

The Personal Reemployment Account Demonstration: Final Report

Summary and Implications¹

BACKGROUND

Personal Reemployment Accounts (PRAs) are a strategy intended to help unemployed workers build job skills and find work through self-managed accounts. Targeted to a subset of recipients of Unemployment Insurance (UI) benefits identified as most likely to exhaust UI benefits, PRAs of \$3,000 allow those recipients to choose how and when to spend funds from their account to purchase reemployment services, including training. Recipients may also elect to receive the funds as cash reemployment bonuses for reentering the workforce and keeping a job. PRAs are intended to achieve three goals: (1) to give job seekers choice in and control over the type and timing of services they received; (2) to encourage and support rapid return to the labor market, thereby shortening the unemployment spell; and (3) to promote job retention.

In 2004, the U.S. Department of Labor, Employment and Training Administration launched the PRA demonstration to examine this strategy. Seven states volunteered to participate in the demonstration: Florida, Idaho, Minnesota, Mississippi, Montana, Texas, and West Virginia. In the summer of 2006, a second round provided Idaho, Minnesota, and Mississippi with additional funds to extend their PRA demonstrations, and allowed Hawaii to join the demonstration. The eight demonstration states established PRAs for 4,480 unemployed workers identified as at risk of exhausting their UI benefits.

This report presents findings from the evaluation of the PRA demonstration in eight states. The report focuses on several questions, including how demonstration sites planned and implemented PRAs, the rates of PRA acceptance among eligible job seekers, how recipients used PRA funds, and the UI receipt patterns and employment outcomes among PRA recipients. The lessons from this evaluation of the PRA experience are of value to policymakers and program administrators as the concept of self-managed accounts in the workforce investment system continues to evolve.

SUMMARY OF KEY FINDINGS:

- **Acceptance Rates.** Receiving a PRA was entirely voluntary and was offered as an alternative to Workforce Investment Act services so that individuals could have more choice and control in selecting and purchasing services to help them become reemployed. In six of the seven original demonstration states, the majority of individuals who were offered a PRA accepted the account.
- **Potential Reasons for Declining the PRA Offer.** The limited data available on the characteristics between those who accepted the PRA offer and those who declined it were

¹ This Summary and Implications document was prepared by the Employment and Training Administration and does not necessarily reflect the opinions of the study author(s).

generally consistent with qualitative reports from program staff and focus group participants who suggested that the primary reason for declining was a desire for training. Training through other services, such as the Individual Training Account (ITA) or dislocated worker program, typically offered more funds for training than the PRA maximum of \$3,000.

- **Bonus Receipt.** The receipt rate for the employment entry bonus among all PRA recipients in the original seven demonstration states was 31 percent. Five of the seven states had bonus receipt rates clustered around this average; however, there was a low of 8 percent in this rate in Montana and a high of 52 percent in Florida. Many factors could have contributed to the differences in bonus receipt rates between the states—some exogenous to the PRA program (the employability of individuals with certain characteristics) and some specific to the structure and implementation of the PRA (attractiveness of the bonus amount, policies defining the full range of uses of the PRA, and implementation in the timing of the offer and methods of account management).
- **Supportive Services.** The majority of PRA recipients in four states—Idaho, Minnesota, Montana, and Texas—used the PRA to purchase supportive services, while very few (3 to 4 percent) did so in Mississippi and West Virginia.
- **Training.** Among all PRA recipients, 12 percent used the account to purchase training. The average spending on training among recipients who purchased training was more than \$1,000 each in Mississippi, Texas, and West Virginia, and more than \$500 but less than \$1,000 in the other states.
- **Intensive Services.** PRA recipients in Idaho, Mississippi, and Montana did not spend any funds to purchase intensive services, and only 2 percent or less purchased these services in Minnesota, Texas, and West Virginia. Only in Florida, where two sites developed intensive services packages and heavily marketed them to potential account holders during orientation and follow-up meetings, was there a notable percentage of PRA recipients (16 percent) who used their accounts to purchase intensive services.
- **UI Receipt.** The estimated average rate of UI benefit exhaustion for PRA recipients in the five states for which data were available was 52 percent. The actual average rate of exhaust for PRA recipients was substantially lower at 40 percent. PRA recipients receive UI benefits for 17 weeks, on average—about one month shorter than their full period of eligibility and about one month longer than all UI recipients in the demonstration states.
- **Employment.** In the quarter following PRA entry, roughly half of all PRA recipients were employed. About 60 percent of PRA recipients who earn the first employment bonus also earn the second job retention bonus. Overall, just over 20 percent of PRA recipients across the demonstration states earned the retention bonus.

IMPLICATIONS

The PRA is a unique strategy in reemployment services, intended to put unemployed workers in control of their career planning and job search efforts, and to provide them with the financial support and/or reemployment bonus as an incentive to get back to work quickly. The outcomes of recipients with regard to duration of UI receipt and employment and earnings have been examined. However, this evaluation could not assess how individuals might have responded to the PRA in the absence of the ITA alternative (or other training service) and if upfront career counseling and assistance in developing a strategy for using the accounts were made mandatory. The evaluation also could not assess the impacts of PRAs on participants compared to a control group. A final step in assessing PRAs fully would be a rigorous experiment utilizing random assignment of participants to treatment and control groups. Despite the non-experimental nature of the demonstration, this evaluation provides valuable information about the experiences of the demonstration states, program staff, and PRA recipients, and suggests some worthwhile considerations about PRAs and self-managed accounts.

- **Purposes of the PRA.** The broad purposes of the account gave recipients a great deal of flexibility in supporting their reemployment efforts, but the bonus and service purchase components might have sent mixed messages to recipients, i.e., the bonus as an incentive for a quick return to work versus the purchase of services, including training, to carry out job search activities that would delay return to work.
- **Account Amount.** The \$3,000, while generous for some, was not enough of an incentive for many to speed their reemployment in the context of long-term career interests and goals. The \$3,000 was similarly “low” in comparison with the amount of potential support offered currently under the Workforce Investment Act through an ITA, which on average is greater than \$3,000. The decision to choose the PRA or pursue an ITA for training seemed to result in a choice between amounts offered—with the ITA winning out on most occasions due to the higher amount generally offered to support training.
- **Accounts Administration.** States found that implementing a strategy focused on customer choice still took a substantial amount of staff time and administrative management. While the states adopted hands-off service approaches true to the intent of PRAs, staff report that two aspects of the accounts took more time and resources to manage than expected. First, the extensive use of supportive services in some states overwhelmed staff who felt besieged by phone calls, emails, or office visits from recipients seeking to withdraw funds. Second, the PRA grant agreements with the states required the accounts to be obligated in full to an individual for up to one year and that the grant funds had to be expended within the grant period. In the face of substantial levels of account inactivity, the states needed to increase the number of accounts established in order to exhaust the grant funds, which often meant deciding how much they were willing to over-commit at any given time. This effort became more time-consuming than expected at both the state and local levels.