

TRAINING AND EMPLOYMENT NOTICE	NO. 30-16
	DATE January 12, 2017

TO: AFFILIATE AMERICAN JOB CENTER DIRECTORS
 COMPREHENSIVE AMERICAN JOB CENTER DIRECTORS
 WORKFORCE INNOVATION OPPORTUNITIES ACT (WIOA) 166 INDIAN
 AND NATIVE AMERICAN GRANTEEES
 DEPARTMENT OF LABOR EMPLOYMENT AND TRAINING
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FROM: PORTIA WU 
 Assistant Secretary

SUBJECT: Release and Availability of a Final Report Under the Project Entitled: Feasibility Assessment of a Wage Insurance Demonstration

1. Purpose. The Employment and Training Administration (ETA) announces the release and availability of a final report – Wage Insurance and Wage Supplements: Final Evaluation Design Report; which provides design options for possible future demonstration and evaluation of these approaches.

2. Background. The Employment and Training Administration contracted with the University of Texas at Austin’s Ray Marshall Center for the Study of Human Resources (“Center”), to research and propose a design for possible future demonstrations and rigorous evaluations of the provision of wage insurance and/or wage supplements, to assist unemployed individuals in their return to work. Center researchers reviewed existing research on the topic, as well as supporting data, and identified and analyzed the feasibility of options for further research and demonstrations to test wage supplement and wage insurance strategies (King & Tingle, 2015a & 2015b).

3. Project Description. This report outlines design parameters, evaluation methods, data sources, tasks, timelines and next steps for conducting a wage insurance and/or a wage supplement demonstration with an accompanying evaluations. Key research questions, supplemental research questions, and related program design criteria are proposed. The feasibility analysis of the demonstrations was informed by an examination of the existing

literature, and discussions with the project's technical work group, and Department of Labor policy and program staff.

The report proposes four research questions to guide a demonstration of wage insurance and/or wage supplements:

- Will these programs lead to reductions in benefit exhaustion, total UI benefit payments received, and UI claim duration?
- Will these programs yield positive impacts on longer-term earnings on a new job for reemployed workers?
- Will these programs lead to better retention on the new or subsequent jobs?
- Will these programs lead to savings after deducting program costs? How are net benefits of these programs shared among participants (jobseekers, employers), taxpayers and society? Do these programs yield greater net benefits for certain groups of workers (e.g., prime-aged or older workers)?

4. Key Study Findings. Due to the fundamental difference between wage supplements and wage insurance, namely the time orientation of each program, the report proposes distinct design parameters for each.

- A wage supplement demonstration would be characterized by a monetary incentive for rapid employment for UI-eligible unemployed workers. Designed to reduce the time to reemployment, the proposed demonstration should result in generalizable findings through a randomized control trial.
- The wage insurance demonstration would be designed to address the problem of dislocated workers who may be reluctant to accept a new job offer because it would pay substantially less than their pre-layoff job. The program would provide insurance for individuals against future loss of wages by providing insurance to help them temporarily make up the difference in wages earned in their new job and the wages earned in their pre-layoff job. This demonstration may need to continue to pay wage insurance benefits for a longer period than wage supplements are paid, to ensure a large enough sample of workers can use the insurance benefits.
- The proposed demonstrations and evaluations should include both an implementation study and an impact analysis using an experimental design, i.e, a randomized control trial, to capture employment and earnings impacts.
- The Center recommends that the evaluation begin early on in the implementation phase, and that a benefit/cost analysis be conducted.

- The proposed large sample size and randomized control trial design, would enable statistically significant results.

5. **Inquiries**. To view an abstract of this publication, as well as to download the full report of the study, please visit the ETA Research Publication Database Web site at:
<http://wdr.doleta.gov/research/keyword.cfm>