

Unemployment to Reemployment: An Idea to Modernize the Safety Net for the Digital Age



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EXECUTIVE SUMMARY

The basic tenets of Unemployment Insurance (UI) have changed little since the program was enacted during the Great Depression. It was built as a bridge for workers between jobs in similar industries that required similar skills. You lose your job and a weekly check tides you over until you land a new one, usually doing the same type of work as before.

But now, new jobs being created are dramatically different than the ones going away, and workers are struggling to keep up with this change and chart a career. Unemployed workers often need help acquiring new skills and navigating the increasingly complex job market. Some also want to work in a new place but need help with moving costs. Yet the existing safety net offers shockingly little to help them with these modern problems, especially compared to systems in other advanced economies.

Reemployment is a 21st century replacement for Unemployment. The program would continue as a universally available earned benefit, offering a temporary income to laid-

off workers who paid into the system. But it reinvents Unemployment for a modern economy with the following large, structural changes:

- Expanded eligibility so *all* workers have access—including those doing contingent (aka gig) work.
- Workers would continue to receive income support along with one of three new supports:
 - A universal training voucher—redeemable for certified programs run by community colleges, unions, nonprofits, or employers—to replace smaller, existing training programs tied to worker displacement.
 - A job search stipend to help defray the cost of finding new employment for workers who want to pursue work opportunities elsewhere in the country.
 - A bonus if a worker lands a new job before their income support expires.
- On top of that, all older workers who accept new employment at wages significantly lower than their previous job would be eligible for wage insurance.

Together, Reemployment's suite of benefits would obviate the patchwork of outdated retraining programs scattered across government. Labor productivity and workforce participation would rise. Most critically, it would transform Unemployment from solely a safety net into a springboard to work and higher pay.

THE PROBLEM

In 1935, less than one-fourth of workers had a high school degree.¹ One-third of households lacked electric power, and two-thirds didn't have a telephone.² When President Franklin Roosevelt signed our national Unemployment system into law, it was needed to limit hardship for workers out of a job. That singular focus made sense. Most of our

workforce was employed doing unskilled or semiskilled labor —on farms, in factories, and as servants.³

That economy is now unrecognizable to modern-day workers, yet our unemployment system has barely changed. As we examine the digital economy, there are three critical reasons why policymakers must redesign Unemployment: 1) There is rising job disruption, but not job destruction; 2) Workers are calling out for help; and 3) The safety net is too narrow.

1. Rising job disruption, but not destruction

Since the advent of the digital age in the 1990s, the United States has added 37 million net new jobs.⁴ There are close to 7 million job openings across the country at present—a record high—with 190,000 new positions created per month on average for the past year.⁵ A whole host of professions, in industries from health care and education to advanced manufacturing, are increasing in demand.

But that only tells part of the jobs story in the digital economy. Put another way, job *destruction* is very different from job *disruption*.

Global trade and automation present important opportunities for the US economy but also speed up economic disruption surrounding employment—from what jobs are most in demand to how work is performed. Approximately 4% of the US workforce is affected by job displacement annually, and roughly half of those workers are able to find new employment within a year.⁶ Yet, there are signs disruption will continue to increase.

McKinsey Global Institute estimated that up to 30% of activities in a majority of professions could be automated by 2030, “implying substantial workplace transformations and changes for all workers.” They will need help finding these new positions and acquiring the right skills to meet the jobs’ demands.



Take, for example, the retail industry which is the second most popular industry for black workers, half of whom are women.⁷ With 6 to 7.5 million retail jobs being automated in the upcoming years, disruption and displacement will disproportionately affect black women in the industry.⁸ More broadly, McKinsey Global Institute in 2017 estimated that up to 30% of activities in a majority of professions could be automated by 2030, “implying substantial workplace transformations and changes for all workers.”⁹

The implication of this is that, while the net number of jobs may increase, workers will be experiencing a lot more turbulence in the years ahead. Jobs will move, industries will evolve, and skills needed will change. And, as evidenced by the staggering number of open jobs currently, American workers need help finding these new positions and acquiring the right skills to meet the jobs’ demands.

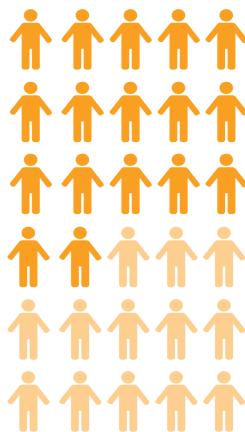
2. Workers are calling out for help

Workers see this disruption, if not in their present lives then on the horizon. Public opinion data show that far fewer workers are able to access the help they need adjusting to disruption than who need the help:

- 87% of adults in the US labor force believe training and new skills are either essential or important to keep up with changes in the workforce.¹⁰

- A majority of Americans with either bachelors, graduate, or two-year college degrees agree they will need more training and skills development in the future. ¹¹
- 52% of unemployed Americans believe they need more education or training for the jobs they want, but only 26% took a class or pursued additional training in 2016. Of those that didn't seek out these opportunities, 64% said they couldn't afford to do so and 35% were unaware of available training. ¹²
- 72% of US adults worry about the future role of automation in the workforce—roughly twice as much as those that express enthusiasm. ¹³
- 30% of Americans view their own jobs as at risk of job disruption due to automation, and 6% of Americans have seen their jobs changed by automation. ¹⁴

Unemployed Workers and Skills Training



52%

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ONLY

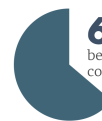
26%

of unemployed workers, however, pursued new education or training in 2016.



Of the 74%

of unemployed workers that didn't pursue more education or training,



64% believed they couldn't afford it, and



35% were unaware of available opportunities.

*Note: the 64% and 35% aren't exclusive, meaning there could be unemployed workers that believe they couldn't afford training and didn't know about opportunities.

Source: Pew Research Center

Workers' difficulty in adjusting to economic change is also evident in labor market fluidity, or the share of workers able to find employment soon after losing a job. Labor market fluidity has decreased in the US since the 1980s.¹⁵

Geographic mobility is also down, with fewer Americans willing or able to move to find new jobs as well as an "increased rootedness" of people in all demographic categories.¹⁶ Migration can be a critical component of healthy reemployment trends, as it boosts the rate of job turnover, which in turn increases job opportunities for the young and the less educated.¹⁷

Employers have also stressed that many jobs remain open because workers lack the skills needed to perform well in open positions.¹⁸ Some workers are also more at risk than others, with lower reemployment rates plaguing people aged 55 and older and those with lower levels of education.¹⁹ Plus, older displaced workers face higher wage losses when finding reemployment.²⁰

3. The safety net is too narrow

The temporary income provided to displaced workers under Unemployment Insurance is critically important for helping people reenter the labor market and should be preserved and strengthened in many states. However, the government is not adequately assisting workers beyond that—namely getting reemployed. Given the dynamism of the labor market, our workers must be flexible and able to learn new skills that can be applied to a variety of growing professions. In Third Way's report, "[Automate This](#)," we identify four skill sets that are most likely to make people successful and resilient in the new economy. They are the personal skills and thinking skills that automation can't easily replicate, the digital skills to work with new technology, and job-specific skills for sectors facing major labor shortages. Getting these skills shouldn't be a luxury; it should be something accessible to all American workers.

There is a strong emphasis in the United States on investing in the education of our youth, yet our adults are expected to work for decades with little-to-no assistance in developing new skills. Roughly 5% of US GDP goes towards education spending, and we spend nearly \$120 billion each year on federal student aid.²¹ Funding for training, skills development, and worker disruption is paltry in comparison and nowhere near what is spent in other developed countries. Spending only 0.11% of GDP on labor adjustment programs, the United States is far outpaced by France (0.99%), Germany (0.66%), Korea (0.45%), Canada (0.22%), and Japan (0.17%).²² And while the Workforce Innovation and Opportunity Act (WIOA) offers a slew of important programs for displaced workers, it is not as impactful in terms of scope as universally available earned benefits.

There is a strong emphasis in the United States on investing in the education of our youth, yet our adults are expected to work for decades with little-to-no assistance in developing new skills. Funding for training, skills development, and worker disruption is paltry in compared to other developed countries.



What's more, the existing programs targeting labor disruption are available only in specific circumstances, making them widely inaccessible for ordinary workers. The Aspen Institute notes that independent contractors and gig workers are often excluded from UI benefits because traditional employers are not contributing on their behalf.²³ One program, Trade Adjustment Assistance (TAA) for Workers, requires beneficiaries to prove their job disappeared for trade-related reasons, a heavy task for the recently unemployed with limited resources. Only 24,433 workers are

receiving training under that program—0.02% of all US workers.²⁴

These disparate funding programs are inadequate to address the problems facing American workers. We need additional universally available earned benefit options focused on training, adjustment and reemployment solutions, akin to temporary income, to be available to all workers, as virtually all jobs face some likelihood of change and disruption.

THE SOLUTION: REEMPLOYMENT

Reemployment is a 21st century replacement for Unemployment which reinvents the program for a modern economy with large, structural changes to better help workers.

This starts by expanding eligibility so all workers have access—including those doing contingent (aka gig) work. As noted above, gig workers and freelancer workers are often excluded from UI benefits because traditional employers are not contributing on their behalf. Reemployment would allow for all workers to pay into the program and seek benefits as needed.

Reemployment is a 21st century replacement for #Unemployment that expands eligibility and offers workers income support with one of three structural benefits: a universal training voucher, a job search stipend, and a bonus if they land a job before income support expires.



All workers would continue to receive income support along with one of three new structural benefits:

1. **A universal training voucher**—redeemable for certified programs for in-demand occupations run by community colleges, unions, nonprofits, or employers—to replace smaller, existing training programs tied to worker displacement.
2. **A job search stipend** to help defray the cost of finding new employment for workers who want to pursue work opportunities elsewhere in the country.
3. **A bonus** if a worker lands a new job before income support expires.

On top of that, all older workers who accept new employment at wages significantly lower than their previous job would be eligible for wage insurance.

Training Vouchers

Workers who lack skills for available middle-skill or better jobs will have the opportunity to participate in training programs—helping them get certifications and skills for in-demand occupations. Programs could range from those that are several weeks to several months or longer. They would include everything from industry-certified credential programs to multi-year apprenticeships.

To be successful, a quality assurance process is imperative. State workforce agencies would be responsible for certifying which training programs in their respective states are high-quality and, thus, qualify for training vouchers. The agencies would evaluate programs for their potential to lead to employment in the local area, enable the worker to benefit from additional education in the future, and lead to wage increases in the future. State workforce agencies would also evaluate a program's ability to effectively serve all workers—including people of color, those with disabilities, and the long-term unemployed, among others.

Program providers would range from community colleges and nonprofits to unions and employers. Eligible beneficiaries would receive a training voucher worth up to \$10,000 to use

at one of these high-quality, certified programs for occupational skills that match the worker's ability assessment.

Many workers that could benefit from job training struggle to find the means to afford such programs. Furthermore, Unemployment today in effect requires workers to defer training opportunities to comply with the requirement that they immediately apply for new jobs. This voucher would help people invest in their future by supporting training during unemployment and signaling to workers which programs offer the best opportunity for reemployment.

Job Search Stipend

Work isn't just changing in terms of skills, its changing geographically too. Some workers possess skills that are less employable in their existing area but are in short supply in other locations. Paying for transportation to job interviews or fairs can be daunting when a worker is out of a paycheck. These workers would have the option of receiving a job search stipend. The stipend of up to \$5,000 could be used toward relocating to a different area, for transportation costs to job interviews and fairs, or for other approved job search expenses such as job listing subscriptions, resume guidance, and career-related workshops.

In order to ensure funds are used directly towards finding a job, the stipend would be distributed as a flexible spending account (FSA) debit card. Only eligible expenses would be approved transactions on the card, which would be subject to the same rules, documentation, and protections as FSA accounts. This stipend would give such workers the necessary assistance and freedom to find a great, new position using the skills they already have.

Quick Hire Bonus

Of course, not all workers who are laid off need training or financial help searching for work. These workers have the right skills for the labor market where they currently live. To maintain universality for the new Reemployment program,

these workers would have access to a third option: a Quick Hire Bonus.

The Quick Hire Bonus would incentivize workers who simply need to land their next job. Workers who choose this option would receive a bonus payment if they secure employment—and drop their Reemployment coverage—before the expiration of their eligibility, typically 26 weeks in most states. The bonus would equal one-third of remaining income support for which the worker is eligible. If a worker, for example, finds a new job after earning a temporary income of \$400 per week for 14 weeks, she would get a bonus of \$1,600 upon employment.²⁵ Workers enrolling in the Quick Hire Bonus would likely spend less time receiving income support and would be more likely to avoid the pitfalls of long-term unemployment.

The program should allow some flexibility between the three benefit choices, though. For example, a worker who initially selects the Quick Hire Bonus but is unable to secure a job for several months should have the option to switch to a scaled-back version of the training voucher or job search stipend.

Wage Insurance

Older workers who find new employment, but at a wage less than what they earned in their most previous job, would receive a portion of the difference in wages back to help smooth the earnings transition and provide an incentive to remain in the workforce. For two years following the start of a new job, the worker would receive a portion of the difference between their original wage at the time of separation and their new wage at the new position. Those eligible would receive wage insurance amounting to 50% of the difference in wages for up to two years after the start of the new employment position.

How would an unemployed worker get Reemployment benefits?

The process for determining Reemployment benefits would be simple and straightforward. After losing a job, workers eligible for UI benefits would take a computer adaptive survey, either online, at a community college, or at an American Job Center (AJC). Flexibility is important since some individuals and communities lack access to the internet and others lack access to reliable transportation. This survey, modeled on similar private sector evaluations, would compile an accurate profile of the worker's skills and abilities. The survey results, combined with local and national labor market data, would illustrate occupations that fit the worker's existing skills, potential new skills to supplement existing abilities, and recommendations on which Reemployment benefits would best suit the worker. With assistance from an AJC counselor, workers would then move forward in selecting their RI benefit option and pathway to reemployment.

FINANCING

The combined cost of enhanced income support, training vouchers, job search stipends, hiring bonuses, and savings from discontinuing overlapping programs—such as Trade Adjustment Assistance and Displaced Worker Grants—could total between \$13 billion and \$20 billion annually. However, as the results of Reemployment are expected to raise productivity, increase workforce participation, and reduce spending on other safety net programs, the ultimate price tag may be significantly lower.

The Unemployment trust funds should not be burdened to finance any of these new Reemployment expenditures. Therefore, alternative sources must provide all of the remaining financing. We recommend dedicating some portion of a Trump tax cut repeal or rollback to funding Reemployment.

CONCLUSION

In order to keep American workers competitive and continuously employed, we must reinvent postsecondary education and skills. As we outline in our memo [A Social Contract for the Digital Age](#), we need to guarantee a solid return on college and higher education, establish a robust and widespread US apprenticeship system, and modernize unemployment.

As we move into the digital age and beyond, the nature of work is changing. With jobs and their requisite skills evolving, so too must the safety net and supports available to workers. Unemployment has been a critical tool to help get Americans back to work for generations, while also keeping many out of poverty. However, it's time for the Unemployment system to get a long-overdue transformation to the modern era, preserving its core of temporary income assistance while establishing large, structural changes as universally available earned benefits.

By giving all workers access to new benefit options, from training vouchers and job search assistance to hiring bonuses and wage insurance, the US can modernize the way we get people back to work—ensuring that everyone, everywhere has the opportunity to earn a good life.

David Brown is the former deputy director of Third Way's Economic Program. Rachel Minogue is a former Third Way fellow. They contributed to this report only during their tenure at Third Way.

APPENDIX I: Eligibility and Program Details

Suggested general eligibility for the three main Reemployment benefits (namely Quick Hire Bonuses, training vouchers, and job search stipends):

- Workers must be eligible to receive unemployment compensation under state law for the week preceding the conferral of the benefit.
- Workers must have previously paid into Unemployment for 8 of the previous 16 quarters.
- Workers must not have received another Reemployment benefit (namely a Quick Hire Bonus, training voucher, job search stipend, or wage insurance) in the previous three years.
- To regain eligibility after receiving a Reemployment benefit, workers must have paid into the UI system for another 8 of the previous 16 quarters since using the prior benefit.

Eligibility for the training voucher:

- Workers must use the voucher on a qualified training program beginning within three months of receiving the voucher.
- Workers who fail to complete the training program without experiencing extraordinary circumstances would be ineligible for another RI benefit for four years (other than income support).

- The training program must result in a skill certification or credential recognized at the federal, state, or industry level. And it must be certified by a state workforce agency as providing one of the following:
 - Occupational skills training
 - Skill upgrading and retraining
 - On-the-job training
 - Apprenticeship
 - Entrepreneurial training
 - Job readiness training
 - Adult education and instruction on literacy combined with skills training.
- The training program must teach skills usable by growing, in-demand industries in the local area, as identified by a state workforce agency.

Eligibility for the job search stipend:

- Workers must use the stipend on qualified expenses within six months of receiving the stipend.
- The stipend could be used for the following activities:
 - Subscriptions to job listings
 - Expenses related to the compiling or submission of job applications
 - Transportation expenses, including public transportation, rental cars, airline flights, trains, etc.
 - Moving expenses
 - Customized job search expenses, as approved by an American Job Center.

- The stipend would be distributed as a FSA debit card. Only the above expenses would be approved transactions on the card. The same rules, documentation, and protections as FSA accounts would apply for the stipend debit card.
- Workers found to have used the stipend for activities other than those listed above would be ineligible for another Reemployment benefit for four years (other than income support).

Eligibility and technical details for the Quick Hire Bonus:

- The reemployment position must involve at least 25 hours of work per week.
- The bonus would be paid in two segments:
 - The first two-thirds would be paid upon proof of a formal offer of employment.
 - The final third would be paid upon proof that the worker has remained at the position for four months.

Eligibility and technical details for wage insurance:

- Workers aged 50 or older earning no more than \$50,000 in their reemployment position would be compensated for 50% of the difference in wages for up to 2 years.
- The maximum compensation amount would be \$10,000 over a 2-year period.
- Workers must have previously paid into the Unemployment system for 32 quarters during their lifetime.
- The reemployment position must involve at least 25 hours of work per week.
- Benefits would expire after two years or if the worker obtains new employment paying more than the initial benchmark job.

APPENDIX II: Cost and Financing

The cost of this proposal is difficult to project, as much of it depends on specific program parameters that remain flexible. Here we present a rough estimate based on stated assumptions.

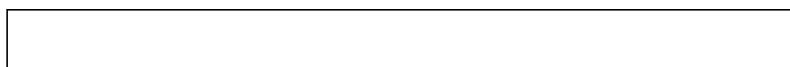
A definitive cost estimate is dependent on the following factors among others: the dollar amounts of the training vouchers, job search stipends, and Quick Hire Bonuses; the eligibility requirements for qualified workers, training programs, and employers; and the number of people unemployed in a given year.

Assuming one-half of the 6.1 million workers who qualify for unemployment insurance annually use one of the three main Reemployment benefits (namely a training voucher, job search stipend, or Quick Hire Bonus), an estimated 3 million workers would receive some sort of benefit.²⁶ With training vouchers worth \$10,000, job search stipends worth \$5,000, and an average Quick Hire bonus worth \$500, and the 3 million workers allocated equally among the programs, the combined value of the programs would equal roughly \$15.5 billion per year.²⁷ Savings from ending duplicative programs, namely Trade Adjustment Assistance for Workers and the Dislocated Worker Programs, is estimated to yield \$1.9 billion annually.²⁸ Thus, the combination of enhanced income support, training vouchers, moving vouchers, and hiring credits, combined with savings from discontinuing overlapping programs—such as Trade Adjustment Assistance and Displaced Worker Grants—could total between \$13 billion and \$20 billion annually.

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ENDNOTES

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28. Author's calculation: Estimated savings from TAA for Workers (\$84.9 million) plus estimated savings from dislocated worker employment and training activities (\$1.02 billion) equals \$1.869 billion, or roughly \$1.9 billion. See also United States Department of Labor, "Training and Employment Guidance Letter." n. 30-16, 30 June 2017,
https://wdr.doleta.gov/directives/attach/TEGL/TEGL_30-16_Acc.pdf. Accessed 10 Sept. 2018. See also United States, Congress, "Consolidated Appropriations Act, 2017."
https://www.doleta.gov/budget/docs/HR244_PL115-31.pdf. 115th Congress, 1st session, House Resolution 244, passed 3 Jan. 2017.