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Reemployment Bonuses in the Unemployment Insurance System: Evidence from Three Field Experiments.

Philip K. Robins

Robert G. Spiegelman

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the fact that wage inflation did not take off when unemployment fell, although the fact that non-wage benefits (health insurance, for example) also fell contributed to falling labor costs. Both Blinder and Yellen and other authors (in particular, Stephen Nickell and Lisa Lynch) emphasize falling computer prices and fast productivity growth in the IT sector as contributors to productivity growth elsewhere.

Of course, the fact that these technologies were available to European countries, which did not mirror the experience of the United States, needs explanation. Giuseppe Bertola, Francine Blau, and Lawrence Kahn argue that although more strict European regulation may explain some of the difference, the much better U.S. performance in the late 1990s remains a puzzle. A possible reason is the change in work practices in the United States, emphasized by Jessica Cohen, William Dickens, and Adam Posen as a key reason for the fall in the U.S. NAIRU, which to my knowledge (though this is not discussed in the book) did not take place in Europe. Reforms in work practices increased flexibility within the corporation, increased product market competition, and dissipated the rents for high-wage jobs. Nickell and Lynch also emphasize this reason and, in addition, product market regulation. This contrasts with the emphasis on labor market regulation by most other contributors to this project.

Rebecca Blank and Matthew Shapiro show that the cyclical properties of the macroeconomic aggregates in the 1990s were similar to those of the 1960s and 1980s, with the interesting exception that in the 1960s labor earnings grew faster than real value added and capital, but in the 1990s they grew at the same rate. Despite this apparent sluggishness in earnings growth, James Hines, Hilary Hoynes, and Alan Krueger argue that the rising tide of the 1990s lifted all boats, in the form of more employment and more earnings at the lower end of the wage distribution.

Trade effects do not appear to attract much credit for the "fabulous decade," but George Johnson and Matthew Slaughter's chapter is a must-read for those needing an explanation of how to identify trade effects (looking at the size of trade flows is not enough). The interesting and perhaps surprising claim comes in the more speculative discussion, as an answer to the question of how open the U.S. economy is. Apparently it is 50-50 and rising in favor of openness because of trade, immigration, and foreign direct investment, a claim that may call for some re-writing of macro economics textbooks, which make the closed economy model their benchmark.

The question of immigration also arises in discussions of demographics, where the only worrying signs about the future appear to emerge. David Ellwood argues that more investment in education to improve skills or a carefully planned immigration policy may be the only ways to sustain growth, in view of the fact that increased domestic labor supply can come only from more entry of married women and older workers, who are not likely to be skilled. Katharine Abraham and Robert Shimer show that demographic changes, in particular the aging of the baby boom generation and the increased attachment of women to the labor force, may also be behind the lengthening of unemployment durations at given rates of unemployment, another change that may require rethinking of social policy on unemployment.

Christopher Pissarides
Professor of Economics
London School of Economics

Reemployment Bonuses in the Unemployment Insurance System: Evidence from Three Field Experiments. Edited by Philip K. Robins and Robert G. Spiegelman. Kalamazoo, Mich.: W.E. Upjohn Institute for Employment Research, 2001. 296 pp. ISBN 0-88099-226-3, $39.00 (cloth); 0-88099-225-5, $25.00 (paper).

Suppose you are a policy analyst and you conduct a controlled experiment testing some social program that generates benefits far in excess of its costs. What do you do next? You seek to conduct additional experiments to validate the initial findings. If those results are supportive, you may strongly advocate implementation of the program. But what happens if the subsequent experiments yield results indicating the program may be OK, but not the greatest thing since sliced bread? What do you do then? At that point, one would have to spend a great deal of effort reflecting about the experiments, their attributes, what caused the discrepancy in findings, and where to go from here.

This is precisely the situation in which the contributors of this book find themselves. The editors, Philip K. Robins and Robert G. Spiegelman, and the other contributors, Walter A. Corson, Carl Davidson, Paul T. Decker, Christopher J. O'Leary, and Stephen A. Woodbury, all have participated in the evaluation of reemployment bonus experiments and have thought about their results for quite some time. These experiments were conducted within the context of the unemployment insurance (UI) system as a means to test one possible approach to reducing the length of unemployment spells. In these experiments, UI recipients were typically offered a bonus between about $500 and $1,000 if they found work before the 6–12-week mark of their unemployment spell, where the variability in rules depends on the individual's characteristics and the particular experiment. The idea was that individuals would look for work harder and find a job sooner if they were presented with the offer of a bonus that exploded after a relatively short period of time. The first experiment was conducted in Illinois, and the results were striking; unemployment durations were significantly shorter and the reduced benefit payments were more than twice as great as the cost of the bonuses plus administrative expenses. The success in Illinois led to additional experiments, including the ones in Washington State and in Pennsylvania described in this book, but these experiments were considerably less successful.

This volume is designed to reflect upon what we can learn from these experiments. It begins by describing their design in great detail and how individuals responded to them in several dimensions, including participation, job finding rates, and earnings. Next, following an evaluation of how the experimental results might differ from those of an actual program, the book assesses the relationship between the experimental costs and benefits. In the concluding chapter, the editors summarize the discussion and draw implications for policy. Bruce Meyer provided an analysis of similar issues with respect to the reemployment bonus experiments in his *Journal of Economic Literature* (March 1995) paper, but the far more detailed analysis provided in the present volume yields new insights.

Perhaps the most interesting question the present volume addresses is why the first experiment in Illinois was so successful but those that followed were not. The proposed explanation underscores cross-state differences in institutional environment. In particular, during part of the period in which the Illinois experiment operated, recipients apparently were eligible for Federal Supplemental Compensation (FSC) that increased their benefit eligibility from 26 weeks to 38 weeks. For those recipients, getting a job within the 11-week period of bonus eligibility meant a much greater potential reduction in spell length than it did for others. An analysis looking separately at the FSC period and the non-FSC period shows that the reduction in spell lengths during the non-FSC period is comparable to that from the other experiments. Therefore, the evidence from Pennsylvania and Washington along with that from Illinois in the more relevant non-FSC period suggests that reemployment bonuses produce no significant windfall in benefits over costs.

Moreover, as some of the contributors make clear, it is likely that even the modest benefits found when the analysis is corrected as described above are overstated compared to what one might expect if the program were implemented more broadly. There are several reasons for this. First, only a fraction of those individuals who qualified for the bonus actually filed a claim for it, reducing its cost. A global bonus program would lead to greater knowledge of its existence and a greater take-up rate. Second, those who responded to the bonus by searching harder may have made it more difficult for others not in the experiment to find jobs. Since these experiments were small relative to the size of the local labor market, these spillover effects may not have been noticeable, but they might be sizeable if the policy were implemented globally. Third, the availability of the bonus might cause some workers to file a UI claim who otherwise would not do so if it became available to everyone and its availability became better known.

One chapter reports the results of a simulation exercise designed to gauge the extent of these and other problems, but it largely amounts to sophisticated speculation. The bottom line is that even the limited success of bonuses in an experimental setting may look good compared to their performance if they became universally available. It would be difficult to support a program in which the costs are understated when the program is only marginally cost-effective in the first place.

In the concluding chapter the editors write, "The evidence appears conclusive that bonuses are not the panacea originally envisioned and [these other problems] make the evidence even less supportive of the bonus option." I wholeheartedly endorse this conclusion, but where do we go from here? The chapter continues with a list of other policy options that have been considered for reducing the length of unemployment spells by providing greater incentives to look for work (earnings supplements, greater sanctioning, and so on), but the editors dismiss these as ineffective as well. I would suggest that perhaps proposals to reform the UI system should go beyond attempts to reduce its disincentive effect, which does not appear to be that large in the first place. Steps should instead be taken toward making the system work more effectively at doing what it is designed to do: providing income support for those who lose their jobs. A good place to start would be a reform of the extended benefits program.

Phillip B. Levine

Professor
Department of Economics
Wellesley College

The Political Economy of Work in the 21st Century: Implications for an Aging American Workforce. By Martin Sicker. Westport, Conn.: Quorum (Greenwood), 2002. 224 pp. ISBN 1-56720-566-6, $62.95 (cloth).

While our increased longevity is generally a good thing, it raises economic concerns that need to be addressed to ensure that our additional years are not spent in poverty. As people can expect to live longer, they need more resources than any previous generation over the course of a lifetime. To generate these resources, people can save more, accept higher tax rates to pay for public pensions and health care, or work longer.

Martin Sicker, in this book, focuses on the third of those three options. He sensibly asks whether there will in fact be enough jobs for older workers to continue working longer. The answer many economists give is that the demand for older workers will increase as the baby boom generation approaches retirement age, since the supply of skilled workers will decline. In contrast, Sicker points out that recent trends do not bode well for older workers who hope to find meaningful employment in jobs with decent pay and benefits, at least not without supporting policies to generate these jobs.

Sicker identifies several culprits for the decline in good job opportunities. The end of what Sicker calls "corporate paternalism," or Fordism, has meant a reduced commitment of companies to their employees. This declining commitment to good employment has led to more outsourcing, including to overseas locales, aided by unregulated trade and capital flows; to more contingent work; and to downward pressure on wages and benefits. As a result, fewer job opportunities for older workers are available, and those that are available are less likely than in the past to carry pension and health care benefits with them. Moreover, Sicker argues that many households' savings are insufficient to sustain a decent standard of living. He cites, for instance, a 1997 study by the Employee Benefits Research Institute showing that 22% of households experienced a decline in living standards when they made the transition to retirement, and a 1995 study by the Employers Council on Flexible Compensation in which three-quarters of respondents indicated that they were not saving enough for retirement. Thus, there is growing pressure for workers to seek longer employment at a time when such employment is increasingly hard to find.

One possible way to halt the decline in good job opportunities, Sicker argues, is to bind corporations to goals other than profit generation, for example, community economic development or job generation. Such a reorientation of corporate governance away from mere profit maximization could occur through so-called stakeholder legislation on the state level, which would require corporations to abandon an almost exclusive focus on shareholder value creation that often works to the detriment of other, more socially desirable goals. A gentle nudge from public policy, Sicker argues, could move corporations toward a commitment to building healthy communities and good, sustainable jobs.

Sicker points out, as other scholars of the corporation have, that publicly chartered corporations were historically supposed to fulfill a larger social role than simple profit generation. As an example, he cites the Indiana Code's Standards of Conduct for Directors, which allows directors to consider the impact of their actions on shareholders, employees, suppliers, customers, and communities. Sicker hence concludes that it is theoretically not too far-fetched to require that corporations bear in mind the interests of all stakeholders.

But this back-to-the-future reorientation of corporate governance, the author acknowledges, is unlikely to come to fruition in the near future. Failing such a change, Sicker suggests that public policy focus, more narrowly, on ensuring that jobs pay well enough and offer adequate benefits. To achieve this, the government could, in Sicker's view, operate as employer of last resort, whereby public sector jobs are created in a downturn to absorb excess labor supply. In addition, he argues that employers should be required to treat full-time and