Personal Reemployment Accounts: How Would They Work?

By Paul T. Decker and Irma Perez-Johnson

This brief summarizes Mathematica’s study of Personal Reemployment Accounts (PRAs), a concept proposed under the Back to Work Incentive Act to give unemployed workers greater incentives and access to services to help them make a quick return to work. Targeted to those most likely to exhaust their unemployment insurance (UI) benefits, PRAs are currently viewed as a two-year economic stimulus device that would be implemented nationally (see box). The study draws on research from a variety of sources to provide guidance for the federal government, states, and local programs on possible planning and operational challenges in this new approach.

A New Concept

PRAs are a key component of current federal proposals to help unemployed Americans struggling to return to work. As currently formulated, PRAs would differ in important ways from the standard practices of our nation’s workforce investment system and previously tested ideas:

- PRAs would allow recipients to use vouchers to purchase the full range of services offered by One-Stop Career Centers, not just training, and give recipients more control over and flexibility in the use of resources. Currently, local staff determine the appropriateness of and control access to services for individual customers.
- Recipients who get a full-time job during their first 13 weeks of collecting UI benefits would be eligible for a reemployment bonus, up to the full balance remaining in their account. These bonuses are not currently offered and would be larger than those tested in any prior demonstration. Moreover, a substantial portion of the bonus—60 percent—would be paid immediately on reemployment, instead of after some minimum employment retention period.
- A PRA would represent both the maximum cash bonus and the recipient’s allotment to pay for reemployment assistance. Any money spent on intensive services, supportive services, or training would reduce the amount potentially available as a cash bonus. With few exceptions, receipt of a PRA would disqualify a client from receiving further reemployment assistance.

If enacted, this new approach would create important planning, implementation, and operational challenges for federal, state, and local workforce administrators. Policymakers and program administrators will need information on the predicted impacts of this new approach to maximize program effectiveness and

PERSONAL REEMPLOYMENT ACCOUNTS
AS CURRENTLY PROPOSED

- The federal government would give states $3.6 billion over two years to promote PRAs for Americans who need the most help getting back to work.
- States would offer accounts of up to $3,000 each to eligible individuals to purchase job training and key services, such as child care and transportation, to help them look for a job and get back to work quickly.
- Recipients would have to use the funds within 12 months and would be able to keep the balance of the account as a cash reemployment bonus if they become reemployed within 13 weeks.
- States would have flexibility in designing the program and setting the benefit amount, and would administer the program through One-Stop Career Centers.
make decisions about program design. In addition, states and local areas will need to make significant decisions about how to operate the different components of the new program.

Examining Predicted Impacts

We predict that PRAs will generate higher bonus receipt rates and larger reductions in UI receipt than those observed in previous demonstrations testing reemployment bonuses. If the maximum PRA of $3,000 is implemented, it will generate bonus receipt rates of about 30 percent, compared with rates of 11 to 22 percent observed for analogous offers tested in the past. The higher bonus receipt rate predicted under PRAs results from the (1) greater financial incentive of a higher bonus amount, and (2) requirement that the first installment of the bonus be paid immediately on reemployment (in previous demonstrations, recipients had to stay employed for a minimum period to be eligible for a bonus).

Predicted reductions in UI receipt are also larger, because of the more generous bonus offer and the targeting of PRAs to people who anticipate long unemployment spells. Our analysis also suggests that offering a lower amount than the $3,000 maximum may be more cost-effective, since states and local areas would be able to offer PRAs to more UI recipients, thereby lowering UI receipt across a larger group of individuals.

Setting Benefit Amounts

In setting the PRA amount, states will need to strike a balance between the bonus and service components of the account. For instance, setting the amount at the $3,000 maximum would offer a generous reemployment bonus—about double the most generous offers tested in bonus demonstrations in the late 1980s, after figures are converted to today’s dollars. However, depending on local costs, offering the maximum may substantially limit the training and service options that could be funded through a PRA. Most One-Stop Career Centers provide more generous support to their local customers.

States will also face an important tradeoff between the amount offered and the number of offers that can be made—they can either provide generous PRAs to fewer UI recipients, or smaller PRAs to more people. As a result, in setting the amount of the offer, states will also be determining to a large extent how many people statewide can be served through PRAs. To increase flexibility, decisions about how many offers to make each week could be left to local areas. We suggest an approach that would ensure that local areas exhaust their PRA allotment in three years.

Tackling Implementation Issues

Both the temporary nature of the proposed program and the quick timetable for implementation will necessitate procedural simplicity. Yet, because PRAs combine a reemployment bonus and a voucher component that can be used to purchase a broad array of services, programs will likely involve several steps and a variety of state and local actors. Ensuring that bonuses are awarded to the right people and that funds are used appropriately will also be concerns. These factors will add complexity to PRA programs.

Furthermore, program staff’s experience with reemployment bonuses and service vouchers is uneven at the local level. However, many steps in the PRA process resemble activities that already take place within the One-Stop system. As a result, important building blocks exist to support and facilitate implementation. The full report from this study highlights issues, options, and resources that local areas could consider in developing a wide range of PRA procedures, from allocating program responsibilities and making offers to setting prices for staff-assisted One-Stop services, managing individual accounts, and collecting data on program activities and outcomes.

Information was gathered from Mathematica’s study of the ongoing Individual Training Account Experiment as well as previous research on the UI reemployment bonus demonstrations, Worker Profiling and Reemployment Services (WPRS) systems, and general studies of UI recipients and unemployed workers.

For more information, contact Paul Decker at (609) 275-2290, pdecker@mathematica-mpr.com.

Mathematica® is a registered trademark of Mathematica Policy Research, Inc.

Visit our web site at www.mathematica-mpr.com

To Find Out More:
Communication Services
Phone: (609) 799-3535
Fax: (609) 799-0005

Princeton Office
PO Box 2393
Princeton, NJ 08543-2393
Phone: (609) 799-3535
Fax: (609) 799-0005

Washington Office
600 Maryland Ave., SW, Suite 550
Washington, DC 20024-2512
Phone: (202) 484-9220
Fax: (202) 863-1763

Cambridge Office
50 Church St., 4th Floor
Cambridge, MA 02138-3726
Phone: (617) 491-7900
Fax: (617) 491-8044