American Jobs Act Testimony

Don Peitersen
Director of Unemployment Insurance / Workforce Project
American Institute for Full Employment

Chairman Davis, Ranking Member Doggett and members of the subcommittee, on Human Resources, thank you for the opportunity to testify on the topic of President's proposals to help the long term unemployed.

I am Don Peitersen, Director of the American Institute for Full Employment's Project on Unemployment Insurance and Workforce. We are a nonprofit think tank studying, developing and consulting with state government on best practices in workforce, welfare and unemployment insurance programs.

Our team has consulted with more than 20 states over the past 17 years in a wide variety of program designs that have won several national awards. We have a special expertise in wage subsidy design and, since our founding, have been designing programs like the President's proposed Bridge to Work initiative including four state level experiments with wage subsidies specifically targeted to help reemploy Unemployment Insurance claimants.

We applaud the Obama Administration and Republican leadership for their bi-partisan interest in offering states, workers and employers flexibility to turn an unemployment support into an employment support.

This testimony addresses two notable pieces of the American Jobs Act: 1) Bridge to Work and 2) state flexibility under the "Additional Innovative Programs" and "Enhanced Reemployment Strategies" provisions. Throughout our written testimony, we identify opportunities for improvement and suggested solutions to improve outcomes in the proposed programs.

Briefly, we think the Bridge to Work program improves upon a number of approaches to help a portion of our millions of long term UI claimants and that it can be further improved in its effectiveness with the following adjustments:

1. **Eliminate the employer mandate** to guarantee a hire within 24 weeks and allow participating states to set employer terms that maximize outcomes in their state

2. **Simplify funding flow by letting employers pay the full wage** and receive a subsidy from the state

3. **Increase the flexibility in the subsidy from a maximum of 8 weeks to 13 weeks** (where cost neutral) to match the 90 day probationary period common with employers and to allow for more job creation in higher skilled jobs

4. **Give states the flexibility to help claimants earlier than six months** into their unemployment spells, as soon as the state can identify long term claimants and before they become more difficult to employ.

We also recommend that the innovation and reemployment strategies provisions of the American Jobs Act:

1. **Give states the flexibility to innovate where they can show a positive hard dollar return on investment** in their reemployment program proposals.

2. **Extend the Bridge to Work program to the regular UI program** as a first step for Congress in granting state reemployment program flexibility.

OVERVIEW

The Problem: More than half of UI claimants in the U.S. remain unemployed and exhaust their regular benefits, receiving, on average, less than half of their former wage[i] to pay for food and housing, and quickly using what little savings they have. In the past year, nearly five million workers exhausted their claims, most of whom then began claiming federal emergency unemployment compensation.

Those exhaustees who claim federal benefits after their state claim remain unemployed for over one year and claim over $16,000 total.[ii] Meanwhile states are asking where they can find money to incentivize job creation.

The Options: In broad terms, when a worker is permanently laid off and eligible for UI, Congress has three approaches in how the UI program can help them get back on their feet. It can pay them while they:

- Look for work
- Go back to school or
- Learn a new job with an employer

The third option has been somewhat unexplored with UI specific programs, due to the rigidity of program financing. However, the Bridge to Work proposal provides flexibility for states to pursue more impactful outcomes for our unemployed.

The Solution: Bridge to Work in Brief

In short, Bridge to Work offers employers the opportunity to hire a subsidized long term UI claimant for up to eight weeks in a new job with the hope the claimant will gain new skills and be hired after the subsidy ends.

The subsidy would encourage employers to hire and train unemployed workers based on their capacity and willingness to learn a job, rather than excluding the workers simply because they don't have enough industry or occupational experience. It gives employers the opportunity to defray training costs and gives both employers and job seekers the opportunity for a "test drive" with each other.

But can wage subsidies really help? According the W.E. Upjohn Institute for Employment Research, in a study on the subject, subsidized wage programs can be effective in increasing both the employment and the earnings of the disadvantaged.[iii]

We agree and believe the Bridge to Work program can help create hundreds of thousands of jobs in the US and, at the same time, help employers take a chance at growing their business. This testimony details our program research supporting that conclusion.

Funding Mechanism and Savings

Bridge to Work's target is long term unemployed workers eligible for federal Emergency Unemployment Compensation. To fund the program, Congress would allow states to use already committed EUC benefit dollars assigned to each participating UI claimant's EUC account.

In the past two years, on average, claimants eligible for full EUC have claimed 30 weeks of benefits totaling over $8,500 each. With effective wage subsidy programs costing less than $4,000, the opportunity to develop winning strategies for reemployment and save badly needed program dollars is both obvious and compelling.

Bridge to Work could have little to no additional federal costs because the subsidy will be limited to the amount the claimant could have otherwise been paid under their EUC benefits (up to 8 weeks). Claimants who become reemployed (typically over 2/3 of participants in similar programs) will not claim additional extended benefits and will save federal funds by returning to work and ending their claims.

We estimate that, at capacity, Bridge to Work can save over $1.5 billion in EUC dollars as well as $270 million in regular UI trust fund dollars per year.

See Appendix A for a detailed savings analysis.

Historical Context

Government subsidized jobs made their widespread debut in the US in the 1930s when President Franklin Delano Roosevelt announced the Works Progress Administration's plans to help millions of unemployed job seekers go back to work in the middle of the Great Depression.

Since the New Deal, several modern-day subsidized jobs programs have developed. Bridge to Work is part of that greater family of programs, including: 1) the Work Opportunity Tax Credit, 2) the Workforce Investment Act's (WIA's) 1998 version of what has been known for years as OJT (On the Job Training) subsidies, 3) the Welfare to Work tax credit, 4) Temporary Assistance to Needy Families funded state wage subsidies for welfare claimants, 5) Emergency TANF wage subsidies under ARAA, 6) US Department of Labor's 2010 grant for UI wage subsidy experiments 7) a handful of state-run wage subsidy programs for UI claimants and 8) a variety of other wage subsidy and tax credit programs.

All of these programs tend to serve job seekers who are not likely to be hired in the job market without some further incentive to an employer to invest in the job seeker.

UI Specific Programs

To our knowledge there have been four state-wide UI-specific wage subsidy programs in the US as well as a UI-supported job-based training program called Georgia Works. The more significant programs are summarized below along with their notable outcomes.

- **Oregon JOBS Plus.** For more than a decade, starting in the early 1990s, Oregon operated the first large scale UI-specific wage subsidy program, that helped over 10,000 UI claimants and created new jobs. Oregon's program showed clear evidence of not only improved employment results, but also a wage *gain* compared to similar nonparticipants. The program offered employers a $5 per hour wage subsidy and targeted claimants who had earned $15 or less in their prior job. Over 80% of participants landed jobs at program completion. And over 80% of surveyed participants said they approved of the program and would choose it again, if they could.

- **Georgia Works.** Georgia has adopted an employer-based training program for its unemployment claimants called Georgia Works which was replicated in a handful of states including: New Hampshire, Missouri and North Carolina. The program allows UI claimants to keep their benefit checks while they volunteer with an employer to gain job-based training for up to eight weeks. The program arranged workers compensation coverage through the state for participants and paid a stipend of $120 to participants to cover incidental costs. The stipend was later increased to $240. Through January of 2010, according to the Georgia Department of Labor, over 10,000 job seekers have participated. In that time, 6,105 people completed training and 3,363 landed jobs through the program. Another 1,170 job seekers landed jobs within the quarter after completing their training - a common benefit seen in similar programs.

- **Texas Back to Work.** Texas launched its Texas Back to Work program in February of 2010 and, that same year, it won DOL's Innovation Award for its innovative design. The program targets claimants who had earned $15 per hour or less and has now served over 20,000 such claimants. The subsidy is $2,000 for employers who hire a claimant for 16 weeks. The latest data shows over 3,000 employers participating, with 63% of job seekers successfully placed. For those completing the program nearly 80% were employed in the quarter following completion. Program earnings compared to previous job earnings were 99.4%. The Texas Back to Work model has since been replicated in Utah and Nevada.

Outcomes

Wage subsidy programs like Bridge to Work succeed for a variety of reasons. They:

- Provide on the job training that often teaches skills that can best be gained on the job
- Allow job seekers to gain a foot in the door with an employer for a low risk tryout for both the employer and the job seeker and
- When designed well, they can be cost neutral or a cost saver, using current funds in a more strategic way

Job Seeker Outcomes. Wage subsidy programs have also proven their value in a number of other measures. Programs we have studied have demonstrated the ability to achieve the following outcomes for job seekers:

- Job seekers employed immediately after participation > 80% [x]
- Job seekers employed within 3 months after participation = 79% - 98%[iv]
- Job retention at 1 year = 68% (vs. 58% for others) [xi]
- Wage gain over the year following participation > 15%[v]

Employer Outcomes. Employer outcomes have been strong as well, including economic development impacts:

- Small businesses (as well as large) have an opportunity for growth
- Number of employers who said program helped costs, capacity and/or expansion > 80% [xii]

National Activity

National policy makers have also been involved at many levels in developing subsidized job opportunities in recent years. Several notable initiatives have been:

- **US Department of Labor Grants.** In June 2010, the US Department of Labor issued an innovative National Emergency Grants program for On the Job training. Since then 42 states have applied for grants to begin a pilot wage subsidy program for UI claimants.

- **Congressional Efforts.** Under ARAA, Congress provided funding for on-the-job training for welfare (TANF) claimants through the TANF Emergency Funds.

- **Cochran-Shaheen Bi-Partisan Bill.** Senators Cochran and Shaheen introduced a bipartisan bill in June 2010 to expand Workforce Investment Act funds in a program somewhat similar to Bridge to Work under the guidelines of the WIA on-the-job training provisions. The bill is titled the On-the-Job Training Act of 2010 and would empower local workforce staff.

- **Senator Al Franken Bill.** Minnesota Senator Al Franken proposed a federal form of the 1980s Minnesota MEED program that offered wage subsidies to employers. In the 111th Congress, he introduced the Cash for Jobs bill and is proposing that Congress appropriate $5 billion for wage subsidy programs.

THE BRIDGE TO WORK DESIGN

The Bridge to Work proposal allows Unemployment Insurance ("UI") claimants to continue to collect their Emergency Unemployment Compensation benefits while working for an employer for 38 hours per week for up to 8 weeks. The initiative would also fund any extra amount needed to make the benefits match the level of the minimum wage and it also allows the state funds to arrange and pay for Workers Compensation coverage for program participants. In doing so, the concept is a mix between the Georgia Works program, a traditional wage subsidy program and a government works program.

Comparisons - Georgia Works & Traditional Wage Subsidy Programs

Bridge to Work is like Georgia Works in that it allows claimants to continue receiving unemployment benefit checks while learning a new job. But it differs form Georgia Works by adding traditional wage subsidy program elements.

The first wage subsidy element is demonstrated by how Bridge to Work squarely addresses wage and hour requirements of DOL. It treats EUC benefits as wages and in doing so, makes the initiative a wage subsidy program for pay rather than solely a volunteer training program. Under the Georgia Works training program, US DOL interpreted federal wage and hour minimum wage law to require that an employer, who gives a participant a chance to learn a new job can:

> *"derive no immediate advantage from the activities of the trainees or students; and on occasion his operations may actually be impeded."*[vi]

Bridge to Work overcomes this problem of requiring employer participants to expect no immediate advantage by making the unemployment benefit and the employer's pay combine to become wages for purposes of wage and hour laws.

The second wage subsidy element of Bridge to Work is its requirement that employers to treat participating claimants like other workers by giving them a paycheck (if needed to meet minimum wage requirements). Bridge to Work is, however, unlike traditional wage subsidies for UI claimants in that it splits the pay to the worker between two sources - an unemployment check and a paycheck from the employer.

Last, Bridge to Work is like Georgia Works (but unlike traditional programs) in that it provides funds for states to purchase Workers Compensation for participating workers.

Comparison to Tax Credit Programs

Bridge to Work and the four state UI-focused programs are related to but different than most tax credit programs that target job growth in that they use a current funding stream more effectively to create savings to the underlying program. Wage subsidies also tend to allow local workforce staff to tailor each opportunity to match the individual and the employer involved.

Wage subsidies can involve more administrative costs than tax credits, but they also tend to support employer cash flow better by timing payments with actual expenditures, a feature important to small businesses in particular, where most job growth occurs. Despite the advantages wage subsidies may have, tax credit programs can also be a valuable way to accomplish similar goals if structured properly.

OPPORTUNITIES TO IMPROVE BRIDGE TO WORK

In making recommendations to improve the Bridge to Work program, we rely on our studies of the four *UI-focused* wage subsidy programs noted above - Oregon, Texas, Utah and Nevada - as well as the Georgia Works program. From these five programs and many other wage subsidy programs targeting other populations, we have learned the following keys to a well designed program.

Consider carefully how attractive a program must be to gain momentum with employers. Attractiveness of program design can affect: 1) how much the state must spend on administrative costs such as marketing to employers and 2) how likely the subsidy is to actually incentivize an employer to provide a new opportunity and training, rather than simply providing a subsidy for hiring a jobseeker an employer would have hired without the subsidy. Three primary attractiveness opportunities follow:

1. Keep it Simple. One key question for any program hoping to attract employers to voluntarily participate is its simplicity. Subsidy simplicity can be driven by a number of factors, including the nature and number of mandates and documents involved. In our work in the field, employers we have interviewed have repeatedly told us that simplicity of requirements and paperwork are the top reason they might participate in one program, but not another.

Bridge to Work includes an employer mandate that none of the four state UI experiments or WIA's OJT included. It requires employers to hire a claimant within 24 weeks of the employer's participation in the program. It seems to suggest that a mandate is needed to guard against employer abuse and/or to guarantee outcomes.

Section 324 (j) of the Bridge to Work proposal provides that:

> *"If, after 24 weeks of participation in the program, an employer has not made an offer of suitable long-term employment to any individual described under subsection (c)(1) who was placed with such employer and has completed the program,* ***a State shall bar*** *such employer from further participation in the program. States may impose additional conditions on participating employers to ensure that an appropriate number of participants receive offers of suitable long term employment." [emphasis added]*

While permanent hires are a good post-program measure of success, they are poor as a pre-program mandate. The core of any wage subsidy program is *to encourage employers with a financial incentive to take a chance on a job seeker who the employer would not otherwise give an opportunity.*

As written, the restriction does appear (intentionally or unintentionally) to include a loophole. Employers who have a participant who is not working out may simply terminate the participant one day before they have "completed the program" and their try out ends to avoid the onerous mandate of keeping an employee who is not working out or being barred from giving any other job seekers a chance under the program.

The loophole could make the provision workable for employers who understand it, but will likely have a chilling effect on employer participation, driving up marketing costs to recruit employer participants in Bridge to Work and threatening the cost effectiveness and variety of job seeker opportunities in the program.

Our program experience suggests that: 1) employer abuse is not normally problematic, 2) a hiring mandate may have no positive impact on outcomes and 3) there are better ways to guard against the possibility of employer abuse.

Program Abuse is Rare. According to our interviews of Oregon agency staff over many years, the program experienced very little employer abuse in its decade of operation. Georgia and Texas staff also have indicated that they have procedures to review employer abuse, but they too did not have a one-size-fits-all mandate. Other programs such as WIA OJT and the various state programs seem to rely on the inherent interest employers have to hire those they invest in if there is a good fit. Indeed 80% of claimants who can't otherwise land a job do get hired after participating in those programs.

Mandates Appear to Have Little Intended Effect. Wage subsidy programs with employer mandates to hire compared to nonmandatory programs appear to have no measurable impact on employment results of participants to offset the cost of chilling employers' willingness to participate in a program that is valued at just $2,400.[vii]

Other Programs Have Developed Local Controls. Other programs have governed abuse by giving local workforce agency staff discretion to prohibit employers who are not meeting the intent of the programs the authority to temporarily or permanently suspend an employer from participating.

Oregon's program gave discretion to local agency to develop rules to allow staff to bar an employer from further participation in the program if the employer failed to meet the intent of the program.

> *"ORS 411.892 Employer eligibility; job requirements; program participant eligibility; termination of participation; job assignment; exemptions; wages; reimbursement of employers. (1)(a) All employers, including public and private sector employers within the State of Oregon, are eligible to participate in the JOBS Plus Program. The Department of Human Services or Employment Department, as appropriate, shall adopt by rule a method to disqualify employers from participating in the program."*

Recommendation 1: Eliminate the employer mandate to hire and give states the flexibility to design program safeguards at the state level based on their own state needs.

2. Increase Flexibility of the Subsidy Length. Bridge to Work targets long term unemployed job seekers who often lack required skills and/or experience to be hired. For employers, the equation in making a hire is driven by whether the subsidy is sufficient to make the employer's risk and investment worthwhile.

The Workforce Investment Act addresses the length of a wage subsidy by allowing the local agency to set the time to match the time needed to learn the job. This allows those closest to the job seeker and the employer to optimize the program, paying enough to incentivize a new job opportunity, but not more than is necessary. Under WIA, the wage subsidy is typically available for up to six months and is determined by staff:

> *"(c) An OJT contract must be limited to the period of time required for a participant to become proficient in the occupation for which the training is being provided. In determining the appropriate length of the contract, consideration should be given to the skill requirements of the occupation, the academic and occupational skill level of the*

> *participant, prior work experience, and the participant's individual employment plan. (WIA sec. 101(31)(C).)"*

Recommendation 2: Increase state flexibility to allow the wage subsidy to be up to 13 weeks to match the 90-day probationary period used by many employers, to allow opportunities for participants to learn higher skilled jobs and to allow state staff greater flexibility to optimize the match between job seekers and job opportunities. This local control will allow Bridge to Work to be effective in meeting employer needs while maximizing program savings.

3. Simplify Funding Sources. Bridge to Work splits a job seeker's income between UI benefits and employer pay to meet minimum wage requirements. In doing so, Bridge to Work may unnecessarily complicate administration of the program and subtly downplay the desired end result and normal likelihood that the worker will finish the program and have a paycheck going forward, rather than go back to collecting unemployment benefits.

Ideally, the program should allow a seamless and transparent transition for workers whether they are receiving support from a wage subsidy or have already been hired on to continue working for the employer. In this way, the program can also promote the idea of one class of workers for the employer from a human resources standpoint.

The split of funding and treatment of benefits as wages also creates other complicating questions, not involved in other wage subsidy programs, such as:

- Whether benefits paid will be subject to withholding taxes for: income, Medicare and Social Security, FUTA or SUTA
- Who the employer is - the state agency, federal government or the on site employer
- How are the benefits/wages treated when determining chargeable employer for later unemployment insurance claims

Recommendation 3: Eliminate the complication of two payors for the worker by paying the subsidy directly to the employer and requiring the employer to give the worker a paycheck like any other new worker. This can be done by simply allowing states to use the EUC funds in the manner described.

Sample language to accomplish a more simple funding approach is:

> *"A State may provide a wage subsidy, for the benefit of claimants of emergency unemployment compensation benefits, to employers willing to provide on-the-job training opportunities for such claimants from such claimants' emergency unemployment compensation account funds. The State shall limit its use of emergency unemployment compensation account funds for wage subsidies to the total amount that participating claimants are expected to average in emergency unemployment compensation account claims without the wage subsidy assistance. "*

This approach will guarantee cost neutrality and should promote strong savings in the program as outlined in Appendix A.

4. Allow Early Intervention. The net cost of a wage subsidy program can determine whether it becomes a legacy or a loser. A significant driver of net costs is the time at which a claimant is targeted to enter the program. This governs how many weeks of benefits can be saved by an earlier return to work.

Bridge to Work makes program eligibility turn on EUC eligibility. This unfortunately means that a claimant must exhaust their regular UI benefits (typically 26 weeks) before having a chance to try a different reemployment strategy.

States can improve outcomes by using the program earlier. It is generally accepted that claimants have a better chance at gaining reemployment early in their unemployment spell. So, it seems natural that the program should be available to UI claimants before they exhaust their first six months of claim eligibility. Providing the program earlier will accrue savings not only to federal EUC funding, but also to state UI Trust Funds.

Early intervention is used in at least one other major workforce program. TANF allows individuals at risk of becoming TANF claimants to be served proactively before the individual finds themselves in the throes of needing income support.

Early intervention not only will drive better government savings, it will also help claimants avoid long unemployment spells with benefits that pay less than less than half their former wage.

States can design early intervention strategies with Bridge to Work around the state's current "worker profiling" program that identifies claimants most likely to exhaust their claims early in their unemployment spell. Profiling is typically done in the first weeks of a claimant's application for benefits and allows states to target their own programs more strategically.

Recommendation 4: Allow states to offer Bridge to Work to claimants as early as they can identify likely exhaustees and users of the EUC in a way that maximizes claimant opportunities and generates a positive return on investment from the program.

IMPACT

As we noted, Bridge to Work is a notable opportunity to change the dynamic of our long term unemployed by offering more hope and flexible approaches. It is important not to miss the enormity of the opportunity.

We estimate that Bridge to Work can provide opportunities to 300,000 to 400,000 long term UI claimants each year and, in doing so, save the federal government over 1.5 billion dollars.

For states, it represents freedom to innovate. State programs have succeeded but have been hamstrung due to a lack of funding. They are requesting more flexibility from the federal government. For all states, a well designed Bridge to Work program can provide the following benefits:

1. Economy – Stability *Plus* Growth – Bridge to Work, amended as recommended in this testimony, will target growth through jobs, double the economic stabilizer effect and increase production.

- **Economy - Double the Cash** - To the extent UI benefits fuel the economy, the program will more than double that impact because wages paid by employers to hire claimants will be over double the amount of the benefits (UI replacement rates are less than 50% of a claimant's prior wage), with employers paying the other half in exchange for the added productivity they receive from a new worker.

- **Production Increased** – With the program, money spent on benefits will directly increase economic production because claimants will work instead of remaining unemployed, unproductive and waiting for work. Add to this: 1) the multiplier effect, 2) tax revenue on wages paid and 3) savings to the UI Trust Fund, and the impact will be substantial.

2. Claimants – Doubled Income. Claimants normally receive an average of less than 50% of their prior wage. By helping them obtain jobs with a wage subsidy, they can double the income they would otherwise receive in unemployment benefits, while significantly increasing their likelihood of landing a permanent position by providing new work experience, job specific training and a new connection with an employer.

3. Businesses - Available to All. The program will let nearly every employer participate. This means that nearly any employer that wants to add an employee can have substantial help in doing so. This will have a strong impact on economic stimulus.

4. Minimum Impact – More Job Seeker Income, Experience and Growth. In the worst case scenario, a job seeker would work for two to three months and not get a job. But compared to merely receiving UI benefits and having no work, the job seeker would have twice as much income in that time, two to three months of added experience and training and a connection with another employer. Meanwhile employers and the economy gain two to three months of production and growth.

ADDITIONAL INNOVATIVE PROGRAMS AND ENHANCED REEMPLOYMENT STRATEGIES PROVISIONS

The Jobs Act includes two other provisions we have reviewed, referred to as "Additional Innovative Programs" and "Enhanced Reemployment Strategies". These provisions both would allow states to apply to the Secretary of Labor to implement other strategies designed to reemploy EUC claimants. Again we applaud the administration on the option for states to apply for innovative program authority.

Recommendation 1: We support the flexibility states would have under these provisions, and suggest simply adding a requirement that all proposals submitted be reviewed for fiscal impact to determine if they would improve reemployment and reduce claims sufficiently to pay for the program proposed.

Overall, the UI program nationally locks up funds in silo categories of activities that encourage administrators scratching their heads, trying to find loopholes so they can be more effective in their jobs. US DOL has done a nice job of promoting reemployment among states in recent years, but without some flexibility to fund reemployment, the Department is hamstrung. States constantly tell us they would like to be more innovative, but that they don't have the flexibility to do so.

An example of greater flexibility that would harmonize with the Bridge to Work proposal is to allow states to use the program for their state run regular UI programs. Currently over half of all claimants exhaust their claims. Even in a much better economy, approximately one in three claimants exhaust. Bridge to Work should a regular part of state programs.

Recommendation 2: Allow states the option to use their UI Trust Fund benefits to fund the proposed Bridge to Work program for their regular UI program, with the improvements noted here. To ensure it is a cost saver, Congress should: 1) cap program use at 2% of UI benefits, 2) require it to be targeted to the likely to exhaust through current profiling systems and 3) offer it only to claimants with at least 18 weeks of regular UI remaining to save.

CONCLUSION

Since the Works Projects Administration of the 1930s, the US has experimented successfully with a number of subsidized work programs, from WIA to WOTC to TANF and other acronyms in between. Drawing on these program findings, Bridge to Work can be the most significant job creation program we've seen. It can create hundreds of thousands of jobs for our long term unemployed if properly adjusted to maximize its impact for job seekers, employers and state and federal budgets.

To maximize its impact, we recommend that the Bridge to Work program be adjusted to: 1) eliminate the employer mandate, 2) simplify funding flow by letting employers pay the full wage, 3) increase the flexibility in the subsidy from a maximum of 8 weeks to 13 weeks, and 4) give states the flexibility to help claimants earlier than six months into their unemployment spells.

We also recommend that the innovation and reemployment strategies provisions of the American Jobs Act: 1) give states the flexibility to innovate where they can show a positive hard dollar return on investment and 2) extend the Bridge to Work program to the regular UI program as a first step for Congress in granting state reemployment program flexibility.

Appendix A
Bridge to Work - Savings Analysis

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	EUC Program			Regular UI Program		
	Current Cost of Targeted Claimants	Bridge to Work Wage Subsidy	Savings	Current Cost of Targeted Claimants	Bridge to Work Wage Subsidy	Savings
FINANCIAL ANALYSIS						
Benefits Paid Before Program	$ 8,806	$ 1,174	$ 7,632	$ 5,310	$ 1,761	$ 3,549
Benefits Paid After Program (If Not Hired)	$ -	$ 61	$ (61)	$ -	$ 61	$ (61)
Subsidy Cost	$ -	$ 2,280	$ (2,280)	$ -	$ 2,280	$ (2,280)
Federal Training Costs (WIA)	?			?		
Administration / Marketing		$ 400	$ (400)		$ 400	$ (400)
UI Tax on New Wages Paid to Participant in Program	$ -	$ (91)	$ 91	$ -	$ (91)	$ 91
TOTAL PER PARTICIPANT	$ 8,806	$ 3,824	$ 4,982	$ 5,310	$ 4,411	$ 899
TOTAL PARTICIPANTS	300,000	300,000		300,000	300,000	
TOTAL COSTS	$ 2,641,770,000	$ 1,147,192,272	$ 1,494,577,728	$ 1,593,000,000	$ 1,323,310,272	$ 269,689,728
ASSUMPTIONS						
UI Benefits						
Ave Weekly Benefit for Participants	$ 293.53	$ 293.53		$ 295.00	$ 293.53	
Ave # Weeks Paid for Participants	30.00	4.0		18.00	6.0	
% Participants Not Hired and Who Return to UI Claim		6.5%			6.5%	
Ave. Weeks of Return to UI I Not Hired Permanently		3.2			3.2	
Training Costs						
Ave. Weeks Subsidy		10			10	
Ave. Wage Subsidy		$ 6.00			$ 6.00	
Ave. Hours Per Week in Subsidy		38			38	
WIA Training	?			?		
Admin. Per Participant	?	$ 400		?	$ 400	
Ave. Wage Paid During Subsidy	$0	$12.00		$0	$12.00	
Ave. UI Tax Rate of Participating Employers		2.00%			2.00%	
SUMMARY OF PROGRAM BENEFITS						
Benefits to Employee						
Total Hours of Training and Experience	0	380		0	380	
Total Income Received (during program)	$1,174	$4,560		$1,770	$4,560	
Benefits to Employer						
Employer Subsidy - Per Employer	0	$ 2,280		0	$ 2,280	
Employer Subsidies - Program Total	0	$ 684,000,000		0	$ 684,000,000	
Recruiting Assistance - Program Total	0	$ 120,000,000		0	$ 120,000,000	
Benefits to State						
Additional *Weeks* of Production - Program Total	0	2,850,000		0	2,850,000	
$ Into the Economy - All Participants During Subsidy - Total	$352,236,000	$1,368,000,000		$531,000,000	$1,368,000,000	
Additional Employer Outreach Funds - Total Annual	$0	$120,000,000	Savings	$0	$120,000,000	Savings
UI Trust Fund Cost - Total	$ (2,641,770,000)	$ (1,147,192,272)	$ 1,494,577,728	$ (1,593,000,000)	$ (1,323,310,272)	$ 269,689,728
Return on Investment	$ -		230%	$ -		120%

End Notes

[i] This data is sometimes called the replacement rate. It is calculated by dividing Average Weekly Wage (AWW) of claimants by their Average Weekly Benefit Amount (AWBA). According to US DOL ETA http://www.workforcesecurity.doleta.gov/unemploy/content/data.asp, for the 12 months ending in June 2011, the average benefit amount was $295.60. Divided by the average weekly wage (AWW) for that time period of $885.58, the average "wage replacement rate" is 33.4%. This data represents an average for the population.

[ii] US average duration for the 12 months ending June 2011 was 18.0 weeks, US DOL ETA Unemployment Insurance Data Summary Report, http://www.workforcesecurity.doleta.gov/unemploy/content/data.asp. Tier 1, 2 and 3 average duration for the period 9-10 - 8-11 was 30 weeks. To be eligible for EUC, claimants must exhaust regular claims, which average close to 26 weeks, yielding a total of approximately 56 weeks. US DOL ETA Emergency Unemployment Compensation 2008 (EUC08) and Federal-State Extended Benefit (EB) Summary data for State Programs at http://www.workforcesecurity.doleta.gov/unemploy/euc.asp. This calculation of duration and claim amount does not include EUC Tier 4 benefits or Extended Benefits.

[iii] "Jobs for the Poor, Can Labor Demand Policies Help," Timothy J. Bartik. W.E. Upjohn Institute for Employment Research and the Russell Sage Foundation, 2001.

[iv] Oregon Employment Department report on JOBS Plus, Fall 2004, p. 7.

[v] Oregon Employment Department report on JOBS Plus, Fall 2004, p. 7; Wage gain of $1.63 per hour, related to average wages of $10.01 per hour. Wage data from October 2001 - December 2002.

[vi] US DOL Training and Employment Guidance Letter No. 12-09, January 29, 2010, p. 8.

[vii] The only study we are aware of regarding mandates for large scale programs was in two wage subsidy programs in the 1980s and 1990s - Minnesota's MEED program and Oregon's welfare program. Oregon employers asked that there be no mandate. Minnesota, according to the Upjohn Institute, had mandates requiring employers to make hires and retain employees. However, the Minnesota program did not achieve any statistically better results than the Oregon program which did not impose the employer burden. "Jobs for the Poor, Can Labor Demand Policies Help," Timothy J. Bartik. W.E. Upjohn Institute for Employment Research and the Russell Sage Foundation, 2001.