

**EVALUATION OF THE MARYLAND UNEMPLOYMENT INSURANCE  
WORK SEARCH DEMONSTRATION**

Final Report

November 1997

Prepared for:

Maryland Department of Labor, Licensing and Regulation  
Office of Unemployment Insurance  
1100 North Eutaw Street  
Baltimore, Maryland 21201

Prepared by:

Battelle Memorial Institute (Subcontractor)  
4000 N.E. 41<sup>st</sup> St.  
Seattle, WA 98105-5428

In Conjunction With:

Abt Associates Inc.  
(Prime Contractor)  
4800 Montgomery Lane  
Suite 600  
Bethesda, MD 20814

Project Director:

Jacob M. Benus (Abt)

Principal Investigators:

Jacob M. Benus (Abt)

Terry R. Johnson (Battelle)

Authors:

Daniel H. Klepinger (Battelle)

Terry R. Johnson (Battelle)

Jutta M. Joesch (Battelle)

Jacob M. Benus (Abt)

## TABLE OF CONTENTS

<b>Table of Tables</b> .....	<b>iii</b>
<b>Acknowledgments</b> .....	<b>iv</b>
<b>Executive Summary</b> .....	<b>v</b>
<b>I. Background</b> .....	<b>1</b>
<b>II. Design of the Work Search Experiment</b> .....	<b>4</b>
Overview of Treatment Design .....	4
Treatment Group A: Additional Required Employer Contacts .....	5
Treatment Group B: Elimination of Reporting of Work Search Contacts Requirement ..	5
Treatment Group C: Job Search Workshop .....	5
Treatment Group D: Verification of Work Search Contacts .....	6
Informed Control Group E .....	6
Uninformed Control Group F .....	6
Treatment Services/Activities .....	7
Presentation of Benefits Rights .....	7
Job Search Workshop .....	8
Monitoring of Implementation and Operation .....	9
Site and Sample Selection .....	11
Data Sources .....	13
<b>III. Sample Characteristics</b> .....	<b>15</b>
Background Characteristics of Experimental Sample .....	15
Work Search Requirements and Employment Services .....	15
<b>IV. Treatment Impacts on UI and Employment Outcomes</b> .....	<b>18</b>
Hawthorne Effect .....	20
Impacts on UI Benefit Receipt and Duration of UI Spell By Treatment Group .....	23

UI Exit and Survival Rates .....	28
Impacts on Continuing Eligibility Issues .....	32
Impacts on Employment and Earnings .....	34
<b>V. Conclusions .....</b>	<b>37</b>
References .....	42

## Table of Tables

Table 1	Hawthorne Effect .....	22
Table 2	Treatment Impacts on UI Receipt .....	24
Table 3	Hazards Models Estimates of Treatment Impacts on Exiting First Spell of UI Benefit .....	30
Table 4	Treatment Impacts on Continuing Eligibility Issue .....	33
Table 5	Treatment Impacts on Employment and Earnings Measures .....	35

## ACKNOWLEDGMENTS

The design, implementation and operations, and evaluation of the Maryland Unemployment Insurance Work Search Demonstration was a cooperative effort between the Maryland Department of Labor, Licensing and Regulation (DLLR), the U.S. Department of Labor (DOL), Abt Associates and Battelle Memorial Institute. Many individuals from each of these organizations contributed to this project.

Lucy Smith and Ornetta Craig of DLLR provided day-to-day oversight of the demonstration implementation and operations and were very helpful to us in answering numerous questions regarding the details of program operations. Valerie Kurnas did an excellent job in creating the customized data files of various administrative records we requested for the evaluation.

The Department of Labor provided funding to the State of Maryland to conduct the demonstration project, and also developed a Participant Tracking System (PTS) to monitor program operations and provide data on services received for the evaluation. At DOL, we would like to especially thank Wayne Gordon, the project officer, for his many contributions to this project, in overseeing the development of the PTS, and for assisting in monitoring demonstration activities. We would also like to thank Steve Wandner for his support of this project and for helpful comments provided on the draft report.

At Abt, we would like to thank Michelle Wood and Ty Herndon for assistance in monitoring site operations and contributing to the implementation and operations assessment. At Battelle, we would like to thank Dan Klepinger for leading the impact evaluation activities, Jutta Joesch for helpful analytical and programming assistance, and David Sommers for his help in reviewing and testing the preliminary versions of the data files.

Terry R. Johnson  
Principal Investigator

Jacob Benus  
Project Director

## EXECUTIVE SUMMARY

The Maryland Unemployment Insurance (UI) Work Search Demonstration was designed to examine the effectiveness of alternative work search policies in the UI program. In Maryland, to be eligible to receive UI benefits at the time of the demonstration, claimants were required to search for work and to report two employer contacts made per week on their continued claims form. There was no review or verification of the reported contacts with employers, and no specific job search assistance services were offered as part of the work search policy. This relatively streamlined work search policy is similar to that used in other states at the time, although the specific number of employer contacts required and the extent to which they review reported contacts varied across states, and very few offered specific re-employment services as part of their general work search policy. Today, however, legislation mandates that intensive services are provided to targeted or profiled claimants.

To provide much-needed information on the relative effectiveness of alternative work search policies, the Maryland UI Work Search Demonstration tested four alternative packages, or treatments, of work search and re-employment services: (1) increased work search requirements by requiring claimants to make a total of four employer contacts per week; (2) modified the policy by not requiring claimants to document the two specific employers contacted, but continued the requirement of two contacts per week; (3) supplemented the normal work search requirements with a requirement that claimants attend a 4-day job search workshop early in their unemployment spell; and (4) continued the normal work search requirements of two contacts per week but informed claimants that their contacts would be verified. In addition, the demonstration included two control groups to test the Hawthorne effect, with both control groups required to follow the normal requirements of two employer contacts per week (with no verification and no specific re-employment services offered), but one of the groups was informed that they were part of a demonstration project and that their administrative records would be included in the evaluation of the study. To ensure reliable evaluation results, the demonstration project was implemented using a classical experimental design, with random assignment of new claimants to one of the six groups.

The work search demonstration project was implemented in six UI offices, selected to ensure geographical and local labor market representation, and so that the results could be generalized to the state as a whole. The demonstration project began in January 1994, and over 27,000 new claimants were randomly assigned to one of the treatment or control groups during the one-year enrollment period. The evaluation was designed to examine the impacts of the demonstration on key UI outcome measures (e.g., weeks and dollars of UI benefit payments) and employment measures (e.g., whether employed, earnings) to be measured using administrative data sources.

The results indicate that work search policies and re-employment services have important consequences for the UI Trust Fund that are widespread across various claimant sub-groups. First, we find that relative to the normal work search policy, increasing the number of required employer contacts from two to four reduces UI payments per claimant on average by 0.7 weeks and \$116. These estimated impacts are statistically significant and substantively important. Evaluated at the mean of the

control group, this corresponds to approximately a 5.9 percent reduction in number of weeks of UI payments received and a similar reduction in total UI benefits received. Thus, increasing the number of required work search contacts from two to four is an effective approach to reducing UI payments.

We also find that the work search treatment of requiring claimants to make the normal two employer contacts per week, but informing them that the contacts will be verified, has statistically significant and similar impacts on the UI Trust Fund. Specifically, relative to the normal work search policy, the employer contact verification treatment reduces UI payments by 0.9 weeks and \$113. Evaluated at the mean values for the control group, this corresponds to about a 7.5 percent reduction in weeks of UI payments and 5.4 percent reduction in total UI benefit payments. About ten percent of claims were subject to verification. Given the size of the decline in UI receipt associated with this treatment, a verification rate of ten percent appears to be sufficient for significantly affecting UI behavior. We also find that the impacts of both treatments occur early, during the initial spell of unemployment. Taken together, these results indicate that either increasing the number of required employer contacts or verification of employer contacts are effective approaches to reducing UI outlays.

In contrast, we find that the approach of informing claimants that they must search for work but that they do not have to report their work search contacts each week to continue receiving UI payments does not affect UI payments. Our results indicate that, relative to the normal work search policy, this “honor system” treatment increases weeks of UI payments by 0.4 and total UI benefit payments by \$34, but only the number of weeks of UI receipt is statistically significantly different from zero.

Our findings concerning re-employment services indicate that requiring claimants to attend a job search workshop early in their re-employment spell is also an effective approach to reducing UI outlays. Specifically, relative to the normal UI work search policy, claimants who were randomly assigned to participate in a 4-day job search workshop received 0.6 weeks fewer and \$75 less UI payments on average. Evaluated at the mean of the control group, this corresponds to about a 5 percent impact on UI payments and weeks of receipt. Consistent with the results from other recent demonstration projects, it appears that the impact of this treatment in reducing UI payments is primarily due to raising the costs of remaining on UI, rather than enhanced job search abilities. Not surprisingly, we also find that this treatment significantly reduces the likelihood of returning to work with the same employer. These results apply to a workshop that was mandatory for all claimants in this treatment group, and other research suggests that they somewhat underestimate the impact that a targeted workshop under profiling would have on UI receipt.

Although our results indicate that the two more stringent work search policies and requiring claimants to participate in a job search workshop are effective in reducing the UI spell, and presumably leading to relatively more rapid re-employment, we do not find that reducing the job search period occurs at the cost of lower earnings. That is, our results indicate that the earnings of the control group in the year after filing their UI claim are essentially similar to the earnings of the groups that were assigned to these other work search policies. However, we find that eliminating the work-search

reporting requirement increases claimants' earnings on average by \$347, or about 4 percent. This effect is statistically significant.

Finally, our results indicate that there are no significant differences in UI payment outcomes or in earnings between the uninformed and the informed control groups. Thus, we find no evidence of a Hawthorne effect.



## I. Background

The Unemployment Insurance (UI) program is designed to provide temporary income support to involuntarily unemployed individuals while they search for work. It is a comprehensive program that covers virtually all wage and salary employees in the United States. Although the UI program provides temporary income support for the involuntarily unemployed, it can reduce the incentive to seek employment because UI benefits reduce the cost of being unemployed. As a result, the UI program is likely to raise the reservation wage and result in longer spells of unemployment. To partially offset the negative impact UI benefits have on job search, state UI programs typically impose work search requirements for continued benefit receipt. In addition to ensuring that claimants are actively looking for work in accordance with UI laws, work search requirements are intended to facilitate the re-employment of UI claimants by accelerating their return to work.

There is considerable variation in the stringency of work search requirements across States. For example, some States require claimants to make more employer contacts than do other States. In some States, claimants must provide detailed documentation of their work search, while in others no documentation is required. Moreover, there appears to be considerable variation in the extent to which reported job contacts are reviewed and/or verified. Traditionally, there has also been considerable variation across States in the level of re-employment services provided (e.g., job search assistance, job-finding workshops) to facilitate claimants return to work, with very few States offering intensive reemployment assistance services to claimants. There is some evidence, however, that more intensive re-employment services are a

cost-effective way of reducing claimants' duration of unemployment.<sup>1</sup> As a consequence of this evidence, recent legislation was passed to require States to implement Worker Profiling and Reemployment Services systems, and provide intensive services to targeted claimants.

Over the last decade, there has been a strong trend towards reducing the stringency of work search requirements to reduce administrative costs. As a result, several States no longer have work search requirements, and many others only require one in-person employer contact per week. In addition, some States have implemented work search policies that are tailored to the claimant's occupation or to labor market conditions. These changes in UI work search policies and, in particular, the trend towards reducing the stringency of work search requirements have been made with relatively little information on the efficacy of alternative work search policies.<sup>2</sup>

The Maryland UI Work Search Demonstration was undertaken to provide much-needed information on the efficacy of alternative work search policies. This demonstration project was initiated by the U.S. Department of Labor through a cooperative agreement with the Maryland Department of Labor, Licensing and Regulation (DLLR). The primary objective of the demonstration was to test -- relative to a traditional program of requiring two employer contacts per week -- whether more stringent work search requirements speed claimants' re-employment and reduce UI benefits paid, without

---

<sup>1</sup>Both the Charleston Claimant Placement Demonstration and the New Jersey Unemployment Insurance Reemployment Demonstration Project found evidence that increasing claimants' requirements to report to the Job Service Office and providing re-employment services significantly reduced UI spells. See Corson, Long and Nicholson (1984) and Corson et.al. (1989). However, neither demonstration tested the effects of changing the number of employer contacts required, or of verifying employers contacted.

<sup>2</sup> Prior to the Maryland initiative, the only study that has directly tested the effectiveness of alternative work search policies is the Washington Alternative Work Search Experiment. That study provided strong evidence that an "exception-reporting" approach that involved no work search monitoring whatsoever, and included an automatic payment, increases UI outlays, and that re-employment services reduce UI payments. It did not, however, examine the effects of increasing the number of work search contacts required or of verifying reported contacts.

affecting claimants' earnings. To design the demonstration and conduct the evaluation, DLLR selected the team of Abt Associates Inc. (prime contractor) and Battelle Memorial Institute (subcontractor). Abt and Battelle worked with DLLR and DOL staff to develop the treatment design and select sites; Abt had primary responsibility for monitoring demonstration activities, and Battelle was responsible for the impact analysis.

Four different work search policies were evaluated. As described in more detail below, the four alternative policies included: (1) requiring two additional employer contacts (i.e., a total of four contacts) per week; (2) eliminating the requirement to report employer contacts; (3) intensive re-employment assistance early in the unemployment spell combined with the normal two employer contacts; and (4) verifying reported employer contacts combined with the normal two employer contacts. In addition, two control groups were included to test whether the demonstration resulted in a Hawthorne effect. As part of the demonstration, new UI claimants were randomly assigned to one of these four work search treatment groups or two control groups. Because random assignment implicitly controls for any differences between the groups in observed or unobserved characteristics, differences in outcomes among the groups can be reliably attributed to the treatments.

The report describes the final results from the Maryland UI Work Search Demonstration. The remainder of this report is organized as follows. In Section II, we describe the design of the experiment, including the alternative work search approaches tested, the sample design, and data sources. In Section III, we describe the characteristics of the claimants in the treatment and control groups and present information on adherence to work search requirements and on services received. In Section IV, we present the impact results on UI and employment and earnings outcome measures.

In Section V, we conclude by summarizing the main findings, comparing them to prior research, and discussing the implications of these findings in light of recent policy changes.

## **II. Design of the Work Search Experiment**

The Maryland UI Work Search Demonstration was undertaken to provide valid information on the effectiveness of alternative work search policies in the UI program. To meet this goal, the demonstration was designed as a classical experiment, in which claimants were randomly assigned to one of four treatment groups, each representing a different work search policy. In addition, the Maryland Demonstration included two control groups, only one of which was informed of the demonstration, to test whether there is a significant Hawthorne effect. The experiment was implemented in six UI offices in Maryland in January 1994. Approximately 27,000 new UI claimants were randomly assigned to one of the treatment or control groups during the one-year enrollment period. The work search and re-employment services were delivered to claimants in each of the treatment groups by local Job Service (ES and UI) staff.

In this section we describe the design of the work search experiment. We begin with an overview of the four treatments and the two control groups. We then describe the specific elements of each treatment. The next subsection discusses experiences in monitoring demonstration implementation and operation. The next subsection briefly describes the analytic design, including site selection and sample design issues, and the random assignment procedures. The section concludes with a description of the data sources used in the evaluation.

### Overview of Treatment Design

The normal work search policy in Maryland requires claimants to make two (2) employer contacts

per week, and to report those contacts in order to receive UI benefit payments. There is no verification of contacts or additional work search services provided as part of the standard Maryland UI work search policy. The demonstration tested four approaches that modified various aspects of the normal work search approach: (1) two additional employer contacts were required; (2) eliminated the requirement of reporting employer contacts; (3) provided re-employment services through a mandatory job search workshop; and (4) verification of employer contacts. The four treatments tested and the two control groups are summarized below.

*Treatment Group A: Additional Required Employer Contacts*

Claimants in this treatment group were instructed to make four (4) employer contacts per week, instead of the normal two contacts. They were required to submit a form listing four employer contacts per week for each week claimed in order to receive UI benefits. Claimants were informed that failure to make four work search contacts could result in a loss of UI benefits for that week. By increasing work search requirements, and thus raising the costs of continued UI receipt, this treatment is expected to be associated with lower UI receipt.

*Treatment Group B: Elimination of the Reporting of Work Search Contacts Requirement*

Claimants assigned to this treatment group were basically placed on the honor system. They were told to actively search for work, but unlike the normal process, they were not required to report their specific employer contacts each week. They did, however, need to inform the UI office by mail that they had not found employment and were actively looking for work in order to receive UI payments.<sup>3</sup> By eliminating the employer reporting requirement, and thus lowering the costs of continued UI receipt, this treatment is expected to be associated with higher UI receipt.

*Treatment Group C: Job Search Workshop*

---

<sup>3</sup> Although this treatment is similar conceptually to the exception-reporting treatment tested in the Washington Experiment, in the Washington Experiment claimants received their UI benefit checks unless they contacted the UI office to indicate a change in their status. Treatment B will help determine whether it was the lack of reporting requirements or the automatic check feature of the Washington Experiment that was the cause for the large increase in duration on UI observed in that study.

Claimants in this treatment followed the standard work search requirement of two documented work search contacts. In addition, they were required to attend a four (4) day job search workshop for a total of sixteen hours. The workshops occurred early in claimants' spells of UI receipt (over 70% of claimants who attended a workshop did so during the third, fourth or fifth week after filing for benefits). The workshop consisted of three parts. The first part involved instruction in assessing employment options, setting realistic job goals, and identifying employment resources. The second part involved instruction in how to prepare resumes and job applications and practicing telephone contacts and personal interviews. The third part of the workshop involved helping claimants plan their own job search strategy. Claimants were instructed that failure to report for and complete the workshop could result in loss of UI benefits for that and subsequent weeks. This treatment is expected to lower UI receipt, either because the workshop increases the efficiency of work search or because the requirement to attend the workshop increases the costs of continued UI receipt. This treatment differs from the current program that mandates profiling and intensive services for targeted claimants.

#### *Treatment Group D: Verified Work Search Contacts*

Claimants in this treatment followed the standard work search requirements of two documented job search contacts per week. In addition, they were told that their contacts would be verified. Claimants in this treatment group were required to provide the names and telephone numbers of the employers they contacted. Claimants were instructed that failure to provide this information could result in the loss of UI benefits for that week. The study design called for UI staff to verify about 20 percent of claims filed by claimants in this treatment, half by random selection and half by UI staff identifying cases that potentially looked suspect.<sup>4</sup> Among those selected for verification, UI staff telephoned each of the employers listed to verify whether the claimant had contacted them about employment. Because employer verification increases the risk of identifying false reports of employer contacts, this treatment is expected to increase the costs of continued UI receipt for those who are not actively seeking work, and be associated with lower UI receipt.

#### *Informed Control Group E*

Claimants in this control group followed the standard work search requirements of two documented work search contacts. They were told that the State of Maryland was conducting a study of the UI program and that information from their UI records would be used in the study. The reason for including this control group was to examine whether knowing that they were part of a demonstration in and of itself would alter claimants' UI behavior (i.e., to test for a Hawthorne effect).

#### *Uninformed Control Group F*

---

<sup>4</sup> The actual verification rate for the study was slightly higher than 10 percent, and relatively few claimants in this treatment were randomly selected for verification.

Claimants in this control group followed the standard work search requirements of two documented work search contacts each week. They were not told they were participating in the demonstration.

### Treatment Services/Activities

To test the effectiveness of the four work-search policies required that changes be made in the way claimants were initially informed of their UI rights and responsibilities and that a process be developed to inform them of any new work search directives. In addition, certain services were modified to fit the objectives of the demonstration. Below we describe these activities and services.

Presentation of Benefits Rights. Individuals filing new claims were given an application package and instructed to complete the forms to the extent possible and to return them to the claims taker. The claims taker checked for the proper completion of the application forms and informed claimants of their rights and responsibilities under the law. This presentation included reviewing monetary determinations, instructing claimants on how to file continued claim forms to receive UI benefits, providing information concerning job search responsibilities, and giving each individual an "Information for Claimants" booklet. The claims taker also informed claimants in treatments A-E of their participation in the demonstration, that different claimants may be assigned to different work search requirements, and that if the claimant is not notified by the claims taker or by mail about special work search requirements, the claimant should continue to follow the instructions received when filing the initial claim. After eligibility assessment and random assignment, the claims taker provided each claimant with the appropriate application form.

Because different information needed to be provided to claimants in certain treatment groups, customized applications were created for each treatment: one for Treatment Group A, indicating that

they must make four (4) employer contacts per week; one for Treatment Group B, indicating that they must actively search for work, but that there are no work search reporting requirements; one for Treatment Group C, indicating that they must make two (2) work search contacts per week and that they must attend a job search workshop about the fifth week of their claim; one for Treatment Group D, indicating that they must make two (2) work search contacts per week, that the contacts will be verified, and that they must supply employer contact names and phone numbers for verification purposes; one for Treatment Group E, indicating that they must make two (2) work search contacts per week; and one for Treatment Group F, which is identical to the one for Control Group E, except that it makes no mention of the demonstration. Each applicant was informed of his or her demonstration requirements and had to sign the application form acknowledging that he or she was subject to these requirements. Participants in the demonstration received a copy of the application form.

Within one week after the initial UI claim, each demonstration treatment group member was sent a letter generated by the Participant Tracking System (PTS). This letter served as a reminder to claimants that the State was conducting a study of the UI program and that data from claimants' records will be included in the study. The letters also restated claimants' work search requirements. Control Group F members did not receive such a letter.

Job Search Workshop. Claimants in Treatment Group C who did not find work in the first few weeks after filing their UI claim were sent a letter at Week 4 instructing them to attend a four-day workshop that would assist them in job search techniques. The four-day workshop lasted four hours each day and included training on skills assessment, methods of self-marketing, job-interview techniques, and resume preparation. This workshop was modeled after the workshop used successfully in the New Jersey Reemployment Demonstration for claimants likely to exhaust their UI



benefits, and is a somewhat more in-depth service than the workshop tested in the Washington Experiment.

### Monitoring of Implementation and Operation

In conducting a complex experimental demonstration project such as the Maryland Work Search Demonstration, it is important that the implementation and operation of the demonstration be well monitored and documented. Careful monitoring and consistent documentation was especially important in this project since the monitoring component was performed by different parties, including the research contractor, the State and DOL.

In order to ensure that all three parties consistently implemented the monitoring functions, we developed a monitoring protocol. This protocol was used during each site visit. The monitoring protocol was designed to collect information on whether the procedures were implemented consistently across participants and across sites. Where deviations from approved procedures were found, the deviations were documented in the monitoring protocol.

The following project activities were monitored during site visits:

- Preparing Initial Claims,
- Conducting Random Assignment,
- Explaining the Application Form,
- Explaining the Demonstration,
- Explaining the Work Search Requirements,
- Explaining the Certification Forms,
- State Mainframe Data Entry, and
- Job Search Workshop.

In addition to observing key demonstration activities during regular site visits, we interviewed the following staff:

- Local Office Manager,
- Local Office Claims Supervisor, and
- Job Search Workshop Leader.

A Total of five forms were utilized during each site visit:

- Staff Interview Guide,
- Participant Enrollment Observation Guide,
- BRI Observation Guide,
- Job Search Workshop Observation Guide, and
- Job Search Leader Interview Guide.

In general, the results of the site visits indicated that the procedures described in the Procedures Manual were followed closely. No major deviations were found during any site visits. Interesting issues, however, were raised during some of these site visits. A sample of these issues follows.

In the College Park Office, for example, we quickly discovered (and corrected) a potential problem. In this office, initial claims were handled in groups, and resulted in claimants being made aware of the different treatments. This issue was quickly remedied by presenting only general information at the initial group presentation, with more detailed information presented later in private sessions. Also in College Park, we found it necessary to translate all materials into Spanish in order to accommodate the large Hispanic population.

In more rural offices, especially in the Eastern Shore, a major issue was transportation. Since many claimants did not have cars, there were a number of complaints about difficulties associated with getting to the office and to the workshops.

Based on the site visits that were made by the research contractor, by the State, and by DOL, the project implementation appears to have followed closely the project design. Indeed, the few issues that were identified during site visits were minor and were quickly resolved.

## Site and Sample Selection

The objective of the site and sample selection was to ensure that the results of the demonstration could be generalized to the State as a whole. The experiment was implemented in five sites (six UI offices) selected to be representative of Maryland on key dimensions. As described below, the five sites selected provide a range of environments that are representative of the State, taking into account geography and local labor market conditions. A one-year enrollment period was chosen to ensure that the results would not be affected by seasonal differences in the characteristics of claimants or in the hiring practices of employers in different industries. Below we provide additional details of the site and sample selection.

To select the sites, we first stratified all local UI offices into five broad geographical areas: (1) the Baltimore metropolitan area; (2) the Washington DC metropolitan area; (3) the non-metropolitan area of central Maryland; (4) western Maryland; and (5) the rural eastern shore. Demonstration budgetary and implementation constraints required the elimination of small, rural offices, as well as offices with unique operational circumstances. These criteria eliminated five of the twenty-six full-service UI offices in the State. Other small offices within the broad geographical areas defined above were combined to form one site. This process yielded eighteen potential sites for the demonstration. Sites were then randomly selected with a site's probability of selection being proportional to its size, as measured by the number of new UI claimants in the prior year. This approach yields a self-weighting sample when equal numbers of cases are selected from each site. The selected sites are: (1) Baltimore; (2) College Park; (3) Glen Burnie; (4) Hagerstown, and; (5) Eastern Shore (Salisbury, Snow Hill and Ocean City). These sites represent approximately thirty-eight percent of the claimants in the State.

Because the objective of the demonstration is to test alternative work search policies for claimants who would normally be required to search for work, not all claimants were eligible for the demonstration. To meet the early intervention objectives of the demonstration and to avoid confounding the effects of old and new work search policies, the demonstration was limited to new UI claimants who filed an initial claim for a new benefit year during 1994; individuals filing attached or partial claims were excluded. New claimants who did not have a work search requirement were also excluded. Thus, interstate claimants, claimants in the Work Share program, claimants who are required to find work through a union hiring hall, claimants on temporary layoff subject to recall by their employer, those on temporary layoff who expected recall within ten weeks and those in approved agency-training programs were excluded.

Finally, bulk layoffs were excluded because of the unique administrative procedures involved with mass layoffs.

All eligible individuals who filed a valid new initial claim in the five sites between January 1, 1994 and December 31, 1994 were randomly assigned to one of the four treatment and two control groups described above. A total of 23,758 monetarily eligible new UI claimants were enrolled in the Maryland Unemployment Insurance Work Search Demonstration<sup>5</sup>. Random assignment was based on the last two digits of the person's Social Security Account (SSA) Number. Because the last two digits of the SSA are random numbers, the use of such assignment methods typically ensures that the characteristics of individuals in each of the six groups are similar on average.

The assignment process was somewhat complicated because of the decision not to implement one of the treatments in all sites. Specifically, because there were too few potential employers in two sites - Hagerstown and Eastern Shore -- for claimants to be able to make four job contacts a week without contacting the same employers week after week, claimants in these sites were not assigned to the treatment requiring additional employer contacts (Group A). If sites were homogenous with respect to the type of claimants served, this deviation in treatment design across sites would not be important. However, there are site differences in the racial and income distribution of claimants. Specifically, the proportion of claimants who are Black is higher in the sites where assignments were made to Treatment A. Claimants in this treatment also have higher earnings in the year prior to filing for UI benefits and higher Maximum Benefit Amounts (MBA) because they are more likely to come from the Baltimore site.

---

<sup>5</sup> An additional 3,456 individuals applied for UI benefits at the five sites during the demonstration year but were determined to be monetarily ineligible. Although random assignment ensures that the generalization of the results would not be affected by including these claimants in the analysis, they are excluded from the analysis so that we could focus on the effects of the treatments on the subgroup of new claimants eligible for benefits. To improve the efficiency of the estimated impacts it would also have been desirable to exclude claimants who are non-monetarily ineligible to receive UI benefits. It was not possible, however, to accurately identify claimants who are non-monetarily ineligible to receive UI benefits from the administrative records available for the evaluation.

Because of these treatment differences in claimant characteristics that result from the assignment method, it is not appropriate to compare simple mean differences in outcomes between the treatment and control groups. Rather, to obtain unbiased estimates of treatment impacts it is important to control for claimant characteristics and site in conducting the net impact analyses. For this reason, in all of the net impact analyses presented in this paper, we include site, race and ethnicity, prior earnings, and a number of additional factors as control variables in the models used to estimate treatment impacts. Additional analyses show that the estimated treatment effects do not vary by site, prior earnings, or race and ethnicity. These results strongly suggest that the inclusion of these terms control for race, prior earnings and site differences that are the result of the restrictions imposed on the treatment assignment method, and yields unbiased estimates of the treatment effects.

#### Data Sources

The evaluation of the experiment was designed to rely on information from various state administrative data systems. In addition, DOL provided a customized tracking system to monitor the demonstration activities. The primary data for the evaluation of the experiment were obtained from two different Maryland State databases. The first is the database maintained to store information on UI claimants and the benefits they receive. This data base contains individual demographic information (e.g., age, race, sex), UI eligibility information (e.g., claim type, weekly benefit amount, maximum benefits payable), requirements and services, and detailed information on experiences with the UI system during the benefit year of the experiment. In addition to summary measures of numerous indicators of UI outcomes (e.g., total weeks paid, total conditional payments, total overpayments),

claims information was provided for each of the 52 weeks of the benefit year to develop reliable measures of spells of UI benefit receipt during the experiment.

We also obtained quarterly information on the total wages of employees in covered employment.<sup>6</sup> We obtained information on wages in covered employment for the four quarters prior to the quarter that each person filed the claim and entered the experiment, and for the four quarters after the quarter in which the UI claim was filed. These data were used to construct key outcome measures of employment and earnings, as well as control variables. In addition to providing information on quarterly wages, these data enabled us to determine whether claimants returned to work for their previous employer.

Finally, the Participant Tracking System (PTS) was a customized computer system set up by DOL to monitor demonstration activities and the flow of claimants through the different treatments. It contained data on participants as they moved through the demonstration. It utilized information from the Maryland State UI mainframe system, and also included additional information on services received and adherence to work search requirements that were specific to the demonstration. In particular, this database contained detailed information on workshop participation, employer contact verification, and supplemental employer contacts.

---

<sup>6</sup> Although the use of UI wage records has a number of advantages for the evaluation, it must be recognized that these data only include wages in covered employment and do not include wages from other states. These coverage gaps are relatively small, however, and result in nearly 90 percent of all state wages included in UI wage records (Baj and Trott, 1991).

### **III. Sample Characteristics, Work Search Requirements and Services**

In this section, we provide background information on the characteristics of these new claimants, and on the work search requirements and employment services they received. This information is useful in understanding the population of claimants served in the demonstration and provides a context for understanding the net impact results described in later sections.

#### Background Characteristics of Experimental Sample

About 55 percent of the sample are male and slightly over 50 percent are white. The claimants in the sample average approximately 35 years of age, with about 30 percent being 45 years of age or older. Over 95 percent are U.S. citizens. In terms of prior work experience, claimants enrolled in the experiment earn an average of about \$16,000 during the four complete quarters prior to filing their claim.<sup>7</sup> The mean weekly benefit amount for our sample is \$169 and the average maximum benefits payable (MBA) is \$4,385.

#### Work Search Requirements and Employment Services

For interpreting the impacts of the various treatments, it is important to understand the extent to which the claimants received employment services, and the extent to which they adhered to the more stringent work search directives. Approximately 50 percent of claimants in the treatment that required participation in a job search workshop (Group C) were required to attend the workshop. The

---

<sup>7</sup> Throughout the report, dollar figures are reported in fourth quarter 1995 dollars.

remaining claimants in this treatment were not required to attend the workshop because they did not receive UI benefits or because they were excused from the workshop by local UI staff.<sup>8</sup> About 60 percent of claimants who were told to attend the workshop actually attended. Thus, overall about 30 percent of claimants assigned to this treatment attended the workshop. Although this may seem like a relatively low participation rate, nearly one-third of the claimants in this treatment group did not receive a UI payment and many others exited UI before their workshop, which was usually scheduled for the fifth, sixth, or seventh week of UI receipt. After adjusting for these factors, including exit prior to the fifth week, the overall workshop attendance rate is approximately 63 percent. This figure is broadly consistent with workshop attendance in previous demonstrations. Claimants assigned to a workshop were potentially denied benefits during the weeks they did not attend.

In the employer verification treatment (Group D), almost half (47%) of the claimants in this treatment were selected for verification at least once. Overall, slightly over 10 percent of the person-weeks of UI receipt were selected for verification. About 30 percent of the verification attempts confirmed that a claimant had contacted the identified employers. In less than one percent of the verification attempts were UI staff able to document that a claimant had falsely reported an employer contact. For the remaining 70 percent of the verification attempts UI staff were unable to determine whether the claimant had actually contacted the identified employer. In most cases, an unverifiable attempt meant that no one answered the phone when UI staff called, or that employers contacted could neither confirm nor deny that the claimant applied. Those claimants who did not supply employer

---

<sup>8</sup> Claimants were excused from the workshop if they attended a workshop in the past couple of years, received similar training from an employer or other public source, or because of overcrowding in the workshop they were to attend.



contact information or whose employer contacts were found to be untrue were potentially denied benefits during these weeks.

Overall, the treatments were implemented successfully and claimants complied with the work search directives they received. Workshop attendance was comparable with prior demonstrations, and compliance among claimants directed to make two additional employer contacts each week was high. The only exception was in the employer verification treatment. The verification rate was about half that planned, and the majority of verification attempts were unsuccessful in contacting employers. As long as claimants in this treatment were unaware of the low verification attempt rate and low success rate, neither is likely to influence claimants' behavior.

#### IV. Treatment Impacts on UI and Employment Outcomes

The work search treatments were expected to affect the receipt of UI benefits by eligible claimants in different ways. For example, the additional employer contacts treatment (Treatment A) was expected to reduce spell length and UI benefits by increasing the intensity of work search. The workshop treatment (Treatment C) was expected to reduce spell length and benefits received either by providing work search skills early to claimants who did not return to work quickly or by raising the cost of continued UI receipt. The employer contact verification treatment (Treatment D) was expected to reduce UI spell length and benefits by lowering the reporting of false employer contacts, thus increasing the effective intensity of work search. In contrast, the treatment that did not require the reporting of work search contacts (Treatment B) was expected to increase unemployment spell length and UI benefits paid because claimants in this treatment group were not required to demonstrate that they were actively seeking employment. The informed control group (Group E) was expected to reduce UI spell length and benefit receipt only if knowledge that they were involved in a demonstration changed their work search behavior (i.e., a Hawthorne effect).

In addition to examining the impacts of the treatments on UI outcomes, it is also important to consider employment and earnings impacts. To the extent that certain treatments affect claimants' job search intensity and result in finding a job sooner than they otherwise would, this would affect not only UI benefits paid but could also affect the quality of the job obtained. Of particular concern is whether any gains to the UI system from reduced UI payments that arise from the more stringent work search requirements would be offset by claimants accepting less desirable jobs and lowering earnings. Moreover, it is important to determine whether any losses to the UI system from higher UI payments arise because less intensive search policies are offset by more effective job search and higher earnings. To control for site differences in the random assignment to treatments, and to improve the efficiency of the estimated effects, we estimated the impact of the treatments on the outcome measures using regression and logit regression models.<sup>9</sup> The estimated models contain dummy variables for the

---

<sup>9</sup> Because ordinary least squares techniques are not generally appropriate for binary outcome variables, such as whether a claimant worked in covered employment (i.e., due to heteroscedasticity and the possibility

different treatment groups. The estimated net impact models control for differences in demographic characteristics, prior work experience, UI entitlement, and site. We also include a set of seasonal dummy variables to control for possible seasonal variations in earnings. Specifically, the models include measures of the following characteristics: age, sex, race/ethnicity, federal employee, military employee, U.S. citizen, earnings in each of the four quarters preceding the quarter a claimant filed for benefits, site, entry quarter, and maximum benefit amount.

The results described below are based on the total sample of monetarily eligible new claimants who were enrolled in the demonstration. As such, the effects can be interpreted as the average impacts over all eligible claimants, regardless of whether they actually received the specific services or adhered to the work search requirements that were part of the treatment.

In examining the impacts of the treatments on UI benefits, three types of measures of benefit receipt are used. The first is based on the entire 52-week benefit year, and include the number of weeks for which a benefit payment was issued, the total dollar amount of UI benefits paid to claimants,<sup>10</sup> and whether claimants exhausted their benefits. The other two types of measures are specific to the first two spells of UI receipt. These measures include whether a first (or second) spell of UI receipt occurs, length (i.e., number of weeks) of the spell, and total UI benefits received during the spell.<sup>11</sup> We consider measures of both total UI receipt and of the first two spells of UI receipt to help distinguish between treatment impacts that lead to temporary withdrawal from the UI rolls and impacts that lead to longer-term effects. The earnings measures we employ are for earnings in covered employment during the first four complete quarters following the quarter that a claimant filed for benefits.

---

that predicted values fall outside the unit interval), a logit procedure was used to estimate models of binary outcomes. All other results are based on ordinary least squares regression models.

<sup>10</sup> The measure used for total benefits includes small supplementary payments that some claimants received for children and overpayment amounts. Another measure of total benefits paid was available that eliminated both of these factors from the calculation of total benefits paid. However, it was not possible to remove one factor without removing both. We preferred using the measure that included supplemental payments and overpayments because overpayments are a cost to the UI system, and because this measure could be constructed on a week-by-week basis, which was needed for the spell analyses. A comparison of the two measures revealed that their means were very similar, and that estimated net impacts were nearly identical. For this reason, and for comparability with the spell results, we report only the results for the measure of total benefits that includes supplemental payments and overpayments.

<sup>11</sup> These spells correspond to consecutive weeks of receipt of UI payments - not to spells of unemployment - as claimants can work part time and still receive benefits. For those who exhaust their benefits without working, the number of weeks of insured unemployment is a censored measure of total unemployment.

## Hawthorne Effect

Decades of research have shown that people may change their behavior if they know they are participating in a research study. This effect is referred to as the Hawthorne effect. The Hawthorne effect may occur because people are concerned about what an observer may think of them or the study may alter the environment in such a way that it alters people's behavior. In UI demonstrations, the Hawthorne effect may arise because claimants suspect that their work search activities will be monitored more closely during a demonstration than they would have been in the absence of the demonstration. That is, claimants who know that they are participating in a demonstration may alter their work search behavior, which may affect their duration of UI receipt. If knowledge of the demonstration does produce a Hawthorne effect, then estimated net impact results may not yield unbiased estimates of what would happen if a treatment were implemented on a state-wide basis. To date, no UI demonstration has tested for the existence of a Hawthorne effect. As such, this component of the Maryland UI Work Search Demonstration provides valuable information for interpreting results from prior demonstrations, and will assist in the cost-effective design of future demonstrations.

Because the existence of a Hawthorne effect has important implications for conducting the net impact analysis, we first tested for such an effect. In particular, we tested whether the estimated impacts for the informed control group (Group E) differed significantly from the estimated impacts for the uninformed control group (Group F). The results of this analysis (shown in Table 1) indicate that there is no observable Hawthorne effect on UI benefits or earnings. Moreover, nearly all of the t-values reported in Table 1 are less than unity, implying that none of the differences are close to being statistically significant. For instance, over the first four complete quarters following the quarter in which they filed for UI benefits, claimants in Group E received \$38 less in UI payments for 0.2 weeks less than claimants in Group F. They earned \$33 less than claimants in Group F during this period.<sup>12</sup>

---

<sup>12</sup> The only statistically significant difference between the two groups is that claimants in Treatment Group E received significantly greater overpayments (not shown) than did claimants in Treatment Group F. This finding may be the result of claimants in the informed control group feeling that they are being monitored more closely. Consequently, they may be more willing to inform the UI office of any

The lack of a Hawthorne effect permits us to combine claimants in the two control groups into a single control group. By combining the two control groups, we are able to obtain more precise estimates of the impacts of the other work search treatments. All subsequent reported net impact results are based on a control group that combines claimants from Groups E and F.

---

overpayments they received.

Table 1

## Tests for Hawthorne Effect

(t-values in parentheses)

	Impacts of Informed Control Group (E) Relative to Control Group F	Means of Uninformed Control Group (F)
Full Benefit Year		
Total UI benefits paid (\$)	-38(-.96)	2088
Number of weeks of benefits	-.2(-.81)	12.0
Percent exhausted benefits	-.7(-.75)	28.6
First Spell		
Percent who received at least one payment	-1.0(-1.01)	69.0
Total UI benefits paid	-37(-.96)	1899
Number of weeks of benefits	-.2(-.93)	10.9
Second Spell		
Percent with second spell	-.2(-.46)	15.0
Total benefits paid (\$)	-1(-.04)	253
Number of weeks	0.0(.18)	1.5
First Quarter Employment		
Percent worked	.1(.07)	55.9
Earnings (\$)	-50(-.98)	1654
Second Quarter Employment		
Percent worked	1.0(1.01)	61.6
Earnings (\$)	-15(-.28)	2147
Third Quarter Employment		
Percent worked	.6(.57)	64.1
Earnings (\$)	74(1.30)	2293
Fourth Quarter Employment		
Percent worked	.1(.14)	62.8
Earnings (\$)	-42(-.76)	2292
Employment During Four Quarters		
Percent worked	-.3(-.41)	80.1
Earnings (\$)	-33(-.18)	8385
Percent returned to work with same employer	0.0(-.05)	17.1

### Impacts on UI Benefit Receipt and Duration of UI Spell by Treatment Group

The treatment impacts on UI benefits are presented in Table 2. We present treatment impacts as deviations from the combined control group (Group E and Group F). As indicated in the last column of this table, claimants in the control group received an average of \$2,085 in total UI benefits during the benefit year. On average, these benefits were received for about 12 weeks of payments, with about 90 percent of the payments received during the first UI spell. Nearly 30 percent of the claimants in the control group exhausted the UI benefits available to them during the benefit year.

As expected, claimants in the treatment requiring additional employer contacts (Group A) received lower UI benefit payments on average than did claimants in the control group. As shown in the first column of Table 2, claimants in this treatment received an average of \$116 lower in UI benefits during the benefit year than claimants in the control group. Claimants in this treatment also received UI benefits for .7 fewer weeks than did claimants in the control group. Consistent with this finding, claimants in this treatment group were also 2.6 percent less likely than claimants in the control group to exhaust their benefits.<sup>13</sup> The estimated impacts for this treatment are statistically significant at the .05 level. Because no services are provided as part of this treatment, the estimated effects of the treatment can be attributed to the added cost of making two additional employer contacts.

Claimants in the treatment that did not require reporting of work search contacts (Group B) received somewhat more UI benefits (\$34) than did claimants in the control group, as expected, although this difference is not statistically significant at conventional levels. In addition, we found that claimants in this treatment remained on UI for .4 weeks longer than controls,

---

<sup>13</sup>For the exhaustion analysis, estimated logistic regression parameters have been converted to percentage terms, evaluated at the mean for the control group. Asterisks indicating statistical significance levels are based on the logistic parameters.

Table 2  
Treatment Impacts on UI Receipt

	Additional Contacts (A)	No Reporting of Contacts (B)	Workshop (C)	Verify Contacts (D)	Control Group Means
<b>Outcome Measures</b>					
<b>Full Benefit Year</b>					
Total UI benefits paid (\$)	-116**	34	-75**	-113**	2085
Number of weeks of benefits	-.7**	.4*	-.6**	-.9**	11.9
Percent exhausted benefits	-2.6**	1.6*	-1.1	-3.0**	28.3
<b>First Spell:</b>					
Percent who received at least one UI payment	-2.4**	2.1**	-1.7	-3.5**	68.8
Number of weeks in first spell	-.8**	.3	-.8**	-.9**	10.9
Total UI benefits paid in first spell (\$)	-143**	14	-115**	-121*	1894
<b>Second Spell:</b>					
Percent with second spell	1.1	0.0	1.2	.6	15.0
Number of weeks in second spell	.2	.1	.3**	.1	1.5
Total benefits paid in second spell (\$)	38	25	64**	24	254

\*\*Significantly different from control group at .05 level.

\*Significantly different from control group at .10 level.



and were 1.6 percent more likely to exhaust their benefits. The latter two impacts are significant at the .10 level.

The results found for this treatment are considerably smaller than those found for a similar no-reporting-requirement treatment in the Washington UI Experiment (Johnson and Klepinger, 1994). The Washington study found large positive impacts on total benefits received (\$265), weeks of UI receipt (3.3), and on the percent exhausting their benefits (12.5). The primary difference between the treatments in the two studies is that claimants in the Washington UI Experiment received a check unless they informed the UI office of a change in their employment status, while claimants in the Maryland Demonstration did not receive a check unless they informed the UI office that their status had not changed. Thus, the smaller impacts found in the Maryland Experiment suggest that regular contact with the UI office greatly reduces the amount and duration of benefits received when reporting of work search contacts is not required.

The workshop treatment (Group C) also had the expected negative impact on total UI benefits paid. Overall, claimants in this treatment received \$75 less in total UI benefits and received payments for 0.6 weeks less than did claimants in the control group.

Although the point estimate indicates that claimants in this treatment group were slightly less likely to exhaust their benefits than claimants in the control group, the effect is not statistically significant. Except for exhaustion of benefits, the estimated impacts for this treatment are statistically significant at the .05 level.

As expected, claimants in the treatment that included employer contact verification (Group D) received less UI benefits on average than did claimants in the control group. As shown in the fourth column of Table 2, claimants in this treatment received \$113 less in UI benefits during the benefit year

than did claimants in the control group. Claimants in this treatment group received benefits for nearly one week less than did controls, and were 3 percent less likely to exhaust their benefits than were controls. The estimated impacts for this treatment are all statistically significant at the .05 level. Because the additional costs associated with supplying employer contact information are relatively trivial for claimants actively searching for work, we can conclude that the additional costs associated with verification are borne primarily by claimants who are not actively seeking work.

Turning to the spell results, the last column in Table 2 indicates that among claimants in the control group, nearly 70 percent of monetarily eligible claimants received at least one UI payment. On average, the first spell of UI lasted 10.9 weeks, during which claimants received slightly less than \$1,900 in UI payments. Converting the logit results to percentage terms, we find that claimants in the treatment requiring additional employer contacts (Group A) were less likely -- 2.4 percentage points -- to have initiated a UI spell (i.e., received at least one payment) than controls. Moreover, claimants in this treatment had significantly lower UI receipt (\$143) during their first spell primarily because of the fewer number of weeks of UI received (.8 weeks less than the control group). Similarly, claimants in workshop treatment (Group C) were about 2 percent less likely (not statistically significant) to receive any payments, received significantly less UI payments (about \$115) during their first spell than controls and drew benefits for about .8 weeks less. Somewhat larger impacts are observed for the employer verification treatment (Group D). Specifically, claimants in this treatment are 3.5 percent less likely than controls to have received any payment, they received about \$121 less during their first spell, and drew benefits for nearly one week less. In contrast, claimants in the treatment that did not require the reporting of employer contacts (Group B) were 2 percent more likely than controls to have initiated a UI spell.

As shown in the bottom portion of Table 2, the treatments have little impact on the likelihood of having a second spell of UI receipt during the benefit year or on UI benefits received during a second spell. The only exceptions are that claimants in the workshop treatment (Group C) had slightly longer second spells of UI receipt than controls and received about \$60 more during their second spell. Claimants in this treatment were not, however, more likely than controls to have a second spell of UI receipt.

In general, Treatments A, C, and D have similar impacts on UI receipt. The only result that is statistically significantly different among these treatments is that claimants in the workshop treatment (Group C) are significantly less likely to exhaust their benefits than claimants in the verification treatment (Group D). In contrast, except for the results for the second spell, claimants in the treatment that did not require the reporting of employer contacts (Group B) are significantly different from the results found for claimants in Groups A, C, and D on all measures of UI receipt.

These results indicate that work search verification, participation in a job search workshop, and requiring additional work search contacts are effective in reducing UI spell length. Because there are no services provided in the treatment requiring additional work search contacts or in the verification treatment, the reduction in UI receipt associated with these treatments can be attributed to the additional costs associated with making more work search contacts. Moreover, because the costs of providing employer contact information is low for claimants actively looking for work, the reduction in UI receipt associated with this treatment can be attributed to additional costs borne primarily by claimants who are not actively looking for work. In contrast, the results indicate that removing the requirement to report job search contacts increases the UI spell, but that the increase is relatively small as long as claimants are required to maintain regular contact with the UI office.

We also examined the extent to which UI impacts differed for major claimant demographic subgroups. These results (not shown) indicate that the effects of the treatments are widespread and not concentrated among specific demographic subgroups. Specifically, none of the joint F-tests to determine whether the effects of the treatments on total UI benefits paid and the length of the first spell of UI differ by site or claimant race, age, sex, or prior earnings was statistically significant at conventional levels.

### UI Exit and Survival Rates

Although the regression estimates presented above provide an estimate of the effects of the job search workshop on claimants' UI experiences, they do not identify how workshops influence job search. One possible interpretation is that job search workshops provide claimants with skills that make them more employable or more efficient in their job search. An alternative interpretation is that attending the workshop is viewed as costly by claimants and that the requirement to attend the workshop acts as a deterrent to continued receipt of UI benefits. If claimants view workshops as costly, we would expect the likelihood of exiting UI to increase immediately prior to a claimant's scheduled workshop attendance date.

In an attempt to resolve these two competing interpretations, we estimated hazards models for length of first spell of receipt of unemployment benefits. In addition to the control variables used to estimate the net impacts shown in Table 2, the estimated hazard model also includes a set of time-varying covariates for when claimants attended the workshop and for the post-workshop period. If the workshop provides valuable skills, the coefficient for the post-workshop period should be positive, indicating a higher likelihood of exiting UI following attendance of the workshop. If the workshop is

viewed as costly, the dummy variable indicating a claimant is in the workshop treatment group (Group C) should become more negative when workshop and post-workshop time-varying covariates are added to the model. In general, since claimants need not search for employment during the week they attended the workshop, we expect exit rates to be lower while claimants are attending the workshop.

Because of the U-shaped hazard functions observed in these data, we estimate a piece-wise exponential model that allows the shape of the hazard function to vary over different time periods (Brezlow, 1974, Laird and Oliver, 1981; Trussell and Hammerslough, 1983). To overcome the week-to-week noise in the data that are in part due to the biweekly UI payment schedule followed in Maryland, we examine the hazard of exiting UI during two-week periods. Finally, because preliminary analyses revealed that simple polynomial or spline functions did not adequately describe the shape of the hazard function, we use dummy variables for time to model the shape of the hazard function. The estimates from the hazard model analysis are shown in Table 3.

In the first column of Table 3 we present a model designed to test the hypothesis that all four treatment groups have the same hazard of exiting their first UI spell. These results confirm the findings from the regression models described earlier. Specifically, claimants in Groups A, C, and D have a significantly higher log hazard of ending their UI spell than the control group and claimants in Group B do not display a significantly different log hazard of leaving UI than controls. That is, claimants in Groups A, C, and D are more likely to exit UI in any biweekly period during their first spell of UI receipt, and claimants in Group B are less likely to exit UI than claimants in the control group who have received UI for the same number of weeks. Exponentiating the estimated hazard parameters, the results show that claimants in the treatment requiring additional employer contacts (Group A) are 4.7 percent more likely to exit their first spell of

UI receipt during any biweekly period than are claimants in the control group who have received benefits for the same number of weeks. The comparable figures for the

Table 3

Hazard Models of Treatment Impacts on First Spell of UI Benefits		
	Basic Model	Workshop Model
Additional Contacts (A)	.046*	.047*
No Reporting of Contacts (B)	-.005	-.006
Workshop (C)	.055**	.104**
Verify Contacts (D)	.055**	.055**
Workshop period		-.466**
Post-workshop period		-.061
Log-likelihood	44,677.98	44,666.03

\*\* Significantly different from control group at .05 level.

\* Significantly different from control group at .10 level.

workshop treatment (Group C) and the verification treatment (Group D) are 5.7 percent higher than for the control group.

The result that claimants in the workshop treatment (Group C) are more likely to exit their UI spell is interesting, but it does not shed much light on what it is about the treatment that produces the observed effect - increased human capital or higher nonmonetary costs associated with attending the workshop. The additional time-varying covariates are designed to examine this issue. The results of this analysis are presented in the second column of Table 3. Likelihood ratio tests show that the addition of the time-varying variables significantly improves the fit of the model, indicating that the shape of the hazard function for claimants in the workshop treatment is altered, relative to the other groups, by the timing of the workshop.

As expected, claimants in the workshop treatment are significantly less likely to end their UI spell while they are attending the workshop. Surprisingly, the point estimate for the post-workshop period indicates that the post-workshop period is associated with lower UI exit rates, relative to the pre-workshop period. Although the coefficient is not statistically significant, the point estimate indicates that exit rates are 6 percent lower following the workshop compared to exit rates preceding the workshop. In addition, the dummy variable for the workshop treatment (Group C) increases in magnitude by almost fifty percent when the time-varying covariates are added to the model. Prior to including the time-varying covariates, the hazard of exiting UI was nearly identical for the workshop treatment (Group C) and the verification treatment (Group D): about 6 percent lower than that observed for the control group. After adding the time-varying covariates, the exit rate for the workshop treatment increases to 11 percent greater than the control group, while the figure for the verification treatment remains essentially unchanged.

In addition, we test for non-proportionality for Group C. These results indicate that the time pattern of UI exits for Group C differs significantly from the other groups. Moreover, the only periods that are significantly different at the individual level are those immediately preceding the date of the scheduled workshop. Specifically, the point estimates indicate that the likelihood of exiting UI during these weeks is about 28 percent higher for claimants in the workshop treatment, relative to other groups.

These findings suggest that instructions to attend the workshop reduced the length of time claimants received UI because they increased the perceived cost of continued UI receipt, and that many claimants appear to exit UI immediately prior to their scheduled workshop. The results provide little support for the hypothesis that the workshop provided claimants with additional skills that make

them more employable or more efficient in their job search. These findings are consistent with the findings from the Washington UI Experiment (Johnson and Klepinger, 1994).

#### Impacts on Continuing Eligibility IssuesImpacts on Continuing Eligibility Issues

In addition to examining the impacts of the treatments on UI benefit payments, we also examined effects on various continuing eligibility issues. This is an important component of the evaluation, as each of the treatments affected the requirements for receiving benefits and the degree to which claimant compliance was monitored. Below we provide evidence concerning the impacts of the treatments on overpayments, conditional payments, denials and appeals.

As shown in the last column of Table 4, claimants in the control group received nearly one week and \$122 of overpayments during the benefit year. Treatment Group C received significantly fewer overpayments and dollars of overpayments than did controls. This result suggests that claimants in this treatment were denied payments if they failed to attend the assigned workshop. Control group claimants received an average of only .05 conditional payments for work search issues, and .05 denials for work search issues. There are no significant differences in conditional payments for work search issues, in denials for work search issues, or



Table 4  
Treatment Impacts on Eligibility Issues

	Treatment Groups				Control Group Means
	(A)	(B)	(C)	(D)	
Number of overpayments	.00	.03	-.14**	-.08	.9
Overpayment amount (\$)	0	14	-17*	-13	122
Number of conditional payments for work search issues	.01	-.01	-.01	.00	.05
Number of denials for work search issues	.01	-.01	-.01	.00	.05
Number of appeals <sup>#</sup>	-.01	.00	.01	.00	.23

<sup>#</sup>Appeals are based on all reasons, not just denials for work search issues.

\*\*Significantly different from control group at .05 level.

\*Significantly different from control group at .10 level

for appeals. Despite the increased monitoring of work search efforts of claimants in Treatment Groups A and D, claimants in these groups were not more likely than controls to be denied UI benefits. This finding is consistent with a general policy of JSC staff to give claimants the benefit of the doubt when making a denial determination. However, the lack of impacts may also reflect the rarity of conditional payments and denials for work search issues.

### Impacts on Employment and Earnings

The above results indicate that the treatment that did not require the reporting of employer contacts (Group B) extended and that the other treatments reduced the duration of claimants' job search. Below, we present evidence on whether the reduced search time for claimants in the treatments imposing additional work search requirements (workshop, verification, and additional employer contacts) caused them to find lower-quality jobs in terms of earnings, and whether the additional search time for claimants in the treatment that did not require reporting of employer contacts was effectively used to find better jobs. The results are based on earnings in covered employment in the first four complete quarters following the quarter in which they filed for benefits and entered the demonstration.

The impacts of the treatments on employment and earnings are reported in Table 5. As this table indicates, slightly more than half of the claimants in the control group worked during the first full quarter after filing for UI benefits, rising to over 60 percent by the fourth full quarter, with 80 percent working at some point during the first full year after filing the UI claim. On average, these claimants earned \$1636 during the first quarter, \$2280 during the fourth quarter, and almost \$8500 during the first full year. As indicated in Table 5, the treatments had relatively little impact on employment and earnings during the observed period. In particular, there is no evidence that the relatively rapid

Table 5

## Treatment Impacts on Employment and Earnings

	Treatment Groups				Control
	No				Group Means
	Additional	Report of		Verify	
	Contacts	Contacts	Workshop	Contacts	
	(A)	(B)	(C)	(D)	
First Quarter					
Percent worked	1.0	1.8*	0.0	1.1	55.9
Earnings (\$)	24	71	-14	18	1636
Second Quarter:					
Percent worked	.6	1.0	-.7	.8	62.0
Earnings (\$)	-19	86	-46	23	2150
Third Quarter:					
Percent worked	.3	1.9**	-1.1	1.0	64.4
Earnings (\$)	16	98**	-79	17	2341
Fourth Quarter:					
Percent worked	.2	1.4	-.7	1.1	62.9
Earnings (\$)	34	92*	-23	67	2280
Year 1:					
Percent worked	1.2	.8	-.8	1.3	80.0
Earnings (\$)	54	347**	-163	124	8407
Percent returned to work					
with same employer	-.1	.9	-2.3**	-1.6**	17.2

\*\*Significantly different from control group at .05 level.

\*Significantly different from control group at .10 level

exit of claimants in Groups A, C, and D occurred at the cost of lower earnings. The only statistically significant impacts on employment and earnings shown in Table 5 are for claimants in the treatment that did not require the reporting of job search contacts (Group B). Claimants in this group were about 2 percent more likely to be employed than controls in the first and third quarters. They earned about \$100 more during these quarters, and during the fourth quarter. Overall, they earned about \$350 more than controls during the first full year. Given that claimants in this treatment remained on UI slightly longer than controls, these results suggest that claimants in this group found higher paying jobs than controls. However, while statistically significant, these effects are not very large. Consequently, any differences in hourly wage rates are likely to be small.

It is interesting to note that claimants in the workshop treatment (Group C) and in the verification treatment (Group D) were less likely than claimants in other groups to return to work with their prior employer.<sup>14</sup> Thus, it appears that the greater cost of remaining on UI for claimants in these treatments reduced their length of search, but also increased their incentive to search intensively and resulted in them being less likely to return to their prior employer. Although the point estimate for the treatment that did not require reporting of job search contacts (Group B) is positive for the likelihood of returning to work with the same employer, the estimated coefficient is not statistically significant.

---

<sup>14</sup> The prior employer is defined as the employer for whom a claimant last worked prior to filing for UI benefits. If a claimant had more than one employer during that quarter, the primary employer is defined as the employer from whom the claimant received the most earnings.

## V. Conclusions

In the previous sections, we have described the net impact results of the Maryland UI Work Search Demonstration. Below we briefly summarize the main findings and compare the results with those from other similar studies.

The net impact results show that work search requirements affect insured unemployment spells. The impact results indicate that relative to the standard work search policy followed in Maryland, more stringent work search requirements involving either two additional employer contacts or employer contact verification reduce UI payments on average by about three-quarters of a week or about \$110 per claimant. This finding indicates that a verification rate in the range of ten percent is sufficient to impact work search behavior throughout an entire benefit year. Further, despite the relatively rapid exit from UI of claimants in these treatments, we find no evidence that it occurs at the cost of lower earnings.

In prior demonstrations, additional work search requirements have been combined with additional services (Meyer, 1995). For this reason, it has been difficult to interpret the findings from prior demonstrations because the observed net impacts could be the result of the additional work search requirements, the additional services, or both. In the Maryland Demonstration, the treatments involving additional employer contacts and employer contact verification do not include additional re-employment services. For this reason, the impacts of these treatments in reducing UI spells can validly be attributed to the increased work search requirements.

We also find that claimants in the treatment that did not require the reporting of employer contacts have somewhat longer duration on UI. There is evidence that claimants in this treatment group also have

higher employment and earnings outcomes. These findings suggest that delayed exit from UI of claimants in this treatment group is associated with higher hourly wage rates, further suggesting that claimants in this treatment were able to find better job matches than controls. Although the effects of this treatment were statistically significant, they are not very large, and any differences in hourly wage rates are also likely to be small. These results are much smaller than those found in the Washington Alternative Work Search Experiment. The major difference in the two treatments is that in the Washington treatment payment checks were automatically sent to claimants unless claimants contacted the UI office of a change in their status, while in the Maryland treatment claimants did not receive a payment unless they informed the UI office that their status had not changed. The smaller impacts found in Maryland show the importance of claimants having regular contact with the UI office.

In addition to changing work search requirements, the demonstration included a mandatory job search workshop that was designed to enhance claimants' work search skills and increase their efficiency of job search. The results show that the job search workshop reduces UI payments by .6 weeks and \$75 on average, somewhat less than that observed for additional employer contacts and employer contact verification. These results are broadly consistent with the findings from earlier UI demonstrations. Of particular relevance are the Charleston Claimant Placement and Work Test Demonstration (Corson et.al., 1984), the New Jersey Unemployment Insurance Re-employment Demonstration Project (Corson et.al., 1989), and the Washington Alternative Work Search Experiment. These demonstrations tested whether intensive re-employment services that involved a job search workshop were effective approaches to reducing UI spells and total UI payments.<sup>15</sup> Compared

---

<sup>15</sup> Similar to the experiment implemented in Maryland, the workshop in these demonstrations was scheduled to occur after claimants had drawn UI for four or five weeks. However, it should be noted that the workshops varied in duration from three hours in the Charleston demonstration to one week in

to no work search assistance, these earlier demonstrations found average reductions in UI payments over the benefit year of roughly \$50-100, and decreases in total number of weeks of UI paid of about one-half a week. These findings are remarkably consistent with the results described above that were tested in very different settings.

It is important to note, however, that job search services, including job search workshops, are now being targeted to claimants determined to be in need of such services, rather than being imposed on all claimants, as was done in the Maryland Demonstration.<sup>16</sup> For this reason, the results reported here for the workshop treatment, and the interpretation of these results, might not be directly applicable to targeted job search workshops as offered today. However, Corson and Decker (1995) present results using data from prior demonstrations showing that the impacts are greater for workers who would be targeted under new profiling requirements than for all UI claimants, as we might expect, but that the estimated differences are not statistically significant. This suggests that our estimates of the effects of a mandatory workshop may understate the impacts of workshops targeted to profiled claimants.

However, care must be taken in interpreting the results of a mandatory workshop. Although a job search workshop may enhance job search abilities of some claimants, many claimants who would not have attended the workshop if it were not mandatory may view the workshop as an additional cost to continued UI receipt and exit UI to avoid the workshop. Johnson and Klepinger (1994) present

---

the New Jersey demonstration.

<sup>16</sup> Recent legislation requires the implementation of worker profiling to identify dislocated workers and to provide them with intensive services. Various profiling models have been used to identify claimants likely to have long periods of UI receipt. The Department of Labor has a recommended approach for designing and implementing worker profiling based on identifying claimants likely to exhaust their benefits (U.S. Department of Labor, 1994).

findings consistent with this interpretation, suggesting that claimants respond to the workshop as primarily an additional cost. The hazard model results presented here (i.e., higher exit rates prior to the workshop and exit rates equal to controls following the workshop) provide additional support for this hypothesis. That is, the results presented here suggest that a mandatory workshop affects UI duration primarily by increasing the costs to remaining on UI rather than by enhancing job search abilities. This finding is consistent with evidence from earlier demonstrations.

The Maryland results also demonstrate that there is no Hawthorne effect. The lack of a Hawthorne effect suggests that net impact results obtained from many prior studies are valid estimates of the treatments tested, and that future demonstrations need not expend resources to maintain two control groups.

Overall, the results demonstrate that more stringent work search requirements reduce UI receipt. It is important to note, however, that the estimated impacts reported here may underestimate the impact of increasing or decreasing work search requirements on total UI outlays because any changes in work search requirements will also affect participation rates. Increasing work search requirements will reduce participation rates because some UI claimants who would have filed for benefits under the standard work search requirements will not file for benefits because of the additional costs associated with increased work search requirements. Similarly, a reduction in work search requirements will increase participation because some potential UI claimants who did not file under the standard requirement will file for benefits because reduced work search requirements lower the costs of filing for and receiving benefits.



In conclusion, it is important to highlight the contributions of the Maryland Unemployment Insurance Work Search Demonstration. The Maryland Demonstration is the first to test the implications of additional work search contacts, work search contact verification, and whether or not participation in a UI demonstration produces a Hawthorne effect. The results strongly indicate that more stringent work search requirements reduce UI payments and improve the UI Trust Fund, as well as demonstrate that there is no Hawthorne effect. These findings from the Maryland UI Work Search Demonstration greatly improve our understanding of how the UI system affects claimants' work search behavior and have important implications for the cost-effective maintenance of the federal Unemployment Insurance system.

## References

Baj, John, and Charles E. Trott. 1991. *A Feasibility Study of the Use of Unemployment Insurance Wage-Record Data as an Evaluation Tool for JTPA*. National Commission for Employment Policy. Washington D.C.: GPO.

Breslow, N.E. 1974. "Covariance Analysis of Censored Survival Data." *Biometrics* 30(1):89-99.

Corson, Walter, and Paul Decker. 1995. "Using the Unemployment Insurance System to Target Services to Dislocated Workers." Report prepared for the Advisory Council on Unemployment Compensation, U.S. Department of Labor under Contract NO. M-4779-4-00-97-30 (Princeton, NJ: Mathematica Policy Research Inc.)

Corson, Walter, David Long, and Walter Nicholson. 1984. *Evaluation of the Charleston Claimant Placement and Work Test Demonstration*, report prepared for U.S. Department of Labor under Contract No. 20-34-82-07 (Princeton, NJ: Mathematica Policy Research Inc.).

Corson, Walter, Shari Dunstan, Paul Decker and Anne Gordon. 1989. *New Jersey Unemployment Insurance Reemployment Demonstration Project*, Unemployment Insurance Occasional Paper 89-3, U.S. Department of Labor.

Heckman, James J. 1976. "The Common Structure of Statistical Models of Truncation, Sample Selection and Limited Dependent Variables and a Simple Estimator for Such Models," *Annals of Economic and Social Measurement*, 5:475-492.

Heckman, James J. 1979. "Sample Selection Bias as a Specification Error," *Econometrica*, 47:153-162.

Johnson, Terry R. and Daniel H. Klepinger. 1994. "Experimental Evidence on Unemployment Insurance Work-Search Policies," *Journal of Human Resources*, 29(3): 695-717.

Laird, Nan, and Donald Oliver. 1981. "Covariance Analysis of Censored Survival Data Using Log-Linear Techniques." *Journal of the American Statistical Association* 76(1):231-40.

Maddala, G.S. 1983. *Limited-Dependent and Qualitative Variables in Econometrics*, Cambridge University Press.

Meyer, Bruce D. 1995. "Lessons from the U.S. Unemployment Insurance Experiments." *Journal of Economic Literature* 33(1):91-131.

Trussell, J. and C. Hammerslough. 1983. "A Hazard-Model Analysis of the Covariates of Infant and Child Mortality in Sri Lanka," *Demography*, 20(1):1-26.

U.S. Department of Labor. 1994. "The Worker Profiling and Reemployment Service System: Legislation, Implementation Process and Research Findings." Unemployment Insurance Occasional Paper 94-4, U.S. Department of Labor.

..