

Employment programs for recipients of unemployment insurance

The Worker Profiling and Reemployment Services, Short-Time Compensation, and Self-Employment Assistance programs provide employment services exclusively to unemployment insurance beneficiaries; the history of each program, as well as its State-level implementation, is examined

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The Unemployment Insurance (UI) program is an income support program that was established in 1935 as part of the social insurance safety net provided by the Social Security Act. The program pays temporary benefits to workers who become unemployed through no fault of their own. It also promotes economic stability by maintaining purchasing power. Federal law provides the framework under which State UI programs operate. State UI programs pay out benefits and collect taxes. States pay benefits to workers who are eligible for them under their own State UI laws. States also pay out benefits under Federal benefit programs that are responsible for unemployment compensation for Federal employees and ex-service members, trade adjustment assistance, and disaster unemployment assistance.

The UI program has a companion purpose: to help unemployed workers return to productive employment. Able-bodied UI beneficiaries are required to search for work, register for work, and receive reemployment services at one-stop career centers throughout the United States. In some States, they are required to participate in eligibility reviews that have a reemployment component. As permanent layoffs have become more prevalent and unemployment durations for UI beneficiaries increased in recent decades, helping the unemployed return to work has become more

important. During this same period, three employment programs have emerged within the UI program that focus exclusively on the reemployment of UI beneficiaries: the Short-Time Compensation (STC) program, enacted in 1982; the Worker Profiling and Reemployment Services (WPRS) program, enacted in 1993; and the Self-Employment Assistance (SEA) program, also enacted in 1993. These programs have become a part of Federal and State UI laws, and they operate within the UI program.

In each year from 2001 to 2007, the UI program paid between \$31 billion and \$54 billion to between 7 and 10 million beneficiaries. It is projected to pay out between \$30 billion and \$45 billion to approximately 8 million beneficiaries in each of the next 5 years. By contrast, the STC and SEA programs pay small amounts of benefits to small numbers of workers. (However, the STC program plays a significant role in a small number of participating States in times of recession.)

Some States have elected to pay STC and SEA benefits out of their UI trust fund accounts, as is permitted by Federal law. Because STC and SEA are a part of the UI program, participants in those two programs should be counted in measuring all UI program beneficiaries, weeks of benefits claimed, and benefits paid.¹

WPRS is a much larger program that provides reemployment services to the approxi-

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mately 1 million UI claimants identified as likely to exhaust their benefits and who are referred to services each year. Such reemployment services have been tested in the past and have been shown to speed the return to work of UI claimants and, hence, reduce the duration of insured unemployment.

Other industrial nations also are concerned with reducing unemployment by means of reemployment programs. The Organization for Economic Cooperation and Development (OECD) distinguishes between *active* labor market programs, which provide reemployment services and other support that can help return unemployed workers to productive employment, and *passive* labor market programs, which include income support programs such as UI. For its first 40 years, the U.S. UI program was almost exclusively a passive labor market program, paying benefits and collecting employer taxes to pay for those benefits. It did not provide reemployment services or incentives that help unemployed workers return to work or try to avoid unemployment.

Worker Profiling and Reemployment Services

In the mid-1980s, the U.S. Department of Labor conducted a social science experiment in New Jersey that tested the effect of providing an in-depth program of job search assistance to permanently separated unemployed workers who were collecting UI benefits. A rigorous evaluation using randomly assigned treatment and control groups found that reemployment services reduced the duration of insured unemployment by between half a week and a week for UI recipients who were offered those services. A cost-benefit analysis found that the provision of enhanced job search assistance was cost effective to the Department of Labor, to the Federal Government, and to society as a whole.² These findings were incorporated into the Reemployment Services component of WPRS.

The other WPRS component is Worker Profiling, a process that makes serving permanently dislocated UI beneficiaries more effective and efficient by providing a targeting mechanism for reemployment services. WPRS automates the targeting, or sorting, of 8 to 10 million UI beneficiaries each year, to determine which ones need help finding a job. Not all of these workers need reemployment services, nor do States have sufficient non-UI (for example, Wagner-Peysers Act) funds to serve them all. If reemployment services are going to be provided to some UI beneficiaries, a mechanism is needed to identify those who are likely to be most in need of such services. WPRS provides that mechanism.

There is a close relation between UI beneficiaries referred

by WPRS and the population of long-tenured dislocated workers. Biennial BLS surveys of these displaced workers show that between two-fifths and three-quarters of them collect UI benefits. The percentage is higher in recessionary periods, and at all times the percentage is higher still when those displaced workers who are unemployed less than 5 weeks—and therefore less likely to apply for UI benefits—are excluded.³ For example, between 1984 and 1988, 62 percent of all displaced workers received unemployment benefits, but among displaced workers who were unemployed 5 weeks or longer, the proportion increased to 81 percent.⁴

On the basis of these findings, the WPRS program was enacted in 1993 as an amendment to the Social Security Act, at section 302(j). Section 302 requires that all States establish WPRS systems and that these systems identify UI claimants who are “likely to exhaust regular compensation”⁵ and who need “job search assistance services to make a successful transition to new employment.” WPRS systems also must refer the workers to reemployment services to the extent that those services can be provided with funding under existing State and Federal laws. In other words, because no new funding was made available for WPRS, States were required to fund the aforementioned services from existing grants or appropriations.⁶

UI claimants who are found to be likely to exhaust their benefits and who are referred to reemployment services are required to participate in those services. Most States have chosen to conduct a worker profiling process that uses a statistical method to identify those workers who are likely to exhaust their benefits.⁷ Depending on the availability of funds to provide reemployment services, the State UI agency refers a specified number of new UI claimants to local one-stop career centers each week.

After Federal legislation was enacted, the Department of Labor provided technical assistance to States in developing statistical profiling models and in implementing their programs of reemployment services. States began implementing WPRS programs in late 1993, and programs were operational in all states by mid-1996. As a result, there is a dozen years of national experience with this Federal program.

Under WPRS, reemployment services are divided into six categories: orientation, assessment, counseling, placement services, a job search workshop, and referral to training.⁸ All States report their participation in the WPRS program and in these six categories of services in quarterly reports to the Department of Labor.

Worker participation in the WPRS system depends on the weekly flow of new UI claimants being profiled, gener-

ally when they receive their first benefit payment. The statistical profiling mechanism places all profiled workers in an array according to their likelihood of exhausting their UI benefit entitlement. First, UI claimants are referred to reemployment services at one-stop career centers to the extent that funds are available to provide those services. Claimants who are most likely to exhaust their benefits are selected, and they then report to the centers to receive services. The specific services provided depend on the needs of the workers, as well as the policies of the State workforce agency and of the local officials who operate the individual centers.⁹

The extent of participation in the WPRS system has changed over time, and reported participation is summarized in table 1. Since 1996, between 845,000 and 1.1 million UI beneficiaries have reported annually to the one-stop career centers, except in 2001 and 2002, when the recession raised the number to 1.2 and 1.5 million, respectively.¹⁰ The table shows that WPRS is a highly countercyclical system. In 2001, the U.S. was in a recession,

and the number of unemployed workers participating in the UI program reached a cyclical high, as did the number of participants in the WPRS system. The number of UI claimants profiled, referred to reemployment services, and reporting for those services reached a peak in 2001 and 2002.¹¹

From 1996, when WPRS was fully operational in all States, through 2002, more than 90 percent of workers receiving a first payment were profiled in order to determine their likelihood of exhaustion of benefits.¹² The percentage profiled has declined to between 80 percent and 90 percent in the period from 2003 through 2007. The number of UI beneficiaries who were profiled also declined cyclically, from 2002 through 2007. Nevertheless, WPRS remains a substantial program, with the number of UI beneficiaries who were referred to WPRS remaining greater than 1 million from 2001 through 2007. These referrals remained high because the percentage of profiled workers who were referred to reemployment services increased to between 14 percent and 16 percent from 2005

Table 1. Worker Profiling and Reemployment Services (WPRS) data and Unemployment Insurance (UI) program beneficiaries, 1994–2007¹

Year	Beneficiaries	Profiled	Referred	Reported	Orientation	Assessment	Counseling	Placement	JSW	Training
1994.....	7,959,281	122,065	23,087	17,184	14,126	9,876	5,883	5,671	11,042	4,492
1995.....	8,035,229	4,061,731	456,533	453,005	283,508	246,655	140,301	267,281	213,512	74,292
1996.....	7,995,135	7,208,694	821,443	1,036,806	512,045	507,824	214,528	613,544	338,508	166,456
1997.....	7,325,093	6,985,048	745,870	990,041	474,891	455,914	194,818	630,760	336,959	160,741
1998.....	7,341,903	6,882,571	783,779	1,033,482	477,913	416,027	191,315	676,284	296,681	156,462
1999.....	6,967,840	6,483,514	803,401	990,737	447,032	403,195	198,571	668,492	253,451	141,398
2000.....	7,035,783	6,475,605	977,440	1,229,352	557,250	471,712	146,917	645,170	342,856	113,879
2001.....	9,868,193	8,952,312	1,154,743	1,499,364	666,610	531,020	129,136	506,172	452,439	120,093
2002.....	10,092,569	9,178,024	1,220,466	986,719	619,917	462,643	125,103	376,757	369,756	76,448
2003.....	9,935,108	8,238,485	1,147,448	919,450	595,564	423,977	114,142	378,180	400,245	70,295
2004.....	8,386,623	7,037,337	1,106,776	880,263	602,833	343,903	93,215	378,181	379,735	73,508
2005.....	7,917,301	6,441,561	1,128,710	845,789	607,905	350,443	109,697	376,342	355,843	77,915
2006.....	7,350,734	6,345,136	1,170,126	856,587	627,668	406,158	133,773	405,622	369,564	92,200
2007.....	7,641,942	6,497,838	1,194,843	884,163	625,359	407,093	135,572	434,235	373,624	97,953

¹ Key to column heads:

Beneficiaries Number of beneficiaries (first UI payments for new benefit years established).
 Profiled Number of UI claimants profiled by State WPRS systems.
 Referred Number of profiled claimants referred to reemployment services.
 Reported Number of profiled and referred claimants who report for WPRS services.
 Orientation Number of profiled and referred claimants who report to an orientation.
 Assessment Number of profiled and referred claimants who report to an individual assessment.

Counseling Number of profiled and referred claimants who report to job counseling.
 Placement Number of profiled and referred claimants who report to placement services.
 JSW Number of profiled and referred claimants who report to a job search workshop.
 Training Number of profiled and referred workers who are referred to government-funded education or training.

SOURCE: U.S. Department of Labor, Employment and Training Administration (ETA), Unemployment Insurance (UI) Data Base. UI first payment data are from ETA report no. 5-159. Worker Profiling and Reemployment Services (WPRS) data are from ETA report no. 9-048.

to 2007, after having remained mostly between 9 percent and 12 percent before then.

Because the State UI programs refer only as many UI claimants to WPRS services as are permitted by the availability of services at individual career centers, the referral rate represents the capacity of the program to serve profiled workers. This capacity has been quite steady over time. All of the referred workers receive one or more reemployment services. Although it cannot be determined how many of the six reported services each worker received, the average number of services provided per referred worker has been declining. For example, in 2001, UI beneficiaries referred to one-stop career centers received an average of 2.1 services per referred worker; the figure fell to 1.7 services per referred worker in 2007. In addition, the percentage of referred workers who receive each separate service generally has declined over time.

For individual reemployment services, the service that is most often provided to reporting workers is an orientation session. Today, between one-half and two-thirds of all referred workers receive an orientation, compared with about two-thirds at the beginning of the program. Placement services—trying to match UI claimants with job openings—are the second most used service, with more than one-third of those referred receiving placement services, although the provision of these services also has declined over time. The next two services in terms of their relative use are assessments and job search workshops. Only about one-tenth of those referred receive counseling, and referrals to counseling services have been declining both recently and as a long-term trend. Referrals to training have declined the most sharply of any service, from a high of more than 160,000 in 1996 to fewer than 100,000 in 2007, now representing less than one-tenth of all those referred for any service. Note that the more in-depth and expensive services—assessment and counseling, job search workshops, and training—are the least used services. Limited referral to reemployment services in general, and to more costly services in particular, has been related to limited funding for these core and intensive services provided under the Workforce Investment Act and Wagner-Peyser Act.

An evaluation of the WPRS system, completed for Connecticut, Illinois, Kentucky, Maine, New Jersey, and South Carolina in 1999, indicated that the system is more effective in States that provide in-depth services and enforced program participation. In 4 of the 6 States evaluated, WPRS had the expected impact on UI outcomes, reducing the receipt of UI benefits by one-quarter of a week to 1 full week and reducing the receipt of benefits by \$62 to \$140

per claimant. In the other 2 States, the evaluation found that UI effects were mixed or without impact and that in some States the provision of reemployment services was limited. As expected, in the 3 States with greater provision of reemployment services, the UI effects were correspondingly larger. UI effects also were greater in States with greater enforcement of participation in WPRS, as measured by UI administrative determinations and denials of benefits.¹³

Concern about targeting reemployment services to use the limited funds that are available is a common theme in many industrial nations other than the United States. The OECD became interested in this issue after the enactment of WPRS and in response to early interest in similar approaches in other nations.¹⁴ More recently, a number of European Union member countries have come to use similar targeting approaches for a variety of purposes. Exhibit 1 presents information on programs making use of profiling in European Union countries. Most European Union countries use profiling methods to assign jobseekers to alternative “packages” of reemployment services.

Short-Time Compensation

The STC (work-sharing) program began in Germany in the 1920s under the Weimar Republic. After World War II, it expanded to a number of other industrial nations. Under STC, employers can reduce work hours for more workers instead of laying off a smaller number of workers. For example, a firm that temporarily must reduce its wage bill by 20 percent could lay off 10 of its 50 workers. Under STC, it could retain these workers by instead reducing the workweek for all 50 employees by 1 day a week; in that case, the wage bill would decrease by the same amount, and all of the workers would be eligible to receive one-fifth of the weekly UI benefit amount they would have received if they had been totally unemployed.

Under STC legislation, both the employer and the workers must be willing to participate in the program. Participation may be advantageous to the employer, especially if the layoff is temporary and hiring costs are high. STC also is beneficial to the employees who would have been laid off, but the other workers must be willing to reduce their hours and have a small decrease in their weekly income. In the United States, STC is overwhelmingly used to reduce the workweek from 5 days to 4.

Although New York was the first State to consider enacting STC, the U.S. program actually began with the enactment of State legislation in California in 1978. Two other States—Arizona and Oregon—enacted programs

Exhibit 1. Uses of profiling systems in selected industrial nations to identify unemployed workers who need services

Australia	In 2003, an Active Participation model replaced an earlier profiling approach. Jobseekers are classified as to their risk of becoming one of the long-term unemployed. (A higher risk entitles one to receive case management; a lower risk still entitles one to attend a job search workshop after 3 months of unemployment and to receive intensive customized assistance after 12 months.) Australia uses a Job Seeker Classification Instrument, a statistical diagnostic tool that assesses the risk of long-term unemployment as a function of 14 factors, including age, sex, work experience, and training.		of vocational training, and in need of special attention for the long-term unemployed.
		Hungary	For the PHARE Project, which assesses the risk of long-term unemployment, Hungary has tested a statistical model for estimating the expected duration of unemployment, using variables that include sex, age, general and vocational educational attainment, last wages earned, and place of residence.
		Netherlands	Beginning in 1999, a number of different approaches to profiling either were under development or had been developed and were in use. All of these approaches determined jobseekers' job search readiness and classified workers in order to assign them to receive different reemployment services packages.
Denmark	In 2004, Denmark introduced the Job Barometer for use by placement officers to standardize the profiling process across the country. The Barometer is a statistical model that calculates the probability of finding employment within the next 6 months, on the basis of customer account information.		
		Switzerland	On the basis of jobseeker characteristics, a Statistically Assisted Program Selection tool identifies programs of reemployment services that have proved to be most cost effective for individuals. The tool was tested as a demonstration project in 16 regional agencies, and the results were compared with those obtained for a control group.
France	Since 2001, jobseekers have been assigned to 1 of 7 groups that determine the type of services provided to them. A profiling mechanism is used to assign jobseekers to the appropriate group.		
		United Kingdom	For the Job Search First strategy, statistical models were tested to estimate the probability of rapid reemployment and to model the most efficient forms of assistance for jobseekers in the provision of reemployment services.
Germany	A classification tool uses individual data, including data on sex, age, and job experience, to assign each jobless worker to one of four categories of need for reemployment services: none, in need of job search assistance, in need		

SOURCE: Helmut Rudolph and Regina Konle-Seidl, *Profiling for Better Services: Report on the European Profiling Seminar, Nuremberg, January 12–14, 2005* (Nuremberg, Germany, Institute for Employment Research, 2005).

before the Congress enacted a temporary national program in 1982. That program was made permanent in 1992, and States were permitted to adopt their own STC programs as part of their State UI laws.¹⁵

Under section 303(a)(5) of the Social Security Act, the Unemployment Trust Fund can pay for STC. Each State has an account within the Fund from which it pays UI benefits. The Act defines STC as a UI program; States then have the option to use a portion of the funds in their Unemployment Trust Fund account to pay for STC benefits. At

present, 17 States have STC provisions in their UI laws.

Table 2 illustrates the fact that STC is a small program. Since 1990, STC benefits have been paid to between only 33,000 and 123,000 workers covered by the UI system. These beneficiaries represent between 0.4 percent and 1.3 percent of regular UI beneficiaries.

Although the STC program is very small nationally, it operates as a highly countercyclical program. In recessions, the number of STC beneficiaries who receive their first payments rises sharply as a percentage of regular UI ben-

Table 2. Short-Time Compensation (STC) and regular Unemployment Insurance (UI) beneficiaries, 1982–2007

Year	STC beneficiaries	Regular UI beneficiaries	STC beneficiaries as a percentage of regular UI beneficiaries
1982	2,649	11,648,448	0.02
1983	1,593	8,907,190	.02
1984	3,189	7,742,547	.04
1985	4,387	8,338,496	.05
1986	12,956	8,360,752	.15
1987	23,019	7,203,357	.32
1988	25,588	6,860,662	.37
1989	32,474	7,368,766	.44
1990	44,922	8,628,557	.52
1991	94,813	10,074,550	.94
1992	97,619	9,243,338	1.06
1993	65,557	7,884,326	.83
1994	53,410	7,959,281	.67
1995	45,942	8,035,229	.57
1996	41,567	7,995,135	.52
1997	33,577	7,325,093	.46
1998	64,331	7,341,903	.88
1999	36,666	6,967,840	.53
2000	32,916	7,035,783	.47
2001	122,714	9,868,193	1.24
2002	93,797	10,092,569	.93
2003	83,783	9,935,108	.84
2004	42,209	8,368,623	.50
2005	40,238	7,917,301	.51
2006	39,854	7,350,734	.54
2007	49,920	7,641,942	.65

SOURCE: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Data Base. Data are from ETA report no. 5–159 for the regular UI program and for the work sharing/STC program.

eficiaries who receive their first payments. The percentage rose to 0.9 percent in 1991 and 1.1 percent in 1992 and again rose to 1.2 percent in 2001, declining to 0.9 percent in 2002 and 0.8 percent in 2003. The percentage has remained between 0.4 percent and 0.9 percent in all other years since the late 1980s, when the program became established in a substantial number of the 17 States that have implemented STC programs.¹⁶

STC has been a much more important component of the UI program in the few States in which the program is fully operational. Table 3 shows that, whereas STC beneficiaries were 1.1 percent of all UI beneficiaries in the United States in 2001, most States did not have STC programs. However, for the seven States that made the greatest use of the program that year, work sharing was much more important, serving more than 3.0 percent of all UI beneficiaries.¹⁷ Thus, STC is popular among both employers and employees in a small number of States. In approximately a

dozen States with STC programs, employers consistently make use of the program in both periods of low and periods of high unemployment. The other STC States make only limited use of the program.

Today, STC programs exist in a number of industrialized countries. The European Union collects data on labor market programs, including STC. Data for 2004 show STC programs operating in six European Union countries: Austria, Belgium, Finland, Germany, Luxembourg, and Spain. (See table 4.) STC participants account for anywhere from less than 1 percent of participants in a country’s basic UI program up to nearly 15 percent. The programs in Finland and Germany are bigger than any U.S. State’s program, but the programs in Austria, Belgium, Luxembourg, and Spain are roughly similar in size to the U.S. programs. STC programs have declined in Europe with the spread of “flexicurity,” a flexible labor market policy offset by a strong social safety net.

The last U.S. evaluation of STC was published in 1997.¹⁸ The evaluation found that employer participation was low, but that employers who used the program generally were satisfied with it. Still, even among firms that had used STC, layoffs remained the primary method of reducing the workforce. The program was not found to threaten the solvency of the State UI trust fund accounts, because STC benefits were paid for largely by employers participating in the program. Administrative costs of the STC program were found to be similar to the cost of administering the regular UI program when States had automated and streamlined the payment process.

Self-Employment Assistance

The UI program in the United States requires workers to search for wage and salary jobs each week. The Self-Employment Assistance (SEA) program, by contrast, waives the State UI work search requirement for UI claimants who are working full time to establish their own small businesses, instead providing them with a weekly SEA allowance. The allowance is in the same amount, and is available for the same duration, as regular UI benefits. Participants must meet other eligibility conditions in order to receive those benefits, but they do not have to be actively searching for wage and salary jobs.

The U.S. Department of Labor based the design for the SEA program on the results of two social science experiments that it conducted, both providing self-employment assistance to UI claimants in lieu of having them receive UI benefits. These experiments followed two different approaches to providing SEA: one, modeled on the program

Table 3. Short-time compensation: State legislation and STC first payments as a percentage of regular UI first payments, 1997, 2001, 2005, and 2007

State	Year program enacted	Year			
		1997	2001	2005	2007
U.S. total STC first payments.....	...	33,577	111,202	40,238	49,920
STC beneficiaries as a percentage of regular UI beneficiaries...4	1.1	.5	.7
Arizona.....	1982	1.7	4.9	.4	1.9
Arkansas.....	1985	(¹)	(¹)	(¹)	.2
California.....	1978	1.6	3.2	1.5	1.8
Connecticut.....	1991	.0	(²)	(²)	(²)
Florida.....	1983	.5	1.0	.1	.1
Iowa.....	1991	.0	.0	.0	(¹)
Kansas.....	1988	3.8	6.0	2.1	3.2
Maryland.....	1984	(²)	(²)	(²)	(²)
Massachusetts.....	1988	.2	1.1	.4	1.3
Minnesota.....	1994	.1	3.4	.7	1.2
Missouri.....	1987	2.5	6.1	3.8	4.9
New York.....	1985	.8	2.2	1.5	1.3
Oregon.....	1982	.1	1.5	1.3	.9
Rhode Island.....	1991	1.0	6.2	3.9	4.5
Texas.....	1985	.2	1.1	1.1	1.8
Vermont.....	1985	.9	5.5	5.0	2.9
Washington.....	1983	1.0	2.0	.5	1.0

¹ Continues to have an STC program, but has stopped reporting on it.

² Reports other STC activity, but generally does not report first payments.

NOTE: The Louisiana program was enacted in 1986, but was allowed to expire. Illinois enacted a program in 1983, but allowed it to expire in 1988.

North Dakota enacted a program that was available to one firm in 2006, but was allowed to expire.

SOURCE: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Data Base. Data are from ETA report no. 5-159.

then in use in the United Kingdom, made periodic payments to participants; the other, modeled on the French program, gave participants one lump-sum payment. The two models were tested in different States, and the British model was found to be cost effective. With respect to self-employment and wage and salary outcomes, this program led to a statistically significant increase in the likelihood of workers finding and retaining employment, as evidenced by a large and statistically significant increase (\$5,940) in the workers' total annual earnings. The demonstration project found the British SEA program model cost effective from the perspectives of the U.S. Department of Labor, the entire Federal Government sector, and society in general.¹⁹ Because of this strong positive outcome, the demonstration model was used to develop the Federal program enacted in late 1993.

SEA became a permitted use for making expenditures from the Unemployment Trust Fund under section 303(a)(5) of the Social Security Act. The Federal Unemployment Tax Act also was amended to define the SEA program at section 3306(t). As a result, States have the option to participate in the SEA program, and at present,

nine States—Delaware, California, Louisiana, Maine, Maryland, New Jersey, New York, Oregon, and Pennsylvania—have SEA legislation.²⁰

The SEA program is available only to permanently separated workers who are likely to exhaust their entitlement to UI benefits. The mechanism for making a determination of exhaustion of benefits is the same worker profiling mechanism used to identify UI claimants who are referred to WPRS.

Table 5 presents data on the number of individuals entering the SEA program. The data reveal that the program is very small, reaching only 3,170 participants in 2002 and declining sharply since then. Even among the SEA states, the program is highly concentrated, with just seven States appearing to have had active programs in 2007. Five programs report having more than 100 participants that year, and none of the programs had as many as 1,000 participants. A number of States, however, have active microenterprise programs that are not tied to the UI program. States sometimes find that their own programs are more flexible and easier to implement than the Federal program.

SEA participants represented less than 1 percent of UI

Table 4. Participants in unemployment insurance (UI), short-time compensation (STC), and startup incentive programs in European countries, 2003

Country	UI	STC	STC beneficiaries as a percentage of regular UI beneficiaries	Startup	Startup beneficiaries as a percentage of regular UI beneficiaries
Austria.....	591,498	480	0.08	3,952	0.67
Belgium.....	575,093	34,158	5.94	517	.08
Czech Republic.....	169,109	—	...	6,002	3.55
Estonia.....	51,052	—	...	287	.56
Finland.....	126,098	18,837	14.94	2,643	2.10
France.....	2,261,436	—	...	51,146	2.26
Germany.....	1,842,405	150,593	8.17	237,253	12.88
Hungary.....	109,654	—	...	5,203	4.74
Ireland.....	71,884	—	...	6,855	9.54
Italy.....	277,319	—	...	13,584	4.90
Luxembourg.....	7,744	484	6.25	15	.19
Norway.....	112,918	—	...	262	.23
Portugal.....	184,859	—	...	1,686	.91
Slovakia.....	74,750	—	...	2,958	3.96
Sweden.....	206,116	—	...	5,601	2.72
Spain.....	2,358,392	48,435	2.05	93,033	3.94
United Kingdom.....	2,458,030	—	...	3,492	.14

NOTE: Dash indicates no program in place.

The measure of participants used in this table depends on the availability of data to the European Union. The “stock” (S), a measure of participants as an annual average stock, was generally used, because it is more frequently available. In some cases, the stock measure was not available (or was unreasonably small), so the number of “entrants” (E), or participants joining the measure during the year (also called the “inflow”), was used.

Unemployment insurance consists of “full unemployment benefits” (line 8.1 in the European Union report that is the source of the data for this table), which are considered to be unemployment insurance rather than unemployment assistance programs or other means-tested programs.

Short-time compensation (STC) is short-time work or partial unemployment benefits (line 8.2 in the European Union report), where “short-time

work” is the name for STC in Europe. Line 8.2 includes compensation for formal short-time working arrangements or for intermittent work schedules, irrespective of their cause, and during which the employer-employee relationship continues.

“Startup incentives” is the name used for self-employment assistance programs in Europe. Data on these programs include the amounts of loans or grants provided to individuals (line 7 in the European Union report).

STC and startup incentives include only transfers paid to individuals, not to employers.

SOURCE: *European Social Statistics: Labour Market Policy Expenditures and Participants: Data 2004* (Luxembourg, European Commission, Eurostat, Office for Official Publications of the European Communities, 2006).

beneficiaries in all States except Maine in 2004 and 2005. Maine’s STC participants represented 1.5 percent of regular UI beneficiaries in 2004. In other States, the maximum has been much less than 1 percent: 0.3 percent in Maryland, 0.3 percent in New Jersey, 0.6 percent in New York, 0.2 percent in Oregon, and 0.1 percent in Pennsylvania, for example. For the United States as a whole, SEA participation has reached only .0007, or less than one-tenth of 1.0 percent of regular UI beneficiaries.

After being profiled, some UI claimants are referred, and report, to a one-stop career center to receive reemployment services. A small proportion of UI claimants reporting for WPRS services are referred to the SEA program, and referrals are made only in States with such programs. Of the 7 states with active SEA programs, 4—Maine, New Jersey, New York, and Oregon—report that they use the WPRS system to identify individuals to refer to the SEA programs. (See table 6.) These referrals,

however, numbered 4,950 in 2002 and have been less than 2,000 in recent years.

Because States must use the worker profiling mechanism as the basis for referring workers to, and enrolling them in, SEA, the State reports to the U.S. Department of Labor are expected to show that workers who are enrolled in SEA generally are referred to the program through the profiling process. The WPRS reports, however, reveal that few States are using, or at least reporting, SEA referrals through the WPRS process. Only New Jersey reports that SEA referrals regularly occur before workers are enrolled in the program. Maine, New York, and Oregon report using the referral mechanism to some extent, while Delaware, Louisiana, Maryland, Minnesota, and Pennsylvania do not at all report using it. It is likely that States are underreporting (or not reporting) referrals to SEA.

Like the STC program, SEA programs began in Europe. There, and in a number of English-speaking countries

Table 5. Participants in the Self-Employment Assistance (SEA) program, by State, 1995–2007

State	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total.....	652	2,217	3,799	2,288	2,910	2,517	3,127	3,170	1,342	1,989	1,633	1,329	1,556
Delaware	–	17	5	(¹)	(¹)	1	(¹)	17	43	56	31	21	22
Louisiana	–	–	–	–	–	–	–	–	–	–	(²)	(²)	(²)
Maryland	–	–	–	–	–	26	125	22	11	10	10	21	21
Maine	44	127	120	90	59	98	109	118	202	481	351	252	201
Minnesota.....	(¹)	(¹)	(¹)	(¹)	–	–	–	–	45	235	102	(²)	(²)
New Jersey....	–	–	786	321	569	491	834	524	486	557	626	632	496
New York	608	2,041	2,839	1,270	1,837	1,654	1,480	1,634	70	475	309	177	369
Oregon	–	32	49	66	18	18	278	305	338	166	204	226	295
Pennsylvania..	–	–	–	541	416	229	301	550	147	9	0	0	152

¹ Program enacted, but no data reported.

² Program not active.

NOTE: Dash indicates no program in place.

The States listed in this table are the nine States that have enacted permanent or temporary SEA legislation and implemented it in their programs. California enacted a program, but never implemented it. The permanent Minnesota SEA law became effective on April 19, 1995, but was repealed effective January 1, 1999. Minnesota did not implement its permanent program under SEA; instead, it implemented a temporary law that allowed the State to participate in a Department of Labor-sponsored self-employment demonstration project (Project GATE) that operated during the 2003–05 period (personal communication from

Charles Hartfiel, Minnesota UI director, June 6, 2006). The Louisiana law became effective on January 1, 2005, but the State has not begun reporting under the program. Data for Puerto Rico for 2001 have been removed, because the Commonwealth has not enacted a SEA program, although it did report data for 1 year. Maryland submitted erroneous data: SEA reported 571 participants in the past 5 years, but the number of participants actually has been between 100 and 200 per year. The number of participants in 2001 is estimated to be 125, whereas the number submitted was 4,227 (personal communication from Susan Bass, Maryland SEA director, June 9, 2008).

SOURCE: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Data Base, ETA report no. 5–159.

other than the United States, SEA programs are more popular than the STC program. Indeed, many more of the European Union countries have SEA programs than have STC programs. The SEA program is popular with both the 15 older European Union countries and the newer members. SEA programs have been adopted by countries that were formerly part of the Soviet Union, not only to bolster employment and economic development, but also as a method of making the transition to a market economy. Of the 17 countries reporting SEA programs in 2004, participants represented only somewhat more than 2 percent of UI claimants in 10 countries and less than 1 percent in the other 7. If participation in the U.S. SEA program reached even just 1 or 2 percent of regular UI beneficiaries, and if the participants had an estimated 50 percent business start rates, the program could yield 50,000 to 100,000 business starts. At that level, SEA would have contributed an additional 8 percent to 15 percent of the 649,700 U.S. business starts in 2006.²¹

UNEMPLOYMENT INSURANCE IN THE UNITED STATES has adopted three programs to assist in the reemployment or maintenance of employment for UI recipients. WPRS is by far the largest of the three programs. While about a million UI recipients participate in State WPRS programs, the mix of reemployment services provided to participants in those programs is not as in-depth as occurred in the

New Jersey demonstration project. Compared with the New Jersey demonstration results, WPRS is likely to have a smaller, but still significant, effect in reducing the duration of insured unemployment.

The United States was an innovator in using WPRS to target resources to assist in reemploying workers. Because of widespread interest in reducing durations of insured unemployment and returning unemployed workers to productive employment, worker profiling methods are now used by a number of other industrial nations.

The STC program has been proven to be a useful labor market tool for employers and employees. This program was adopted by States in the 1980s and 1990s, and there is now substantial experience with its operations. In the United States, STC is a small program that is highly countercyclical, increasing substantially in recessionary periods in participating States. In a small number of States, STC participants are a small, but significant, proportion of UI recipients during recessions, reaching as high as 6 percent of UI recipients in 2001. STC operates in a handful of European Union countries as well.

In the United States, the SEA program is even smaller than the STC program. Even in those States which have SEA programs, the program is very small. Interest in SEA has declined sharply since 1998, when the Congress made the program permanent. By contrast, most of the European Union countries have SEA programs, and they are

Table 6. Referral to the Self-Employment Assistance (SEA) Program from Worker Profiling and Reemployment Services (WPRS), by State, 1995–2007

State	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total.....	660	2,649	2,256	831	1,436	2,735	2,552	4,950	880	1,299	1,467	1,442	1,522
Delaware	–	17	6	(¹)	2	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)
Louisiana	–	–	–	–	–	–	–	–	–	–	(¹)	(¹)	(¹)
Maryland	–	–	–	–	–	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)
Maine	29	38	11	9	6	11	5	10	42	64	87	54	136
Minnesota.....	(¹)	(¹)	(¹)	(¹)	–	–	–	–	(¹)	(¹)	(¹)	(¹)	(¹)
New Jersey....	–	308	677	313	545	492	834	2,990	486	557	626	632	496
New York	583	2,102	1,512	494	859	2,203	1,552	1,677	73	552	446	206	412
Oregon.....	48	184	50	15	24	29	161	273	273	120	307	401	478
Pennsylvania	–	–	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)

¹ Program enacted, but no data reported.

NOTE: Dash indicates no program in place.

The States listed in this table are the nine States that have enacted SEA legislation and implemented it in their programs. Only four SEA States regularly submit SEA referral data. Data are excluded or missing as follows:

- California enacted, but never implemented, a SEA program; the State submitted SEA referral data only for 1996.
- SEA referral data were submitted for Connecticut from 1999 to 2003, for Georgia in 1997, for Iowa in 1995, for Nebraska in 1996 and from 1998 to 2004, for New Hampshire in 1996, for North Carolina in 2005, for Oklahoma in 2004, for Rhode Island in 2004 and 2005, for Utah in 2005, for Washington in 2002, and for West Virginia in 2007. These data were not listed in the table because none of these States enacted SEA programs.
- Louisiana submitted data for 1995, but the data were not listed in the table because the State had no SEA program at that time. Louisiana's new SEA program became effective January 2005, but no data were submitted from 2005 through 2007.

SOURCE: U.S. Department of Labor, Office of Workforce Security, Unemployment Insurance Data Base, ETA report no. 9–048.

larger than their U.S. counterparts.

European countries have a much different emphasis than the United States has when it comes to the SEA and STC programs. In the United States STC is much larger than SEA, whereas in Europe the opposite is

true. In Europe, SEA programs are seen as components of both national economic development policy and workforce development policy. The United States has not adopted SEA as a component of economic development policy. □

Notes

¹ For UI statistics, weeks compensated and benefits paid in the SEA program are included among measures of all UI programs, but the STC program has been excluded because it is part of a separate ETA report (no. 5–159) detailing UI claimant activity. This exclusion may have a significant effect on the count of UI claims in States than make greater use of the STC program.

² The evaluation of the New Jersey experiment was first reported in Walter Corson, Paul T. Decker, Shari Miller Dunstan, and Anne R. Gordon, *The New Jersey Unemployment Insurance Reemployment Demonstration Project: Final Evaluation Report*, Unemployment Insurance Occasional Paper 89–3 (U.S. Department of Labor, 1989). Two additional job search assistance experiments were conducted in Florida and the District of Columbia. (See Paul T. Decker, Daniel H. Klepinger, and Robert B. Olsen, *Assisting Unemployment Insurance Claimants: The Long-Term Impacts of the Job Search Assistance Demonstration*, Office of Workforce Security Occasional Paper 2000–02 (U.S. Department of Labor, 2000).)

³ See Ryan Helwig, “Worker displacement in 1999–2000,” *Monthly Labor Review*, June 2004, pp. 54–68.

⁴ This unpublished data on UI reciprocity by duration of unemployment was collected for the displaced worker survey through 1988, but has not been collected since then.

⁵ Worker profiling is the process that determines which UI claimants are most likely to exhaust their entitlement to regular UI compensation.

⁶ To partially fund job search assistance services to UI claimants participat-

ing in the WPRS system, the Federal budget provided approximately \$35 million a year to Wagner-Peyser Act programs for fiscal years 2001 through 2005.

⁷ Forty-five States used statistical models for their WPRS programs in 2005. (See William F. Sullivan, Lisa Kolovich, Nicolas Louisos, Charles W. McGlew, and Douglas Sanford, *Worker Profiling and Reemployment Services: Evaluation of State Worker Profiling Models, Final Report* (unpublished manuscript, 2007).)

⁸ Another WPRS service is referral of profiled workers to the SEA program, but that program is operative in only seven States.

⁹ For a more detailed description of the WPRS program, see Stephen A. Wandner, “Early Reemployment for Dislocated Workers in the United States,” *International Social Security Review*, April 1997, pp. 95–112.

¹⁰ Profiled UI beneficiaries generally receive a letter requesting them to report to a particular one-stop career center on a particular date. Because not all workers referred to WPRS actually report to receive services, the number referred should exceed the number reporting for services. A State-by-State analysis of WPRS reports, however, shows that 12 States had fewer referrals than those reporting, and 3 States—New Jersey, North Carolina, and Texas—accounted for most of the national difference. By 2007, only 4 States showed the number of those reporting greater than the number of those referred, and the differences were small.

¹¹ It is not clear how the number of UI beneficiaries reporting for WPRS services at the one-stop career centers was greater than the number who were referred to those services by the State UI program for the years 1996 through

2001. The number reporting would be expected to be equal to or less than the number referred.

¹² UI claimants who remain attached to their former employer, as determined by their having a definite recall date, or who find jobs through a union hiring hall are not subject to the worker profiling process and are not offered reemployment services under WPRS.

¹³ Katherine P. Dickinson, Paul T. Decker, Suzanne D. Kreutzer, and Richard W. West, *Evaluation of Worker Profiling and Reemployment Services: Final Report* (Employment and Training Administration, 1999).

¹⁴ See *Early Identification of Jobseekers at Risk of Long-Term Unemployment: The Role of Profiling* (Organization for Economic Cooperation and Development, 1998).

¹⁵ The development of STC is discussed in David E. Balducchi and Stephen A. Wandner, "Work Sharing Policy: Power Sharing and Stalemate in American Federalism," *Publius: The Journal of American Federalism*, winter 2008, pp. 111–36.

¹⁶ Programs in Illinois and Louisiana have lapsed.

¹⁷ The seven States and the number of those participating in work sharing as a percentage of the number of beneficiaries served in the UI program in 2001 were Rhode Island (6.2 percent), Missouri (6.1 percent), Kansas (6.0

percent), Vermont (5.5 percent), Arizona (4.9 percent), Minnesota (3.4 percent), and California (3.2 percent).

¹⁸ Steve Walsh, Stuart Kerachsky, Karen Needels, and Walter Corson, *Evaluation of Short-Time Compensation Programs: Final Report* (Employment and Training Administration, 1997).

¹⁹ See Jacob M. Benus, Terry R. Johnson, Michelle Wood, Neelima Grover, and Theodore Shen, *Self-Employment Programs: A New Strategy: Final Impact Analysis of the Washington and Massachusetts Self-Employment Demonstrations* (Employment and Training Administration, December 1994).

²⁰ California has a law, but no program. Louisiana's program became effective in January 2005; however, the State does not currently operate its program. Minnesota's program has expired, and Maryland and Pennsylvania have had gaps in their reporting of SEA activity.

Pennsylvania's SEA program continues to operate. For the period from January through September 2006, the program had 201 participants who started 113 businesses. Those 113 businesses reported a combined gross income totaling \$228,239 and employed 19 workers earning \$260,373 in wages during that period (personal communication from Pete Cope, Director, Unemployment Compensation Benefits and Allowances, Pennsylvania, Jan. 25, 2007).

²¹ See *The Small Business Economy, for Data Year 2006* (Small Business Administration, 2007).