determine failure to meet performance standards.

States are responsible for: setting standards for SDAs and adjusting them for local conditions; establishing any additional performance standards; determining what portion of the Title II-A and II-C 5 per cent administrative funds to use for incentive awards to SDAs that exceed the standards, and what portion (up to 33 per cent) to use for capacity building and technical assistance; weighting the different federal and state standards and other criteria in making incentive awards; determining whether the incentive awards will encourage performance that just exceeds the standard or whether there will be a strong financial incentive for SDAs to perform at the highest level possible; and developing policies to provide technical assistance to, and impose sanctions on, SDAs that fail to meet their standards.

SDAs, with guidance from PICs, have the responsibility for implementing JTPA programmes and for making major programme design decisions about service and client mix. In making these decisions, SDAs try to balance local goals, their assessment of local conditions, the performance-standards incentives offered by the state, and the state and federal programme regulations. SDAs are also motivated to perform well on the performance standards for a number of reasons, including the desire to: run programmes that achieve high-quality outcomes; be accountable to local elected officials and private-sector representatives on the PIC; receive incentive awards; and avoid reorganisation as a consequence of failing to perform at acceptable levels for two years in succession.

Source: Adapted from SPR (1997b).

dards and changes in their numerical targets in order, for example to meet new goals or to adjust earnings for inflation. In practice, only numerical targets are changed.⁸⁸

The standards for JTPA Title II are based on outcomes 13 weeks after programme termination. Thus, some method must be used to track participants and determine their post-programme status. In Connecticut, this is done by the University of Connecticut, 14 to 18 weeks after termination from the programmes. Beginning in programme year 1995 for Title IIA, Connecticut has used UI wage data to determine per-

formance and is planning to expand its use to other programmes. This is a less costly means of collecting information compared with a telephone follow-up. SDAs can also conduct their own follow-up of contractors based on any criteria that they had specified in their performance contracts. In Wisconsin, follow-up for the performance standards is contracted out to the Wisconsin Survey Research Lab. Interviews are conducted between the 14th and 18th week after JTPA termination. The information is provided to the SDA/WDAs on a monthly basis.

E. Participation and outcomes from JTPA in programme year 1995

The data collection for JTPA is extensive, comprising about 110 pieces of client information, ranging from personal history to outcomes following programme participation. States have freedom to design their own tracking systems, but they have to report data in a standard format (the Standardised Program Information Report, or SPIR). With so much information to collect, data quality clearly varies across states. A specific example of where problems have arisen is with the programme duration variable. In some cases, the number of training hours may not be known in which case it may be estimated, left blank or the planned hours of training used instead of actual hours [SPR (1997b)]. Moreover, in 1995, Connecticut had problems with its management information system and this may have affected data quality. For these and many other reasons, the data presented in this section have to be interpreted with caution.

1. Outcomes for adult participants in JTPA

In both states, over 90 per cent of Title IIA participants who had completed the programme were economically disadvantaged, thus it appears well targeted on its client group (Table 6.6, Panel A).⁸⁹ A majority were women and over one-third were AFDC recipients.⁹⁰ Other data (not presented here) indicate that most programme completers had participated in classroom-based occupational skills training (as opposed to basic education). Less than 10 per cent had participated in on-the-job training.

In terms of outcomes, about 60 per cent were employed and earning between US\$7 and US\$8 an hour, somewhat higher than the pre-programme wage in each state (Table 6.6, Panel B). Because average hours of work were higher in Wisconsin, average earnings in the two states were similar and about the same as for the United States as a whole. About two-thirds were employed in clerical, administrative support and service occupations in Connecticut while in Wisconsin, about one-third were employed in production related jobs.

Men made up the largest share of dislocated workers (Title III) in Connecticut, in contrast to Wisconsin and the national average where the split was close to 50 per cent. Between roughly 40 to 60 per cent were unemployment benefit claimants and

Table 6.6. **JTPA outcomes, programme year 1995**

Percentages, except as noted

Panel A: Characteristics of JTPA participants

	Connecticut			Wisconsin			United States		
	IIA	IIC	III	IIA	IIC	III	IIA	IIC	III
Number completed (participants)	1 095	479	2 798	3 329	2 373	2 977	162 120	113 563	266 401
Gender	100	100	100	100	100	100	100	100	100
Male	27	36	66	30	45	47	33	42	49
Female	73	64	34	70	55	53	67	58	51
Age group	100	100	100	100	100	100	100	100	100
14-15	0	13	0	0	13	0	0	12	0
16-21	0	87	0	0	87	2	0	88	3
22-29	38	0	9	42	0	15	42	0	16
30-54	60	0	80	50	0	74	56	0	72
55 and over	2	0	10	8	0	9	2	0	10
Status									
Economically disadvantaged	96	96	0	93	94	0	98	95	0
AFDC	41	37	4	39	26	1	35	26	2
JOBS participant	13	5	0	29	6	1	16	6	1
Foodstamp recipient	28	17	0	28	20	2	57	40	6
UI claimant status									
Claimant	8	1	40	6	1	52	8	1	64
Exhaustee	3	0	7	2	0	7	4	1	8
Duration of unemployment (weeks)	11.9	7.5	12.9	14.7	8.5	7.8	11.5	6.8	11.7
Labour force status	100	100	100	100	100	100	100	100	100
Employed	14	9	20	20	15	36	15	10	14
Unemployed	52	31	79	66	35	63	50	24	83
Not in the labour force	34	60	1	13	50	1	35	65	2
Not reported	0	0	1	0	0	0	0	0	0
Educational attainment	100	100	100	100	100	100	100	100	100
Less than high school	25	78	4	24	73	7	22	74	10
High school	56	20	49	44	17	50	56	22	49
Post high school	17	1	46	25	3	36	21	3	39
Not reported	1	1	1	7	7	7	1	1	1

few had received any other financial assistance (Table 6.6, Panel A). In Connecticut, about equal numbers received basic education as occupational training; in Wisconsin, by far the largest number had undergone occupational skills training (data not presented). Once again, few received on-the-job training.

In each state, over 80 per cent were employed following Title III programme participation, well above the national average of 71 per cent (Table 6.6,

Table 6.6. **JTPA outcomes, programme year 1995** (*cont.*)

Percentages, except as noted

Panel B: JTPA outcomes

	Connecticut			Wisconsin			United States		
	IIA	IIC	III	IIA	IIC	III	IIA	IIC	III
Employed ^a	100	100	100	100	100	100	100	100	100
Employment enhancement terminations	63	33	84	61	43	83	63	38	71
Other	15	49	0	7	29	0	8	38	0
	22	18	16	32	28	17	29	24	29
For the employed (persons)	689	156	2 185	1 978	1 014	2 312	102 365	43 219	181 988
Occupation of job	100	100	100	100	100	100	100	100	100
Managerial and administration	1	0	5	2	1	5	1	1	6
Professional and technical	4	4	25	12	4	15	13	7	19
Sales and related	5	21	5	6	13	7	7	16	8
Clerical and admin support	24	19	14	20	11	19	23	20	21
Services	48	40	13	23	36	9	26	32	10
Agriculture and related	0	1	1	1	4	2	1	2	1
Production and related	18	15	37	36	32	43	29	23	36
Average hours (hours per week)	33.8	28.6	38.0	36.4	32.4	38.6	36.9	32.7	37.2
Average wage (US\$ per hour)	8.1	6.1	12.8	7.3	5.8	9.6	7.3	5.8	10.2
Average pre-programme wage (US\$ per hour)	7.3	5.5	16.3	6.1	5.0	10.4	6.3	5.0	11.8

a) Includes those employed because called back or returned to their previous employer.

Source: SPR (1997b).

Panel B). However, in contrast to Title IIA results, for dislocated workers who found employment, the average wage was well below their pre-programme wage, a finding consistent with many studies of displaced workers [Hipple (1997)]. Wages for dislocated workers were, however, substantially higher than for Title IIA participants, reflecting, among other things, their higher educational attainment and more recent work history. National data on the cost per participant indicate that, in 1995, JTPA Title IIA cost about US\$2 800 per participant and Title III about US\$2 350.⁹¹

The outcomes from JTPA are consistent with the follow-up data on performance standards. Most SDAs met or exceeded them in both states. In Connecticut in PY1995, only one SDA, New Haven, did not meet its performance standards because it did not meet either of the youth standards. In Wisconsin, most SDAs also met or exceeded their performance standards.

2. Outcomes for youth participants in JTPA

A majority of individuals who completed Title IIC programmes were young women aged 16-21 years (Table 6.6, Panel A). Once again, the programme appears well-targeted, with over 90 per cent of programme terminees being economically disadvantaged. In each state, the predominant service offered was basic classroom education (data not presented here). With respect to outcomes, fewer than one-half got jobs (Table 6.6, Panel B). One goal of the programme, however, is to enhance employability through the acquisition of skills. This includes such things as returning to full-time education, remaining in school, entering other training or obtaining a PIC-defined competency which could include job-specific skills or pre-employment training. About 50 per cent of those who completed training in Connecticut received an “employment enhancement termination” and the corresponding figure for Wisconsin was about 30 per cent. Combined employment and enhanced employability outcomes, therefore, account for between 70 and 80 per cent of outcomes. Cost per participant in 1995 was US\$1 750. The lowest cost programme – for which outcome data are not reported – was JTPA IIB (summer jobs for youth) at about US\$690 per person.

F. How well does JTPA work: evidence from evaluations

1. Evaluations of the impact on employment and earnings

Although the outcomes discussed above appear to be very good, the evaluation literature sheds a somewhat different light on the JTPA. Evaluation studies examine the impact of a programme by seeking to establish whether the participant was better (or worse) off than he/she would have been in the absence of participation in the programme. Outcome data only indicate whether a participant ended up in employment and/or had higher wages following programme participation; evaluations attempt to determine whether this outcome would have happened anyway. The primary method used to evaluate the JTPA has been through random assignment experiments, where programme volunteers are randomly assigned to either a treatment or control group. This has the advantage of eliminating any potential unobserved biases between the two groups so that the outcome can be considered a reliable indicator of the programme impact. There are some drawbacks to the random assignment approach which are considered below.

There have been a number of reviews of the evaluation literature on the impact of JTPA on participant earnings and employment outcomes [Fay (1996); Friedlander *et al.* (1997)]. They generally find the following: *classroom training* under Titles IIA and IIB has not led to any sustained statistically significant

increases in earnings for any of the target groups, *i.e.* men, women, youths, although earnings gains for adults (men and women combined) were positive and statistically significant; *on the-job training*, by contrast, has been found to have a positive and significant impact on earnings for both men and women. But the impact is typically small, and not enough to lift participants out of poverty. Most studies have generally only examined the short-run impact of the programmes, although the longer-run impact could possibly be larger, particularly for classroom-based training since it may take considerable time for the acquired skills to generate earnings increases. A study by the General Accounting Office found that although earnings increases were positive over a five-year follow-up period, they declined over time and were not generally statistically significant [Friedlander *et al.* (1997)].

A critical drawback of most impact evaluations is that they provide little insight into the reasons behind success or failure. This makes it difficult for policy makers to know which programme aspect(s) should be changed and how they should be changed to improve them. That said, possible reasons behind the lack of success of many JTPA services include: how well they are directed towards occupations in demand; whether courses are long enough to influence earnings growth; the quality of the training; and poor linkages to other programmes such as wage subsidies [Grubb (1995)].

Both Friedlander *et al.* (1997) and Grubb (1995) note another possible explanation for JTPA's small impact: its limited budget. For example, the amount of money spent on each participant is low relative to other programmes, even compared with the cost of one year's education in a community college. Yet the personal barriers facing JTPA participants are much more severe than those of college students. Moreover, the budget is too small to permit more than a minority of the JTPA target population to be reached. Unfortunately, however, there is little evidence that increasing the intensity of training, for example by increasing the funding levels would improve its impact [Friedlander *et al.* (1997)]. Indeed, much of the evaluation literature tends to suggest that low-cost re-employment services such as job-search assistance tend to be the most cost-effective. Furthermore, because decreasing returns to scale might set in, it is unclear whether expanding JTPA services would greatly change any of the estimated impacts and may lead to other negative labour market consequences such as substitution and displacement effects. For example, on-the-job training has the best outcomes, but increasing the number of trainees might diminish the quality of training and potentially the size of the programme impact. It might also lead to firms substituting regular staff for trainees to get the subsidy, a situation that might be more difficult to monitor if there are large numbers involved. Firms might also have taken on some of the trainees anyway, leading to deadweight losses. For these and other reasons, programmes generally have to be kept small and tightly targeted.

2. Evaluations of the impact of performance standards

A complaint often cited by programme administrators is that JTPA performance standards encourage – and indeed force – them to take the most likely to succeed in training instead of those most in need of it [NCEP (1987)]. This is referred to as creaming, and is possible because JTPA funds are limited and there is an excess demand for programme slots. Some programme recruiters may, therefore, focus on individuals who they consider the easiest to place among those who fit eligibility criteria and refer them to JTPA case managers for assessment. Even though these individuals are not necessarily referred back to the same provider, it can be beneficial for all of them to follow the same strategy.

There are, however, reasons why that which appears to be creaming may not in fact be so. For example, self-selection is the way in which most clients enter JTPA programmes. Examining the differences in the characteristics of participants across one-stop centres could lead one to conclude that creaming occurs more in some centres compared with others. However, what may actually be happening is that unobservable factors, such as motivation, are determining the differences [Heckman *et al.* (1996); Cragg (1997)].⁹²

Heckman and Smith (1995) raise an even more important issue with respect to standards. For example, monitoring of service providers implies the need for short-run data, *i.e.* at most information is gathered only one quarter after participation ends. However, Heckman and Smith (1995) find that these short-term measures have little correlation with longer-term outcomes 18 months following programme termination. Indeed, in many cases the two are negatively related, particularly among women. Combined with the above information on programme impacts, this raises serious questions as to relevance of the standards. It is unclear, however, whether other programme factors – perhaps in combination with the standards – lie behind the poor results. More research is clearly needed in this area.

G. Other training programmes for adults

1. Programmes for employed workers

Training programmes for employed (incumbent) workers in the United States are not widespread and receive little federal funding from USDOL. Indeed, few OECD countries provide such subsidies, with the exceptions of Belgium, Denmark, Greece, Ireland and Portugal. This is usually because it is feared that the deadweight losses will be high and that public subsidies will simply lead to increased reporting of training rather than new training expenditures.

The two review states differ somewhat in this respect. Wisconsin has no state-subsidised training programmes for employed workers.⁹³ It is, however, looking for ways to encourage employers to invest in their employees, although it is not enthusiastic about paying for such training. For example, a recent initiative run through the University of Wisconsin-Madison developed the Wisconsin Regional Training Partnership (W RTP) that has existed in the metal-working industry since 1992 [Dresser and Rogers (1998)]. The W RTP is voluntary and labour-management organised. Training funds are pooled and managed through labour-management committees which set training standards on a multi-firm basis. There are three goals: to provide incumbent worker training based on the standards; to help firms modernise; and to provide future workforce development. The latter is linked to such things as youth apprenticeships and the school-to-work programme to attract young people into the industry which has been shunned as providing low-skilled and low-paid jobs. To combat this, the training partnerships are seeking to upgrade the image of industry, to re-skill current workers and to create wage-growth through productivity gains coming from training. An additional goal is to keep skills portable to allow "job ladders" to develop, *i.e.* to allow progression within the firm or outside it into better paying jobs by linking skills requirements at the industry or regional level to training programmes.

By contrast, Connecticut runs the Customised Job Training programme (CJT) and it appears to be taking on more importance over time. The programme is administered by CTDOL through the Business Service Units. The main funding source is the state budget. In addition, funds are leveraged from businesses and other agencies (through matching contributions, either cash or in-kind). CJT has three goals: to help firms become high-performance workplaces; to help businesses grow and prosper by becoming highly productive and globally competitive; and to build a stable, highly skilled workforce. CJT offers both financial and non-financial assistance to firms, the latter comprising such things as assessment of training needs. To minimise deadweight losses, CJT targets firms with fewer than 499 staff on the grounds that smaller firms have a more difficult time garnering the capital to modernise, and may be at risk of losing trained workers to other firms. Priority is given to high-performance work organisations or manufacturing companies working towards becoming high performance work organisations, which are those using new technology and processes to create their products. In PY 1997, 503 businesses and over 9700 individuals received assistance, with about 6 800 receiving skill development training. There are no evaluations of the cost-effectiveness of the programme. As noted above, deadweight losses in this form of training are usually high and a focus on smaller firms, *e.g.* less than 200, might be considered and relatively more effort should be targeted to assist firms at becoming high-performance work organisations as opposed to those that have achieved this objective.

2. *Trade adjustment assistance*

The United States is one of the few OECD countries to have a programme to assist workers displaced because of trade. The Trade Act of 1974 authorises re-employment services to workers who lose jobs or whose hours of work and wages are reduced as a result of increased imports directly competitive with those produced by the worker's firm [USDOL (1996d)]. The services – referred to as Trade Adjustment Assistance (TAA) – include training in new occupational skills, job-search assistance if the worker is looking for work outside his/her local employment area and relocation allowances. In addition, weekly trade readjustment allowances (TRA) may be paid under certain conditions. TRAs are the same as the weekly UI benefit, and begin after a worker's UI payments end (thus the worker must normally qualify for UI) and last for 26 weeks. In 1988, training became mandatory for receipt of TRA, although this requirement can be waived. In this case, recipients must provide evidence of weekly job search. Workers may receive an additional 26 weeks of TRA if needed to complete an approved training course for a total of 78 weeks of benefits (combined UI and TRA). An interesting feature of the programme may help to encourage job search and try out new jobs/occupations: job-seekers can stop their TRA if they find a job and restart it if the job is lost and they are not yet eligible for UI. There is, however, currently no data to indicate how often this happens.

To become eligible for TAA, workers must apply to USDOL for certification of their claim. Petitions can be filed by a group of 3 or more workers, their union or an authorised representative. For certification to occur, workers must have been laid off or put on a reduced work schedule. This means hours of work reduced to 80 per cent or less of average weekly hours and wages reduce to 80 per cent of average weekly wages.⁹⁴ If certification is not approved, they may still qualify for JTPA.

In 1993, the North American Free Trade Agreement (NAFTA) Transitional Adjustment Assistance programme came into effect with similar application procedures to TAA. Unlike TAA, it covers workers displaced directly and indirectly by trade, the latter encompassing workers in plants that supply materials to (primary) firms where production is displaced from imports or a shift in production to Canada or Mexico. Workers from primary firms receive TAA while those in secondary firms receive assistance under EDWAA. TAA provisions are the same but training cannot be waived: displaced workers must be in training within 16 weeks of layoff or 6 weeks from the company certification, whichever comes later. Information from Wisconsin suggests that programme administrators prefer to certify under TAA rather than NAFTA on the grounds that the procedures of the latter are less flexible. There is also some indication that certification of claims could be streamlined and assistance offered to more workers who suffer dislocation as a result of production being shifted abroad, including secondary workers under TAA. The current administration proposes to make changes in these areas [CEA (1998)].

There have been few evaluations of TAA. One by Decker and Corson (1995) examined the impact of the 1988 training requirement. They found little evidence to indicate that training raised earnings compared with participants that received only TRA. There is little stress placed on evaluation of this programme or NAFTA/TAA. Indeed, placement data from NAFTA/TAA are not even collected [GAO (1995a)]. Given the potentially long duration of benefits possible for TAA recipients, more oversight of the programme appears necessary.

H. Other youth programmes

1. Apprenticeships

Both federal and state governments play important roles in the apprenticeship system. The federal government's role is defined by the National Apprenticeship (FitzGerald) Act of 1937. The Bureau of Apprenticeship and Training (BAT) (within USDOL) registers apprenticeship programmes, sets standards and advises states on new apprenticeable occupations. States usually co-ordinate apprenticeship programmes themselves – which is the case in both Connecticut and Wisconsin through state apprenticeship councils – but BAT may do so in states that do not have councils. The system is primarily employer funded and the federal government provides less than US\$20 million for administration.

Although apprentices are grouped under youths in the OECD database, in the United States participants tend to be older. Indeed, Wisconsin's apprenticeship programme, the Adult Registered Apprenticeship programme, is open to people aged 18 and over (in most trades). It began in 1911, is the oldest in the country and is administered by the Bureau of Apprenticeship Standards in the Wisconsin Department of Workforce Development. The programme is overseen by the Wisconsin Apprenticeship Advisory Council. There are also 20 state-level Trade Advisory Committees and, in the construction industry, there are 100 local committees that select and train apprentices. Over 300 occupations are considered apprenticeable. Apprenticeships are generally time-based and require a minimum number of hours in the classroom and on-the-job followed by a state test in some cases. Currently, there are about 10 000 apprentices in over 200 trades with about 3 000 participating employers (Table 6.7). Participant numbers have grown by about 2 500 over the past few years as many older workers reached retirement. About 53 per cent were located in construction, 26 per cent in industry and 21 per cent in services. The latter figure has increased from about 12 per cent in 1994.

The Connecticut apprenticeship programme is also time-based. Programmes generally last two to four years, but can vary from one to six years. The programme is administered by CTDOL and delivered through the Connecticut Works Business Service Units located in the one-stop centres. Staff promote the programme, provide

Table 6.7. **Apprentices in Connecticut and Wisconsin, 1994 to 1998**

Distribution of apprentices											
Year	Total	Construction			Industry			Services			Employers
		Total	Men	Women	Total	Men	Women	Total	Men	Women	
Connecticut											
1994	9 402	86.7	84.2	2.5	12.2	11.0	1.1	1.2	1.1	0.1	..
1995	9 874	86.5	83.8	2.8	12.2	11.1	1.1	1.2	1.1	0.1	..
1996	10 746	86.0	83.1	2.8	12.9	11.8	1.1	1.1	1.0	0.1	3 266
1997	11 956	86.0	83.3	2.7	13.1	11.8	1.2	1.0	0.9	0.1	3 149
1998	12 324	85.9	83.2	2.8	13.1	12.0	1.1	0.9	0.9	0.1	3 190
Wisconsin											
1994	7 535	57.3	55.5	1.8	31.1	30.1	0.9	11.7	7.3	4.4	2 597
1995	7 694	58.2	56.4	1.8	28.7	27.7	1.0	13.1	7.4	5.7	2 714
1996	8 421	54.7	53.1	1.6	27.3	26.4	0.9	18.0	10.5	7.5	2 770
1997	9 393	55.7	54.1	1.6	24.0	23.3	0.7	20.2	12.1	8.1	2 951
1998	10 182	53.3	51.7	1.5	25.7	24.9	0.8	21.0	12.9	8.1	3 037

.. Not available

Sources : OECD correspondence with state agencies.

technical assistance to develop a training plan and provide continuous technical support. The Connecticut State Apprenticeship Council advises CTDOL on apprenticeship matters. Classes are delivered via the Connecticut Department of Education, Division of Vocational, Technical and Adult Education. Courses offered outside this department such as in community-technical colleges must be approved by it. There is no contracting-out, but employers have the choice between using private approved schools or the state schools.

The size of the programme is roughly the same as in Wisconsin. Currently, there are just over 12 000 apprentices and about 3 000 employers (Table 6.7). However, the industry composition is quite different: about 86 per cent of apprentices are in construction, 13 per cent in manufacturing and 1 per cent in services. There are about 400 apprenticeable occupations and there are plans to increase them into non-traditional occupations which may help to increase both the service sector share and the number of women participants.⁹⁵ Currently, women comprise about 4 per cent of participants, while in Wisconsin, they are 10 per cent of all participants.

Unlike their counterparts in other states, employers in Wisconsin are required to pay apprentices for both time spent on the job and in the classroom. In Connecticut, wages on the job are negotiated with the employer. A tax credit of US\$4 800 per year per apprentice is available to manufacturing sector employers and in construction, a US\$1 000 tax credit is available per apprentice.

The number of jobs held by American youths appears to be four to five times higher than that in other OECD countries [OECD (1996a)]. On the one hand, this may reflect the more turbulent labour market in general compared with other countries and the opportunity to gain more work experience. On the other, it may reflect difficulties settling into longer-term job matches and a waste of resources. Two strategies have been undertaken at the initiative of the federal government in hopes of addressing these issues. The first is to expand the number of apprentices, a strategy which the two review states are pursuing. As in many countries, many apprenticeable occupations have a poor image. The United States (and individual states) is trying to upgrade the image of jobs where most apprentices are located (by advertising pay and working conditions which are better than public perception), looking to expand the number of apprenticeable occupations (particularly into services). The hope is that youths will be attracted into areas where skills shortages exist. One result of high youth turnover in jobs, however, is that it may make employers more reluctant to take them on [Blank (1997a)]. The second strategy is the recent School-to-Work initiative.

2. *School-to-work initiatives*

In 1994, Congress passed the School-to-Work Opportunities Act. The programme is jointly run by the US Departments of Labor and Education, and provides federal grants to local community partnerships – schools, employers, etc. who design the programme locally – to integrate school and work-based learning, and give secondary-level students the opportunity to begin courses in a career. To receive federal funding, programmes must have three components: school-based learning; work-based learning; and connecting activities. School-based learning comprises the integration of academic and vocational education coupled with career awareness and counselling beginning in late primary school (grade 7). Work-based activities include paid or unpaid work experience and mentoring. Connecting activities involve matching students to jobs and encouraging local partnerships.

In Connecticut, the School-to-Career programme is part of the Connecticut Learns Initiative, a partnership which includes several government departments, industry and organised labour. Based on occupational projections and industry input on the types of skills that will be in demand over the next few years, eight career clusters were formed ranging from arts and media to business and finance. Students enrol in the programme in elementary school and receive career guidance and counselling. In early secondary school, they choose a career cluster. Once chosen, students follow a dual track, receiving educational instruction and work-based assignments in the cluster. In addition, skills learned in the programme are certified and can help in the transition to higher education where training in the cluster can continue.

In Wisconsin, the school-to-work programme operates under the Skills for the Future initiative. Thirty-one regional partnerships between schools, business, labour

and community groups exist to improve school-to-work opportunities. These include a number of school-based initiatives such as career counselling and the integration of academic and vocational education. On the work front, it includes paid and unpaid work experience positions, a skill certified work programme for grade 12 students (in areas such as marketing, business, child care, etc.) and a youth apprenticeship system. This programme begins in lower secondary school, offers training in 14 occupational areas (from health services to automotive technology) and comprises 900 hours of paid work-based learning in a competency based system.⁹⁶ About 1 200 students are currently enrolled, up from 21 in 1992-1993 when the programme began. As in Connecticut, there are efforts to better co-ordinate curriculum between secondary and post-secondary institutions to ensure that the school-to-work programme not only bridges the gap to work, but also to higher education.

3. Job Corps

Another type of programme unique to the United States is the Job Corps. Begun in 1964, it is a federal programme operated under Title IV of the JTPA. It is targeted at economically disadvantaged youths aged 16-24 years who are high-school dropouts or in need of additional education or training, not on probation or parole, free of serious medical or behavioural problems, and who come from “disruptive” environments. Services are usually provided in a residential setting (seven days a week), offering room and board, medical and dental care. There are 111 centres in 46 states with programmes and spaces for about 40 000 participants, not much different from when the programme began. Eighty-one centres are operated by the private sector under contract with USDOL while labour unions and trade associations conduct vocational training at many of them. The remainder are operated by the Departments of Agriculture and the Interior. The programme focuses on getting participants a high-school diploma or equivalent, remedial education or vocational training, and can include such diverse activities as social skills training, alcohol and drug-abuse programmes and work experience [USDOL (1996d)]. Students receive a small monthly allowance and can receive performance bonuses for graduating secondary school, getting a job, etc.

Connecticut has had a Job Corps centre since May 1996. Over the subsequent one-year period, there were 546 participants. The programme provides vocational training in seven areas, including secretarial, carpentry, culinary arts, computer-aided drafting, certified nurse's assistant and building and apartment maintenance. A unique feature of the Connecticut Job Corps programme is that it targets students with disabilities, the only centre to do so in the United States. Currently, they make up 30 per cent of the programme's participants – the goal is to increase that number to 50 per cent. The state also contributes 25 per cent of the funding or US\$750 000 to the centre. Participant outcomes are tracked using eight criteria, including job place-

ment, average wage and whether placement was in a full-time job in the field of vocational training.

The Job Corps is a very expensive programme. Over the past few years, just over one billion dollars have been allocated to the programme, serving from 65 000 to 70 000 participants or at a cost per participant of close to US\$18 000. This contrasts with the year-round youth programme's cost of about US\$1 700. A large share of the costs are for the centres that run the Job Corps and largely relate to residential costs. But in part, it also reflects the number of barriers that these students face in getting into the labour market, much higher than those facing participants in JTPA Title II [GAO (1995b)].

Evidence on programme outcomes is decidedly mixed. Friedlander *et al.* (1997) summarise evaluations that indicate the Job Corps has a significant, but negative, impact on earnings, one with a positive and significant impact, and many others with no significant impact at all. However, all the studies that show positive impacts for participants find that there is also a high rate of return to society, mainly through reduced criminality. Because of the variation in results, and the fact that these evaluations are old and did not use rigorous evaluation techniques, an experimental evaluation by Mathematica is currently underway. Nevertheless, it is the only large youth programme where some evidence exists that certain types of interventions might be effective. Given the cost of the Job Corps, there is still the need to develop programmes that work for youths that are less expensive and can accommodate more of them. This is particularly the case given the poor record youth programmes have in increasing employment and/or earnings of participants, as evidenced by JTPA findings.

I. Wage subsidy programmes

In sharp contrast to most other OECD countries where they are used extensively, wage subsidies have never been a large element in the package of ALMPs offered to job-seekers in the United States.⁹⁷ There appear to be three primary reasons behind this: concerns over deadweight losses and displacement effects; poor marketing (which may be related to the first point); and the view that participants will be stigmatised in the eyes of the employer.

As regards the first point, it appears common for firms to claim hiring credits after they have hired a job-seeker as opposed to using them as a basis to hire. Typically, tax consultants who might be hired to review a firm's taxes also check to see if new hires are eligible for such credits and then file the claim (leading to deadweight losses). It should be noted, however, that some programmes encourage this behaviour by allowing firms to claim the credit well after the hiring has occurred to induce them to use the credits. In addition, some consulting firms specialise in marketing job-seekers to firms based on the fact that they can generate a credit to the employer, hardly a goal of the pro-

gramme. Virtually all US programmes have a non-displacement clause, but few procedures appear to be in place to ensure it. Furthermore, an equity case can still be made for the use of subsidies even when displacement occurs: to allow particularly disadvantaged groups an opportunity to develop work-related skills.

The limited evidence available for the review suggests that only a small number of firms indicate to the ES that they are seeking workers eligible for tax credits. This could reflect poor marketing of the schemes, and one job of employment specialists is to now inform companies of the various programmes for which they are eligible.

Despite the relative lack of interest in the use of wage subsidy programmes, they have long existed in the United States. Recently, the long-standing Targeted Jobs Tax Credit (TJTC) was replaced by the Work Opportunity Tax Credit (WOTC) and the Welfare-to-Work Tax Credit (WtWC) as part of welfare reform. The TJTC was targeted at the structurally unemployed and the new credits expand the number of eligible groups. While this may seem surprising, given the past lack of interest in the use of these credits, it probably reflects concerns that new legislation placing time limits on public assistance will require more measures to assist welfare clients to get back to work (see Chapter 7). Each is an entitlement programme: firms that hire individuals who meet the conditions are eligible for an unlimited number of slots.⁹⁸ The key features are:

- WOTC is available to employers who hire members of families who have received public assistance⁹⁹ for a total of any 9 of the 18 months prior to the hire. For those employed for 400 or more hours, employers receive a subsidy of 40 per cent of the wages, capped at US\$6 000. For those employed 120 to 400 hours, the credit is 25 per cent. In addition, a number of other groups are eligible for this credit, including some members of families receiving food stamps.
- WtWC is targeted on members of families who have received public assistance for 18 consecutive months before being hired; those whose AFDC (or TANF) eligibility expired after August 5 1997; or who have received public assistance for a total of 18 months since this date. For those employed more than 400 hours (or 180 days), the credit is 35 per cent of wages in the first year and 50 per cent of wages in the second (each capped at US\$10 000) for a total potential credit of US\$8 500 over the two years.

Relative to the average production wage for a full-time worker, the WOTC credit represents about 8 per cent of total labour costs, and 12 and 17 per cent for WtWC in the first and second years of employment, respectively.¹⁰⁰ These subsidy rates are similar to those offered in other countries. Moreover, the tax credits are clearly focused on the unemployed with relatively more barriers to entry which should minimise deadweight losses. Nevertheless, the take-up of targeted subsidies of this sort is sometimes low, reflecting the fact that, even with generous subsidies, employers can be reluctant to take on certain groups of job-seekers.¹⁰¹

Table 6.8. **Work Opportunity Tax Credit certifications by selected worker groups, 1997**

	Connecticut	Per cent	Wisconsin	Per cent
<i>By group:</i>				
Total	3 364	100.0	3 437	100.0
Welfare group	2 847	84.6	2 543	74.0
Economically disadvantaged	65	1.9	222	6.5
Other	452	13.4	672	19.6
<i>By occupation:</i>				
Total	3 364	100.0	3 437	100.0
Professional, technical and managerial	25	0.7	43	1.3
Clerical and sales	2 158	64.1	1 369	39.8
Service	889	26.4	765	22.3
Farm, fish, forestry	2	0.1	8	0.2
Processing	3	0.1	33	1.0
Machine trades	28	0.8	141	4.1
Bench work	170	5.1	55	1.6
Structural	11	0.3	23	0.7
Miscellaneous	78	2.3	1 000	29.1

Source: OECD correspondence with state agencies (based on WOTC certifications).

Data on WOTC accreditations, the only programme for which data are currently available, indicate a number of similarities for each state: the take-up is highest for welfare clients; most subsidised jobs are clerical or in sales; and service occupations all likely to be low-skilled and low-paid jobs (Table 6.8). States also administer their own wage subsidy programmes. For example, the Wisconsin Department of Commerce, through its Community Development Zone programme, offers tax credits for 11 groups. Employers receive 25 per cent of the first US\$13 000 of qualified wages paid in the first two years of employment. The credits are available to expanding and new firms, and have a carry-forward provision of up to 15 years.

Welfare Reform in Connecticut and Wisconsin

A. Introduction

Recent federal legislation makes welfare receipt for the most part conditional on participation in a work-related activity. Like UI claimants referred to profiling services, welfare recipients are obligated to participate in what amounts to a series of ALMPs to receive federal cash assistance. This chapter begins by outlining the federal welfare reform initiatives, the impetus and history behind them and the packages recently adopted in Connecticut and Wisconsin. It then examines the jobs that welfare recipients are likely to get, the sustainability of these jobs in a downturn and the likelihood of former welfare recipients drifting back onto public assistance. It also discusses various factors that underpin welfare reform, including the work-first approach and the importance of various supporting programmes for former welfare clients. Given the recent introduction of these initiatives in the context of a buoyant overall labour market, there remain numerous unanswered questions as to the likelihood of the success of welfare reform in getting clients off of public assistance rolls permanently. Success will depend not only on how the labour market behaviour of welfare clients changes, but also on how the other main actors in the system adapt.

B. Welfare reform initiatives

In August 1996, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) created the Temporary Assistance for Needy Families (TANF) programme which replaced the long-standing programme Aid to Families with Dependent Children (AFDC). AFDC was a cash-based assistance programme targeted mainly at single parents.¹⁰² People who matched the eligibility criteria were guaranteed cash and other assistance. TANF does away with all of this. Under the State Family Assistance Grant, federal cash assistance is limited to 60 months over a lifetime and able-bodied adults are required to work or participate in an approved

activity after no more than two years. Furthermore, there is no entitlement to cash assistance: states decide what will be offered out of the block grant and impose eligibility criteria. Indeed, states have considerable flexibility to design their own welfare programmes subject to some federal participation requirements. TANF has, therefore, shifted a large element of the social safety net away from the federal government towards state responsibility. Box 7.1 outlines TANF in more detail while Table 7.1 provides a brief comparison between PRWORA and AFDC.

US welfare reform has a strong emphasis on work. But it is more expensive to implement a work-based programme – with the necessary support framework for clients and the changes to the administrative framework to run the programme – than to enforce a rules-based programme [Blank (1997a); Haveman (1996)].¹⁰³ In response to this, PRWORA also includes a number of other important provisions in addition to TANF. These include:

- The creation of a Child Care Development Block Grant (now referred to as the Child Care and Development Fund, or CCDF). It replaced four other programmes that had different eligibility requirements with one with a single set of criteria [GAO (1998)] and raised funding levels.¹⁰⁴ The CCDF has a mandatory element guaranteeing federal funds to the states, a matching component and discretionary funds [Long and Clark (1997)].¹⁰⁵ The mandatory component is funded at US\$13.9 billion over the 1997-2002 time period. About US\$1.2 billion of this is provided each year to states, with the remainder being based on state matching funds. From CCDF, child-care subsidies can be offered to families who have incomes up to 85 per cent of the median income of the state; 70 per cent of the grant must go to welfare clients, those attempting to leave welfare and those at-risk of entering welfare. States also have the possibility of transferring 30 per cent of funds received under the TANF block grant to child care.
- Expanded medical coverage: families continue to be covered under Medicaid or subsidised Medicaid for up to 1 year after beginning work if income is less than 185 per cent of the federal poverty level for their family size [Committee on Ways and Means (1996)]. Medicaid continues to be an entitlement.

Another important change was to the Food Stamp programme. Eligibility requirements were tightened considerably: 18-to-50-year-olds without children are only eligible to receive food stamps for 3 months over the course of 3 years unless they are working or participating in a workfare, work or employment and training programme. Previously, able-bodied adults were only expected to register and accept offered employment and training (Food Stamp Employment and Training programme or FSET) to maintain eligibility. In addition, legal immigrants are to a large extent now ineligible for food stamps.

Box 7.1. Temporary Assistance for Needy Families (TANF)

TANF replaced three federal-state match-grant programmes: AFDC; JOBS; and Emergency Assistance (EA) [Mermin and Steuerle (1997)]. The amount of the grant is US\$16.4 billion annually until the year 2002 [Committee on Ways and Means (1996)]. States can carry forward any savings that they realise in any given year. The federal government sets a number of requirements as part of the grant. States which do not meet the requirements can be penalised; alternatively they can be rewarded if they meet or surpass them. State requirements are grouped around work requirements, work activities, a five-year time limit and maintenance of effort.

Work requirements

In general, recipients of funds under TANF must leave assistance after two years although states are not penalised if they do not meet this objective. However, states must meet the following requirements or risk penalties: 25 per cent of all single-parent families must be engaged in work activities or have left welfare rolls in fiscal year (FY) 1997 rising by 5 percentage points a year to 50 per cent in FY 2002; single parents must participate for at least 20 hours per week (averaged over the month) in the first year rising to 30 hours per week in FY 2000; and for two-parent families, 75 per cent must be working in FY 1997 rising to 90 per cent in FY 1999 with a work week of 35 hours, or 55 hours if federal child care is provided. Adults who refuse to engage in work face at least a pro-rata reduction in benefits. For example, if a parent is required to work for 20 hours and works only 10, then benefits are cut by a minimum of 50 per cent. There are special provisions for single parents with children under the age of six. In particular, families who cannot find child care cannot be penalised for not meeting the work requirements although states can decide at which age this applies.

Work activities

Work activities are tightly defined and encompass 12 activities. They include: subsidised or unsubsidised employment; on-the-job training; work experience; community service; 12 months of vocational training and up to six weeks of job search (with no more than four consecutive weeks). No more than 25 per cent of those meeting the participation requirements can be in vocational training. States are allowed to use TANF funds to create community service jobs, wage subsidies and income subsidies.

Five-year time limit

Cash assistance for families with an adult who has received aid under TANF for five years is forbidden (or fewer years at state option). For families already receiving assistance, *e.g.* AFDC, the time limit begins on the date of implementation of TANF by the state. After five years, states may use their own funds to provide assistance. They can also exempt 20 per cent of their average monthly number of families in a fiscal year from the lifetime limit by reason of hardship. A key term in the five year time

(continued next page)

Box 7.2. Temporary Assistance for Needy Families (TANF) (continued)

limit is “cash” assistance. For example, services with no direct monetary value, including counselling and case management, are not included in the limit. In addition, short-term financial assistance is not included, *e.g.* one-time grants.

Maintenance of effort (MOE)

Each state is allocated a fixed amount of money equal to federal payments in 1994 on AFDC, EA and JOBS. As part of the block grant, states must maintain their spending at a minimum of 80 per cent of their spending in FY 1994 on welfare programmes. They must also maintain 100 per cent of FY 1994 or 1995 spending on child care to access child-care funds beyond their initial allocation. Spending on separate state programmes that go towards meeting the TANF goals can be included. If a state meets work requirements, the MOE drops to 75 per cent of their FY 1994 spending.

Source: Adapted from the Committee on Ways and Means (1996, Appendix L).

1. Why reform welfare?

The traditional welfare model, as exemplified by AFDC, was based on the notion that single mothers whose husbands had died or were disabled should be allowed to stay at home and care for their children. However, working patterns have changed considerably since 1935 when welfare legislation was first passed and many mothers are now in the workforce. This, in part, has led to a re-examination of the role of income support with regard to how to best ensure that it does not dissuade parents from entering the workforce, while providing assistance to those who truly cannot work. Over the years, there have been a number of studies suggesting that AFDC failed in this regard. A recent survey by Moffit (1992) noted that “the literature on the incentive effects of the US welfare system has shown unequivocal evidence of effects on labour supply, participation in the welfare system and on some aspects of family culture”. These effects have not usually been found to be large, but combined with observed trends under AFDC have been used as arguments for reform. In particular, Moffit (1992) and other authors [*e.g.* Kaplan (1997a); O’Neill and O’Neill (1997); Wiseman (1997)] have noted the following (also see Chart 7.1)

- Rising AFDC caseloads and numbers of children living in households receiving AFDC. Caseloads have declined since 1994, although the reasons behind this are unclear (see below).

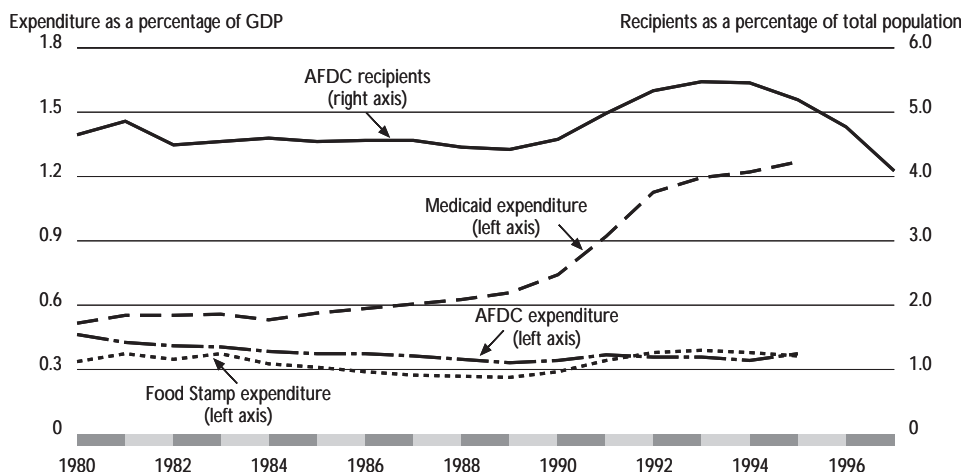
Table 7.1. **Main differences between AFDC and PRWORA**

	AFDC	PRWORA
Funding	Open-ended funding on a matching basis for benefits and administration.	Block grant of US\$16.4 billion annually from FY1996 to FY 2003. Requires state matching funds.
Eligibility	Benefits were guaranteed to individuals who met eligibility criteria – both financial and non-financial – which were largely state-determined. Separate provisions for unemployed parents.	No individual guarantee of benefits but states must have objective criteria for delivery of benefits and determining eligibility.
Time limits	None as long as recipients met programme eligibility rules.	Maximum of five cumulative years of assistance.
Work requirements	In FY 1995, 20 per cent of non-exempt caseload had to participate in the Job Opportunities and Basic Skills (JOBS) programme. Individuals could be exempted based on a number of factors including illness, age and age of child. States had a maintenance of effort funding requirement for JOBS.	Work participation rates for one and two-parent families along with hours requirements.
Supplemental funds	None.	US\$2 billion contingency fund.
Other support measures	Child care, food stamps and Medicaid.	Same types of support but rules for child-care and food stamps eligibility have changed.
Bonuses	None.	Possible if state exceeds block grant goals.
Penalties	States could be penalised if their AFDC payment error rate exceeded national standards, and if they didn't meet participation and matching rates for JOBS.	Penalties if states do not meet work participation rates, do not submit required reports, for misuse of funds, for not complying with the five year assistance limit and a few other factors.

Source: DHHS (1998b).

- Large increases in public assistance outlays as a percentage of GDP. Increases have mainly come through rising expenditures on Medicaid, while those on AFDC declined slightly. Nevertheless, annual benefits for many families were substantially higher when food stamps and Medicaid were included as compared with only AFDC benefits.¹⁰⁶
- Work disincentives within AFDC and possible links between AFDC, non-marital births and single parenthood.

◆ Chart 7.1. *AFDC, Food Stamp and Medicaid expenditures as a percentage of GDP, and AFDC recipients as a percentage of the population*



Sources: OECD social expenditure database; DHHS welfare caseload data; and Committee on Ways and Means (1996).

- Increasing poverty among families with children. In 1980, 18 per cent of children lived in families with income below the federal poverty standard; by 1995 it was 20 per cent.
- A perception that welfare has not been well managed.

Welfare reform has followed a number of principles [DHHS (1997)]. In particular, it should provide short-term support and help people move into paid work; parents should receive child and health care support to ease the transition; they should have individual action plans; and programme administrators should focus more on outcomes and less on payment accuracy and programme procedures.

2. History of welfare reform

Although the TANF block grant creates substantial changes to state welfare programmes, many states had already been modifying AFDC through waivers. The reform process has typically been incremental, involving waivers granted by the federal government to states to test modifications to AFDC. Along with this came a requirement to rigorously evaluate the impact of the modification, usually through a random assignment experiment.

Until the late 1980s the number of waivers sought by states was minimal. The pace picked up in the early 1990s, with 40 states having at least one approved waiver

by 1996 [Boehnen and Corbett (1996)].¹⁰⁷ A key change came in 1988 with the passage of the Family Support Act which put in place JOBS [Friedlander *et al.* (1997)]. It required AFDC recipients with no children under the age of 3 to participate in job placement, training, education or employment programmes unless exempted due to incapacity, full-time schooling or certain other reasons. Most were enrolled in education and training and not work-related programmes since the former were the main focus under JOBS [O'Neill and O'Neill (1997)]. But while the goal was for about 20 per cent of AFDC recipients to participate, only about 13 per cent ever did [Smith Nightingale (1997)]. This reflected to some extent the recession that hit in 1990 which, given limited JOBS funding, made this goal unattainable [Blank (1997a); GAO (1997)].¹⁰⁸

In contrast to most states, Wisconsin has had an extensive history in the use of waivers (see Annex 7.B). One of them – Work not Welfare – became the basis for Wisconsin Works (W-2). Connecticut's experience with waivers has been more limited. Indeed, its TANF programme stemmed from two previous AFDC waivers, "A Fair Chance" which led to the "Reach for Jobs First" experiment that is currently being conducted in two counties.

C. Welfare programmes in Connecticut and Wisconsin

1. Access to welfare programmes

Included in TANF legislation is a mandate that each welfare client receive an assessment of his/her needs, and, preferably, an individual service plan. In Connecticut, prospective welfare clients are first assessed as to their eligibility by the Department of Social Services (DSS) and are then referred to the CTWORKS system where case managers are located. As of 1 July 1998, most clients will be referred to CTWORKS for assessment *and* referral to appropriate employment services. In Wisconsin, individual assessment is carried out by Financial and Employment Planners (FEPs), a new staff position. Clients generally go to the one-stop centres to apply for welfare where FEPs are located. Administratively, the FEPs report to their W-2 agency, usually the county government.

Legislation now allows states to contract out the administration of welfare services and in particular, to determine eligibility for TANF. In Connecticut, DSS has maintained control of administration. In Wisconsin, of the 80 W-2 agencies, 12 are private (two of which are for-profit), with about half located in the county of Milwaukee where the PIC was assigned responsibility to co-ordinate services.¹⁰⁹ The W-2 agencies work with Community Steering Committees which are public/private partnerships established by each agency. They are used to identify unsubsidised as well as subsidised job opportunities for W-2 clients, in addition to developing employment strategies, providing client mentoring, increasing child-care access and the like.

FEPs and case managers have two fundamental responsibilities: first, to determine the barriers to employment that clients face; and second to create employability plans that can overcome these barriers, including financial assistance such as child care, appropriate employment and training programmes, and Medicaid assistance. In addition, they are expected to provide follow-up support when the client is in work. They may also liaise with other one-stop centre staff, for example JTPA staff if training is needed, and they may work in teams to complete their assessment.

The creation of FEPs in Wisconsin has involved substantial training to reorient thinking away from a rule-based system that only involved determining eligibility, benefit amounts and (maybe) sanctions, to one where careful consideration must be given to the problems faced by clients and their potential solutions. The latter requires more flexibility on the part of staff and greater knowledge of the types of programme interventions that might be suitable for the client. Discretion by FEPs, however, can create one important problem that a rules-based system sought to avoid: perceptions of inequality that may arise out of case managers' decisions [Heckman *et al.* (1996)]. Case managers have flexibility on the types of plans to draw up for clients, and it is possible that two individuals who *appear* similar might receive different plans, perhaps leading to claims of unfair treatment. To date, there is no information on whether this has become a problem.

2. Welfare in Wisconsin: Wisconsin Works (W-2)

W-2 began state-wide operation in September 1997. The programme was first approved as meeting TANF requirements one year earlier and, in the intervening period, several of the W-2 features, described below, were implemented and various waivers phased out. As of September 1997, no new AFDC cases were registered and the period to March 1998 was used to screen the AFDC caseload for W-2 eligibility. Requirements to enter W-2 are: custodial parents over the age of 18 who meet asset and income tests, who have not exceeded 60 months participation in JOBS and/or W-2 and who have made a good-faith effort to obtain employment as judged by their W-2 agency (usually meaning not to have refused a job offer in the previous 180 days). W-2 also requires either a work or programme commitment, which begins as soon as the job-seeker registers. Each W-2 participant signs both a participation agreement which outlines their rights and responsibilities, and an employability plan which identifies family needs such as food and shelter requirements.

Four work-related options are available for recipients, ranging from unsubsidised employment for the most job ready to the W-2 transition programme for the least job ready (Tables 7.2 and 7.3). None of the options is guaranteed: a family might meet all the eligibility criteria, but not be offered any option due to funding constraints. Other assistance includes:

Table 7.2. Main elements of the Wisconsin Works programme

Level of W-2	Basic income package	Time required of recipients	Programme time limits	Child care co-payments (US\$/month) ^a	
				Licensed care	Certified care
Unsubsidised employment	Market wage + food stamps + EITC	40 hrs/wk standard	None	101-134	71-92
Trial job (W-2 pays maximum of US\$300 per month + EITC to the employer)	At least minimum wage + food stamps	40 hrs/wk standard	Per job: 3 months with an option for one 3-month extension; total 24 months	55	38
Community Service Job (CSJ)	US\$673 per month + food stamps (no EITC)	30 hrs/wk standard; and up to 10 hrs/wk in education and training	Per job: 6 months with an option for one 3-month extension; total: 24 months	38	25
W-2 Transition (placement contingent on assessment by the state Vocational Rehabilitation agency)	US\$628 per month + food stamps (no EITC)	28 hrs/wk work activities standard; and up to 12 hrs/wk in education and training	24-month limit, but extensions permitted on a case-by-case basis	38	25

a) Based on an estimated child-care co-payments for a three-person family with two children receiving no child support payments.

Source: Kaplan (1997b).

- Child care for families with children under 13 years of age, where income is equal to or less than 165 per cent of the poverty line (and continues until income reaches 200 per cent of the poverty line); and who meet the W-2 asset standard (this works out to about US\$26 000 for a family of three). To receive child-care support, the custodial parent must co-operate to determine paternity of the child. Co-payments are required but never exceed 16 per cent of a family's gross income. Parents are given vouchers to choose among providers.
- Federal and state earned income tax credits.¹¹⁰
- Training grants to low-income workers.
- Interest-free job-access loans to help with emergency support, *e.g.* moving expenses, car loans, etc.
- Transportation assistance.
- Medicaid.
- Food stamps.

Potential recipients apply for each benefit separately. There may also be a number of participants who are only being case-managed: these include non-custodial parents; single pregnant women; and parents who are minors. A focus of W-2 is to replicate standard job conditions. Payments do not rise with the number of children present in the household, mothers are expected to be back at work 12 weeks after a baby is born similar to standard maternity leave provisions and the plans generally require full-time participation.

3. *Welfare in Connecticut: Jobs First*

Jobs First began as an AFDC state waiver on 1 January 1996 and as of 1 October 1997 was being run under TANF. It is open to families that meet certain income and asset standards and has two key components (Table 7.3): Temporary Family Assistance (TFA) which replaces AFDC and provides cash assistance for a maximum of 21 months; and Employment Services, which helps adults in families get jobs [DSS (1996)]. Families receiving TFA have to participate in one of the following employment services programmes:

- Part I plans designed for new Jobs First clients. They have three options: self-directed job search followed by job-search skill training (JSST) lasting for up to 12 months; JSST for six months; or individual job search (supervised) for up to six months. The supervision entails a strict work test: at least 60 employers must be contacted over a six-month period. This latter condition is used as one means to determine whether assistance should continue beyond 21 months.
- Part II plans targeted mainly at individuals who have participated in job search, but are still unemployed. The plan may include short-term training and further job search, each designed to get the client in work prior to reaching 21 months' receipt of assistance.
- Part III plans for clients who have surpassed the 21-month limit. They specify activities designed to increase employability.

Jobs First has a number of key features:

- A 21-month limit on cash assistance for families with an employable adult, but no limit on duration for families without such an adult. Extensions are possible on an individual basis.
- An earnings disregard that allows families to keep all earnings up to the federal poverty level (US\$13 330 for a family of three) *and* their cash assistance for 21 months (the earnings disregard is also used for food stamp eligibility).
- Eligibility for the federal earned income tax credit.
- Child-care support of up to US\$325 per month and assistance continues as long as household income is below 75 per cent of the state median income.

Table 7.3. **Comparison of Jobs First and W-2**

	Connecticut	Wisconsin
Income eligibility to receive cash payments	Gross earnings less than federal poverty level	Gross income less than 115 per cent of federal poverty level
Income eligibility limits ^a	US\$1 110	US\$1 280
Asset limits	US\$3 000	US\$2 500
Vehicle allowance	1 vehicle (US\$9 500)	US\$10 000
Diversion assistance	none	US\$1 600 over 1-year period
2-parent families eligible	yes	yes
Time limits	21 months	60 months
Exemptions	yes ^b	no
Extensions	yes ^c	yes ^d
Work requirement exemption by age of child	1 year	12 weeks
Payments	US\$543	US\$628 ^e
Earnings disregards	All earnings below federal poverty level for 21 months	Not used under W-2
Family cap provisions	US\$50 for each additional child	No increase
Child support pass-through	US\$100	Entire amount ^f
Sanctions for non compliance with work requirements:		
First	20% reduction for 3 months	Reduction of benefit by US\$5.55 per hour
Second	35% reduction for 6 months	Termination of benefit
Continued ^g	Termination of benefit for 3 months	Ineligibility for participation in that employment component for life

a) Family of three with no unearned income or child-care expenses, October 1997.

b) Exemptions exist for disability/illness, age, caring for a disabled person, caring for a young child and general hardship/other barriers to employment.

c) Making a good-faith effort to find work or other circumstances beyond families' control that prevent work; 6 months renewable.

d) Local labour market conditions include job finding, or other significant barriers to work. No length of extension specified.

e) Payment for a single parent, two children. For Wisconsin, W-2 transition programme.

f) Run as a random assignment experiment. The treatment group will get full pass through while the control group will get either US\$50 or 40 per cent of the state share of what is collected (the AFDC rule).

g) Failure to apply three times in any W-2 employment position activity.

Source: Gallagher *et al.* (1998).

- Medicaid continues for up to two years after leaving welfare for work. This can be very important given that many low-wage jobs do not include health benefits.

4. *Main differences between Connecticut and Wisconsin state plans*

The two state plans are very different in the following important respects:

- Both states follow a work-first approach and recipients must participate in an activity to receive a benefit. Connecticut emphasises job search (usually unassisted) before more in-depth assistance is given. Wisconsin, by contrast, immediately places a job-seeker into some form of work activity if immediate job placement is not possible. In Connecticut, recipients can, therefore, receive cash assistance without having to participate in a “workfare” type programme. In Wisconsin, they cannot, at least for those with the greatest barriers to work.
- Assistance in Connecticut is limited to 21 months. Wisconsin provides assistance for the full 60 months, although participation in any one element is restricted to about two years. But in Connecticut, those who make a good-faith effort at finding work can be granted 6 month extensions beyond the 21-month time limit; such extensions can exceed the five-year limit set under TANF. In Wisconsin, extensions may be granted, but, given the lack of detail currently available, it is unclear whether participants who make a good-faith effort to fulfil the objectives of W-2 yet remain out of work will continue to get access to its services. This could particularly disadvantage large families who may have difficulty getting child care, although it appears that Wisconsin will not enforce the work requirement if child care is unavailable.
- Assistance can be denied permanently to W-2 recipients who do not follow their plans. In Connecticut, denial is first temporary, but clients who are sanctioned can have benefits denied permanently, although they can appeal this decision to DSS. In addition, individual performance contracts must be offered where clients are given a last chance to prove good-faith effort in seeking work [Van Tassel (1998)]. Safety-net services may be provided to clients whose TFA is not renewed, although there appears to be considerable flexibility in what is offered. In Wisconsin, the W-2 agency handles appeals and only under certain circumstances are they reviewed by the Department of Workforce Development. Moreover, clients do not receive payments during the appeals process (although they may receive food stamps and Medicaid), a process which could last for up to 2 months.¹¹¹ This has raised fears that private agencies may be more likely to sanction to meet performance targets, although there are currently no data available to support or refute this hypothesis. In Wisconsin, W-2 agencies are required to put in place safety-net services for children in families who do not meet programme requirements, but details are sketchy.

- Clients receiving TFA in Connecticut are potentially financially better off than they were on AFDC because of the earnings disregard. They can keep all income up to the federal poverty level, in addition to child support, Medicaid and their TFA. For example, for a family of three, the benefit level is about US\$550 per month and the poverty level for this family size is about US\$13 000 per annum. Family income is probably therefore greater than that in Wisconsin, where families are eligible for roughly US\$600 a month under the W-2 work options. There is no provision for an earnings disregard. Hence, if there is no other family income, estimates suggest that those on CSJ and Transitions receive payments about equal to those that were available under AFDC. However, because of the flat-fee structure, larger families may be worse off financially [Simpson *et al.* (1997)]. By contrast, participants in subsidised jobs would be better off financially under W-2 (Table 7.6).

5. *The status of the Jobs First and W-2 caseloads*

As at January 1998, the Wisconsin W-2 caseload stood at about 12 000 families (Table 7.4). In 1993 the welfare caseload was over 80 000 families. Moreover, recipient numbers have fallen from 240 000 in 1993 to 47 000 (less than 1 per cent of the state population) in early 1998, a decline of about 80 per cent. The drop is likely a result of both movement into jobs, and off welfare (for reasons other than into work), but the balance between the two is not available. Most cases are located in Milwaukee, the largest urban area in the state. Two features of the caseload stand out: first, about 11 500 families are headed by women in the 25-54 age range (data not reported here) and second, the largest number participate in the third tier of the ladder, *i.e.* community service jobs. However, close to 5 000 were being case managed only. This is important because case management – when no cash assistance is provided – is not included in the five-year assistance limit. Many of them are food stamp recipients. Another area of interest is the various types of support that W-2 clients receive. Virtually all are in receipt of food stamps and Medicaid, while only about one-third receive child-care assistance. An additional area of interest is how prospective welfare clients react when told about W-2 requirements. Data from January 1998 indicate that, of the roughly 600 families who applied for W-2, just over one-half decided to use their own personal resources or other community resources instead of W-2 and about 10 per cent declined to enter it because of the W-2 work requirements. Another common fear with welfare reform is that the application process may dissuade some people from making a claim. Data indicate that of those who applied for W-2, only about 5 per cent did not complete the process although this is not necessarily a good indication of how many fall into this group since some individuals might not make a claim at all.

In Connecticut, the caseload is significantly higher and has declined only modestly. In February 1998, the number of families in receipt of TFA was about 47 000,

Table 7.4. **W-2 programme participants and support services, Wisconsin, January 1998**

Percentage distribution

Programme/support services	Total families	Child care	Food stamps	Medical assistance	Transport	Other	None
W-2 transitions	1 465	14	88	99	0	13	0
Community service jobs	5 690	29	89	99	0	9	1
Trial jobs	81	35	84	99	0	11	0
Case management unsubsidised jobs	3 091	38	87	97	0	13	1
Case management other ^a	1 803	27	82	98	0	11	1
Total	12 130	29	87	98	0	11	1

a) Includes case management of pregnant women, parents of a newborn child, non-custodial parents, etc.

Source: OECD correspondence with Wisconsin Department of Workforce Development.

Table 7.5. **Jobs First caseload, August 1997, Connecticut**

	Families	Distribution
Total Jobs First caseload	47 996	100
Exempt	6 080	13
Employed	25 142	52
Employment services	3 390	7
Other	13 384	28
Employed	25 142	100
Professional and technical	3 110	12
Clerical and sales	9 153	36
Service	10 294	41
Other	2 585	10
Hours worked per week	23 930	100
0 to 19	7 710	32
20 to 34	10 531	44
35+	5 689	24
Hourly wage		100
0 to US\$5	7 604	32
US\$5.01 to US\$6	7 589	32
US\$6.01 to US\$7	3 565	15
US\$7.01+	5 172	22
Employment services	3 390	100
Job search skills training	2 044	60
Occupational skills training	447	13
Other training	302	9
Work experience	536	16
Other	61	2

Source: OECD correspondence with Connecticut Department of Labor.

down from about 56 000 two years earlier (Table 7.5). Between January 1993 and early 1998, the number of recipients fell slightly from 160 000 to about 132 000 (4.1 per cent of the state population), a decline of 18 per cent. More detailed data from August 1997 reveal a number of interesting features about the caseload. Three points stand out. First, over half of those in receipt of TFA also have additional earnings. Of those working, most are in service, clerical and sales occupations working less than 35 hours per week and earning less than US\$6 per hour. Data not presented indicate that about 88 per cent of TFA families were also in receipt of food stamps. Second, of those not working, about 60 per cent are enrolled in job-search skills training (Plan 1); about 13 per cent are enrolled in occupational skills training; and about 16 per cent in work experience. Finally, a large number (over 3 000 families) are neither working nor in an approved work activity although the reasons behind this are unclear. It could relate to capacity constraints and the fact that enough are enrolled to meet current federal work requirements.

The relative merit of each state's approach depends, among other things, on the characteristics of the caseload. At the current economic juncture, job search may be sufficient for many particularly since various studies have shown that many welfare recipients exit on their own into jobs (see below). Beginning with unassisted job search can, therefore, be one way of saving resources for those who need help the most. But for those who could use more assistance immediately – or who are not sure how or where to look for work – it can lead to an unnecessary extension of a person's claim against their five year limit.¹¹² Job search assistance might be more fruitful after more intensive assistance is offered as is done in Wisconsin. Finding the right balance is a key role of FEPs and case managers. In fact, it appears that too much emphasis has been placed on unguided job search in Connecticut which has been found to be unproductive for many clients. As a result, Connecticut appears to be moving more in the direction of assisted job search.

As noted above, allowing TFA recipients to keep their earned income up to the poverty level and their TFA is designed to encourage recipients to move into the labour force. As the caseload data reveal, this is often achieved through part-time work, which may be the easiest way for many welfare clients to make the transition. Participants may also decide to earn just enough so that they can keep both sources of income and minimise work effort. Indeed, once income is above the federal poverty level, TFA is lost completely so a one dollar increase in income above the poverty level results in a large drop in net income. However, drawing on both sources of income could be detrimental to the recipient given the five-year lifetime limit on federal cash assistance that exists under TANF. Partly because of the sharp drop in income that results when earnings go above the poverty level, temporary rental assistance is available to families for a 12 month period, although it appears to be inadequately funded [Van Tassel (1998)]. Finally, the employer response is unclear since they may have the incentive to lower wages on offer to clients whom they know are receiving TFA.

For W-2, Haveman (1996) notes a potential problem with its ladder approach. The rewards in moving towards greater self-sufficiency from Transitions to Community Service Jobs are almost nil because, as the payment standard increases, food stamp benefits fall. Similarly, movements within the top two rungs of the ladder offer little payoff. But a move from the workfare programmes to jobs paying a wage does yield financial gains because the earned income tax credits help to greatly increase income over CSJ and Transitions despite increases in child-care co-payments, social security taxes and a decline in food stamp benefits (Table 7.6).¹¹³ A key assumption behind increased earnings in the top half of the ladder, however, is the ability to move into a full-time, full-year job and it is unclear how many W-2 clients can realistically get such jobs.¹¹⁴ Furthermore, employers may adjust wages on offer if they know employees are in receipt of various tax credits and an increased supply of low-skilled labour may lower market wages towards the minimum wage. Even if pay-offs were not great in terms of income, however, there is one large incentive for participants to move up the ladder: the quicker they do so, the faster they get out of the five-year time limit and preserve any future entitlements.

Table 7.6. **Payments under selected W-2 options relative to AFDC^a**
US dollars

	Trial Jobs	Community Service Jobs
Cash earnings/grant ^b	10 712	6 660
State and federal EITC	3 869	0
Food stamps	2 560	3 225
Income tax	0	0
Social security tax	810	0
Child care co-payment	676	336
Total	15 655	9 549
<i>Memorandum items</i>		
AFDC payment	9 504	9 504
W-2 relative to AFDC	165	100
W-2 relative to poverty	117	72

a) Situation for single parent with two children in licensed day care.

b) Cash earnings for trial jobs assumes 52 weeks work at 40 hours per week earning US\$5.15 an hour, the current minimum wage. The cash grant for CSJ is assumed to be US\$555 per month.

Sources : Wisconsin Department of Workforce Development (1997); and Simpson *et al.* (1997) for CSJ option.

Ironically, because Wisconsin had a higher caseload in 1994 – the basis for the TANF grant – it received more TANF funds than Connecticut which now has a much larger caseload. It has, therefore, received a windfall in funding which allows it considerably more flexibility on how to deal with its remaining caseload. The annual (fixed) grant to Connecticut is about US\$267 million; for Wisconsin, it is about

US\$318 million.¹¹⁵ Other funds, such as child-care and federal Welfare-to-Work, increase the amounts available to spend on recipients. After 1997 TANF expenditures, Wisconsin carried into 1998 a balance surplus of US\$133 million compared to US\$29 million in Connecticut (Table 7.7).

Table 7.7. **State grants for TANF, child-care and welfare-to-work**
Fiscal year 1997, in millions of US\$

	Connecticut	Wisconsin
TANF grant	266.8	318.2
Child care and development fund		
Mandatory funds	18.7	24.5
Matching funds	8.6	13.9
Discretionary funds	0.1	0.3
Total	27.4	38.6
Total grants	294.2	356.8
<i>Memorandum items</i>		
Total TANF expenditures	236.9	185.6
Balance carried forward to 1998	29.9	132.6
Welfare-to-work grants (FY 1998)	12	12.9

Sources : OECD correspondence with US Department of Labor.

6. *Additional assistance: Welfare-to-Work grants (WtW)*

After PRWORA was passed, concern was raised that the hardest-to-employ under TANF might need more assistance than could be offered under its limited funds. In the Balanced Budget Act of 1997, therefore, USDOL was authorised to provide Welfare-to-Work grants to states and local communities to create additional job opportunities. The grants amount to US\$3 billion over a two-year period. Out of these grants, Connecticut and Wisconsin will receive between US\$12 and US\$13 million in fiscal year 1998 out of the US\$1.5 billion available (Table 7.7). Grants are awarded in two ways:

- 75 per cent of funds are allocated to states based on a formula that considers the number of poor and adult recipients of TANF. States are required to distribute 85 per cent of their allocation to the PICs and match one dollar for every two of federal funds.¹¹⁶
- 25 per cent of funds are allocated based on competitive grants directly to local governments, PICs and private entities who apply in conjunction with a PIC.

WtW grant funds can be used for short-term employment programmes in the public sector, job-placement activities (which can include vouchers to employers where 50 per cent of funds are held back until the recipient has been at work for six

months), post-employment services (such as education and skills training), support services (transportation assistance, child care, short-term housing, etc.) and job-readiness preparation. In addition, the funds can be used for intake, assessment and case management of recipients.

Eligibility criteria have been set by the federal government (Table 7.8). In addition, they can decide on how the fund matching should occur. Wisconsin has decided that the SDA/WDAs must contribute the bulk of matching funds for any projects that they propose.

Table 7.8. **Participant eligibility requirements for Welfare-to-Work grants**

A. 70 per cent of funds on hard to employ	B. 30 per cent on long-term welfare dependence characteristics
<p>I. Individual must meet <i>all three</i>:</p> <ol style="list-style-type: none"> 1. is receiving TANF assistance 2. have two of three specified barriers to employment: <ol style="list-style-type: none"> a) not finished high school and has low skills in reading or mathematics b) requires substance abuse treatment for employment c) has a poor work history (90% must have worked no more than three consecutive months in past 12 calendar months). 3. has been a long-term TANF recipient (either <i>a</i> or <i>b</i>): <ol style="list-style-type: none"> a) received TANF (or predecessor) for at least 30 months (not required to be consecutive) b) will become ineligible for assistance due to state or federal imposed limits. <p>II. Non-custodial parent of a minor is eligible to participate if the custodial parent meets all three criteria above.</p> <p>III. An individual who has two of the three above specified barriers, but is no longer receiving TANF assistance because he/she has reached federal or state-imposed lifetime limit.</p>	<p>Individual must meet <i>both</i>:</p> <ol style="list-style-type: none"> 1. is receiving TANF assistance 2. has characteristics associated with, or predictive of, long-term welfare dependence, such as: School dropout Teenage pregnancy Or poor work history (states may designate additional characteristics) <p>Non-custodial parent of a minor child, if the non-custodial parent</p> <ol style="list-style-type: none"> 1. has the above characteristics, and 2. the custodial parent is receiving TANF assistance. <p>An individual who has the above characteristics, but is no longer receiving TANF assistance because he/she has reached federal or state-imposed lifetime limit.</p>

Source: Welfare-to-Work Grants Fact Sheet, US Department of Labor (1997).

For its formula grant, Connecticut will draw its WtW clients from those registered for TANF assistance at DSS. Wisconsin has decided to make an effort to reach non-custodial parents as one of its main targets for assistance. A goal is to make this group self-sufficient so that they can provide financial assistance – such as child support – to custodial parents. It is hoped that this, combined with the full passthrough of child-support funds to the custodial parent, will reduce public child-care payments.¹¹⁷ Because the hardest to employ may also be the hardest to reach, funds will be used for outreach such as advertising campaigns to provide information. The W-2 caseload will also be examined to determine other suitable groups, funds will be used to provide post-employment support to former W-2 clients and to families receiving TANF child-care assistance [NGA (1998a)].

Wisconsin received its formula grant in July 1998. Competitive grants have also been awarded to groups within the states. The WorkPlace, Inc. in southwestern Connecticut has received a US\$5 million grant to create wage subsidies for TANF clients, in addition to providing both child-care and transportation assistance. In Wisconsin, a US\$4 million grant was given to Welfare to Work Milwaukee, a collaborative project of the Milwaukee County PIC and the five local agencies responsible for the implementation of Wisconsin Works. The target groups are long-term participants and non-custodial parents with legal problems and poor academic and work skills. The project will serve 200 W-2 participants (primarily women) and 450 non-custodial parents (primarily men) assigned by Family Court over a 30-month period. Community-based providers will be used to achieve specific job-placement, retention, earning, child-support and parental responsibility outcomes within one year of the initial assignment with financial rewards and sanctions applied to their performance.

D. Issues and challenges under welfare reform

1. *Leaving welfare: permanent jobs or a return to welfare?*

The overriding goal of TANF is to move welfare recipients into work. Available evidence suggests that this goal should be possible for many recipients, at least in the current economic climate. A more stringent goal would be for them to stay in work over a sustained period of time. This may be more difficult. The most difficult of all would be to make former welfare recipients self-sufficient, *i.e.* not dependent on any government support and, at a minimum, lift them out of poverty. Various studies suggest such a goal will be rather difficult to meet.

Many commentators believe that the labour market is flexible enough to absorb the influx of welfare recipients, at least over the longer-term [Haveman (1996); Burtless (1997)]. To support this view, they cite the increase in participation rates for single women with children along with the decline in welfare caseloads. Between January 1993 and March 1998, the number of families receiving welfare in the United

States dropped 35 per cent (or by 1.7 million families) and the number of recipients fell 37 per cent (or by 5.2 million) (Chart 7.1). These declines were widespread across states with 33 having caseload declines of 40 per cent or more. It is uncertain, however, how many more can be absorbed and how many will rejoin the welfare rolls when their job ends.

Various studies on the duration of AFDC receipt shed some light in this area. Estimates suggest that about one-half to three-fourths of new AFDC spells last no more than two years [Moffit (1992); Committee on Ways and Means (1996)]. But many return to welfare. Studies summarised in Meyer and Cancian (1996) indicate that about 40 to 60 per cent of individuals who exit AFDC return within two years, a percentage which rises over longer time periods.¹¹⁸ Accounting for multiple spells indicates that the total duration of AFDC receipt is substantially longer than the initial spells would indicate. New recipients of AFDC can expect to spend about six years on it, with about 30 per cent of new entrants grouped around the five-year time period. For those already in receipt of AFDC, the duration is longer, about 12 years [Committee on Ways and Means (1996)]. These findings are echoed in a slightly different way in a recent paper by Bartik (1997) who uses March CPS data over the 1983-1995 time period to examine work patterns of welfare recipients. He notes that the most important factor determining continued employment was whether welfare clients had worked in the previous year: those not employed had only a 5 per cent chance of employment while of those who held a job, about 50 per cent were employed the following year.

The most likely route into employment for welfare recipients is via a low-paid job. A recent report from USDOL notes that most welfare mothers have worked in low-wage and low-skilled jobs in food service, other sales, administrative support, cleaning and building service and health service occupations. This is consistent with Bartik's (1997) findings¹¹⁹ and a recent article by Burtless (1997) who finds that a majority of welfare recipients end up in jobs paying six to seven dollars an hour or less. The limited information available on occupations of individuals certified for WOTC and employed Jobs First participants indicates that most are in low-paid jobs or occupations where many low-paid jobs exist. Furthermore, findings from recent (preliminary) follow-up studies of former welfare clients in nine states indicate that about 50 to 60 per cent who left welfare were employed and were paid between \$5.50 and US\$7 an hour [NGA (1998b)].¹²⁰ Burtless (1997) also notes, however, that an increase in the labour supply of low-skill workers may well reduce their wages.

One key question is the extent to which welfare recipients who get a low-paying job might ultimately move up the earnings ladder. The 1997 *Employment Outlook* examined the incidence and persistence of low pay in a number of countries including the United States [OECD (1997d)]. Data over the 1986-1991 period indicate that about 20 per cent of *continuously* employed workers were low-paid at least once, but less than 5 per cent were always low paid over this period. The total amount of time spent

in low pay by workers who were low-paid in 1986 was about 3.5 years. Workers caught in this situation were more likely to be women with relatively low education. These numbers, however, tend to understate the severity of low pay because the time period is limited and some workers may have left the workforce and gone onto public assistance. For example, over this time period, for all workers who were low-paid in 1986, they also averaged one year with no pay. Moreover the ability to exit a low-paid job into higher paying jobs decreases as the number of years in low pay increases. This work suggests that, since most former welfare recipients are women with relatively low skills, they will probably spend a considerable period of time in low-paid jobs and not see much movement up the earnings distribution.

In many cases, therefore, it appears likely that former welfare recipients will remain at or close to poverty and in need of additional support programmes such as the earned income tax credit, child-care assistance, Medicaid and food stamps. Indeed, the Meyer and Cancian (1996) study on the Wisconsin AFDC caseload notes that, even when women stopped claiming AFDC they continued to receive benefits from other programmes. Over a five-year period, only 20 per cent who had left AFDC had not received any other means-tested transfer. Moreover, with the recent caseload decline in Wisconsin, Meyer and Cancian (1996) note that those remaining on the welfare roll are probably the most disadvantaged. They found that over the period 1983 to 1993, as the caseload fell, it became more concentrated on recipients with low levels of education, larger families and younger children. The preliminary nine-state findings indicate most families continued to receive some form of public assistance (*e.g.* food stamps, child-care and Medicaid) after they left welfare [NGA (1998*b*)]. In addition, Pavetti (1997) notes that although many welfare recipients work at some point, those with low education and skill levels usually work the least and remain in need of a safety net. Moreover, as Moffit (1992) notes, for clients living in poverty, it is unlikely that any intervention would generate enough additional income to move them out of it. Even if a relatively optimistic view is taken of the impact of various ALMPs, a large change in the poverty rate of female heads of households is unlikely to result. It appears, therefore, that the most likely outcome is that a typical job for a former welfare recipient is one which is low-paid, probably allows few opportunities for on (or off) -the-job training that might produce future earnings gains and leaves the individual in need of other forms of public assistance such as food stamps. In addition, many jobs are not full-year (an important condition to making work pay). All of this must be weighed against the positive benefits that can arise out of greater attachment to the labour force such as the impact on health, crime and potential moves into higher-paid jobs.

The above evidence helps to shed some light on the work-participation requirements under TANF. To a large extent they appear to have been drawn from – or at least consistent with – studies on the behaviour of *new* entrants to AFDC. For example, the five-year time limit is consistent with the average duration of benefit receipt

of new entrants to AFDC. The work requirement after two years is also consistent with findings that many new entrants to AFDC leave within two years. It is difficult to predict, however, the impact of the new lifetime limit on the average duration of time on public assistance. For example, it appears crucial to keep new entrants from re-entering welfare once they initially leave since the average duration is much longer for those who do. FEPs and case managers will have to not only help recipients get work, but also provide support to those in work to keep them there. Moreover, it is unclear what will happen to those already in the welfare system who have a substantially longer estimated duration of welfare receipt and greater difficulty in leaving welfare. Many may be left to become part of the 20 per cent exemption and never receive much assistance. Although states can use their own funds to help individuals beyond the five-year limit, and include these in their maintenance of effort, their ability to do so may be limited in a future downturn.

2. What will happen in a downturn?

The relative strength of the US economy appears to have been a very important factor in helping to reduce welfare caseloads. Nevertheless, there has been a large debate on the extent to which it is the driving force behind the decline or whether other factors such as changes in welfare regimes through waivers are more important. This is important because if it is only a cyclical effect – and not behavioural – then caseloads may rise dramatically in any subsequent downturn.

Three recent papers have attempted to tackle this issue. A report by the CEA (1997a) suggests that 40 per cent of the recent decline in AFDC caseloads was due to economic growth, one-third to various welfare waivers and the remainder to a host of other factors, including the expansion in the EITC and child care.¹²¹ Ziliak *et al.* (1997) find that in 26 states where caseloads declined by at least 20 per cent over the mid-1990s, 78 per cent of the reduction was due to economic growth and only 6 per cent due to waivers. Moreover, their estimates for Wisconsin suggest that about one-half of the decline between 1993 and 1996 was due to cyclical fluctuations and only 10 per cent to welfare waivers. One potential reason for the differing results between the two studies is the use of monthly data in the latter which better allows the estimation of caseload dynamics.¹²² Finally, Blank (1997b) examines reasons behind the increase in AFDC caseloads in the early 1990s and finds that they are related to economic activity, particularly for two-parent households. It seems clear, therefore, that economic growth has been a main force behind AFDC caseload reductions. The extent to which behavioural changes induced by recent welfare reform would be sufficient to make former welfare recipients more attached to the labour force in the event of any future downturn is uncertain.

The ability of states to weather a downturn and maintain an adequate safety net while meeting participation requirements is unclear. A US\$2 billion contingency fund

has been set up for states.¹²³ In addition, an additional federal funding stream, the Social Services Block Grant, can be used to provide non-cash assistance for individuals who become ineligible for assistance under TANF, and any TANF funds not used in one year can be saved for another. However, concerns have been raised that with no cyclical flexibility in the TANF block grant, states could be hard-pressed to meet the needs of welfare clients in a downturn. As noted above, a work-based system is more expensive than one which simply pays out benefits. A downturn could lead to a shift back to paying out benefits over encouraging work and the expensive support usually needed with it. To the extent that welfare reform is at least moderately successful, however, it would imply fewer potential recipients compared with a situation without welfare reform and hence it could lower longer-run costs.

The importance of cyclical factors in explaining caseload declines raises questions about funding. Should states where economic performance has been less robust in effect be penalised (via lower per-caseload funding) because their caseloads have not come down as fast? On the one hand, the limited funding encourages the state to try and reduce its caseload as quickly as possible. But on the other hand, this could be at the expense of individual well-being and states may also be less effective in reducing caseloads with fewer resources per recipient.

To help states better allocate their scarce resources, a profiling system is being developed to identify who among new welfare clients is likely to get a job quickly. Depending on the probability assigned to the individual, states can target greater assistance on those who face relatively greater barriers to work. This project is currently being piloted in the state of Michigan and it will be some time before preliminary results are available [Eberts (1997)].¹²⁴ Preliminary evidence on the impact of profiling unemployed job-seekers, discussed in Chapter 5, however, suggests that the impact may not be large.

3. *Work first and learn later?*

A key principle behind welfare reform is a “work-first” approach with a “learn-later” goal. This implies a move from the so-called *human resources development model* that has been the basis of most US programmes to a *labour force attachment model*. In the former, job-seekers are first equipped with the skills deemed necessary to (re)enter the labour market before they look for work. In the latter, job-seekers are placed into jobs and then encouraged to learn skills on- or off-the-job to help them maintain employment. There are a number of reasons behind this change in approach:

- Evaluation evidence suggests that training is not cost-effective for many job-seekers in contrast to job-search assistance. Even when training is found to work, the impacts are usually small, *i.e.* the resulting employment and earnings gains are not sufficient to lift people out of poverty.

- Welfare case loads are more dynamic than they appear. Thus, costly interventions may not be necessary for many recipients to get them back to work, if the goal is to simply get them into jobs.
- The authorities consider that work is better than no work because it has a number of positive side-effects, including learning on-the-job and the development of work-related skills that can increase employability and future attachment to the labour force. Moreover, with the five-year time limit on cash assistance, it may be more helpful to get clients back to work quickly, encourage training off-the-job and hope that recidivism is lower.

Since waivers to AFDC involved random assignment evaluation, there are a number of studies which have examined training/job-search assistance programmes for welfare recipients. As noted in Chapter 6, the JTPA evaluations suggest that only on-the-job training had any lasting impact on employment. Given that some JTPA clients are welfare recipients, this implies that it may have been beneficial for this group (although the numbers involved would be low). Various studies of mandatory welfare programmes (*e.g.* JOBS) that offered training and job-search assistance (and some combination thereof) also indicate that earnings impacts were positive and significant for women, although not for men [Friedlander *et al.* (1997)]. One influential study relates to the California JOBS programme called GAIN. Some counties emphasised remedial education, while one emphasised a rapid employment approach. This latter approach was found to result in the largest earnings gains [Friedlander *et al.* (1997)]. But various studies on the impact of welfare reform waivers summarised by Friedlander *et al.* (1997) and O'Neill and O'Neill (1997) indicate that, while earnings and employment increased and welfare payments and participation declined, the magnitude of these changes was usually quite small.

A recent evaluation explicitly examines the two-year impacts of the labour force attachment model (LFA) versus the human capital development (HCD) model in three states [Hamilton *et al.* (1997)].¹²⁵ The evaluation, which was directed at single-parent AFDC clients, allocated them by random assignment into one of three groups: an LFA group; an HCD group; and a group not subject to any services (*i.e.* received only AFDC). The LFA approach concentrated on increased participation in job search while HCD focused on participation in basic education. The main findings of the study were: both models increased individuals' two-year cumulative earnings, and decreased welfare expenditures; earnings impacts were smaller for the human capital development model, although the employment impact for some groups had surpassed those of LFA; and both decreased the proportion of individuals who remained continuously on welfare by about 9 to 25 per cent.¹²⁶ This decline, however, would not have been enough to meet TANF participation requirements had they been in place. It is possible that the impacts of the HCD approach might become greater over time and for this reason a five-year follow-up is planned. In addition, the

results do not clarify whether the LFA approach allows individuals to learn skills on the job and move their way into more stable jobs.

Will a work-first approach lead to improved job-finding success by welfare recipients? It is too early to tell. The change in the welfare regime to a five-year limit may encourage former recipients to remain in jobs that they would not otherwise have kept. In addition, the current economic environment probably makes job-finding more likely and lead therefore to the development of work-related skills that can further increase workforce attachment. By contrast, in a downturn when there is excess supply of labour, this may be particularly detrimental to the job-finding chances of low-skilled welfare recipients. Thus, the success of a work-first strategy has to be judged over the entire business cycle. Moreover, the new welfare rules apply to *all* welfare clients whereas existing evaluations of a work-first strategy examine the impact on a small number of people and may not be representative of future impacts nation-wide.

4. *Can the new programmes be effectively evaluated?*

The new welfare programmes pose a number of significant difficulties for evaluation. The preferred evaluation option in the United States – particularly with respect to changes in welfare programmes – has been to conduct random assignment experiments.¹²⁷ Running a random assignment procedure under a *universal* scheme would, however, be problematic. As noted by Kaplan and Meyer (1997), experiments work best when only a few elements are changed; when the control group can easily be isolated from “contamination” induced by the experiment; and when there are no widespread community feedbacks. But welfare reform is designed to be widespread and to generate these feedbacks through behavioural changes. In addition, the counterfactual would normally be AFDC. It is unlikely, however, that states would return to this programme so it is not generally considered a suitable counterfactual for evaluation purposes.

A number of alternative quasi-experimental evaluation strategies have been proposed to evaluate welfare reform. These include a pre-post design where individuals and programme changes are tracked over time and estimates of the latter on the former are made [Barrow and Moffit (1997)]. This basically amounts to time-series modelling and has the usual sorts of problems, for example distinguishing the programme impacts from other factors, including macroeconomic influences. This time-series approach can be combined with a cross-section approach to compare individuals within areas and/or individuals in different areas. This is a fairly common way to evaluate labour market programmes, but the difficulty here is ensuring that individuals are similar enough to compare or that some method to control for their differences is used. This is usually through relatively complicated econometric pro-

cedures which can make results difficult to explain to policy makers. Finally, cohort data can be used to track individuals over time.

It is clear that states will have an incentive to reduce caseloads as their primary objective to reach participation requirements set under the block grants. This could be at the expense of the economic well-being of individuals. Indeed, one of the most important issues that worried many commentators was whether under the TANF block grant, there would be a “rush to the bottom” to reduce benefits given the (potential) constraints on funding [Blank (1997a)]. Moreover, sanctions may be imposed in a harsh manner to reduce caseloads. Thus, to do a comprehensive analysis of the impact of welfare reform involves the examination of a broad spectrum of outcomes, which should include income, employment, health, education, child well-being, family structure, housing and externalities such as crime, school and child-care quality, migration, health care in addition to the total costs of the programme.

One potential prominent issue is the so-called “entry effect”. Programmes may create incentives for individuals to participate who would not have done so under a different version. For example, given the five-year limit placed on assistance, there may be a negative entry effect because would-be welfare participants decide to save their assistance until they really need it. Others, however, may be attracted to the programme because of the generous assistance that can be provided to help in finding a job. For example, one possible entry effect could be for the low-income employed families who are not always eligible for all of the assistance offered to participants, particularly child care. There is only one experimental study of entry effects for welfare programmes. Card *et al.* (1998) in an evaluation of a generous income support programme for single mothers in Canada found only a small entry effect.¹²⁸

The follow-up of welfare reform will be very complex. In essence, states must build longitudinal datasets to track clients over the five-year eligibility period, a period which could be considerably longer than five years. In addition, they must track the amount of cash assistance offered and outcomes, with the latter usually requiring considerable resources. Outcomes are important because they affect grants to the states and performance bonuses (how the latter are paid out is discussed in Annex 7.A). States are required to collect monthly caseload data and report it quarterly to DHHS. Reports in the press already indicate how difficult this can be for states to meet. Indeed, in Wisconsin, over 500 new or modified computer programmes to support W-2 processing were required. Although costly to collect, the administrative data can be used as the backbone for evaluation research.

With respect to the review states, Connecticut is currently running a random assignment experiment which compares Jobs First to AFDC in two counties. This experiment began as part of a welfare waiver. The treatment group is subject to Jobs First, while the control group is subject to the former AFDC programme. This implies, among

other things, that they are not subject to the 21-month time limit and do not have the enhanced earnings disregard. It is important to note, however, that this is not an evaluation of the impact of welfare reform across the state for reasons noted above. Waivers in Wisconsin begun under AFDC will not be continued under TANF. The Institute of Research on Poverty in Wisconsin is, however, currently running a four-year random assignment experiment to test the child-support passthrough feature of W-2. A treatment group of 4 000 and all new W-2 participants receive the full amount of child support paid by the non-custodial parent; another group of 4 000 receives 40 per cent of the amount paid or US\$50, the amount that had existed under AFDC.¹²⁹

5. *Cost shifting*

To meet work-participation requirements, states could try to shift some of the caseload to programmes funded at other levels of government, *e.g.* local or federal. In the former, states could simply sanction participants to get them off the caseload by imposing onerous eligibility and follow-up criteria. In the latter, they might try to shift some of the caseload to SSI although eligibility criteria for it are strict. Two other likely possibilities exist that DHHS plans to monitor [DHHS (1997)]. First, states could exclude adults from their eligible cases by converting to child-only cases. This can arise when the adult is not eligible for TANF, but the child is and can include situations where the parents are illegal residents but the children are not, families where the parent is on SSI and where the parent has been removed from the family unit (for eligibility purposes) due to sanctions for not meeting programme requirements [Zedlewski and Giannarelli (1997)]. They are exempt from the five-year limit. To ensure that this is not abused, DHHS will demand an explanation of any cases where conversion takes place. Second, states could also shift some of the caseload to their own separately administered programmes to avoid the work requirements.

States may also change how assistance is financed. For example, they may make increased use of the earned income tax credit or hiring subsidies offered through the Work Opportunities and Welfare-to-Work tax credits. Currently, Wisconsin under its Trial Jobs option prefers to use TANF funds to offer cash assistance directly to firms. This will factor into the job-seeker's five-year time limit, but shifting financing to the WOTC and WtWC would not do so.

One option that will continue to be open to states is to use JTPA funds to train welfare recipients. It is unclear how much focus this will get in the near term given strong economic growth and falling caseloads. These funds may be drawn upon more in the future if – as seems likely – the caseload becomes concentrated on the most difficult to place.

As regards sanctions, to date their use has been low in Connecticut. Only about 3 per cent of all TFA cases have received sanctions. Two sanctions are enough to jeopardise TFA recipients from receiving an extension to their time-limit, and 2 per cent

of cases are currently at-risk in this area. About 2 000 cases had reached their 21-month limit by February, 1998. Of these, about 1 400 had requested extensions and about 900 of them were granted, most because of good-faith efforts at seeking work. The bulk of those denied were because income had risen above the TFA payment standard. Those at-risk of losing their benefit are offered individual performance contracts under which they are given a chance to demonstrate a good faith effort in getting work. Wisconsin data on sanctions are not yet available. It remains unclear what will happen when or if large numbers of welfare recipients reach their time limit.

6. *Access to support services*

The availability of day care is a prominent issue under welfare reform. Is there adequate capacity to provide day care to all who need it to meet federal work requirements at adequate quality levels? Is the available care flexible enough to handle non-traditional work patterns such as evening work? What sorts of day care should be subsidised and to what extent? Moreover, states also face a number of difficult trade-offs. For example, should states reduce reimbursement rates to providers and risk a decline in quantity and quality of child-care places; should they quickly expand capacity through less formal arrangements and risk a decline in overall quality; or should they increase or implement child-care co-payments and reduce the return to working and/or a shift to lowest-cost child care; or limit child care only to welfare clients, but not help other working-poor families at similar income levels who may be at-risk to welfare because of child-care costs?¹³⁰ Indeed, in the latter area, a recent survey by the CEA (1997b) notes that child-care costs can be a substantial burden to poor families, taking up to 20 per cent of their income.

The evidence on the ability of states to meet child-care needs is equivocal. Studies suggest that of those children needing assistance, anywhere from as little as 10 per cent to almost 100 per cent, get assistance, depending on the assumptions made. At the lower end is a study by the GAO (1997) which surveyed existing (known) child-care arrangements in two urban and two rural areas. A main finding was a likely shortfall in the number of day-care positions necessary to allow welfare recipients to meet their work-related objectives, particularly those with infants and school-age children. At the other end, an Urban Institute study notes that, if states transferred the maximum TANF funds to child care, potentially all children could be served [Long and Clark (1997)].¹³¹

Even if child-care needs can be potentially met, it is another question as to whether the specific needs of welfare clients will be met. For example, welfare parents are more likely to work in jobs with non-standard schedules and child care is less available for them. They are also likely to face transportation problems [GAO (1997)]. Moreover, their ability to meet certain types of child care, in particular more expen-

sive infant care, is also limited. These concerns have been highlighted for Wisconsin. As of 1996, it appeared that the existing capacity to supply child care in licensed day-care centres and family day-care homes was not sufficient to absorb former AFDC clients, particularly in Milwaukee where a majority of W-2 cases live [Fox Folk (1996)]. Wisconsin has reacted to the expected demand for child care by creating a “provisionally certified” category that has less stringent licensing requirements – no training in child care is required – than formal day-care, and for whom reimbursement will be at two-thirds the rate of other day-care providers. The combination of co-payments and this new class of child care may encourage parents to shift children to lowest-cost care; to the extent this occurs, the future impact on child development is unclear [Cancian and Wolfe (1996)]. Because recent caseload declines have led to a windfall in funding, this has allowed Wisconsin to increase child-care funding by over 40 per cent compared with 1996 spending levels and it has extended coverage to all working poor, not just welfare clients [GAO (1998)].

By contrast, Connecticut, even with a planned increase in child-care spending of about 40 per cent, does not expect to be able to serve the working poor. It has put in place a few initiatives to help expand the number of child-care places, including a Child Care Facilities Loan Fund which grants loan guarantees to help providers meet state standards (Table 7.9). It also offers tax credits to firms to establish day-care centres and has increased the number of family day-care home providers [GAO (1998)].

Most studies that have examined the impact of the availability of child care on the decision to work (or work more hours) are probably not very relevant under welfare reform because of the work obligation. Nevertheless, they do shed some light on the type of response that may occur in light of additional funding. One concern is that simply increasing subsidies for child care may only lead to price increases and no increase in the quantity of spaces available. A recent CEA (1997*b*) analysis suggests that this will not happen. The report also estimates that a 20 per cent decrease in the cost of child care for working mothers with young children who are below 200 per cent of the poverty line is associated with anywhere from 100 to 500 thousand more mothers working and about 100 to 300 thousand more children in paid care. The study notes, however, that there is a paucity of evidence both on the actual impact of child-care policy on the low-income population, and the eventual quality of child care, particularly that which is unregulated, that may emerge.

Both states have noted that there are transportation difficulties for many welfare clients. These difficulties can be exacerbated by non-standard work shifts such as night and weekend work. In some cases, the RWDBs/PIC/WDAs are using their own funds to help link together suburbs and inner city areas, or are working with the transportation department and employers to develop transportation routes. TANF funding is flexible enough that it can also be used if transportation difficulties prevent clients from getting to work. These difficulties are usually most severe in urban cen-

Table 7.9. **Child-care arrangements in Connecticut and Wisconsin**

	Connecticut	Wisconsin
State guarantee or entitlement of child-care subsidies to specific groups of low-income families	None, but TANF child-care funding is treated as an entitlement	None
State priority for providing child-care subsidies to eligible low-income families	Priority is given to TANF families, teen parents completing high school, pregnant women in substance abuse programmes, special needs children or families with incomes less than 25% of the state median income, children in protective services and then other eligible families	Expect to be able to serve all low-income families
Maximum annual income level at initial application for a three-person family as a per cent of the state median income (SMI)	75% of SMI; US\$39 168	53% of SMI; US\$21 996
Maximum annual income level at redetermination for three person family based on SMI	75% of SMI; US\$39 158	65% of SMI; US\$26 660
Maximum and minimum monthly co-payment rate for a three-person family	No co-payment is required for TANF recipients; for others 2 to 10% of income.	6 to 16% of gross income
Time limit for child-care subsidies	None	None
Maximum monthly reimbursement rate to providers	Varies by city	Varies by county
Source: GAO (1998).		

tres such as Hartford and Milwaukee where jobs are located in suburbs – many with non-standard shifts – while welfare recipients are located in the central urban centres with poor transportation links between the two. Because of transportation problems, the current administration has proposed an “Access to Jobs” programme to provide new transportation services such as vanpools, shuttle services, changes in bus routes. Funding is expected to be US\$600 million via competitive grants over the next six years. Wisconsin has also made US\$3 million available to local Workforce Development Areas to fund transportation infrastructure to help W-2 clients access jobs.

Annex 7A

Performance Bonuses under TANF

Beginning in fiscal year 1999, performance bonus funds will be provided to states that meet TANF goals. The Secretary of DHHS consulted with the National Governor's Association and the American Public Welfare Association to develop a formula to measure state performance. Bonuses are set at US\$1 billion over the 1999-2003 time period and can amount to 5 per cent of a state's basic TANF grant [Committee on Ways and Means (1996)]. US\$200 million will be awarded in the first year reflecting the success of a state in moving families into work. This is based on four work-related measures:

1. **The job entry rate** is defined as the unduplicated number of adult recipients who entered employment for the first time in FY1998 as a per cent of the total unduplicated number of FY1998 recipients who are adults unemployed for the first time in 1998.
2. Success in the work force, based on the job retention and earnings gain rates:
 - **the job retention rate** is defined as the sum of employed adult recipients in each of the four quarters who continue employment in each of the first subsequent quarters as a per cent of the number of adult recipients in each quarter;
 - **the earnings gain rate** is defined as the sum of the gain in earnings between the initial and second quarter in each of the four quarters of 1998 as a per cent of their initial earnings in each quarter.
3. **The increase in job entry rate** is defined as the percentage change between FY1997 and FY1998 job entry rates.
4. The increase in success in work force is based on **increase in job retention and earnings gain rates** defined as the percentage change between FY 1997 and FY 1998 in each rate.

The first two measures will be based on absolute state performance (*i.e.* a ranking of them) in FY 1998. The latter two will be relative measures, based on the extent to which states' performance in FY 1998 exceeds their performance for the same measure in FY 1997. Separate state programmes will also be included for the purposes of measurement. For example, states could move the more difficult to place into a separate state programme that is similar to TANF but which could inflate its TANF performance results. Including state programmes is meant to account for this possible bias.

Annex 7B

Wisconsin Welfare Reform Chronology

- 1987 **Learnfare** – Required teenagers on AFDC to complete high school or its equivalent by sanctioning the parent's AFDC grant.
- 1987 **MA Extension** – To help parents move into the world of work, Wisconsin extended eligibility for Medicaid to 12 months after the family left assistance.
- 1988 **Children First** – Mandated unpaid work experience participation for non-custodial parents in criminal arrears on their child support.
- 1994 **Parental and Family Responsibility (PFR – Bridefare)** – Encouraged teens to delay having additional children until they were emotionally and financially able to care for them.
- 1994 **Two-Tier** – During their first six months in Wisconsin, families were given the same benefit as they had had in their prior state of residence.
- 1994 **Work First** – Work First required and facilitated the use of personal and community resources so that parents did not need to go on welfare (known as a diversion programme).
- 1994 **Learnfare Expansion** – Expanded the Learnfare programme to include children ages 6 through 12.
- 1995 **Vehicle Asset Limit (VAL)** – Allowed AFDC families to own more reliable transportation by raising the vehicle asset limit from US\$1 000 to US\$2 500.
- 1995 **Special Resource Account (SRA)** – Encouraged families to save and plan for their education and employment-related needs by allowing families to put up to US\$1 000 into a special bank account that would be excluded from eligibility decisions.
- 1995 **Work Not Welfare** – Was the nation's first programme to require work and limit cash assistance to two years (the forerunner of W-2).
- 1995 **Pay for Performance** – PFP required participation in exchange for benefits.
- 1996 **Benefit Cap** – A flat grant which ended the raise given to parents who had more children while on welfare.

Conclusions

A. Introduction

The PES in the United States has developed a uniquely decentralised structure with substantial variation across state agencies. Federal financial incentives and levers have helped to ensure state conformity with certain basic principles and policies, but within this framework states have had significant latitude. USDOL has sought to foster innovation and efficiency through grant funding (*e.g.* for development of one-stop career centres), performance measurement and standards, research and evaluation, and other means. The core systems have evolved around three institutional channels governing the labour exchange, UI and training functions. At the same time, the PES is modestly funded and its market share is small in comparison with its counterparts in many other OECD countries. In recent years, it has been particularly challenged as tight and segmented funding has been accompanied by the pressure to modernise and reform the system.

During the 1990s, wide-ranging federal and state reform initiatives have altered the scope of the PES mandate. In particular, the mid-1990s witnessed restructuring of the labour exchange and related activities to focus on customer-service orientation, universal access to basic services, technological innovation and service integration, among other priorities. The UI system also underwent a shift with new call-based benefit claims and adjudication systems in some states and the national implementation of profiling to identify and assist those judged at risk of becoming long-term unemployed. Parallel reforms in the welfare system brought a work-oriented emphasis to social policy that subsequently led to the replacement of AFDC with TANF and Welfare-to-Work schemes. Although there is variation by state in the degree of institutional integration between the entities administering social and labour market policies, across the nation the PES has been challenged to assist in addressing the labour market needs of welfare clients. In doing so, the PES and related service providers are seeking to better serve a broader clientele and improve coherence between the numerous programmes. These reforms have left the PES in a state of flux. Many of the changes are not

yet fully implemented, nor have they been tested through the changing demands of a full business cycle or subject to empirical evaluation.

B. Unemployment Insurance

As the largest labour market programme in the United States, UI offers a key social protection for workers who become unemployed through no fault of their own. The system is also going through substantial technical innovation with some states moving towards telephone-based claims and adjudications. Significant progress has been made in removing barriers to access to information by providing toll-free telephone lines, printed materials available through a variety of channels and special assistance to disabled or non-anglophone claimants.

OECD analysis has highlighted the importance of functional integration in the management of benefit systems and active labour market policies as a means of promoting effective implementation of work tests, combating long-term benefit dependency, and, as necessary, assisting the unemployed to acquire skills corresponding to available jobs. In the US, however, the increasing use of centralised telephone units to handle unemployment benefit claims entails a greater physical separation between staff in the labour exchange offices and the unemployment claims units. This has implications for integration and raises the issue of whether there will be a need for managers to devise mechanisms that ensure an on-going collaboration between the various programmes and maintaining staff awareness of the importance of monitoring the job-search efforts of unemployment benefit claimants. One option for promoting these efforts might be a federal mandate requiring those UI beneficiaries without a job start date or other hiring arrangement to register as job-seekers at their local one-stop centres in order to ensure that they are familiar with the full range of assistance that is currently available.

Despite UI coverage for nearly all wage and salary workers, many unemployed are not eligible to receive benefits and, over time, the ratio of UI recipients to the total unemployed has tended to decline. This is due to a number of factors including exhaustion of benefits by some unemployed, exclusion from coverage for the self-employed and some agricultural workers, failure of some unemployed to claim benefits, and tightening of eligibility requirements. One problem in establishing eligibility is that the UI system considers wage data with a lag due to the use of a quarterly reporting basis. It may be that technological advances will enable more rapid updating of wage information and consideration of all recent earnings. A further important issue that the US will face concerns the movement into the system of former welfare clients who very often experience intermittent and low-paid employment. As a result, they will likely have difficulty establishing their UI eligibility, particularly in the event of a future economic downturn.

The UI system has developed extensive mechanisms to monitor operations concerning the accuracy and timeliness of payments. However, client job-search behaviour is monitored less closely, with many states depending largely on weekly client self-certification procedures. Only a relatively small fraction of UI claims are subject to more intense follow-up through profiling (discussed below) or are audited or reviewed for non-monetary eligibility issues. In view of the current demand for labour in the economy, tight UI administrative funding and shortening durations of unemployment spells, the allocation of additional resources for work-test and job-search enforcement procedures is not viewed as a priority. Many see other operational needs as more pressing including, for example, the relatively resource-intensive adjudication procedures. Additionally, administrative aspects of UI are funded separately from UI benefit payments, with the result that economies in benefit payments do not necessarily reduce resource pressures for administrators.

In the context of previous OECD analysis, considerable attention has been given to the importance of work-test and job-search enforcement procedures. There is room for debate as to the appropriate degree of monitoring and enforcement necessary and as to its impact on unemployment and job-finding, but the issues do need to be faced. For example, insufficient job-search enforcement may result in the failure of the system to identify some of those who would benefit from job-search assistance. Indeed, such individuals may subsequently require greater levels of support to re-enter employment than if they had been provided more basic assistance at an earlier stage. Thus, it would be worthwhile for the PES to consider examining the registers of job-seekers and UI claimants more frequently and systematically than is currently the case, and to call unemployed job-seekers into the one-stop centres to provide additional assistance, either before their benefit finishes or possibly before they hit the 15 week duration mark used to identify them as long-term unemployed under JTPA or EDWAA. The PES should begin to think of unemployed job-seekers as potential welfare clients, keeping in mind that if they do not get work and end up on welfare, they may then be referred back to the PES for additional assistance. A further reason for concern is the average duration of unemployment spells which, although declining, remains higher than at a similar point during the previous economic expansion (*i.e.* in 1989).

In most states and the national system as a whole, UI Trust Fund reserves remain lower than the levels advocated by many analysts, including the Advisory Council on Unemployment Compensation (1996). There is some evidence that states with low reserves (*e.g.* less than 6 months' reserves at the pay-out rate in the worst previous year) are at greater risk of insolvency and subsequent recourse to substantial borrowing. Such borrowing can lead to added costs to employers in the form of interest and administrative charges. The lack of forward-funding also diminishes the potential counter-cyclical effect of the UI system. As a result, an increase in the current reserve

levels would appear to have merit (*e.g.* through an increase in the federal taxable wage base and subsequent indexing relative to changes in wage costs).

C. The labour exchange function and one-stop centres

The labour exchange function and its relation to other types of PES services have been subject to extensive reform during recent years. In the face of flat or even contracting budgets, USDOL and many states are investing heavily in labour-saving technology, modernised office networks and self-service devices. At the same time, USDOL has actively promoted the one-stop approach to service delivery in an attempt to make the system more transparent to users. Service delivery has been restructured to utilise a three-tiered approach that adjusts depending on client needs to offer self-service access, basic staff intervention and intensive services. Connecticut and Wisconsin are leading states in the implementation of such reforms and have already made significant progress in restructuring their local office networks to include a broad range of employment and training services.

The one-stop centres and tiered service provision seem to make intuitive sense. They appear to offer opportunities to reduce administrative redundancy, to help clients to make better informed choices and to increase information exchange across the elements of the system. However, partly because of the recent nature of these reforms, there is little empirical evidence comparing the one-stop approach and the three-tiered service delivery model with other approaches. Basic operational indicators show the US system as having a smaller market share than many OECD country systems with respect to vacancy notification and placement rates. Moreover, during the current period of PES reform (also a period of strong economic expansion), these rates have not shown a clear positive trend. However, unlike the US as a whole, the vacancy notification rates in Connecticut and Wisconsin have been increasing during recent years. The numbers of registered job-seekers entering employment have also been increasing in these two states, with the performance in Wisconsin since 1994 especially striking. From such aggregate data it is difficult to sort out to what extent PES restructuring accounts for the change. Several on-going or planned evaluation studies will hopefully provide the information necessary to judge the overall performance of these models as well as their performance relative to other approaches.

The introduction of the one-stop and three-tiered service delivery approaches have proven to be a logistical and administrative challenge, with numerous constraints that make it difficult to physically co-locate delivery of the various agencies. In some cases, local one-stop centres have resorted to partial integration, *e.g.* by co-locating the core operations and then having representatives of other agencies at the one-stop centre on an intermittent basis. The shift to a one-stop system also

poses a number of personnel challenges. For example, SESAs in many states, including Connecticut and Wisconsin, face hiring restrictions. In addition, in view of the changing nature of the work, SESAs are finding it necessary to revise job descriptions, develop retraining programmes and, in some cases, to relocate personnel. These changes require special attention to labour-management relations sometimes involving extended negotiations with the highly unionised staff. Moreover, at the local level, particular management skill is required to maintain good relations with staff who work side-by-side, but for different employers and according to different terms of employment (*e.g.* hours and pay schedules).

The use of grant funding to promote development of one-stop centres has raised concerns about sustainability. The initial federal one-stop grant programme was only intended to provide three-year implementation grants with subsequent continuing operations to be funded largely from regular budget sources. It is not clear, however, that states will be able to sufficiently fund on-going maintenance and up-grades once the grant money is exhausted, especially in view of the goal of promoting universal client access to the first tier of services.

The existence of separate funding channels with separate budget and reporting requirements has forced one-stop centres to develop complex administrative mechanisms and to retain certain partitions in service delivery (*i.e.* to ensure that funds are used for the designated client groups). Improved efficiency and targeting of the one-stop operations might be promoted through standardising reporting and administrative requirements and increasing the fungibility of resources across programmes. This could increase the adaptability of the system given variations in local labour market conditions.

The one-stop initiative has been accompanied by a shift to a more qualitative orientation in the measurement of performance, one that includes indicators going beyond simple operational measures. Connecticut has been a pioneer in developing and applying the types of cross-cutting measures that will be needed to monitor the more diverse one-stop centre environments. Customer satisfaction measurement has become a prominent element in some PES performance measurement systems, and is seen as a way to encourage the system operators to become more responsive to the needs of the registered unemployed, and other job-seekers and employers.

The PES reforms and the development of one-stop centres have raised issues with respect to private sector firms that provide employment services. One is the degree of contracting used by the PES in service delivery. Thus far, USDOL has successfully fought to ensure that the provision of core labour exchange services remains in the hands of public employees, as a means of ensuring these operations remain a focus of public service provision. A further issue is the possibility that one-stop centres may compete with private sector firms to market fee-for-service

products such as personnel management seminars for employers. These activities may help the PES to extend some operations in the face of budget constraints. Yet, they benefit from public funding of certain infrastructure that may be construed as “unfair” competition by private sector competitors. At the same time, private sector firms are, in fact, profiting from the free services of the PES, such as access to labour market information in PES databases (*e.g.* AJB/ATB). This raises the issue of whether there should be fees imposed for private agency access. Thus, the relationship of one-stop centres to private sector human resource firms will need to be further defined and clarified.

A key issue in PES service delivery will be its ability to assist its traditional clients who may require assistance, but who may not seek out additional services under the self-referral procedures. It appears that the self-service and self-referral procedures offer an opportunity to reduce operational costs and to support those who prefer to make independent decisions. There is anecdotal evidence that this approach helps to draw in new clients who have avoided the more directed forms of PES assistance in the past. However, if the PES is to follow through as the only universal public policy instrument supporting job-seekers, it will need mechanisms to identify and help those most in need of more tailored assistance but who may not “self-select” for it. In terms of job referrals, for example, this would include the continued systematic use of active matching approaches as a complement to the self-service options.

At the same time, there may be gains to be reaped from further extending the self-service option. Wisconsin has turned increasingly to self-service matching and open vacancy listings and has seen relative increases in the flows of vacancy listings and entries of job-seekers into employment. These have been accompanied by relatively low unit costs per entry into employment. While it is difficult to separately quantify the various factors that influence these statistics including the local economic conditions, one factor may be the wide availability of self-service options including open vacancies listed in offices and on the Internet. The extension of open vacancies, however, raises questions about the ability of the ES to track service usage and outcomes. Staff in some states have resisted such an approach precisely for fear that the ES will not be credited with assisting in any resulting job matches, which, in turn, is seen as jeopardising ES funding. One approach under consideration is to have users complete a basic on-line registration in order to access vacancy information, while still not requiring them to visit a PES office. Such registration could make it possible to cross-match user data with data on reported hirings.

Although the investments in employment service technology are revolutionising the way in which the SESAs interact with their clients, the systems are too complex for many casual users – a point that limits their self-service potential. The challenge will be to integrate the various self-service devices into a manageable

whole and to ensure that those with limited technical skills get the assistance they need to benefit from these developments as well. In addition, while the systems offer some users the potential for greater individual access from home via the Internet, many job-seekers will continue to need access to equipment through the local office network. Moreover, there has been some duplication in the development of various software tools by some state agencies. Given that these systems have much in common, it may be that there could be economies made in the remaining states by adapting existing systems from other states.

A major challenge of one-stop centres has been to strive to provide a universal service to address the needs of the full range of job-seekers and employers. The attempt to provide such a service, and to balance the needs of the traditional employment service users with those of a broader clientele, is being undertaken at a time of relatively hard budget constraints with much of the available funding drawn from sources that are narrowly targeted on certain groups of the population. Although the development of a revitalised and integrated system is off to an auspicious start, it remains to be seen if the PES can complete and maintain the necessary structures over time in the absence of additional resources.

D. Profiling

The United States is one of the few OECD countries that has implemented a profiling system for early interventions targeting job-seekers judged at-risk of long-term unemployment. Through this system, all new UI claimants who pass various selection criteria become eligible for re-employment services. These services generally fall under the area of job-search assistance, which is considered the most cost-effective in helping job-seekers get work. Depending on the availability of these services, job-seekers most at-risk are then referred to service providers. Also, because resources are not sufficient to monitor the job-search efforts of all UI beneficiaries, profiling is used to monitor those most at-risk. Sanctions can therefore be applied to the unemployed referred to re-employment services who do not attend.

Profiling is an innovative process, but is technically complex and experience to-date from the United States suggests a considerable period of time is necessary to get rid of teething problems. These include model-development time, staff training on how to operate the new system, and the implementation of the framework to support it such as data collection and the legal/administrative measures for contracting with service providers. Even with technical support from USDOL, the review states have either experienced difficulties in getting their profiling systems running properly and/or collecting accurate data on the number of profiled claimants referred to services.

Given the recent introduction of profiling, it will be some time before its effectiveness is really known. Early indications from a rigorous evaluation in states that were the first to begin profiling, however, provide only limited support for the key underlying idea that profiling will reduce the duration of unemployment and provide savings to the UI account. Impacts may improve as states move up the learning curve on how to use their statistical models and continue to develop their service provider networks.

Even at this early stage, however, a few problems can be identified that, in the review states, may hamper the ability of profiling to reduce the risk of long-term unemployment.

- First, the statistical model may not be a good predictor of the at-risk group. Thus, some job-seekers may be referred to services even though they do not need them while others who are truly at-risk will not be offered re-employment services. Civil rights concerns and data availability limit how much the statistical models can be enhanced through the addition of new variables. Nevertheless, effort should be made to improve the performance of the models. One area that will take on increasing importance is how to deal with former welfare clients who take-up work, but subsequently lose their job. Under the current models, they would tend to be screened out of access to profiling services for the unemployed because of their limited work histories. Yet, many could likely profit from assistance. In addition, states should follow USDOL advice to reestimate their models to account for changing labour market conditions.
- Second, there is limited funding for re-employment services. This almost necessarily works against providing assistance to a large share of the at-risk group. This problem would become even more severe in the event of a downturn. Furthermore, now that profiling is a universal programme, it is likely that more and more job-seekers will become aware of it and the services it offers. Dislocated workers could, therefore, begin to identify themselves as such without the need for profiling. If they begin to enrol in greater numbers, this may also place a crunch on resources. It is imperative that priority for job-search assistance workshops – which all job-seekers can attend – be given first to those referred from profiling to ensure that those who need assistance most get it, followed by the unemployed not referred and, lastly, employed job-seekers.
- Third, it appears that some local areas may be able to serve relatively more clients. Therefore, job-seekers with similar estimated probabilities of becoming long-term unemployed may not be treated equally, *e.g.* because some local areas may have funding to help a larger share of the at-risk group compared with other local areas. States should begin to systematically col-

lect data on the number of claimants referred to services by estimated probability level to determine whether this is, in fact, occurring. If so, they should consider implementing a threshold value under which profiled claimants are not referred to services. This will require continual monitoring throughout individual states of all referrals by their probability levels, and also continued development of the service provider network to expand its capacity.

- Finally, those offered re-employment services in the review states who do not find work are not tracked or offered additional assistance though they remain at-risk of long-term unemployment or joblessness. More follow-up of this group is necessary. Although they might be expected to self-select themselves for additional assistance, many may not be motivated to do so.

Evaluations of profiling are expected to continue and will help to shed more light on its cost-effectiveness. But evaluations could usefully be broader than previously. They also need to consider whether there is any “set” of services that seems to work better than others, a much more difficult task than simply determining the programme impact. However, it does not appear that job-seekers systematically receive individual assessments, at least in the review states, that can help to decide on appropriate re-employment services. Rather, it appears that many receive a standard mix of services. More effort needs to be made to ensure that all receive this assessment and, therefore, individualised services.

Finally, countries that are considering moving towards a profiling approach might wait until further evidence is available on its cost-effectiveness as well as an assessment of the profiling process and how it can be improved. In the US context, if it turns out that profiling is not cost-effective, then some other method must be found to maintain the conditionality of unemployment benefits since at present, the UI offices have effectively given up this task due to a lack of resources.

E. Employment and training programmes

The United States runs a considerable number of employment and training programmes, spanning many government agencies. Although those run solely by USDOL are relatively small in number, the plethora of programmes creates considerable administrative burdens for PES staff. They must decide on the most appropriate programme, given the resources available, a task complicated by the wide range of programmes. To some extent, this reflects a desire among various government agencies to run their own programmes. A better solution would be to evaluate and improve existing programmes and only create new programmes when necessary. At the very least, however, some harmonisation of target group definitions and

services offered should be considered even if funding sources behind individual programmes remain separate.

The JTPA is the main federal training programme. It is highly decentralised. While the federal government provides funding, local governments, in combination with private business leaders and other local and community groups, identify training needs and set-up training programmes. The goal of JTPA is to ensure that the types of training offered to job-seekers reflect the needs of the local area. They must also meet detailed federal requirements on programme intake, encompassing criteria such as income and age. The programme appears well targeted on its intended groups.

Self-selection is the primary method for many job-seekers to enter the programme. Indeed, this is being further encouraged as one way of reallocating PES staff resources to other tasks. Job-seekers are, to a large extent, expected to determine the appropriate programme given their individual needs. If they select training and meet JTPA eligibility requirements, then they may be case managed to choose the appropriate form of training. It is probable that many potential clients do not make it to this step. They may not be motivated to enrol in training, and service providers who have responsibility for much of the recruiting for the economically disadvantaged group may be able to cream among those who fit the eligibility criteria. Moreover, there has been a clear shift away from serving economically disadvantaged workers to serving dislocated workers. This may hinder efforts to assist the former group although many may be eligible for Welfare-to-Work programmes. This shift is, however, consistent with the introduction of profiling, where over the longer-term it might be argued that costs may be reduced if profiling is effective in preventing job-seekers from reaching the stage where they are economically disadvantaged. That said, it is not clear how well services offered via profiling are linked to subsequent assistance. For example, JTPA clients who have already received profiling services – and have yet to find work – probably need more in-depth assistance immediately. Under current arrangements, this does not appear to happen.

Evaluation evidence on the impact of the JTPA is decidedly mixed. Classroom training does not appear to help any target group, *i.e.* men, women or youths. Although on-the-job training does appear effective for men, and particularly women, it only assists a relatively small number of individuals, and it is unlikely that it can be expanded greatly without some deleterious labour market effects setting in, *e.g.* increasing deadweight loss and displacement effects. Unfortunately, the reasons behind the overall lack of success for JTPA remain unclear. More research is clearly needed in this area to update these findings.

Labour market programmes for youth have a dismal record almost everywhere. The JTPA was found to be ineffective in raising either earnings or employment for this group. Although there is some evidence to suggest that the Job Corps has

helped economically disadvantaged youths, these evaluations are dated. Given the cost of this programme, it is imperative that the new rigorous evaluation currently underway be completed and results disseminated. But even if found to help these youths, it is a very expensive programme and less expensive forms of assistance need to be found so more of them can be assisted. Other programmes currently in place, such as the new School-to-Work initiatives may hold more promise, but must await future evaluations.

A unique feature of the JTPA is that it also contains a set of performance standards that Service Delivery Areas must meet. Outcome measures for programmes are rare in OECD countries. For the JTPA, they are set in the form of expected employment and earnings outcomes for participants. Although they do not affect funding levels, standards determine performance bonuses and are used to ensure that SDAs meet federal and state goals. However, it is not at all clear that the standards improve the performance of the JTPA. Indeed, evidence tends to indicate that the short-term standards have little correlation with outcomes, at least up through 18 months following programme participation. Furthermore, the standards themselves do not appear to be based on any particular evidence of what is an appropriate outcome for someone who has completed the programme. This suggests that a considerable revamping of the standards is necessary. In this regard, the current data requirements placed on programme operators are too large and constitute another administrative burden for staff. Much of the data is for the USDOL regression model, to adjust the performance standards to reflect the different economic situations of the SDAs. But even then, the considerable information that is published on JTPA is of limited relevance, seldom used and could be considerably scaled down.

Programme evaluations are scarce in OECD countries. Despite the fact that the United States goes further than all other OECD countries in this area, scarcity remains the operative word in light of the numerous programmes that exist. Although the JTPA has been subject to a large random assignment evaluation, this has not been the case for most other federal or state programmes. In particular, given the length of potential benefit receipt for Trade Adjustment Assistance recipients, and given that previous evaluations have suggested that it has little impact on improving employment and earnings of participants, more rigorous follow-up appears necessary. In addition, there is currently little follow-up of state-level programmes. To the extent that any monitoring takes place, it is usually to track participant numbers and programme expenses, *i.e.* by using input as opposed to outcome measures.

The United States has made comparatively little use of wage subsidies to employers but these programmes have been expanded under welfare reform. While concerns over deadweight losses and displacement effects are important,

these subsidies can play an important role in redistributing the burden of unemployment. This takes on more importance with the new tax credits designed to encourage firms to hire welfare recipients. Careful controls of these subsidies are, of course, important. While the United States does have laws relating to displacement, there do not appear to be any clear guidelines on how they should be used to measure it, which is not surprising given the difficulties in this area.

F. Welfare reform

The United States has recently implemented wide-scale welfare reform to support transitions into employment, with a goal to get welfare recipients into work quickly and to provide them with the necessary support to ensure that this occurs while stressing individual accountability. In addition to changes in the behaviour of recipients, those who administer programmes also have to change to move away from simply ensuring that benefits are paid promptly to ensuring that recipients receive the necessary tailored assistance to help them find work. States have considerable flexibility concerning how to implement their reforms and tailor support to recipients. But as a condition for receiving federal cash assistance, most recipients must be engaged in a work activity after two years of receipt. This has important practical implications for the PES. In the two review states, the PES has some responsibility, in conjunction with staff in the welfare offices, for assisting this group of job-seekers to get work. This requires new forms of co-operation among staff, retraining and the development of new intake procedures, which are currently underway. Given its recent implementation – along with relatively large declines in caseloads, particularly in Wisconsin – it is unlikely that there will be a large strain on PES resources. But in the event of a downturn, this could quickly change.

It will take some time to see how sustainable an impact welfare reform will have on caseloads. Recent caseload declines – which are much larger in Wisconsin than in Connecticut – appear to be mainly a result of economic factors. There is considerable uncertainty as to how much of the decline has been due to changes made to welfare systems over the last few years, an area where Wisconsin has been a leader. Moreover, previous evaluations that examined the impact of discrete changes to welfare programmes on recipient behaviour probably only give a limited idea of the potential impact of systematic welfare reform. Furthermore, the five-year lifetime limit on federal cash assistance will probably change recipient behaviour in ways that are not yet completely understood.

The approaches to welfare assistance differ by state. Connecticut generally stresses job-search assistance for all recipients. This can be followed by more intensive assistance if work is not found. By contrast, in Wisconsin recipients who face the greatest difficulties in getting work participate in “workfare” type projects

with a goal of eventually getting them into unsubsidised work. They are moved progressively from more to less intensive assistance. The difference behind the two approaches reflects a number of factors. In the current economic juncture, it may be possible for many recipients to get work relatively easily. Beginning with job-search assistance can thus free up resources for those who eventually need additional help. This may be the case in Wisconsin, which, with its smaller caseload, probably has relatively more individuals who need intensive assistance. However, it is likely that in the event of a downturn, both of these strategies will have to be modified based on the probable larger flows onto welfare and the lower likelihood of finding a job.

The incentives to move to less intensive assistance and ultimately to move off of welfare are also very important. There are some potential problems in this area in both states. In Connecticut, individuals receiving welfare benefits are allowed to keep them and any earnings up to the federal poverty level. Once this level is passed, the benefit is taken away and family income drops sharply. This could rationally encourage some recipients to work up to the required hours under the law, but no more in order to keep both their benefit and earnings. But this is detrimental to their longer-term interests since all time on benefits is counted against their five-year limit. In Wisconsin, the financial incentives to move towards market-based work are weak in the move from some levels of assistance to others. In particular, an important assumption is that full-time – and more importantly – full-year jobs will and should be had. This may not be realistic or possible for many participants.

A fundamental plank of welfare reform is a work-first approach – whether in a subsidised job or not – as opposed to the use of relatively expensive training programmes as had previously been the case. It is hoped that through the development of work-related skills, recidivism will be lowered. Nevertheless, various studies of welfare caseloads indicate that the risk of recidivism is high. Although this may change somewhat under the new regime, it is probably still the case that many former recipients will have difficulty maintaining what are often low skill and high turnover jobs. In addition, it is likely that many jobs will provide little opportunity for workers to upgrade their skills, so as to advance into more stable jobs.

Many recipients who leave welfare will need continuing public assistance via food stamps, child care, transportation and income support programmes, such as the earned income tax credit, to help them stay in their jobs and make work pay. Thus, although costs of welfare should fall via declines in cash payments, they will clearly be offset to some extent by the increased costs of programmes to assist them in getting and remaining in work. Whether this results in longer-term savings through greater attachment to the work force remains to be seen.

An important concern is that in the event of a downturn the safety net for families and children could be eroded considerably given that programme financing is

based on federal block grants. Current safety net packages in the review states are unclear. Nevertheless, an increased demand on limited resources would probably force states to back away from the range of financial support services offered to welfare clients to help them work. This could lead back to a regime where only benefits are paid and under the limited block grant funding those payments may be lower than what they would have been under AFDC. The block grants have been set-up in a way to encourage states to reduce caseloads, a goal not necessarily congruent with increasing jobs and earnings prospects. Given that economic conditions vary across states, and that this can be an important factor in caseload reductions, some states may be unduly penalised for their inability to efficiently reduce caseloads. This would appear to be the case in Connecticut. There may be some room to reassess the block grant by trying to account for caseload declines due to reform efforts and general economic conditions that vary across states. Moreover, this also has implications on whether the working poor – who in many respects are similar to welfare clients – can be assisted with programmes offered to welfare clients. In Wisconsin, for example all working poor are eligible for child-care assistance. This is not the situation in Connecticut, given the financial constraints it currently faces with its current caseload. In addition, these funding constraints could also encourage states to sanction clients more than is currently the case. Once again, safety net options, particularly for the welfare of children, are important.

Because of the five-year lifetime assistance limit on cash payments, welfare reform places a large data burden on states and they are currently grappling with the issue of how to track clients over time (and across states). Additional federal assistance is needed in this area. This leads to the question of how evaluation of welfare reform should be conducted. Previous evaluations of welfare changes were examined through the use of random assignment experiments. This method can still be used to examine changes in welfare packages and how to improve them. But such experiments cannot give a good indication of the overall impact of welfare reform since these changes affect all welfare recipients. There is currently debate on how best to conduct evaluation under these circumstances and it is important that some agreed-upon method(s) be decided so that the different packages that exist across states can be assessed as to their relative strengths and weaknesses, and so that continued improvements can be made.

Notes

1. The OECD has generally defined the core functions of the PES to consist of: job-broking; administration of unemployment benefits; and referral of the unemployed to active labour market programmes.
2. In many states, these state-level providers are referred to as the "Job Service".
3. Several actions under the WIA are relevant: i) the codification of a tiered approach to service provision (albeit with some changes from current practices), the use of multipartite boards to co-ordinate employment programs and the further development of labour market information systems; ii) a mandate that each local area be served by a one-stop career centre that will provide access to a range of US Department of Labor programs including Wagner-Peyser Act labour exchange services and certain programs administered by other agencies; iii) requirements for expanded use of performance measures and of pilot and demonstration projects as well as other types of research; iv) introduction of Individual Training Accounts that are intended to enable eligible adult clients to select the training they determine to be best; and v) restructuring of the separate funding streams for various programs including those for adults, youth and dislocated workers. The legislation does not alter the Unemployment Insurance system which will continue to operate with a greater degree of autonomy than most other elements of the system (although with mandatory participation in the one-stop system and some overlap with other programs in its supervision by federal and state authorities). Further details may be found at a special US Department of Labor Internet site dedicated to the WIA: <http://www.usworkforce.org/>.
4. The unemployment rate peaked in June 1992, well after overall output had begun to recover.
5. The US Census Bureau reports on minority population according to selected racial and ethnic categories (*e.g.* see the US Census Bureau Internet site at <http://www.census.gov>). In February 1998, the population shares were: Blacks (12.7 per cent), Asians/Pacific Islanders (3.8 per cent), American Indians, Eskimos and Aleuts (0.9 per cent). The population of "Hispanic origin" may be of any race and accounted for 11.1 per cent of the total population.
6. The CPS sample size is too small to permit direct use of the state-level data for individual years. The data are pooled over three-year periods to increase the sample size.
7. It is notable that on average, employees in the United States tend to work longer hours than their counterparts in many OECD Member countries – a reported 1 951 hours worked per person in the US in 1997 [OECD (1998a)]. Also, the share of part-time employment (defined as usually working less than 30 hours per week) in total employment in the United States is moderate at 13.2 per cent as of 1996, with thirteen OECD Member countries having higher shares [OECD (1997d)].

8. Median job tenure for men aged 25 or older fell between 1983 and 1996 from 5.9 to 5.3 years. The comparable tenure figures for women, however, moved in the opposite direction increasing from 4.2 to 4.7 years.
9. Data on contingent and alternative employment arrangements are drawn from a special BLS supplement included in the CPS in February 1995 and February 1997. Contingent workers are defined as those workers who do not have an implicit or explicit contract for on-going employment [BLS (1997)].
10. Employees in alternative employment arrangements include independent contractors, on-call workers, temporary help agency workers, and workers provided by contract firms [BLS (1997)].
11. From 1994, job losers also included those who became unemployed as a result of the completion of a temporary contract. In total, job losers amounted to about 3 million of the 6.7 million unemployed in 1997. Other categories of unemployment include job leavers (who separated “voluntarily”), and those who were new entrants or re-entrants to the labour market [CEA (1998, p. 332)].
12. Total initial claims in 1997 amounted to 16.7 million, per the ITSC Internet site <http://www.itsc.state.md.us>.
13. In 1994, trade union density was estimated at a little more than 16 per cent, with less than 20 per cent of employees covered by collective bargaining agreements; in that same year, the United States ranked at the bottom of the range for 19 OECD Member countries with respect to collective bargaining coverage [OECD (1997d)].
14. A low income is defined here as being in the bottom quintile.
15. States may set separate additional employment protection requirements. Also, severance pay may be awarded based on court decisions, for example, in the case of certain unfair dismissals.
16. This excludes workers with less than 6 months tenure and those working less than 20 hours per week.
17. The principal grounds for alleging wrongful termination include violations of public policy, breach of an implied contract or breach of an implied covenant of good faith and fair dealing [Mendelsohn (1990)].
18. A key exception is the Food Stamp program which is administered by the US Department of Agriculture.
19. ES refers narrowly to the labour exchange function and closely-related activities.
20. These are located in all states, the District of Columbia, Guam, Puerto Rico and the Virgin Islands. Guam does not have a federally-conforming unemployment insurance statute.
21. These report cards monitor program costs, numbers entering and completing programs and placement rates. The requirements are laid out in Public Act No. 97-263, State of Connecticut.
22. The CWE replaced an earlier advisory body, the Human Resource Investment Council. The CWE is supported by a small secretariat drawing on staff from several state agencies.
23. Here, those in public employment are those in “merit-staffed” (*i.e.* competed) positions in public service. The court challenge is cited as: State of Michigan versus Alexis M. Herman, W.D. Michigan, Southern Division, File 5:98-CV-16.

24. In 1976, Congress passed a temporary surtax to be added to the permanent FUTA tax rate. The result is that the current 0.8 per cent FUTA tax rate has two components: a permanent tax rate of 0.6 per cent, and a temporary surtax rate of 0.2 per cent that must be renewed periodically by Congress. The current surtax expires in December 1998. The statutory tax rate doubled from 0.4 per cent in the late 1960s to 0.8 per cent in the late 1980s. The effective FUTA tax rate has fluctuated between 0.2 and 0.3 per cent in most of those years [Committee on Ways and Means (1996, Chapter 5)].
25. Allocations for UI administration are based on: i) the population of the state; ii) an estimate of the number of persons covered by UI in the state; iii) an estimate of the cost of administration of the state law; and iv) other factors that the Secretary of Labor finds relevant. As noted by the Advisory Council on Unemployment Compensation (1996, p. 17), such a formula approach appropriately takes into accounts the needs of states with higher administrative workloads, but fails to reward those that improve administrative performance. Allocations for the state employment services are based on a statutory formula laid out in the Wagner-Peyser Act, Section 6. This formula sets aside funds for postage, a 3 per cent reserve and fixed shares for Guam and the Virgin Islands. Two thirds of the balance is allocated on the basis of the relative size of the civilian labour force in each state and one third on the basis of LFS unemployment, but with a minimum allotment per state. The 3 per cent reserve is used to top-up state allotments in cases where they would otherwise lose funds *vis-à-vis* the previous year. (See USDOL/ETA fact sheet "Employment Service Allotments Formula Description", available on the ETA Internet site <http://www.doleta.gov>, for more information on the details of this formula.)
26. As of 1996, three states (Alaska, New Jersey, and Pennsylvania) also levied employee-paid UI contributions; other states have done so in earlier years.
27. In many states, including Connecticut and Wisconsin, the state unemployment insurance taxes are collected by the state employment security agencies.
28. This increase was to be accompanied by elimination of the 0.2 per cent FUTA tax surcharge. These and other recommendations of the Advisory Council are being considered as part of an on-going "policy dialogue" initiated by the US Secretary of Labor with the SESAs and other concerned parties. However, there is no fixed schedule for action on the recommendations.
29. The average federal share of this revenue was US\$ 56, or 3 cents per hour, and the average state share was US\$ 245, or 12 cents per hour [Committee on Ways and Means (1996)].
30. This is known as "ineffective charging of benefits" because the caps protect firms with high lay-off experience from covering the full cost of the benefits associated with their lay-offs. The minima generally ensure that even low-use employers pay some contributions. At a given point in time (*i.e.* not taking into account potential future adjustments in experience ratings), this effect can be significant. For example, in Connecticut some 26 per cent of the amount of benefit payments in 1994 were ineffectively charged. The comparable figure for Wisconsin was 14 per cent. In some states, however, it is insignificant at 1 per cent or less [Levine (1997)].
31. An employer who has paid base period wages generally will not be charged, for example, if an employee quits voluntarily, then works briefly for a second employer and is then laid off. Some states have special social taxes on payroll that are designed to raise funds to cover non-charges.
32. Also covered are those employers with at least US\$ 1 500 of payroll in any calendar quarter.

33. Among the other ineligible unemployed, about one-in-four had exceeded the 26 week duration for regular benefits, while the remainder had quit their jobs or were within the waiting period for benefits.
34. The probability of being denied benefits varies according to the nature of the non-separation issue that arises. The 1994 data indicate that such denials were most likely to occur in cases involving violations of reporting requirements, earning of disqualifying income, or being unable to work or unavailable for work. Refusal of suitable work, on the other hand, was only half as likely as these reasons to result in denial of benefits.
35. In both states, three-person review boards handle these appeals. The Board of Review in Connecticut is located administratively within the SESA. In Wisconsin, the Labour and Industry Review Commission is independent of the SESA.
36. In Connecticut, however, employers only participated actively in about 60 per cent of fact findings hearings during 1997, a figure that has been fairly constant in the 1990s. Employer use of the teleconferencing capacity remains modest (less than 6 per cent of all hearings in the second half of 1997).
37. Under certain conditions, an additional seven weeks of benefits may be available in cases of high unemployment in states that have instituted a trigger based on total unemployment rates, as authorised in 1992. As of March 31 1996, the total unemployment rate trigger was authorised by seven states (Alaska, Connecticut, Kansas, Oregon, Rhode Island, Vermont and Washington).
38. These figures are based on calculations of the Advisory Council on Unemployment Compensation, which differ from the officially reported USDOL measure. USDOL defines "replacement rates" as the ratio of the average UI benefit paid to UI beneficiaries to the average wage in the covered population (*i.e.* the two figures do not refer to the same population) [Advisory Council on Unemployment Compensation (1996, p. 53)].
39. As noted in Committee on Ways and Means (1996): "In May 1988, Mathematica Policy Research, Inc., released a study on the decline in the proportion of the unemployed receiving benefits during the 1980s. This analysis did not find a single predominant cause for the decline but instead found statistical evidence that several factors contributed to the decline (the figures in parentheses show the share of the decline attributed to each factor):
 - the decline in the proportion of the unemployed from manufacturing industries (4-18 per cent);
 - geographic shifts in composition of the unemployed among regions of the country (16 per cent);
 - changes in state program characteristics (22-39 per cent):
 - increase in the base period earnings requirements (8-15 per cent);
 - increase in income denials for UC (unemployment compensation) receipt (10 per cent);
 - tightening up other non-monetary eligibility requirements (3-11 per cent);
 - changes in federal policy such as partial taxation of unemployment compensation benefits (11-16 per cent);
 - changes in unemployment as measured by the Current Population Survey (CPS) (1-12 per cent)."

40. In the United States, UI benefits are tracked in terms of benefit claims or paid benefit weeks rather than individuals in receipt of benefits. In order to get an indication of the scale of benefits paid relative to overall unemployment, the annual total benefit weeks can be divided by 52 (weeks). This gives an estimate of the average number of persons at any time in receipt of benefits. The total benefit week count, however, cannot be used to calculate the number of individuals receiving benefits over the course of a year, because the length of spells vary and individuals can have multiple spells during the course of a year.
41. UIS does not have a system of financial incentives related to these standards. States failing to meet them are, however, required to develop a corrective action plan.
42. The ITSC Internet site is found at <http://www.itsc.state.md.us>.
43. This indicator is only meant to provide a crude comparison of job-seeker activity in the PES. It does not control for differences in labour market dynamics between countries.
44. One factor contributing to this difference may be the lack of a broad, mandatory vacancy notification requirement in the US, unlike in Belgium, Finland and Sweden. In most states, only federal contractors are required to notify vacancies to their local employment centres, a policy initiated in 1971. Currently, all federal contractors with contracts or subcontracts of US\$10 000 or more must list their vacancies except for executive and top management jobs, positions filled from within the employer's organisation, and jobs lasting 3 days or less. In practice, as in many countries with vacancy notification requirements, this is not aggressively enforced with sanctions and compliance is uneven. USDOL's Office of Federal Contract Compliance Programs conducts compliance reviews. Sometimes they find that when a contractor is not complying, it is because the contractor is not aware of the law. Where cases of non-compliance are discovered, the contractor is required to enter into an agreement to comply in the future and to demonstrate progress toward this end or face potential restrictions on participation in federal contracts; fines are not issued. Some states, including Connecticut, maintain other listing requirements. Connecticut requires non-profit organisations receiving state funds to list vacancies with the SESA. One additional restriction on vacancy listings is the federal veterans preference (described below). See OECD (1996*b*, 1996*c*, 1996*d*, 1997*e* and 1998*c*) for details on requirements in other OECD countries.
45. According to these definitions "obtained employment" and "placement" are mutually exclusive terms.
46. Fully comparable data were not available for Wisconsin. The shares are estimated using March CPS micro-data, which are pooled in multi-year periods to increase the sample size. This question was discontinued from the CPS survey in 1994.
47. States with concentrations of high performing offices included Florida, Georgia, Massachusetts, New Hampshire, North Carolina and South Carolina. These states had over twice the national average shares of offices with above-average placement rates. States with more than twice the national average of poorly performing offices included Michigan, New Jersey, Rhode Island and West Virginia.
48. The Internet address for the Job Bank site (with links to all three databases) is: <http://www.ajb.dni.us/>.
49. As of fall 1998, the address was: <http://ecuvax.cis.ecu.edu/~lmi/lmi.html>.
50. The ALMIS database is being developed by a consortium of states led by North Carolina's SESA with the participation of ten other states, USDOL and the National Occupational Information Co-ordinating Committee.

51. The main TTRC Internet site is: <http://www.ttrc.doleta.gov/>.
52. The address for the ICESA web site is: <http://www.icesa.org/>.
53. Grant recipients must file quarterly reports on their accomplishments, progress in meeting the agreed implementation timetable, and technical issues. Although USDOL does not view performance as having been a problem to-date, the grants include sanction provisions and the grant officers have the right to terminate or suspend the grant.
54. By one estimate, 43 states are contributing US\$200 million to top up federal funding for SESA-related programs. Letter to US Congressman John Porter dated 2 June 1998 from Gerald W. McEntee (AFSCME), Stephen Yokich (UAW), Eric Oxfield (UWC) and Wayne Franklin (ICESA).
55. See, for example, the Internet site of the Coalition for Employment Security Financing Reform, <http://www.state.oh.us/obes/FUTA.htm>. The legislation mentioned here is the Employment Security Financing Act of 1998 (HR 3684) introduced by Congressman Clay Shaw and three co-sponsors.
56. For example, in Wisconsin, the DWD employer services unit (in co-operation with the University of Wisconsin) offers workshops for employers on attracting, retaining, and training personnel. Employers pay a fee of US\$49 for a four-hour session and the program has become relatively popular. Some private consulting firms see such sessions as potentially unfair competition, given that the PES receives public funds to cover a portion of its costs. The PES staff report, however, that generally the tension is diffused when they learn that the workshops tackle more basic topics than the consulting firms would usually deal with.
57. This process promotes exchanges of knowledge and experience between employment service and UI staff. Before the employment service staff tended to take more of a counselling approach and UI staff focused more on enforcing eligibility requirements. Now staff are trained to deal with both sets of issues. This point is becoming more important as the UI system relies more and more on telephone procedures and UI staff are being pulled out of the employment offices. In addition, CTDOL supports staff who make a commitment to get an associate of arts degree; tuition reimbursement is available and is managed by the staff union. The costs are minimised through the use of distance learning and testing for advance placement credits.
58. In some cases, there was continued staff resistance. For example, this was sometimes the case when a change in position would involve a change in union status and a loss of seniority. As a result, the higher wages of some professional positions were not enough to induce as many of the clerical staff to change job status as would have otherwise been the case.
59. Open vacancies are those which are directly accessible and include employer contact information. Semi-open vacancies are directly accessible but do not show the employee details. Closed vacancies are not openly posted and are brokered through job centre staff; but this type of listing is rarely used in the United States.
60. In the Hartford one-stop centre, staff are assigned according to alphabetical employer listings with each counsellor taking a segment; the number of companies per counsellor varies, but in some cases may be around 200 employers. The counsellors do cold-calls and then visit firms, sometimes based on a referral from the Department of Community and Economic Development.
61. Additional information can be found at the Workforce Development Performance Measurement Initiative Internet site at <http://www.wdsc.org/transition/measure/index.htm>.

62. Unlike Wisconsin, at the time of drafting, Connecticut had not yet fully shifted to a telephone-based UI claims system and as a result UI measures are included in the local-office performance measures. Connecticut developed other tools to track performance including, among others: i) a computer scannable exit survey which is administered twice a year to monitor customer service use and satisfaction; and ii) a system for certification of facilities as one-stops, subject to their compliance with a set of basic standards.
63. Between 5 January and 5 March 1998, the resource room tracked about 400 individual users making 1200 visits.
64. That is, the percentage of employers responding that they hired their last non-college employee through this channel. The survey covered 800 employers in each of four metropolitan areas: Atlanta, Boston, Detroit, and Los Angeles.
65. Unfortunately, this brochure did not include data on the effectiveness of the public employment service [USDOL (1996c, p. 8)].
66. Temporary agencies are important partners in some areas. For example, at the one-stop centre in Racine, Wisconsin, both Kelly and Manpower recruit on the premises and list significant numbers of vacancies.
67. There were five prototype states that were the first to implement the profiling law: Delaware, Kentucky, Florida, New Jersey and Oregon. In addition, Maryland also served as the first laboratory for testing the USDOL profiling model.
68. There are currently no data to indicate how many people who might potentially be eligible for profiling services are screened out due to adjudication and other issues.
69. The selection pool contains all new claimants who have been profiled and passed the characteristics screen. In some states, however, only those identified as “at-risk” are placed in the pool. In essence, these states have placed a threshold value on the estimated probability that determines whether the profiled claimant ends up in the selection pool. This is not the case, however, in Connecticut and Wisconsin. The term selection pool is used because it is from this pool of job-seekers that some are picked for re-employment services.
70. One clear indication of data problems is the fact that for the United States, more people reported to re-employment services than were referred. This suggests that in some states, the number of services that a claimant receives is counted as opposed to the number of claimants actually referred. Another indication is that the total number profiled in Connecticut equals the number placed in the selection pool. This is unlikely since some would have dropped out because, for example, they are on temporary layoff.
71. This involves the collection of longitudinal data which are drawn from UI wage records.
72. The wage data are a bit difficult to interpret for a number of reasons, including the fact that they are an average of all wages, and no attempt is made to account for differences in the number of part-time and full-time workers.
73. There is currently underway a net-impact analysis of WPRS in a nationally representative sample of nine states.
74. As discussed further in Chapter 6, extra funding is possible in the JTPA by drawing on the Governor’s and Secretary of Labor’s Reserve in response to increased need for assistance.
75. Another possibility on the type of service to offer profiled claimants is discussed by O’Leary, Decker and Wandner (1998), who look at the use of re-employment bonuses.

They find that combining profiling with a re-employment bonus targeted at the 50 per cent of workers most likely to exhaust benefits would be cost-effective. One problem usually raised with respect to bonuses is that they may encourage some unemployed who would not normally claim UI benefits to do so as to capture part of the bonus. Limiting it only to profiled workers may help negate this potential impact. Re-employment bonuses are, however, not currently used.

76. This is because former welfare recipients are less likely to meet both the monetary and non-monetary requirements for UI. Shorter work spells combined with low pay lead to low earnings, making it difficult to meet monetary requirements. In addition, women – who make up the largest share of welfare recipients – are more likely to quit their jobs (for various reasons) and, therefore, not be eligible for UI.
77. Specifically, states have responsibility under JTPA for the following: establish SDAs and allocate them funds; establish performance standards and rules and rewards for SDAs that exceed them, develop a state-wide co-ordinated plan for employment and training activities, directly administer JTPA for older workers, vocational education and rapid response, supply training and technical assistance to localities and ensure accountability and conduct biennial audits of JTPA funds [USDOL (1996d)].
78. The three goals are a prepared workforce, a secure workforce and quality workplaces. States will be judged against various outcome measures such as the number of JTPA clients who are in work at certain wage levels (see ETA Guidance letter 2-97).
79. Another hope was that it might encourage employers to be more receptive to participants in JTPA. It is unclear, however, whether this has led to greater hiring by local employers.
80. The number has declined in each state (by one in Connecticut and by seven in Wisconsin). The main reason is a fall in JTPA resources. Maintaining the same number of SDAs as resources fell increased the administrative costs associated with programs. To focus resources on re-employment of participants, the number of SDA/WDAs was therefore reduced.
81. Not all JTPA clients are case managed. They all receive an objective assessment but only some are selected for intensive case management.
82. Participants can appeal actions by service providers to the local PIC board.
83. In the past, this had to include meeting at least one youth performance standard under JTPA Title IIC, but this was changed in PY 1996. Performance standards also exist for the older worker program.
84. The Capital Region Workforce Development Board in Hartford, Connecticut, for example, decided for PY 1997-1998 to focus funding on occupations which have relatively high numbers of openings and relatively high wages, and those that do not require a long period of training.
85. For example the USDOL encourages states to include a performance measure for SDAs that gives a reward for placement into jobs that provide employer-assisted benefits, such as health care. This is not used in the two states under review here.
86. These factors include the characteristics of participants (*e.g.* age, sex, educational attainment etc.) as well as local economic conditions. The USDOL then sets departures (from targets) for states. For example, it sets targets of $\pm x$ per cent for rates and $\pm \$x$ for weekly wages.
87. Governors are able to adjust standards beyond the weighting procedure given by the model if they feel it is necessary.

88. In addition to the standards, the USDOL and governors may also set a variety of goals that they wish states/PICs to meet. For example, for the program year 1996-1997, Wisconsin outlined eight objectives it wished PICs to meet to fulfil the co-ordination criteria of the JTPA act. Among them are that PICs should ensure that all target groups are served and placed in accordance with their incidence in the JTPA eligible population, and to reduce the wage disparity between male and female JTPA program terminees. A number of other objectives deal directly with co-ordination between PICs, the one-stop centres, providers and so on.
89. Note that the data refer to those who have completed the program. It is possible that inflows could be quite different. Furthermore, data are not available for those who did not complete the program, which could help to indicate the likely success of completing programs for different groups.
90. But only about 1 per cent of AFDC clients nation-wide in 1994 were enrolled in JTPA and just slightly over this percentage in Connecticut [Smith Nightingale (1997)]. One aspect of welfare reform will probably lead to changes in the composition of JTPA clientele. As discussed in the next chapter, welfare reform emphasises a work-first strategy. It is likely, therefore, that the use of JTPA by this group will fall.
91. These data refer to the budget estimates for that year, *i.e.* fiscal-year funding divided by estimates of participants. Data on cost per outcome are not available. Although state expenditure data exist, they pertain to all participants, not just those who terminated the program.
92. Using the USDOL model to adjust standards by SDA would do little to control for this since it does not account for unobservables and the sample may be heavily weighted towards one group (*e.g.* the most motivated).
93. There are some state Department of Commerce programs that fund incumbent worker training, but these are conditional on technological change or new investment.
94. More specifically, there are three main requirements: *i)* that workers have been totally or partially laid off; *ii)* sales and/or production have declined; and *iii)* increases of imports of articles like or directly competitive with articles produced by the firm have contributed to job loss or lower sales/production.
95. One occupation both states and the federal government are considering to make apprenticeable is that of child-care provider. This has two important underlying objectives. First, to increase the supply of quality child care that is necessary to enable welfare recipients to enter jobs, and, second, to provide jobs for welfare recipients.
96. Students work 10 to 20 hours per week and can work full-time in the summer. The training is certified and leads to a skill certificate along with the high school diploma.
97. This pertains only to wage subsidies paid directly to the employer. The Earned Income Tax Credit is a wage subsidy-based scheme that is paid to the employee and is widely used.
98. The wage subsidy programs are therefore not "marginal", *i.e.* they are not contingent on a net increase in the firm's employment levels.
99. Public assistance is defined here to mean either Aid to Families with Dependent Children (AFDC) or Temporary Assistance for Needy Families (TANF), both of which are explained in more detail in Chapter 7.
100. Calculated as the maximum credit that firms can receive divided by the total labour costs for an APW in the United States in 1996.

101. Reducing labour costs by a large amount suggests that the elasticity of demand for the targeted groups is very low, *i.e.* a large reduction in costs is needed to encourage employers to hire. Even then, the take-up may be low not only because of employer reluctance to hire among the targeted groups, but also because the administrative burden associated with programs can be large.
102. Funding for AFDC was shared between the federal and state levels of government with the former contributing a slightly larger share of total funds. Federal funding was guaranteed to states based on formulae that varied by states. Eligibility for AFDC was based on two income tests: gross family income could not exceed 185 per cent of a state defined need standard (for a given family size); and net income could not exceed a state payment standard (the maximum benefit possible for a family size). Net income was calculated by taking total income and subtracting disregards, including income, child-care allowances and work expenses. An asset test also existed. AFDC recipients were also eligible for food stamps and Medicaid. Provisions also existed since 1961 for dual-parent families when one parent was unemployed. States did not have to have this program for two-parent families until 1990. This program, known as AFDC-UP was available to families with an unemployed parent who had to have had a significant work history. The parent was not allowed to work more than 100 hours in the month. Two-parent families never made up a large share of the caseload. About 95 per cent of families were single-parent headed by the mother [O'Neill and O'Neill (1997)]. For a full description of AFDC, see Committee on Ways and Means (1996).
103. Haveman (1996) estimates that the Wisconsin plan was about 15 per cent more expensive than AFDC.
104. The four programs were: AFDC/JOBS child care, which provided child-care assistance for those in the program; transitional child-care assistance lasting one year for those leaving AFDC to a job; at-risk child care which assisted low-income families at-risk of entering welfare without child-care support; and the child-care development block grant, which was modified to create the new fund. Funding for fiscal year 1997 was set at about US\$3 billion, an increase of about US\$600 million from 1996.
105. State allocations are based on the highest of the state's FY 1994, FY 1995 or average of FY 1992-1994 expenditures under the former Title IV-A child-care funding. Matching funds are available to states that maintain spending equal to their prior match in this area. Anything above this level will be matched dollar for dollar up to the maximum allocation which is based on the state's share out of all children under age 13. Finally, discretionary funds are available based on the proportion of children under 5 years old, the number receiving free or reduced-price lunches and the state's average per capita income [Long and Clark (1997)].
106. As shown in O'Neill and O'Neill (1997), the combined benefit of AFDC, food stamps and Medicaid for a family of four was about 60 per cent higher than the AFDC benefit by itself in the early 1990s compared with the 1960s.
107. The most common waivers to AFDC were its earnings disregards and the 100 hour work-limit rule for two-parent families [O'Neill and O'Neill (1997)]. In the former, AFDC participants were allowed to deduct US\$90 for work expenses and then US\$30 a month was disregarded from earnings for the first four months of receipt plus one-third of the remainder. After this and up until one-year, only the US\$30 disregard continued and after one year, there was no earned income disregard. All earnings above this were deducted one-for-one from the benefit. To encourage work, states experimented with increasing the earnings disregards. In the latter, the AFDC-UP program imposed a

- 100 hour work limit on the unemployed parent; any hours of work above this disqualified the family from AFDC. This may have encouraged families to split. In addition, as noted in the Connecticut and Wisconsin waivers, some states experimented with time limits, sanctions pertaining to participation in work activities and limits on additional benefits (*e.g.* benefits for each additional child).
108. Wisconsin made greater use of JOBS provisions than Connecticut. In Connecticut in 1992, about 52 per cent of AFDC clients were non-exempt from JOBS but only 24 per cent participated in JOBS. In Wisconsin, similar figures are 52 and 32 per cent, respectively [O'Neill and O'Neill (1997)].
 109. The PIC has contracted to five different agencies: YW Works; the United Migrant Opportunity Services; Opportunities Industrialization Center; Employment Solutions in two regions; and Maximus.
 110. In addition to the federal EITC, Wisconsin is one of four states to offer its own income tax credit. The credit applies on top of the EITC and equals a percentage of it: for one child, 4 per cent of the EITC; for 2 children, 14 per cent; and for three or more, 43 per cent of the EITC to a maximum of US\$ 1 529.
 111. The client has 45 days to appeal the W-2 agency decision. About two weeks later, a fact-finding decision is issued, following a meeting with the petitioner and the agency. The Department of Workforce Development may review the agency's decision if requested by the job-seeker within 15 days of the decision. Any decision is final. Thus, a W-2 client who is ultimately successful in an appeal could be without benefits for more than 2 months.
 112. Moreover, although careful attention appears to be paid to job search, recipients in a labour market with few vacancies would be relatively disadvantaged in their job-search efforts.
 113. The Wisconsin Legislative Fiscal Bureau published some estimates on disposable income under W-2 [Simpson *et al.* (1997)]. These indicate little difference in disposable income between Transitional Jobs and Community Service Jobs, and little difference between Trial Jobs and unsubsidised placement. But, disposable income jumps sharply between the two "workfare" programs and subsidised and unsubsidised jobs. Their estimates, however, were based on initial published payment rates for CSJ and Transitions, which were lower than the rates currently used, and the gap in income between the two halves of the ladder is now slightly smaller.
 114. Information reported in O'Neill and O'Neill (1997) from the National Longitudinal Survey of Youth indicates that about 75 per cent of former AFDC mothers worked full-time, but only about 44 per cent worked full-time year-round. Those with less than high school education had lower percentages, about 70 and 33 per cent, respectively. Data refer to women aged 27-34 who came off welfare in the year 1991.
 115. This represents an 18 per cent increase in funds relative to 1996 – for AFDC, JOBS, EA – for Connecticut and a 29 per cent increase in Wisconsin [Mermin and Steuerle (1997)].
 116. States must then allocate funds to the SDAs based on the number of residents who are poor. They may also take into account the number of adults receiving TANF for 30 months or more and the number of unemployed. Connecticut has decided to base grants on the following formula: 50 per cent based on the poverty level in the SDA; 25 per cent based on unemployment; and 25 per cent based on number of TANF recipients greater than 30 months.

117. As Moffit (1992) notes, however, an increase in child support from the non-custodial parent represents a tax and may affect his/her labour supply (the effect will depend on whether payments are a lump-sum or a percentage of the wage). In addition, if the non-custodial parent faces significant labour market barriers similar to the custodial parent, little revenue may be generated.
118. Data from the National Longitudinal Survey of Youths used by O'Neill and O'Neill (1997) to track young women on welfare over a 13-year period found that about 40 per cent of them who ever entered welfare accumulated more than 5 years of receipt, although 30 per cent accumulated less than 2 years.
119. Bartik (1997) finds that some industries and occupations tended to lead to more durable jobs for former welfare recipients. These include hospitals, educational services, finance/insurance/real estate and durable goods manufacturing although few welfare recipients actually worked in them. By contrast, jobs held in the temporary help industry were negatively correlated with the following year's employment as were the occupations of handlers, labourers and cashiers.
120. The NGA (1998b) report contains summaries of findings from recent studies undertaken by a variety of research organisations in Indiana, Iowa, Kentucky, Maryland, Michigan, Missouri, New Mexico, South Carolina and Tennessee. They usually refer to clients who left welfare in the 1995-97 time period although this varies by the study. The robustness of the findings also varies and some are the preliminary results of much larger studies, *e.g.* Indiana and Kentucky.
121. In a separate paper, Martini and Wiseman (1997) criticise the CEA (1997a) results. For example, one highly significant variable (negative coefficient) in the CEA model is whether states have or will have waivers coming into effect in the following year. This is interpreted as a "threat" effect: in states where waivers are expected to come into place, caseloads fall as people adjust their behaviour in advance. Martini and Wiseman (1997) criticise this for a number of reasons including the fact that waiver approvals are not usually publicised to the general public so it is difficult to imagine a large effect simply from their approval. Rather, the implementation date is probably more important because this is when it clearly impacts upon welfare recipients (to the extent that the waiver is carried out properly by staff). Although it is clear that more research is needed in this area, all the papers do suggest the relative importance of the state of the economy in explaining caseload declines.
122. There are a number of differences in how variables were coded and estimation techniques between the CEA (1997a) and the Ziliak *et al.* (1997) study, in addition to the use of annual data in the former and monthly data in the latter. Ziliak *et al.* (1997), for example, control for those reforms which were state-wide and those which affected only some recipients. Some states implemented reforms that affected all welfare recipients; other states' waivers only affected some of the caseload. One main reason to examine monthly data over annual data is that benefits are renewed on a monthly basis and with a rich data set, it may be possible to better identify changes that would be masked in annual data.
123. The contingency fund exists for states that have spent 100 per cent of their FY 1994 level of funds in the year they access the contingency fund. Two triggers exist: an unemployment trigger where the state must have an unemployment rate of at least 6.5 per cent and the average rate must be at least 10 per cent higher than the same quarter in either of the two preceding years; and a food stamp trigger where the number of food stamp

- recipients over the latest 3 months is 10 per cent higher than the monthly average number of individuals that had participated in 1994/1995 in the same three-month period.
124. The model being developed is different from those described in Chapter 5. The goal here is to determine the probability that a new welfare recipient will get work. The higher this probability, the less assistance he/she will be given, the exact opposite of profiling models for the unemployed. The prototype model is much richer than those used in profiling the unemployed, including many more variables that might be expected to help explain the duration of welfare receipt. Surprisingly, age and race are currently being used although for civil rights reasons, they could not be used in profiling models for the unemployed. Given the difficulty in explaining the duration of welfare receipt, including moves in and out of welfare, it will be some time before it is known whether profiling models for welfare recipients actually are useful.
 125. The report is part of the larger study "The National Evaluation of Welfare-to-Work Strategies" conducted by the Manpower Demonstration Research Corporation begun under the Family Support Act in the late 1980s. The three sites examined were Atlanta, Georgia; Grand Rapids, Michigan; and Riverside, California.
 126. The study does not distinguish explicitly between employment vs. income gains but rather presents results for overall earnings. The LFA model impact in terms of earnings gains was estimated at about US\$1 000 in each of the sites. The study notes that in both Grand Rapids and Riverside, earnings gains came solely through employment gains, while in Atlanta, they were due to both increases in employment and earnings on-the-job. The HCD model led to earnings gains of between roughly US\$200 to US\$600. The smallest impact was in Riverside, California while treatment-group members in the other two sites had similar earnings gains. Once again, earnings gains appear to have come primarily through employment gains.
 127. It has been preferred because it leads to an unbiased estimate of the program impact which is easy to understand by policy makers, whereas more complicated econometric adjustments can be difficult to interpret.
 128. This is part of the evaluation of the Self-Sufficiency project in Canada. The program is targeted on single mothers who have been on welfare for more than one year. They are offered generous income support to encourage them to accept work. One experiment tested whether this generosity encouraged women with less than one year's receipt to continue receipt long enough to become eligible for the program.
 129. The evaluation will examine eight different areas: the effect on child-support collections; on orders and paternity establishment; on W-2 and related program costs; on self-sufficiency of the resident parent; on the non-resident parent's involvement with the child; on child well-being; on earnings of the non-resident parent; and on formal as opposed to informal payments.
 130. Although 30 per cent of child-care funds are supposed to be used for non-welfare families, DHHS does not intend to regulate beyond this requirement and states may be able to bypass it [GAO (1998)].
 131. Long and Clark (1997) note two other scenarios depending on funding. First, if states maintain their historical spending patterns, about one-third of children in need of child-care assistance could be served. Second, if states match federal funds to get the maximum federal funds, about one-half of all children could be assisted (but, if they provide no matching funds, only about one-fourth could be assisted).

Glossary

Acronyms used in the text

AFDC	Aid to Families with Dependent Children.
AJB	America's Job Bank.
ALMIS	America's Labour Market Information System.
ALMP	Active Labour Market Programmes.
APW	Average Production Worker.
ATB	America's Talent Bank.
BAT	Bureau of Apprenticeship and Training.
CEA	Council of Economic Advisors.
CCDF	Child Care and Development Fund.
CETA	Comprehensive Employment and Training Act.
CETC	Connecticut Employment and Training Commission.
CJT	Customised Job Training Programme.
CWE	Council on Workforce Excellence (Wisconsin).
CPS	Current Population Survey.
CSJ	Community Service Jobs (Wisconsin).
CTDOL	Connecticut Department of Labor.
CY	Calendar Year.
DHHS	United States Department of Health and Human Services.
DSS	Department of Social Services (Connecticut).
DWD	Department of Workforce Development (Wisconsin).
EA	Emergency Assistance.
EBP	Extended Benefits Program.
EDWAA	Economic Dislocation and Worker Adjustment Assistance Act.
EITC	Earned Income Tax Credit.
ES	Employment Service (only refers to job broking and closely related functions).
ETA	Employment and Training Administration.
FEPs	Financial and Employment Planners.
FSET	Food Stamp Employment and Training Programme.
FUTA	Federal Unemployment Tax Act.
FY	Fiscal Year (October to September).
GAO	General Accounting Office.
ICESA	Interstate Conference of Employment Security Agencies.
ITSC	Information Technology Support Center.

JOBS	Job Opportunities and Basic Skills Programmes.
JSST	Job Search Skill Training (Connecticut).
JTP	Job Training Plan.
JTPA	Job Training Partnership Act.
MOE	Maintenance of Effort.
NAFTA	North American Free Trade Agreement.
NCEP	National Commission for Employment Policy.
NGA	National Governor's Association.
PES	Public employment service.
PFE	Partnership for Full Employment (Wisconsin).
PIC	Private Industry Council.
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act.
PY	Programme Year (July to June).
RAMAC	Racine Area Manufacturers and Commerce.
RWDB	Regional Workforce Development Board.
SDA	Service Delivery Area.
SESA	State Employment Security Agency.
SPIR	Standardised Program Information Report.
SSG	Sub-state Grantee.
SSI	Supplementary Security Income.
TAA	Trade Adjustment Assistance.
TANF	Temporary Assistance for Needy Families.
TECs	Training and Enterprise Councils.
TFA	Temporary Financial Assistance (Connecticut).
TJTC	Targeted Jobs Tax Credit.
TRA	Trade Readjustment Allowances.
UI	Unemployment Insurance.
USDOL	United States Department of Labor.
USES	United States Employment Service.
UTF	Unemployment Trust Fund.
VETS	Veterans' Employment and Training Service.
W-2	Wisconsin Works.
WBA	Weekly Benefit Amounts.
WDA	Workforce Development Areas.
WIA	Workforce Investment Act.
WOTC	Work Opportunity Tax Credit.
WPA	Wagner-Peyser Act.
WPRS	Worker Profiling and Re-employment Services.
WRTP	Wisconsin Regional Training Partnership.
WtWC	Welfare-to-Work Tax Credit.
WtW	Welfare-to-Work Grants.

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