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UNEMPLOYMENT INSURANCE

More Guidance and Evaluation of Worker- Profiling Initiative Could Help Improve State Efforts



Highlights of [GAO-07-680](#), a report to congressional requesters

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Why GAO Did This Study

Changes to the U.S. economy have led to longer-term unemployment. Many unemployed workers receive Unemployment Insurance (UI), which provided about \$30 billion in benefits in 2006. In 1993, Congress established requirements—now known as the Worker Profiling and Reemployment Services (WPRS) initiative—for state UI agencies to identify claimants who are most likely to exhaust their benefits, and then refer such claimants to reemployment services.

To assess the implementation and effect of the initiative, GAO examined (1) how states identify claimants who are most likely to exhaust benefits, (2) to what extent states provide reemployment services as recommended by the Department of Labor (Labor), and (3) what is known about the effectiveness of the initiative in accelerating reemployment. To answer these questions, we used a combination of national data; review of seven states, including visits to local service providers in four states; and existing studies and interviews with Labor and subject matter experts.

What GAO Recommends

GAO recommends that Labor reevaluate worker-profiling data collection, take a more active role in ensuring the accuracy of state models, encourage states to adhere to Labor’s vision for reemployment services, and consider evaluating the impact of the program. The Secretary of Labor generally agreed with our findings and recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-07-680.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Sigurd Nilsen at (202) 512-7215 or nilsens@gao.gov.

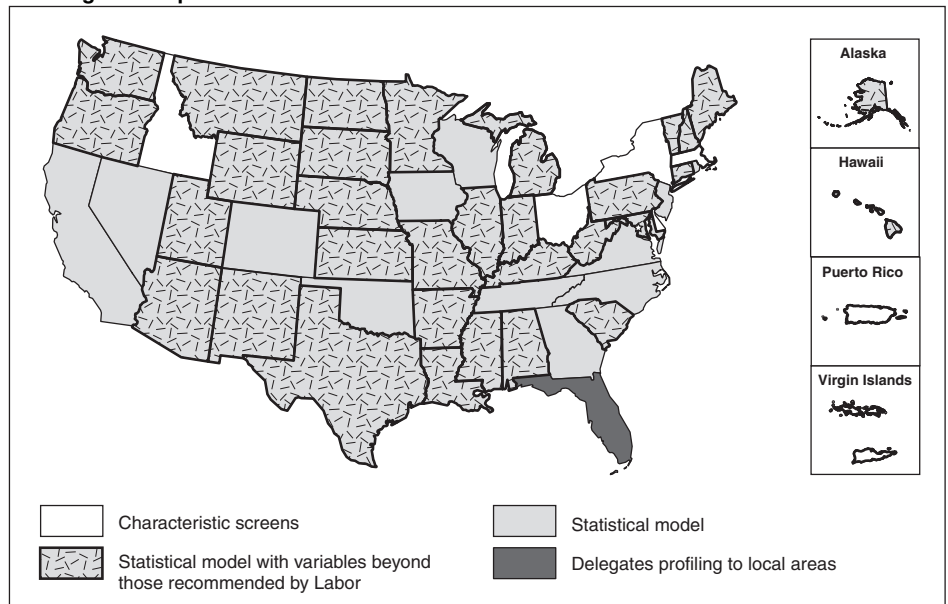
What GAO Found

Forty-five of the 53 states and territories use statistical models that facilitate the ranking of claimants by their likelihood to exhaust benefits, while 7 states use more limited screening tools that do not facilitate a ranking. Florida delegates the selection of profiling tools to local areas in the state. Factors used to determine the probability of exhaustion include a claimant’s education, occupation, and job tenure. Many states have not regularly maintained their models, and as a result, the models in some states may not be accurately identifying claimants who are likely to exhaust benefits.

Although Labor data provide a limited picture of states’ implementation of the worker-profiling initiative, 6 of the 7 states we studied did not provide the in-depth approach to services as recommended by Labor. Overall, an average of 15 percent of profiled UI claimants were referred to reemployment services, and 11 percent completed these services between 2002 and 2006. Six of the 7 states we contacted referred claimants to services, held them accountable for attending the services, and provided an orientation. However, only 1 of the 7 states provided individualized needs assessments, and developed service plans, as recommended.

Little is known about the effectiveness of the worker-profiling initiative as it is currently operating. Although studies using data from the 1990s generally indicated that claimants who were referred to services had reduced reliance on UI, there are no more up-to-date studies. Further, some of the program data collected by Labor are not reliable, and the data are not being used by Labor or states to evaluate the initiative.

Profiling Techniques Used in the United States



Source: GAO analysis of U.S. Department of Labor data; (Map) Map Resources.

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Abbreviations

ETA Employment and Training Administration
UI Unemployment Insurance
WIA Workforce Investment Act

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United States Government Accountability Office
Washington, DC 20548

June 14, 2007

The Honorable Jerry Weller
Ranking Member
Subcommittee on Income Security and Family Support
Committee on Ways and Means
House of Representatives

The Honorable Wally Herger
House of Representatives

Changes to the U.S. economy—including the contraction of entire industries as a result of changes in technology and overseas competition—have led to increases in the length of unemployment. Unemployed workers are now less likely to be rehired by their previous employers and are at a greater risk of long-term unemployment than in the past. Over the past five decades, the average duration of unemployment has been gradually increasing, so that during 2006, periods of unemployment grew to an average of 15 weeks, compared with 11 weeks during the 1950s. Many unemployed workers receive temporary, partial wage replacement through the Unemployment Insurance (UI) program. Under most state programs, claimants can obtain regular benefits for up to 26 weeks. In order to help facilitate workers' return to work, Congress established requirements now known as the Worker Profiling and Reemployment Services initiative in 1993. Under this initiative, state UI agencies are required to identify those who are most likely to exhaust their benefits, a process known as profiling, and refer them to reemployment services.

Statistics on the UI program underscore the importance of addressing benefit exhaustion. In 2006 about 7 million claimants received UI payments, totaling about \$30 billion. Of those claimants, about 35 percent used all the benefits available to them. If they had used 1 week less of benefits, it would have saved the state UI trust funds roughly \$600 million.

You asked us to assess how the worker-profiling initiative has been implemented, and its effect on shortening the length of unemployment. Specifically, you wanted to know:

1. How do states identify unemployment claimants who are most likely to exhaust benefits?

-
2. To what extent do states provide reemployment services as recommended by Labor?
 3. What is known about the effectiveness of the worker-profiling initiative in accelerating the reemployment of unemployment insurance claimants?

To answer these questions, we used a combination of national data, in-depth site visits, existing studies, and interviews with subject matter experts. We analyzed national data collected by the Department of Labor (Labor) from states on the worker-profiling initiative, including data on the 50 states, as well as the District of Columbia, Puerto Rico, and the Virgin Islands from a 2006 Labor-sponsored survey on models states use to profile. We also analyzed data on profiling, reemployment services, and outcomes that states report to Labor using the reemployment service activity and outcomes reports maintained by Labor's Employment and Training Administration. In addition, we interviewed state officials in seven states: California, Delaware, Illinois, Kentucky, Texas, Washington, and Wisconsin. We selected the seven states to include the range of approaches states take to identify and serve those likely to exhaust benefits. We visited local service providers in four of these states. Our site visit states were selected to provide a range of state experiences with the worker-profiling initiative and to ensure variation in geography and population size. We identified six studies examining the impact of the worker-profiling programs and, after evaluating the methodological soundness and the validity of the results and conclusions, determined that five of the six studies were sufficiently rigorous to use in this report. Further, we interviewed Labor officials and other experts on worker profiling and UI and reviewed other reports, including academic and Labor research on profiling systems, best practices, and the outcomes of profiled UI claimants. We performed our work in accordance with generally accepted government auditing standards between August 2006 and April 2007.

Results in Brief

The large majority of states use statistical models to identify claimants who are most likely to exhaust their unemployment benefits. However, many states have not recently adjusted these models to ensure predictive accuracy. Forty-five of the 53 states and territories use statistical models to identify clients likely to exhaust benefits, while 7 states use more limited screening tools that do not enable states to rank claimants by probability of exhausting benefits. One state—Florida—allows the local areas in the state to select the profiling technique. The size and complexity

of the statistical models used by the 45 states vary considerably. For example, 11 of the 45 states reported using models that include the 5 variables recommended by the Department of Labor, while 34 states reported using additional variables. In our site visits, we learned that these additional variables can be limited to just 1 or 2, as in California, to over 50 variables used by Kentucky. We further found that many states do not regularly update their models. A 2006 Labor-sponsored survey of the states revealed that many states continue to use models that have not been adjusted in a decade or more. For example, 30 states have not revised their models since implementing them in the mid-1990s. This raises concerns because Labor officials, state officials, and other modeling experts have stated that a model may lose predictive accuracy if it is not revised every few years to adjust for changes to the labor market and other economic conditions. For example, a 2003 California study found that the state's model underestimated benefit exhaustion and recommended an update to the model, a process California has begun. Officials in states we contacted explained that they face a number of obstacles to regularly updating the models. For example, updating and maintaining the statistical models can be impeded by technical and data difficulties, and other priorities for limited UI administrative funds and staff resources. Although Labor provides technical assistance to states requesting it, the agency does not regularly monitor state efforts to adjust their models.

It is difficult to determine the extent to which all states are providing reemployment services to claimants because some of Labor's data are unreliable. However, we determined that 6 of the 7 states we studied did not provide the in-depth services that Labor originally recommended. Nationally, according to Labor's data, 15 percent of the profiled claimants were referred to services between 2002 and 2006. These referrals ranged from as few as 1 percent in Wyoming to as many as 52 percent in Washington. We could not determine the services received by those referred for all states because Labor's data on services were not sufficiently reliable. In the states we studied, the services provided were only some of those recommended by Labor. Six of the 7 states referred claimants to services, enforced consequences for failure to attend these services, and provided one or more sessions that included orientation to services and instruction on various job search skills. However, only 1 state performed in-depth individual assessments and created individualized reemployment plans, both of which are recommended in Labor's guidance. State officials cited various challenges to providing these reemployment services to UI claimants. These included the discontinuation of federal grants that some states had used to fund services and the difficulty of serving a disparate clientele that ranged from people in upper

management to laborers. Although Labor recognizes these constraints, officials said the program's purpose is to target the funding that does exist to those who need it most.

Little is known about the current effectiveness of the worker-profiling initiative. The few early studies, which all used data from 1994 to 1996, generally indicated that claimants who were referred to services received less in unemployment benefits and collected them for shorter lengths of time than comparable groups of claimants that did not receive services. These studies found that those referred to services received \$55 to \$320 less in benefits and remained on unemployment insurance for 0.2 to 4 weeks less. Since 1999, Labor has not published any studies on the effect of the initiative and, according to Labor officials, has no plans to study the effects of profiling. Although Labor collects data on the outcomes of those profiled and referred to services, only some of the data were reliable enough to report. For example, on average about 40 percent of claimants who were referred to services exhausted their benefits between 2002 and 2005. Furthermore, although Labor and some states make limited use of the data, the data are not consistently being used to evaluate the initiative. According to Labor officials, the data were intended for states to evaluate the effectiveness of the initiative. However, officials from 4 of the 7 states we studied said they did not use Labor's data primarily because they do not meet their management needs. For example, data are aggregated at the state level, and some state officials said they would prefer local-level data.

In this report, we recommend that the Secretary of Labor ensure that the Employment and Training Administration reevaluate data collection for the worker-profiling initiative to determine whether it is sufficient for its intended purpose, take a more active role in ensuring the accuracy of state profiling models, encourage states to adhere to Labor's vision for reemployment services, and evaluate the impact of the worker-profiling program. In responding to a draft of this report, Labor generally agreed with our findings and recommendations.

Labor also provided technical comments on the draft report, which we have incorporated where appropriate.

Background

Beginning in the mid-1970s, major structural changes took place in the American economy, as advances in technology, international competition, plant closings, and corporate streamlining resulted in the dislocation of thousands of workers from their jobs. Some of these individuals possessed skills that were no longer in demand; others suffered from a lack of job

search skills. In the 1980s and early 1990s, demonstration projects were conducted in New Jersey, Nevada, Minnesota, and Washington. The New Jersey and Minnesota projects showed the efficacy of using statistical methods and administrative data to identify those who are likely to experience long periods of joblessness. For example, the New Jersey demonstration project screened claimants with various eligibility requirements and found that the screening allowed the state to direct services to those who generally faced reemployment difficulties.¹ Further, results from all four states showed that providing more intensive job search assistance to this population reduced the duration of insured unemployment and UI expenditures.²

In response to these events, the Clinton administration proposed legislation to implement worker profiling in 1993. In the same year, Congress enacted the Unemployment Compensation Amendments, amending the Unemployment Insurance program legislation.³ The law requires that states establish and utilize a system of profiling all new claimants for UI regular compensation. The system must identify those claimants that will be likely to exhaust regular compensation and refer them to reemployment services, such as job search assistance services. Typically, such claimants receive services at one of the local “one-stop” employment services centers that exist throughout the nation. States are required to collect information on the type of services claimants receive, their participation, and their subsequent employment outcomes. The last could include such information as whether referred claimants obtained new jobs and the related wage levels.

In 1994, Labor issued guidance to help states establish profiling tools and provide necessary reemployment services. In profiling claimants, Labor required that states consider factors that include whether the claimant has a date for being recalled to work, union status, first unemployment benefit payment, and previous industry or occupation of employment. Labor

¹Walter Corson, Paul T. Decker, Shari Mill Dunstan, and Anne R. Gordon, “The New Jersey Unemployment Insurance Reemployment Demonstration Project” (April 1989).

²Randall Eberts, “The Use of Profiling in the United States for Early Identification and Referral of Less Employable Unemployment Insurance Recipients,” *Employability: Concepts and Policies* (May 1999).

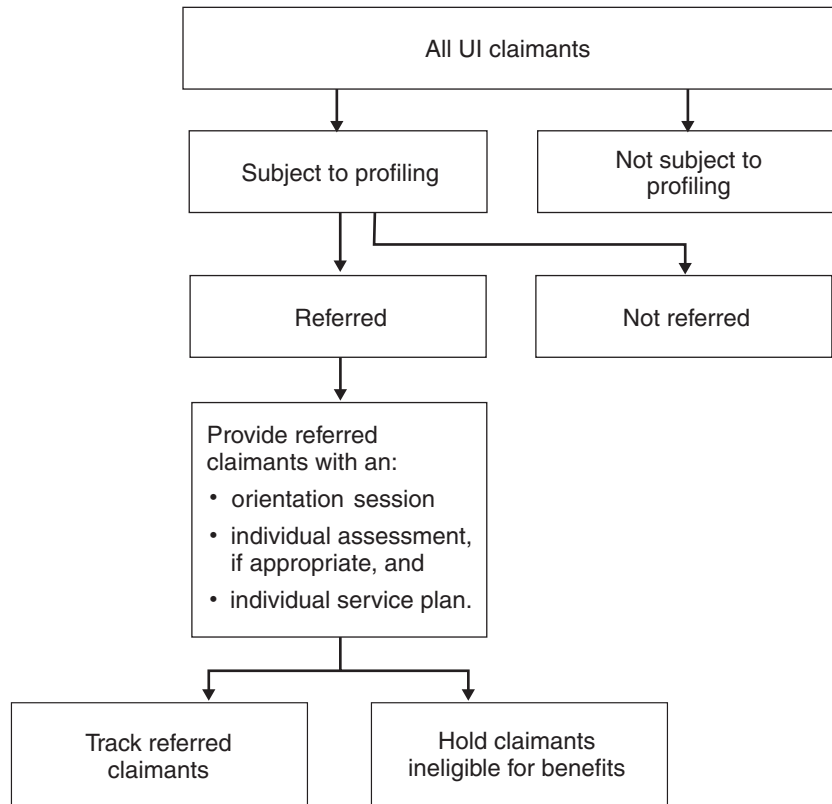
³Unemployment Compensation Amendments of 1993 (Pub. L. No. 103-152).

recommended also considering some additional factors such as claimants' education, tenure at previous job, and the state unemployment rate.⁴

Labor outlined recommended processes for providing reemployment services to referred claimants, including (1) an orientation session for claimants that would, among other things, explain the availability and benefit of reemployment services; (2) an assessment of the specific needs of each claimant, if appropriate; and (3) based on the assessment, development of an individual plan for services that would guide a claimant's further services. (See fig. 1.) Under the law, states must also require that claimants who have been referred to reemployment services participate in those services as a condition of eligibility for receiving compensation.

⁴Labor also prohibited the use of certain data elements, such as age, race or ethnic group, sex, disability, and religion, as Labor determined that use of such characteristics would be in violation of federal law.

Figure 1: Process for Profiling, Referring, and Providing Reemployment Services to Claimants



Source: Unemployment Insurance Program Letter 41-94: Unemployment Insurance Program Requirements for the Worker Profiling and Reemployment Services Program System, Employment and Training Administration, U.S. Department of Labor, August 16, 1994.

Labor may withhold UI administrative grants from a state if Labor finds, after notice and an opportunity for a hearing, that a state has failed to comply with worker-profiling requirements. These include identifying claimants most likely to exhaust benefits, referring claimants to reemployment services, and collecting follow-up information on services received and subsequent employment outcomes.

The law required that Labor report to Congress on the operation and effectiveness of the profiling system within three years of its enactment. Labor issued a report to Congress in March 1997, and published a final report in 1999 on the program's implementation and operation nationwide and the effectiveness in six early implementation states. Labor has published no studies on the effectiveness of the initiative since then. The agency's strategic plan for fiscal years 2006 through 2011, in providing an

overview of program evaluation, includes no ongoing or future research topics addressing the impact of the worker-profiling initiative. Labor has conducted impact evaluations as part of its program evaluations in the past.⁵ In fiscal year 2007, Labor was appropriated \$17.7 million for pilots, demonstrations, and research.

Funding for the worker-profiling program is provided from a variety of sources. Federal funding for the creation and maintenance of profiling models can come from UI administrative funds, which are financed by a federal UI tax on employers.⁶ Reemployment services can be funded through a variety of sources. For example, states can use Wagner-Peyser Employment Services grants as well as other state sources of funding to provide reemployment services to profiled UI claimants.⁷ From 2001 to 2005, Labor also provided Reemployment Services grants to all states in

⁵Many researchers consider impact evaluations to be the best method for determining the extent to which the program itself, rather than other factors, is causing participant outcomes. Impact evaluations can be designed in several ways, but fall into two basic design categories: experimental and quasi-experimental. Experimental designs randomly assign eligible individuals either to a group that will receive services from the program being studied or to a group that will not receive services from the program. If random assignment is successful, the only difference between the two groups is their access to program services. The relevant outcomes of these two groups are measured and compared, and any differences found between the two can be attributed to the programs. When randomly assigning individuals to a control group is not a feasible option, quasi-experimental impact evaluations can be used to compare the outcomes of program participants to those of individuals not in the program. In a quasi-experimental design, methods other than random assignment are used to create a comparison group. A comparison group can be developed in a variety of ways. One way is to use a set of individuals who have similar characteristics as the group receiving the program services under study. Although quasi-experimental studies do not use random assignment, it is still possible to determine the impact of a program through statistical methods or other research design techniques.

⁶In 2002 the federal government distributed \$8 billion of the unemployment tax revenue it had held in reserve. This was known as a Reed Act distribution. As long as a state has a specific appropriation for its legislature, it could use the funds for administrative costs of state UI.

⁷The Wagner Peyser-funded activities are an integral part of the nation's one-stop delivery system that provides employment-related services so that workers, job seekers, and businesses can access the services they need in a central location.

order to enhance and target services to claimants through the nation's network of one-stop employment service centers.⁸

Most States Use Statistical Models to Identify Claimants Likely to Exhaust Benefits, but Many Have Not Updated Them to Account for Changing Economic Conditions

The large majority of states use statistical models to identify unemployment recipients who are most likely to exhaust benefits. However, many states have not recently adjusted their models, risking the possibility that these models may lose predictive accuracy over time. Forty-five states use statistical models to identify and rank clients by their likelihood to exhaust benefits, while 7 states use characteristic screens that do not rank claimants. One state—Florida—allows the local areas to decide whether to use statistical models or screening tools. Among the states using statistical models, the detailed specifications of these models vary considerably from state to state. Further, many states do not regularly update their models, a fact that can lead to a loss of predictive accuracy over time. A survey of the states reveals that many have not revised or updated their models in many years. Officials in states we contacted explained that they face a number of impediments to doing so.

Most States Use Statistical Models instead of More Limited Characteristic Screens

Under worker profiling, state UI agencies are to identify claimants who are most likely to exhaust benefits in two steps. States screen claimants in order to eliminate claimants who are unemployed but job-attached or would otherwise not qualify for referral to services from the profiling process.⁹ After the initial screening, states profile remaining claimants—that is, they consider a range of personal and economic variables related to a claimant and determine whether or not he or she is likely to exhaust benefits. Although states have considerable flexibility in determining what variables to use, Labor has recommended the use of five variables, as outlined in table 1.¹⁰

⁸Reemployment Services grants could be used to fund services and are different from the Reemployment Eligibility and Assessment (REA) grants awarded by Labor to some states. REA grants are to be used by one-stop centers to conduct in-person interviews of certain UI recipients to assess their continuing eligibility for benefits and need for reemployment services. They cannot be used to fund services, according to Labor officials.

⁹Labor requires that states screen out claimants who will be recalled to work or who have a union hiring hall agreement. It also requires that states exclude claimants who do not receive a first payment for total unemployment and those who receive first payment for only partial claims. Some states also exclude other claimants from profiling, such as interstate claimants, and seasonal workers.

¹⁰Labor also developed a prototype statistical model that some states substantially adopted.

Table 1: Labor-Recommended Factors

Factor^a	Impact on unemployment
Education	Claimants with less education are more likely to exhaust benefits.
Job tenure	Claimants with long attachment to a specific employer have more difficulty in finding equivalent employment elsewhere.
Industry ^a	Claimants who worked in industries that are declining, relative to others in a state, experience greater difficulty in finding new employment than claimants who worked in expanding industries.
Occupation ^a	Workers in low demand occupations experience greater reemployment difficulty than workers in occupations with high demand.
Unemployment rate	Reemployment difficulty is closely related to economic conditions, and in areas of high unemployment, workers will have greater difficulty becoming reemployed than workers in areas of low unemployment.

Source: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Program Letter No. 41-94, August 1994.

^aLabor requires that state profiling models consider either a claimant's industry or occupation. The other factors are recommended but optional.

We found that states used one of two methods to identify claimants who are most likely to exhaust benefits—the statistical model or characteristics screening. Both of these look at a range of personal and economic factors that help predict exhaustion.

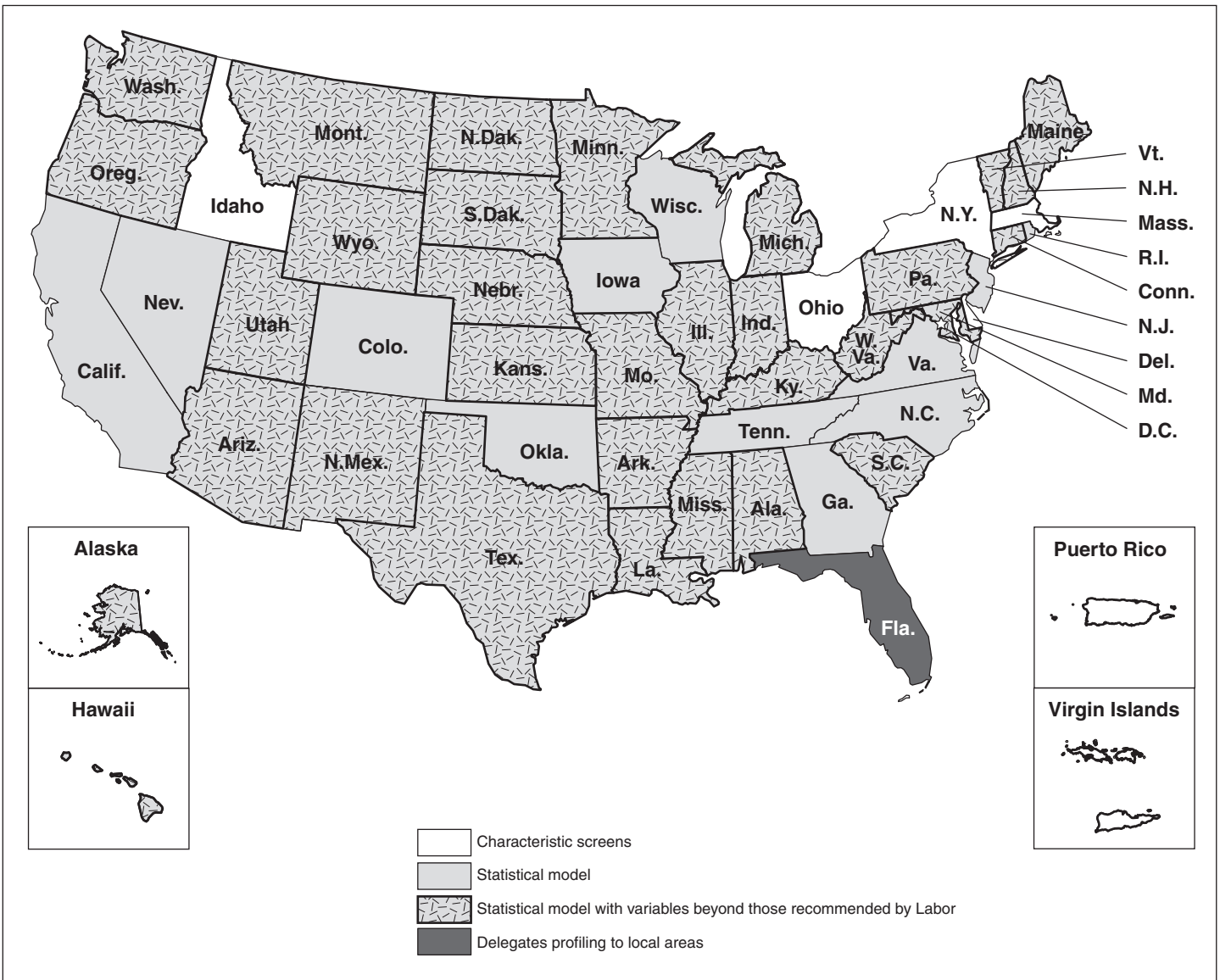
Forty-five of the 53 states and territories use statistical models to identify clients likely to exhaust benefits. (See fig. 2.) Using various statistical techniques, these models consider the combined quantitative influence of various personal and labor market characteristics and produce a measurement of a claimant's likelihood to exhaust. In statistical models, each characteristic—commonly referred to as a variable—is associated with a specific mathematical weight that quantifies the variable's contribution to the claimant's probability of exhaustion. If, for example, a claimant's last job was in a steeply declining industry, the industry variable would have a positive effect on the score, indicating a claimant's likelihood to exhaust. Conversely, if a claimant's last job was in an expanding industry, it would have the opposite effect. Essentially a statistical model produces a weighted average of the effect of all the variables combined. As a result, states that use statistical models can rank claimants from greatest to least likelihood of exhaustion, and target reemployment services to claimants with the greatest likelihood of exhausting. According to an official of the Upjohn Institute for

Employment Research,¹¹ such models, if properly developed and maintained, are a powerful and effective means of identifying particular populations for a range of social service programs.¹²

¹¹The Upjohn Institute for Employment Research is a not-for-profit, nonpartisan research organization founded to conduct research into the causes and effects of unemployment and measures for the alleviation of unemployment.

¹²Programs using a statistical method for early identification of those most likely to have long spells of unemployment have been used in other countries, such as Australia and Canada, as well.

Figure 2: Profiling Techniques Used in the States



Source: GAO analysis of U.S. Department of Labor data; (Map) Map Resources.

Seven of the 8 remaining states use characteristic screens that do not allow them to rank claimants. One state, Florida, delegates the selection of profiling tools to the local areas because state officials believe profiling can be done more accurately at that level. Like statistical models, characteristic screens may consider various factors associated with the

likelihood to exhaust benefits, but treat them as yes-no decision points. Either the claimant has the attribute or does not. The relative importance of any one variable in relation to others is not considered. Claimants selected through this process must have each of the screening criteria. For example, the characteristic screen used by Delaware considers whether or not a claimant meets specific criteria relating to industry, occupation, and job tenure. In Delaware, a claimant passes the job tenure screen if he or she has 2 or more years of tenure with his or her last employer. However, since claimants cannot be ranked, states using screens must develop a method, such as random assignment, to refer identified claimants to services if they are unable to serve all claimants that pass the screens. For example, Delaware used to refer claimants who passed the screen on a random basis, but now refers all claimants who pass the screen. Labor encourages the use of statistical models over characteristic screens because they are more efficient and precise in identifying claimants likely to exhaust.

Statistical Models Vary in Key Elements

Although all statistical models are supposed to identify claimants who are likely to exhaust benefits, the states can vary in how they specifically define this exhaustion. The model originally proposed by Labor is designed to predict the probability of exhaustion as a yes-or-no outcome—exhaustion or no exhaustion—and the claimant’s profiling score would reflect the probability of the yes outcome. Most states have adopted this definition. However, as Labor explained in 1998 guidance, this approach does not distinguish between claimants who almost exhaust benefits and those who do not come close to exhausting benefits.¹³ This is significant, because the claimant with nearly exhausted benefits may be in greater need of reemployment services than the claimant who uses a comparatively small portion of his or her benefits. Consequently, some states predict exhaustion as the amount of benefits a claimant will potentially use. For example, the profiling score produced by Kentucky’s model produces a number between 1 and 20. A claimant with a score of 20 is likely to use 95 to 100 percent of benefits; a claimant with a score of 19 is likely to use 90 to 95 percent of benefits, and so on.

¹³Marisa L. Kelso, “Worker Profiling and Reemployment Services Profiling Methods: Lessons Learned,” U.S. Department of Labor, Unemployment Insurance Occasional Paper 99-5, June 1998.

State models can differ considerably in how they define similar variables, including those corresponding to the factors recommended by Labor. For example, California uses six categories to measure the job tenure variable, ranging from 1 year or less on the low end to more than 15 years on the high end. In contrast, Texas uses only two categories—job tenure of less than 1 year on the low side and tenure of more than 10 years on the high end. The Kentucky model, on the other hand, measures job tenure on a continuous scale—specifically, the length of time that a claimant held his or her last job. The definitions of variables associated with education, industry, and other variables can also differ among state models. For example, Kentucky includes “completed vocational education” as part of its education variable, while Wisconsin does not.

The number and nature of the additional variables can also differ significantly by state. The large majority of states using statistical models (34 of 45) use models that consider factors in addition to the five factors recommended by Labor, while about one-quarter do not. (See fig. 2.) Among the 6 states that we contacted that use statistical models, the number of additional variables used ranged from 1 in California to over 50 in Kentucky. For example, 2 of the 7 states we contacted—Texas and Illinois—consider the time lapse between the loss of a job and the application for UI benefits. According to Texas officials and Labor, delays in filing a claim are indicative of a difficult job search, thus increasing the likelihood of benefit exhaustion.

Table 2: Selected Types of Variables Used in State Models beyond Federally Recommended Variables

Variable category	State					Increased likelihood of exhaustion
	Calif.	Ill.	Ky.	Tex.	Wash.	
Delay in filing of claim		●		●		Claimants who delay filing claims, indicating an unsuccessful job search
Potential duration				●	●	Claimants with short duration of eligibility for benefits
Exhaustion rate by sub-state region	●					Claimants who live in areas of the state that have a high rate of exhaustion
Past wages (base period wages)		●	●	●		Claimants with higher past wages
Prior UI recipient			●			Claimants who have prior UI claims
Reason for unemployment		●				Claimants who have been discharged from work for reasons other than being laid off
Number of recent employers		●				Claimants with more than one employer
Employer's history of layoffs ^a					●	Claimants whose employer has a high propensity to lay off workers

Source: GAO document review and analyses of interviews with state officials.

Note: This table does not include two of the seven states we contacted. The Wisconsin profiling model uses only the five variables recommended by Labor, and Delaware uses a characteristic screen that uses three of the five recommended variables.

^aAn employer's propensity to lay off workers serves as the basis of an employer's unemployment insurance tax rate, and is known as an experience rating.

Although Models Require Periodic Maintenance to Ensure Predictive Accuracy, Many States Have Not Updated Their Models since 2000 or Before

While Labor has recommended that states update models periodically to reflect changes in economic conditions, many states have not done so in many years. If not periodically updated, statistical models can lose predictive accuracy over time because of changes in the labor market, the general economy, or other factors. Labor has emphasized the importance of updating models, and noted in 1998 guidance that models represent the historical period in which they were developed, and that old models become increasingly unrealistic and less useful over time. Labor has further recommended that models be assessed, and if necessary adjusted, approximately every 3 years. Officials in some of the 7 states we contacted also stressed the importance of updating models from time to time. For example, Washington officials noted that although a 2002 analysis of their model update showed that it accurately identified the majority of claimants who exhausted, this adjustment of their model was based on data collected in 1999 and 2000, and subsequent changes in their labor market and the general economy have made the model outdated. Also, a 2003 California study found that the state's model underestimated benefit exhaustion and recommended an update to the model. Similarly, an official of the Upjohn Institute for Employment Research told us that the institute's analysis of 1 state's model found that before the model was

updated, its results were little better than random selection of claimants. Officials in Washington and California told GAO that the models would be updated in the next year.

Models can be adjusted by modifying the mathematical weights associated with specific variables, and by adding, deleting, or redefining variables to enhance a model's predictive power. This is necessary over time because, although a particular variable—such as a claimant's industry—can remain an important predictor of exhaustion, its relative importance in the model can change significantly. For example, if a variable's weight was estimated based on data from a historical period of large changes of employment levels in a particular industry or industries, the model might produce misleading results if used in a period of greater industrial and employment stability. Similarly, a variable that once served as an important predictor in a model may lose predictive value as the labor market and economic circumstances change, and conversely, other variables that may not have been relevant in one time period may become important at another time. For example, Texas deleted education as a variable from the model used in that state. According to a Texas official, statistical work performed for the model update revealed that the education variable did not measurably add to its predictive power.

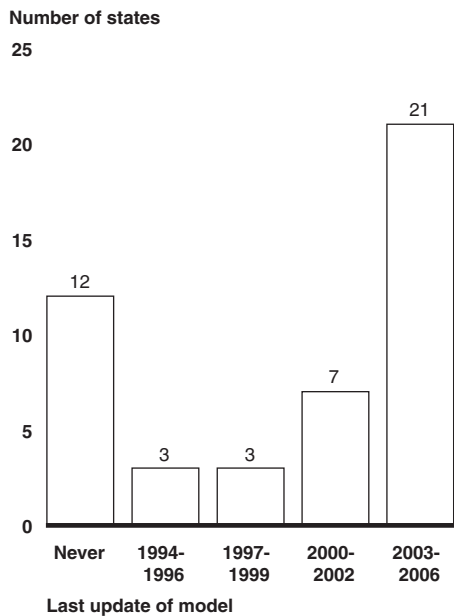
Factors other than the labor market and general economy can affect the reliability of models as well. For example, in the past 10 years standardized coding used to identify both industries and occupations has changed,¹⁴ and some of the states we contacted had not updated their model to reflect this change. Illinois' analysis of its model showed that while the model had generally retained predictive accuracy, areas of concern existed. For example, as a result of outdated occupational codes, certain occupations associated with greater likelihood of exhaustion were no longer being targeted, while others not associated with exhaustion were.

Although Labor has taken a number of actions to encourage and assist states in updating their profiling models, some states have not done so for many years. Labor has noted the importance of updating models in written guidance, sponsored occasional seminars where best modeling practices

¹⁴Specifically, the Standard Industrial Code system has been replaced by the North American Industrial Classification System, and the Dictionary of Occupational Titles has been replaced by Standard Occupational Classification System.

are shared with state staff, and provides on-demand technical assistance to states. However, Labor has not established requirements for updating models, and has not undertaken ongoing monitoring of state models.¹⁵ A recent Labor-commissioned survey revealed that many states have not updated their profiling models in recent years.¹⁶ (See figs. 3 and 4.) For example, although 21 states reported taking actions such as adjusting variable weights since 2003, many others have not. Specifically, 18 states have not done so since 1999 or before, and 12 of these reported never having done so.

Figure 3: States' Adjustments of Model Coefficients



Source: GAO analysis of U.S. Department of Labor data.

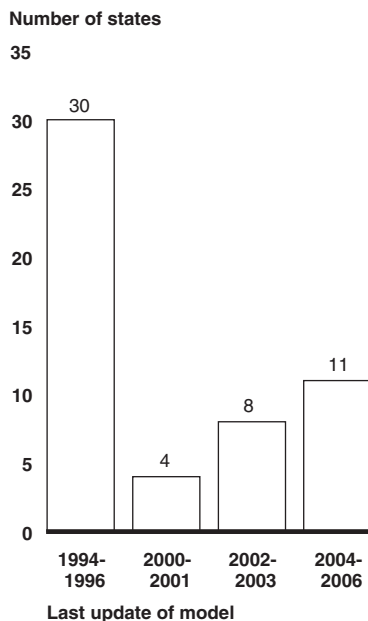
Note: Number of states and territories does not total 53 because 7 states did not respond to this query.

¹⁵The Unemployment Compensation Amendments of 1993 (Pub. L. No. 103-152) do not require this type of monitoring of state performance.

¹⁶In 2004, Labor commissioned a study of state profiling models, the goals of which included determining the effectiveness of current models, and developing guidance on best practices in operating and maintaining worker profiling models. Labor conducted a survey of states in 2006 and expects to publish this report in 2007.

According to Labor’s survey results, states have been even less inclined to adjust their models by taking actions such as changing or redefining variables in the models. As figure 4 shows, 30 states reported that they had not made such changes since implementation, and 23 states reported having done so. Only 11 of these 23 states reported having done so since 2003.

Figure 4: Passage of Time since States Adjusted Models by Changing Variables



Source: GAO analysis of U.S. Department of Labor data.

Note: No states adjusted models between 1997 and 1999.

Labor’s survey did not inquire about factors influencing the frequency with which states update their models, but our contacts with 7 states reveal a variety of reasons that some states have not updated their models. Officials in California said that they had more pressing priorities for UI administrative funds, and thus would have difficulty funding model updates. Wisconsin officials said that revising the models required expertise that they did not have, either in-house or from other sources, such as a state university. Although Labor provides technical guidance and advice, and has offered seminars on updating models, state officials indicated they still need more continuous access to expertise in order to keep models updated. A Texas official said that sometimes historical data needed to determine a variable’s impact on exhaustion of benefits are not available, and so the variable cannot be included in the model. Relatedly, if

the necessary data on claimants are not collected, or cannot be transmitted and used by the model, the related variable cannot be used. For example, a Texas official told us that certain variables, such as the number of a claimant's dependents or spousal income, might be good predictive variables. However, the standard Texas application form for UI benefits does not ask about the number of dependents or spousal income, so these variables cannot be used.

Most Study States Did Not Take the In-Depth Approach Recommended by Labor to Ensure That Profiled Claimants Obtain Reemployment Services

Labor data provide a limited picture of states' implementation of worker profiling, and some aspects of these data were not reliable. Further, 6 of our 7 study states did not offer the in-depth approach to services prescribed by Labor. These states generally referred claimants to services, held them accountable for attending the services, and provided them with an orientation and some instruction on job search skills. However, 6 of the 7 states did not adhere to Labor's guidance recommending an in-depth individual needs assessment and a tailored reemployment service plan for referred UI claimants.

Data Collected by Labor Provided a Limited Picture of States' Implementation of Reemployment Services

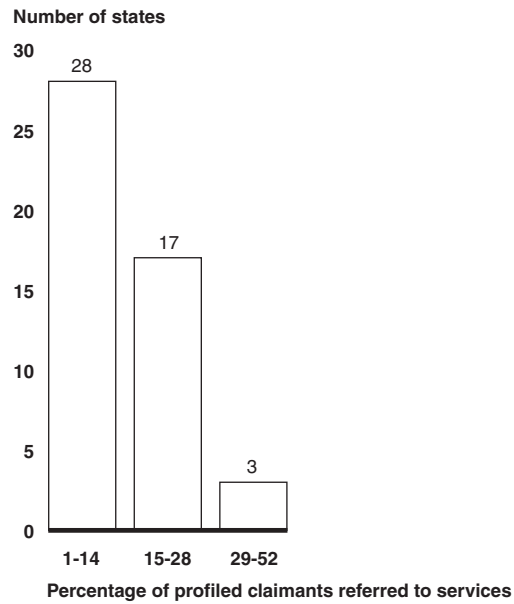
Between 2002 and 2006, about 94 percent of the UI claimants who received a first payment were profiled.¹⁷ To the extent that reemployment services are available, Labor requires that states refer profiled claimants to these services. Of those profiled, an average of 15 percent were referred to services, with states ranging from 5-year averages of 1 percent (Wyoming) to 52 percent (Washington) (See fig. 5.) While 3 states referred between 29 and 52 percent of profiled claimants to services, 28 states referred 14 percent or fewer. Further, of those claimants profiled, an average of 11 percent completed services, with states ranging from 1 percent (Arkansas, Colorado, Idaho, Michigan, and Wyoming) to 39 percent (Texas). (See fig. 6.)¹⁸ In 2 states, more than 27 percent of profiled claimants completed services. However, in 33 states, 13 percent or fewer of claimants did so.

¹⁷The total number of claimants profiled can exceed the total number of claimants who receive a first UI benefit payment because some states profile claimants at the initial claim, and these claimants may never receive a payment.

¹⁸Labor collects these data from the states on Form ETA 9048, Worker Profiling and Reemployment Services Activity. Appendix I contains a description of how we derived these summary statistics using the raw data from Labor.

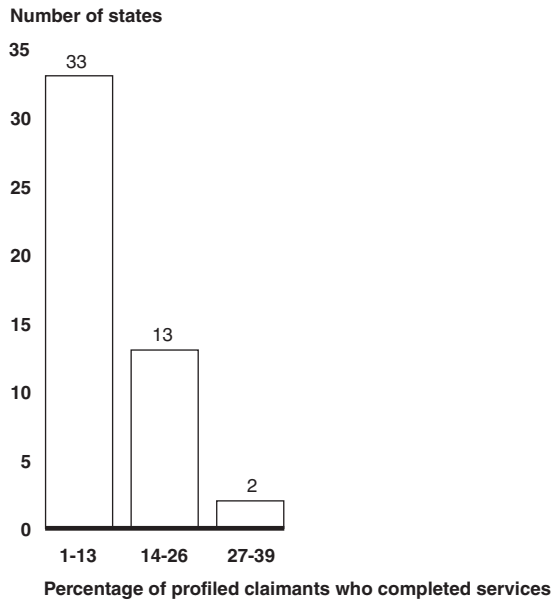
See appendix II for the average percentages of profiled claimants referred to and completing services by state from 2002 to 2006.

Figure 5: Percentage of Claimants Referred to Services, of Those Profiled



Source: GAO analysis of U.S. Department of Labor data.

Figure 6: Percentage of Claimants Completing Services, of Those Profiled



Source: GAO analysis of U.S. Department of Labor data.

Labor’s data are not sufficiently reliable to provide any information on the specific services provided to claimants—such as orientation, counseling, job search workshops, or job clubs. Specifically, Labor and state officials told us that definitions of these services can vary across states and within states over time as they change the content of their programs. For example, California officials told us that the state’s definitions of services provided were established over 10 years ago and that the nature of the services may have changed since then.

Six of Seven States We Studied Referred Claimants and Enforced Compliance with Referrals

We found that 6 of the 7 study states had, as required by Labor, referred profiled claimants to services and made claimants ineligible for benefits if they failed to attend reemployment services. In contrast, officials in 1 state told us that referrals had been delegated to local workforce areas, and that they did not know whether claimants were being referred to services statewide. We subsequently contacted some local workforce development offices in this state and learned that several had not been referring UI profilees to reemployment services for years. In addition, officials in this state told us that there are no consequences for those who fail to attend reemployment services. They further said they do not track information at the state level on whether claimants attend services. While Labor requires that states hold claimants ineligible for benefits for any week in which

they fail to attend services, Delaware goes further and holds the UI benefits of claimants who do not attend services until they reschedule.

Some of the study states took additional steps to ensure compliance with service referrals, while others did not. Of the states that referred claimants to services, Delaware and Washington required that claimants reschedule if they failed to attend required services, while Texas and Wisconsin attempted to reschedule claimants in some cases and the remaining states did not do so.¹⁹ Officials in Delaware reported that they go so far as to have staff call claimants early during the week of their scheduled orientation to remind them to attend; officials in Washington said that some local workforce centers do this. Officials cited the large flow of claimants into the program, the complexity of the rescheduling process, and the scarcity of staff resources as reasons they did not reschedule referred claimants.

Six of Seven States We Studied Provided Limited Reemployment Services and Did Not Develop Individual Assessments and Service Plans

The reemployment services offered in the states we contacted generally did not conform to the robust service process originally outlined by Labor. Labor's 1994 guidance states that after initial orientation, the service provider should determine the specific needs of each worker through an assessment process, such as vocational testing.²⁰ Only one of our study states, Delaware, required that case managers conduct an initial assessment to determine what services claimants might need, such as Workforce Investment Act (WIA) training, depending on their job readiness level. Washington and Wisconsin required that claimants complete a self-assessment. For example, claimants at one one-stop center were expected to complete a one-page self-assessment that asks questions, including what educational level they attained, whether they had a current résumé, and whether they had difficulty filling out a job application. The 4 other states we studied required no assessment of any kind.

According to state officials, our study states also generally did not require, as recommended by Labor, that local offices develop or document a reemployment services plan that could serve as the basis for determining satisfactory participation. Only Delaware required case managers to

¹⁹At the time of our contact, a Washington official said that the state sometimes rescheduled claimants for services, but that effective April 2, 2007, the state would require that claimants be rescheduled for services.

²⁰U.S. Department of Labor, Employment and Training Administration, Field Memorandum No. 35-94, March 1994.

develop service plans and meet with claimants on a monthly basis after each claimant's assessment. In California and Wisconsin, claimants developed their own plans, which involved selecting an additional service session on a topic the claimants felt would be most helpful. For example, California required that UI claimants attend an orientation and choose an additional service, such as a WIA service or job club, that would constitute their individual reemployment plan.

All 7 study states cited lack of or declining funding as an issue that affected the provision of reemployment services. Specifically, some states mentioned the loss of Labor's Reemployment Services grants, which had been awarded to all states between 2001 and 2005 to enhance and target integrated core services to claimants through the one-stop centers and were used by some states to fund program-related services. A Wisconsin official said that when the grant funds end in summer 2007, the state would only be providing worker profiling services in 6 to 12 of its 75 local workforce development offices. State officials also mentioned continuing declines in Wagner-Peyser, or Employment Services, funding. A local workforce manager in Washington said that there is a vast gap between the need for services and the resources and that the state only has resources for about 5 percent of the 50,000 to 60,000 UI claimant population. In order to help address this issue, officials in Washington told us that a special surtax is applied to UI taxes, and a small portion of this is diverted to worker-profiling service activities. While state officials were concerned with the availability of funding, Labor officials said that the purpose of the worker-profiling initiative is to target the funding that does exist to those claimants who need it most and that the program does not mandate that states serve any claimants they did not serve prior to its implementation.

Officials also cited various day-to-day challenges in providing effective reemployment services. A single services session can include claimants ranging from former upper management employees to construction and factory production workers, according to a Kentucky official. The same official said that pitching the class so that it is effective for both types of claimants can be difficult. Claimants' language skills also can be a challenge. However, California addresses this by excusing non-English speakers from the session, and directing them to job service centers or community-based partners that provide reemployment services in their own language, unless the orientation is available in their native language.

Little Is Known about Program's Effectiveness because There Are No Current Studies and Labor's Data Are of Limited Usefulness

Little is known about the current effectiveness of the worker-profiling initiative. Research studies, while generally finding that profiling and a referral to services had a positive impact on claimants, used data from the early implementation of the initiative—1994 to 1996. Although Labor collects data on the outcomes of those profiled and referred to services, we found portions of it to be unreliable.²¹ In addition, state officials said they do not use Labor's data for evaluation purposes.

Early Research Showed Some Positive Outcomes for Those Referred to Services, but There Are No Current Studies

Five methodologically sound studies looking at the impacts of the worker-profiling initiative after it was first implemented found that the program had some desired effects. Examining data from 1994 to 1996, the studies generally indicated that a referral to services under worker profiling led to a reduction in claimants' duration on UI, a reduction in the amount of UI benefits that were paid out, and an increase in subsequent employment earnings. Though the methodologies varied, all the studies evaluated the impacts of the referral to services using statistical analyses to compare the outcomes of claimants who were referred to services against those of claimants who were not.²² As table 3 indicates, these studies cover a total of only 7 states, and no national study exists. Further, no study using current data exists. Labor sponsored the two multistate studies published in 1997 and 1999, but has not published any subsequent studies.²³ According to Labor officials, the agency has no current plans to study the effects of profiling. Because data in all the studies were from the period when worker profiling was first implemented, the profiling process and

²¹The claimant outcomes data are descriptive data only and do not indicate the effect of the worker-profiling program. Experimental and quasi-experimental research studies that evaluate the impact of the worker-profiling program may indicate how claimant outcomes differ due to program participation.

²²These studies controlled for a variety of factors such as location; profiling score; time period; personal characteristics, such as age, race, sex, and education; and employment characteristics, such as base period earnings, job tenure, industry, and previous occupation.

²³Texas, Washington, and Wisconsin officials said that state-sponsored impact studies conducted on various aspects of the worker-profiling initiative in their states were not complete or not yet published. California state officials conducted an impact evaluation study of worker profiling in the state, which was published in 2003, but the methodology was not sufficiently rigorous to include in our report.

reemployment services provided then may not reflect what states are currently offering.²⁴

Table 3: Research Studies Included in Our Literature Review

Research study	Data: states and time frame ^a
Kentucky studies	
Black and others 2003	Kentucky, 1994-1996
Black and others 2007	Kentucky, 1994-1996
Noel 1998 ^b	Kentucky, 1994-1996
Multistate studies	
Dickinson and others 1997	Delaware ^c , Kentucky, New Jersey, 1994-1995
Dickinson and others 1999	Connecticut, Illinois, Kentucky, Maine, New Jersey, South Carolina, 1995-1996

Source: GAO analysis of relevant studies. See bibliography for full citations.

^aDates indicate when claimants filed their UI claim or received their first UI benefit payment.

^bUnpublished dissertation.

^cDelaware was included in this study, but its sample size was too small to detect any significant impacts.

While these early studies showed positive impacts for referred claimants with regard to reducing duration, reducing amount of UI benefits, and increasing employment earnings, there were mixed results for whether the program reduced the percentage of claimants who exhausted their benefits or improved subsequent employment rates (See table 4.)²⁵ According to the studies, claimants who were referred to services had a decreased UI duration and received lower total amounts of UI benefits.²⁶ Most of the studies found that claimants who were referred to services increased earnings in the year following the UI claim. However, the largest multistate study was unable to draw any conclusions about the impact on

²⁴The reemployment services received by claimants in these studies typically included an orientation and then on average between one and two additional services after orientation.

²⁵See appendix IV for more detailed information on the claimant outcome effects broken out by research study.

²⁶Typically, a claimant can receive a maximum of 26 weeks of regular UI benefits in a benefit year, though this duration can lengthen due to partial benefits receipt or federally funded extensions in periods of high unemployment rates. The amount of UI benefits received varies depending on a claimant's previous employment earnings and state UI laws.

earnings because of contradictory data. Evidence that a referral to services reduced the percentage of claimants who exhausted their UI benefits was mixed. For example, one study showed a decrease in the percentage of claimants who exhausted their UI benefits in 3 states, but an increase in 2 states. The effect of a referral to services on employment rates was also inconclusive. According to the two multistate studies, the effect was minimally positive for one state, but the other 6 states showed insignificant or contradictory results. Most of the studies, however, did not examine subsequent employment rates.

Table 4: Summary of Research Study Findings on the Effect of Referral to Services on Claimant Outcomes

Claimant outcome	Range of effect found in research studies
Duration of UI receipt	Reduced by 0.2 to 4 weeks
Amount of UI benefits received	Reduced by \$55 to \$320
Lessened likelihood of UI benefit exhaustion	Inconclusive
Earnings following UI claim	Increased by \$218 to \$1,054 ^a
Employment rates following UI claim	Inconclusive

Source: GAO analysis of relevant studies.

^aClaimant earnings subsequent to the UI claim may be underreported because not all employers are covered by the UI system, and claimant earnings are not tracked if the claimant moves to another state.

Research studies of other work search programs corroborate the generally favorable results found in the impact evaluation studies of the worker-profiling initiative.²⁷ Though the methodologies varied, these studies demonstrated that work search assistance reduced the duration claimants received UI benefits, among other beneficial impacts. In two demonstration projects, UI claimants who received job search assistance received fewer weeks of UI benefits. The reemployment services offered in these demonstration projects, however, were more robust; for example, in one study, claimants were required to attend an orientation, testing, a

²⁷The research studies include the following: D. H. Klepinger, T. R. Johnson, and J. M. Joesch. "Effects of Unemployment Insurance Work-Search Requirements: The Maryland Experiment." *Industrial and Labor Relations Review*, Vol. 56, No. 1. (October 2002), and P. T. Decker, R. B. Olsen, L. Freeman, and D. H. Klepinger. "Assisting Unemployment Insurance Claimants: The Long-Term Impacts of the Job Search Assistance Demonstration." U.S. Department of Labor, Employment and Training Administration (February 2000). Both research studies used data from the mid-1990s.

job search workshop, and a one-on-one assessment interview. As such, they may not reflect what is offered through the states' worker-profiling programs currently.

Even though they were unable to provide supporting data, officials from our study states said that worker profiling was a useful program for UI claimants. They said it had enabled states to advertise their job search and training services and target claimants who are most likely to exhaust their UI benefits. In the process of referring claimants to services, states are also educating the community on the many services and resources available at the one-stop service centers. They also said the initiative was a way to focus resources on those who would benefit from job search assistance the most.

Outcomes Data Collected by Labor Are Limited and Not Consistently Used for Evaluation Purposes

Due to reliability issues, Labor's claimant outcomes data are of limited value. Labor's claimant outcomes data²⁸ were sufficiently reliable for us to report only certain outcomes, including benefits exhaustion, weeks of benefit receipt, and reemployment.²⁹ Those data showed that less than half of profiled claimants exhausted benefits, that on average they received benefits for about two-thirds of the typical maximum time allowed, and that about half found employment within 1 year of the referral to services (see table 5).

²⁸Labor collects claimant outcomes data from the states on Form ETA 9049, Worker Profiling and Reemployment Services Outcomes.

²⁹Three states and two territories were dropped from our analyses due to large amounts of missing data. Also, as previously mentioned, we limited our analysis to data collected since 2002, as Labor instituted data edit checks that year. Despite the edit checks, we still found inaccuracies in the outcomes data collected since 2002. For example, seven states have been improperly reporting the claimants' wage data based on Labor's definition and relative to the rest of the states. To the extent possible, we estimated missing or incorrect data. See appendix I for a detailed description of our methodology.

Table 5: National Averages and Ranges of State Averages on Outcomes for Claimants Profiled and Referred to Services, 2002 to 2005

Claimant outcome	National average	Range of state averages ^a
Claimants who exhausted their UI benefits	40 percent	13 percent to 60 percent
Number of weeks that claimants received UI benefits ^b	17 weeks	7 to 27 weeks
Claimants who found employment at some point during the year subsequent to the referral to services	53 percent	22 percent to 87 percent

Source: GAO analysis of U.S. Department of Labor data.

Note: Data on claimant outcomes are for the four quarters after the referral to services or for the benefit year. See appendix I for a description of the methodology used to calculate national and state averages.

^aIndividual states averages were approximately evenly distributed around the national average.

^bTypically, a claimant can receive a maximum of 26 weeks of regular UI benefits in a benefit year, though this duration can lengthen due to partial benefits receipt or federally funded extensions in periods of high unemployment rates.

In addition to reliability issues, other characteristics, such as the lack of a comparison group and long time lags, limit the usefulness of both the reemployment services data and claimant outcomes data for states. First, the outcomes data reflected only the experience of those who were referred to services, and did not include an adequate point of comparison. It was therefore impossible to know if these outcomes were different than they would have been had the claimants not been referred to or completed reemployment services.³⁰ Second, according to Labor officials, the data were originally intended for states to evaluate the effectiveness of the worker-profiling initiative. However, we found that neither Labor nor the states used the data for this purpose.³¹ Several state officials said the time lag and aggregated nature of the data were insufficient for program management purposes. The claimant outcomes data were not reported for

³⁰Data for all UI claimants, which would include those profiled and referred to services, show that between 2002 and 2005, on average claimants received 16 weeks of benefits and 41 percent of claimants exhausted benefits. According to a Labor official, in 2007, the Department of Labor began collecting data on the percentage of all UI claimants who find employment, and not all states have submitted the data.

³¹Labor officials said they made limited use of the data. For example, Labor used the data to verify that states comply with the statutory requirements to profile and refer claimants, and they have used the data for special project needs that have not included evaluating the effectiveness of profiling and reemployment services.

more than a year after claimants were referred to services, and some state officials said they needed more timely data. Both the reemployment services and claimant outcomes data were aggregated to the state level, and some state officials said that local-level data would better meet their management needs. Four of our seven study states indicated that they did not utilize the reemployment services data or claimant outcomes data, and some only reported them because it was required by Labor; the remaining states said they used the reemployment services data for nonevaluative purposes, such as determining how many services were provided to claimants or the volume of claimants served under the worker-profiling program.

In light of these data limitations, several state officials said they developed their own program performance measures and reports instead of using the reemployment services data and claimant outcomes data. For example, Washington developed its own data warehouse system that links data on UI benefits, reemployment services, and claimant wages. According to officials, on a monthly basis they review performance indicators, such as the number of UI claimants that find employment and the amount of time it takes before finding employment.³²

Conclusions

Our findings suggest that although states continue to profile and refer claimants to reemployment services, the worker-profiling initiative is not a high priority at the federal level or in many states. In the past Labor has set out broad guidelines for states on the design and maintenance of profiling models. However, our analyses indicate that these have been inadequate. Labor's 2006 survey of state profiling techniques revealed that many states had not updated their profiling models for many years. As a result, it is possible that many models have lost predictive accuracy, and are referring claimants to services who are not in need of them, or failing to refer claimants that are in need of them. However, the worker-profiling program is required by law, and if there is to be a continued federal mandate, it may be that a more assertive federal role is necessary to ensure the integrity of those models.

A long time has passed since Labor articulated its vision of reemployment services, and our review of seven states indicates that what is being

³²These performance indicators are for all UI claimants, not just the claimants that are profiled and referred to services under the worker-profiling program.

practiced is a diminished version of that vision. While the states we studied indicated they provided orientation sessions that seemed to convey important information, including job search skills, Labor's guidance implies a more tailored and in-depth approach to services. It may be that the original vision is no longer realistic or perhaps, in the states' experience, necessary. Absent clarification at the federal level, it will remain unclear what Labor expects from the states.

The national data on the worker-profiling initiative is of very limited usefulness as a measure of program activity, outcomes, and effectiveness. Many of the data are not usable because of inconsistent or incorrect reporting, and neither Labor nor the states we contacted use the data for evaluating the worker-profiling initiative. Further, even if all the outcomes data were reported consistently and accurately, these data cannot, by themselves, be used to measure the impact of the program. In the end, by requiring the submittal of data that are of such limited reliability and value, Labor is potentially wasting both its own and the states' resources. Finally, absent information about the program's current impact, Labor may find it more difficult to make decisions regarding the best means for returning the unemployed to work more quickly.

Recommendations for Executive Action

To better ensure that claimants who need and could benefit from reemployment services are referred, and to ensure that resources are not unnecessarily expended on claimants not needing them, we recommend that the Secretary of Labor:

1. Reevaluate the agency's worker-profiling data collection to determine whether it is sufficient for its intended purpose. The agency might assess gaps in data, evaluate data consistency, confer with states on what data would be beneficial to them, determine the purpose of the data collection and for whose benefit the data are collected, and modify what Labor requires states to collect.
2. Ensure that the Employment and Training Administration takes a more active role to help ensure the accuracy of the state profiling models. The agency might track states' management of their models and actively encourage review and updating of models in specific states where there have been no efforts to adjust the model for a number of years. The agency could also assess whether an expanded technical assistance effort is needed, and, if so, take the lead in developing one.

-
3. Encourage states to adhere to Labor's vision for in-depth reemployment services, such as conducting individualized needs assessments and developing individual service plans, or issue updated guidance if this original vision would be too burdensome for the states.
 4. Evaluate the impact of the worker-profiling program on the reemployment of UI recipients to ensure the benefits are commensurate with the resources invested.

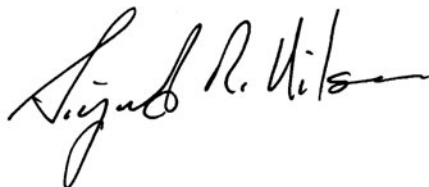
Agency Comments

We provided a draft of this report to Labor for review and comment. In general, Labor agreed with our findings and recommendations. Labor's formal comments are reproduced in appendix V.

Labor also provided technical comments on the draft report, which we have incorporated where appropriate.

We are sending copies of the report to interested congressional committees and members, and the Secretary of Labor. We will also make copies available to others upon request. In addition, our report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

A list of related GAO products is included at the end of the report. If you or your staff has any questions about this report, please contact me at (202) 512-7215. You may also reach me by e-mail at nilsens@gao.gov. Key contributors to this report are listed in appendix VI.



Sigurd R. Nilsen
Director, Education, Workforce,
and Income Security Issues

Appendix I: Objectives, Scope, and Methodology

Our objectives were to answer the following questions:

1. How do states identify unemployment claimants who are most likely to exhaust benefits?
2. To what extent do states provide reemployment services as recommended by Labor?
3. What is known about the effectiveness of the worker-profiling initiative in accelerating the reemployment of unemployment insurance claimants?

To answer the first question, we reviewed Labor's guidance about the worker-profiling initiative, and reviewed literature and interviewed experts with the Department of Labor and the Upjohn Institute for Employment Research regarding profiling techniques. We also obtained and analyzed the results of a 2006 Department of Labor-sponsored survey of the 53 states and territories.¹ This survey made numerous inquiries about the structural and operational aspects of the profiling tools—such as statistical models or characteristic screens—in use in the states. Finally, we contacted officials in 7 states—California, Delaware, Illinois, Kentucky, Texas, Washington, and Wisconsin. We selected some states to ensure that we included certain aspects of worker profiling; for example, we selected Kentucky because it had a very complex statistical model with numerous variables, and we selected Delaware because it was one of the few states that profiled claimants using a characteristic screen instead of a statistical model. We also selected these states because they ensured geographic dispersion and a range of populations sizes. In each of these states, we reviewed documents describing the profiling model that the state uses, and interviewed knowledgeable officials about the variables used in the model, the degree to which the model has been assessed and updated, and other matters.

To answer the second question, we reviewed Labor guidance regarding reemployment services provided to Unemployment Insurance (UI) claimants referred through the worker-profiling initiative, and obtained and analyzed national data collected by the Department of Labor from states on the Employment and Training Administration (ETA) 9048 Worker Profiling and Reemployment Services Activity report. In this

¹The survey, which resulted in a 100 percent response rate, encompassed the 50 states, as well as the District of Columbia, Puerto Rico, and the Virgin Islands.

report, states submit to Labor, by quarter, information such as the number of UI claimants profiled, referred to services, and completing services.² During our contacts with the 7 states mentioned above, we also obtained and reviewed state documents describing policies about referral and reemployment services for claimants profiled under the worker-profiling initiative. We also interviewed knowledgeable state officials about these policies, including referral and notification of claimants, enforcement of participation requirements, and the type of reemployment services that are offered to claimants. In 6 of these states, we also contacted officials at local one-stop offices or regional offices to discuss how reemployment services are managed and delivered. In 4 of these states, we also attended the initial reemployment services session for claimants referred through the worker-profiling initiative and recorded our observations on a standard template.

To answer the third question, we identified and reviewed six research studies that evaluated the impact of profiling and the referral to services on claimant outcomes. All the studies used regression techniques to estimate the impact of a referral to services on a claimant's UI claims experience or the subsequent earnings and employment activities.³ A GAO economist reviewed these studies and determined whether each study's findings were generally reliable by evaluating the methodological soundness of the studies and validity of the results and conclusions that were drawn. On the basis of this assessment, we determined that five of the six studies were methodologically rigorous enough to use in this report. We confirmed with Labor and national experts on unemployment insurance that these remaining five studies constituted the definitive work done to date on the impact of the worker-profiling initiative. Additionally, we reviewed these studies to assess the reemployment services offered under the worker-profiling initiative. Finally, we reviewed several studies on other work search programs that also evaluated impacts on claimant outcomes. We also obtained and analyzed national data collected by Labor from states via the ETA 9049 Worker Profiling and Reemployment Services Outcomes report.⁴ In this report, states report to Labor on a quarterly basis information on the outcomes of referred claimants, such as the average

²Data are reported for the quarter in which the activity occurred.

³One study used a Wald estimator, a simple nonparametric regression.

⁴All outcomes data were analyzed with respect to the cohort of claimants referred to services in a report quarter rather than at the individual claimant level. The date of the outcomes data is the quarter when the claimants were referred to services.

duration claimants received UI benefits and the number of claimants that found employment in the year following referral. Finally, in our contacts with the 7 states mentioned above, we interviewed knowledgeable officials regarding the data collected by Labor and their general views about the worker-profiling initiative, and in particular whether they believed the initiative was having the intended outcomes.

We conducted a data reliability assessment on the ETA 9048 and ETA 9049 reports data, which included electronically checking the data and interviewing Labor and state officials on the reliability of the data. On the basis of our reliability assessment and interviews, we found that some of the ETA 9048 and ETA 9049 reports had missing or inaccurate data. As a result, we took the following actions to ensure the accuracy of the data. First, because Labor instituted data edit checks starting in 2002, we limited the time frame of our analysis to 2002 to the most recent available, September 2006 and March 2005 for the ETA 9048 and ETA 9049, respectively. Second, we disregarded data from states that had excessive amounts of missing data reports. Specifically, from the ETA 9048, we excluded Louisiana, New Mexico, Puerto Rico, and the Virgin Islands, and for the ETA 9049, we also excluded Idaho and New Jersey, in addition to those states dropped for the ETA 9048.⁵ Third, we estimated data values, if possible, for states that had sporadically missing reports or data that were anomalous or illogical, for example, when the number of claimants who found employment exceeded the number referred to services. Of the data we reported from the ETA 9048 and ETA 9049, we estimated approximately 1 percent of these data; because of this small proportion, we believe that any errors arising from our estimation process did not significantly affect the state and national averages we reported. Some possible issues resulting from our estimation process were the following:

- We utilized logical relationships between data to estimate values, and at times, these values were based on other estimated data. Any errors resulting from the previous estimation would be carried over to the following estimated value.
- Some states had volatile data, and as our estimation process was based on the existing state data, it is uncertain how accurate our estimates were.

⁵Two of the three outcomes data we report for the ETA 9049 are calculated using data from the ETA 9048, and hence states dropped for the ETA 9048 also were dropped for the ETA 9049.

- At times, our estimated values were the highest or the lowest in the data series, and it is possible that the estimation procedure resulted in an inaccurate value.

Fourth, we excluded data from states that we confirmed were reported incorrectly. Specifically, for the ETA 9049, California and Georgia were excluded from calculations using the number of claimants who become employed, and Illinois was dropped from all analyses of both the ETA 9048 and ETA 9049 data. Last, we did not use any of the detailed reemployment services data, such as the number of claimants that completed an orientation, assessment, and so forth, because both Labor and state officials said these data were not comparable within and between states.

Appendix II: Average Percentage of Claimants Profiled, Referred to, and Completing Services for 2002-2006 and Average Claimant Outcomes for 2002-2005, by State

State	Claimants receiving first UI benefit payment who were profiled (2002-2006)	Profiled claimants referred to services (2002-2006)	Profiled claimants who completed services (2002-2006)	Referred claimants who exhaust UI benefits (2002-2005)	Referred claimants who become employed (2002-2005)	Length of time referred claimants receive UI benefits (weeks) (2002-2005)
Ala.	102%	3%	3%	47%	56%	18.3
Alaska	89%	8%	5%	42%	60%	14.2
Ariz.	86%	16%	9%	37%	51%	14.6
Ark.	95%	2%	1%	46%	38%	21.0
Calif.	59%	14%	7%	32%	Not available	21.3
Colo.	100%	2%	1%	45%	58%	16.3
Conn.	82%	13%	8%	47%	58%	17.7
Del.	162%	4%	3%	58%	87%	20.6
D.C.	93%	6%	4%	57%	52%	20.7
Fla.	90%	36%	21%	29%	29%	27.0
Ga.	74%	25%	24%	49%	Not available	15.6
Hawaii	94%	11%	7%	40%	60%	18.2
Idaho	114%	2%	1%	Not available	Not available	Not available
Ind.	97%	8%	5%	57%	61%	13.3
Iowa	37%	21%	13%	39%	58%	18.9
Kan.	71%	6%	6%	60%	52%	12.8
Ky.	136%	13%	10%	43%	50%	18.1
Maine	100%	18%	11%	40%	64%	15.1
Md.	100%	24%	12%	51%	43%	20.9
Mass.	100%	26%	20%	53%	48%	20.2
Mich.	95%	2%	1%	36%	55%	17.0
Minn.	114%	21%	19%	39%	59%	17.5
Miss.	115%	22%	13%	44%	59%	16.0
Mo.	73%	8%	6%	51%	56%	16.6
Mont.	171%	4%	3%	53%	64%	7.4
Neb.	22%	28%	24%	31%	85%	16.1
Nev.	96%	4%	3%	31%	46%	7.3
N.H.	112%	26%	26%	13%	74%	15.7
N.J.	86%	14%	14%	Not available	Not available	Not available
N.Y.	93%	12%	11%	60%	52%	20.9
N.C.	37%	12%	7%	18%	22%	20.1
N.D.	123%	20%	15%	18%	70%	7.8

**Appendix II: Average Percentage of Claimants
 Profiled, Referred to, and Completing
 Services for 2002-2006 and Average Claimant
 Outcomes for 2002-2005, by State**

State	Claimants receiving first UI benefit payment who were profiled (2002-2006)	Profiled claimants referred to services (2002-2006)	Profiled claimants who completed services (2002-2006)	Referred claimants who exhaust UI benefits (2002-2005)	Referred claimants who become employed (2002-2005)	Length of time referred claimants receive UI benefits (weeks) (2002-2005)
Ohio	94%	13%	7%	21%	62%	21.0
Okla.	115%	27%	23%	48%	51%	18.5
Ore.	74%	13%	9%	42%	45%	24.0
Pa.	96%	15%	10%	30%	28%	22.7
R.I.	74%	20%	18%	48%	43%	18.0
S.C.	73%	21%	14%	37%	52%	10.2
S.D.	86%	7%	6%	26%	55%	13.8
Tenn.	80%	10%	8%	35%	40%	21.2
Tex.	89%	49%	39%	39%	39%	17.8
Utah	94%	26%	24%	45%	38%	15.0
Vt.	99%	7%	5%	22%	48%	17.2
Va.	55%	12%	7%	31%	31%	24.2
Wash.	116%	52%	38%	26%	65%	14.8
W.Va.	122%	21%	18%	45%	54%	19.7
Wis.	104%	8%	7%	44%	55%	16.7
Wyo.	115%	1%	1%	43%	47%	15.4
National Average	94%	15%	11%	40%	53%	17.3

Source: GAO analyses of Labor data, 2002-2006.

^aGAO analysis based on 47 states and the District of Columbia.

Notes: For the percentages profiled, referred to services, and completed services, Illinois, Louisiana, New Mexico, Puerto Rico, and the Virgin Islands were excluded because of reliability concerns or missing data. For the percentage exhausted, percentage employed, and length of UI benefits received, Idaho and New Jersey were also excluded due to missing data. California and Georgia were excluded only from the percentage employed averages due to reliability concerns. See appendix I for further detail.

Appendix III: Bibliography of Research Studies on the Worker-Profiling Initiative—Exhaustive List Identified from the Literature Review

Black, Dan A., Jeffrey A. Smith, Mark C. Berger, and Brett J. Noel. “Is the Threat of Reemployment Services More Effective than the Services Themselves? Evidence from Random Assignment in the UI System.” *The American Economic Review*, Vol. 93, No. 4 (November 2003).

Black, Dan A., Jose Galdo, and Jeffrey A. Smith. “Evaluating the Worker Profiling and Reemployment Services System Using a Regression Discontinuity Approach.” Paper presented at the American Economic Association conference in January 2007. Submitted to *The American Economic Review* for the May 2007 Papers and Proceedings Issue.

Dickinson, Katherine P., Suzanne D. Kreutzer, and Paul T. Decker. “Evaluation of Worker Profiling and Reemployment Services Systems: Report to Congress.” U.S. Department of Labor, Employment and Training Administration (March 1997).

Dickinson, Katherine P., Suzanne D. Kreutzer, Richard W. West, and Paul T. Decker. “Evaluation of Worker Profiling and Reemployment Services: Final Report.” U.S. Department of Labor, Employment and Training Administration Research and Evaluation Report Series 99-D (1999).

Noel, Brett J. “Two Essays on Unemployment Insurance: Claimant Responses to Policy Changes.” Dissertation submitted for the degree of Doctor of Philosophy at the Graduate School of the University of Kentucky, UMI Number: 9922624 (1998).

Appendix IV: Summary of the Impact of Referral to Services on Claimant Outcomes from the Literature Review

Research study	Data ^a	Duration of UI receipt	Amount of UI benefits	Benefit exhaustion rate	Earnings following UI claim ^p	Employment rate following UI claim
Kentucky studies						
Black and others 2003	KY, 1994-1996	Reduced by 2.2 weeks	Reduced by \$143 ^c	Not significant	Increased by \$1,054 in the year following UI claim	Not available
Black and others 2007	KY, 1994-1996	Reduced by 0.4 to 2.3 weeks	Inconsistent results ^d	Not available	Increased by \$648 to \$1,054 in the year following UI claim	Not available
Noel 1998 ^e	KY, 1994-1996	Reduced by 2.2 to 4 weeks	Reduced by \$65 to \$320	Not available	Increased by \$218 to \$1,054 in the year following UI claim	Not available
Multi-state studies						
Dickinson and others 1997	DE ^f , KY, NJ, 1994-1995	KY, NJ: Reduced by 0.6 to 0.7 weeks	KY, NJ: Reduced by \$96 to \$109	NJ: Reduced by 4 percentage points	NJ: Increased by \$190 and \$226 in the first and second quarters, respectively	NJ: Increased by 1 percentage point ^g in first quarter
Dickinson and others 1999	CT, IL, KY, ME, NJ, SC, 1995-1996	CT, IL, KY, ME, NJ: Reduced by 0.2 ^h to 1 week	CT, IL, ME, NJ: Reduced by \$55 ^c to \$139	CT, ME, NJ: Reduced by 1.4 to 4.3 percentage points SC, KY: Increased by 1.1 ^c to 4.1 percentage points	Inconsistent results	Inconsistent results

Source: GAO analysis from literature review. See bibliography for full citations.

Note: Only results significant at the 95 percent confidence level are included unless otherwise noted.

^aDates indicate when claimants filed their UI claim or received their first UI benefit payment.

^pThe earnings may be underreported because not all employers are covered by the UI system, and claimant earnings are not tracked if the claimant moves to another state.

^cSignificant at the 90 percent confidence level.

^dThe results with the least likelihood of error show a reduction in the amount of UI benefits received of \$175.

^eUnpublished dissertation.

^fDelaware was included in this study, but its sample size was too small to detect any significant impacts.

Appendix V: Comments from the Department of Labor

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210



MAY 31 2007

Mr. Sigurd R. Nilsen
Director
Education, Workforce and Income Security Issues
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Nilsen:

We appreciate the opportunity to review and comment on the draft report, "More Guidance and Evaluation of Worker-Profiling Initiative Could Help Improve State Efforts," GAO-07-680. In general, the U.S. Department of Labor agrees with the Government Accountability Office's (GAO) findings and has efforts already underway that are consistent with the report's recommendations. Our specific comments and observations are described below.

As the result of a three-year research project sponsored by the Department to examine state profiling models and associated practices completed in March 2007, the Department shares some of the concerns raised by the GAO study and is reviewing ways to address these concerns. The amount of time that has elapsed since many states evaluated and updated their profiling models is a key concern. To call this issue to the attention of states, the Department will share recent findings and best practices from our research on profiling models as well as GAO's findings. In addition, the Department is developing training for state staff in evaluation of profiling data and will market its technical assistance in profiling model use/improvement more aggressively to states.

The Department of Labor agrees with the need for continued focus on reemployment services for profiled claimants and is developing appropriate guidance and technical assistance to support states and local workforce investment areas in implementing effective reemployment service strategies. The Department intends to provide updated policy direction to states and local workforce areas on the requirement to maintain an effective Worker Profiling and Reemployment Services (WPRS) system and provide suggestions for promoting the integration of unemployment insurance (UI) and reemployment services for purposes of improving WPRS systems. The Employment and Training Administration (ETA) is sponsoring a regional conference for state and local workforce professionals in June 2007, *Making the Connection: New Strategies for Reemploying Unemployment Insurance Claimants in the New Global Economy*, which will feature effective reemployment strategies, strategies designed to better connect unemployment insurance claimants with the One-Stop Career Center system, use of local employment data to assist job seekers with finding in-demand jobs, and use of assessment tools. This conference is the first in a series of efforts focused on connecting unemployment insurance claimants with the One-Stop Career Center system.

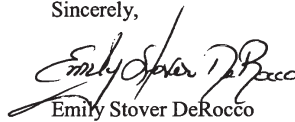
**Appendix V: Comments from the Department
of Labor**

As discussed in the report, strategic use of assessments with profiled claimants, and in the workforce system broadly, can set the stage for effective employment and workforce preparation interventions. The Department will be issuing separate guidance to the workforce system on different types of assessments, criteria for their strategic use, and recommendations about the suite of tools that should be available through the One-Stop delivery system. This guidance will be followed by technical assistance via Webinars.

GAO noted that the data collected by the Department related to profiling was originally intended as a starting point for states to assess their profiling programs and that the data collected is serving neither the states nor the federal government well. The Department will continue to work with the states to improve the accuracy of the existing reports, develop a plan to reassess the reports, and take steps to make the data useful to all parties. The Department will also consider, if resources permit, an evaluation of the impact of the worker-profiling initiative.

Thank you for the opportunity to comment on this report. If you have any questions, please don't hesitate to call me at (202) 693-2700.

Sincerely,



Emily Stover DeRocco

Appendix VI: GAO Contacts and Acknowledgments

GAO Contact

Sigurd Nilsen, Director, (202) 512-7215 or nilsens@gao.gov

Staff Acknowledgments

Patrick di Battista, Assistant Director, and Michael Hartnett, managed this engagement.

Shannon Groff, Rosemary Torres Lerma, and Winchee Lin also made significant contributions throughout the engagement. Susan Bernstein helped develop the report's message. Jay Smale, Stuart Kaufman, Rhiannon Patterson, Robert Dinkelmeyer, and Greg Dybalski contributed to the analysis of Labor data and reviews of external studies. Jessica Botsford provided legal support.

Related GAO Products

Workforce Investment Act: Employers Found One-Stop Centers Useful in Hiring Low-Skilled Workers; Performance Information Could Help Gauge Employer Involvement. [GAO-07-167](#). Washington, D.C.: December 22, 2006.

Unemployment Insurance: States' Tax Financing Systems Allow Costs to Be Shared among Industries. [GAO-06-769](#). Washington, D.C.: July 26, 2006.

Unemployment Insurance: Enhancing Program Performance by Focusing on Improper Payments and Reemployment Services. [GAO-06-696T](#). Washington, D.C.: May 4, 2006.

Unemployment Insurance: Factors Associated with Benefit Receipt and Linkages with Reemployment Services for Claimants. [GAO-06-484T](#). Washington, D.C.: March, 15, 2006.

Unemployment Insurance: Factors Associated with Benefit Receipt. [GAO-06-341](#). Washington, D.C.: March 7, 2006.

Workforce Investment Act: Labor and States Have Taken Actions to Improve Data Quality, but Additional Steps Are Needed. [GAO-06-82](#). Washington, D.C.: November 14, 2005.

Unemployment Insurance: Better Data Needed to Assess Reemployment Services to Claimants. [GAO-05-413](#). Washington, D.C.: June 24, 2005.

Workforce Investment Act: Labor Should Consider Alternative Approaches to Implement New Performance and Reporting Requirements. [GAO-05-539](#). Washington, D.C.: May 27, 2005.

Unemployment Insurance: Information on Benefit Receipt. [GAO-05-291](#). Washington, D.C. March 17, 2005.

Workforce Investment Act: Employers Are Aware of, Using, and Satisfied with One-Stop Services, but More Data Could Help Labor Better Address Employers' Needs. [GAO-05-259](#). Washington, D.C.: February 18, 2005.

Workforce Investment Act: States and Local Areas Have Developed Strategies to Assess Performance, but Labor Could Do More to Help. [GAO-04-657](#). Washington, D.C.: June 1, 2004.

Related GAO Products

Workforce Investment Act: One-Stop Centers Implemented Strategies to Strengthen Services and Partnerships, but More Research and Information Sharing Is Needed. [GAO-03-725](#). Washington, D.C.: June 18, 2003.

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