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May 12, 2010

The Honorable Charles Grassley
Ranking Member
Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Grassley:

I am writing to answer a question you asked me about the cost-effectiveness of reemployment services when I testified recently before the Senate Committee on Finance for the National Association of State Workforce Agencies (NASWA). I believe every \$1 spent on reemployment services results in about \$2 of UI benefit savings for the government.

Based on research evidence, it is reasonable to assume reemployment services can reduce a claimant's duration on Unemployment Insurance (UI) benefits by about three weeks. This reduction can be higher depending on the design and implementation of the program. In my State of Washington, for example, a reemployment services demonstration reduced claimants' duration on UI by nearly eight weeks.

At a UI weekly benefit amount of roughly \$300, reducing UI benefit duration by three weeks means reemployment services can save about \$900 in UI benefits per beneficiary. Since reemployment services cost roughly \$400 per worker, this yields a ratio of UI benefits saved relative to the cost of reemployment services of nearly 2:1. Reducing UI benefit duration by eight weeks would mean a savings of \$2,400 and a ratio of UI benefits saved relative to cost of reemployment services of 6:1

The \$500 million investment in reemployment services recommended by NASWA for fiscal year 2011 can reap a UI benefit savings of \$1,125 million and a net UI benefit savings of \$625 million (\$1,125 million - \$500 million) by reducing the average UI benefit claim by 3 weeks for 1.25 million claimants. And, the government budget savings could be even higher if one factors in the increased earnings and related income and payroll tax payments made by these workers on their wages.

I urge you to support the NASWA proposal of appropriating \$500 million for reemployment services. Such funding will help continue the economic recovery and make workers, employers, the federal budget and the economy better off in 2010. As a strategy for addressing insolvency of state UI trust funds, it is superior to the conventional alternatives of raising taxes on employers or reducing benefits for workers.

Thank you for the opportunity to answer this question. I have enclosed a study published by the Hamilton Project at The Brookings Institution authored by economist Lou Jacobson that provides more detail on this highly cost-effective way of helping UI claimants find employment sooner than they would without the services.

If you have additional questions, please call the NASWA Executive Director Rich Hobbie on 202.434.8022. NASWA would be pleased to offer you further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Karen Lee". The signature is fluid and cursive, with the first name "Karen" being more legible than the last name "Lee".

Karen Lee
President, National Association of State
Workforce Agencies and Commissioner,
Washington Department of Employment Security

cc: Chairman Max Baucus
Enclosure

