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A series of big ideas and policy concepts designed to foster conversation and debate within the policy community.

Returning the Unemployed to Work: Adding Online Education to Unemployment Insurance

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Abstract

While Members of Congress have debated the amount and duration of unemployment insurance (UI) benefits, they have largely ignored reforming the UI system to help the unemployed return to work more quickly. Traditional government job training programs are both expensive and ineffective, but technological advances have made online education a viable option. Many online courses are even free. Congress should require workers collecting extended UI benefits to enroll in free online courses to improve their skills, thereby enabling them to find jobs more quickly.

Millions of Americans have remained stuck on unemployment insurance (UI) during the weak recovery. Congressional debate has largely focused on the amount and duration of UI benefits—currently almost one and a half years. Yet policymakers have done little to reform the UI system to help the long-term unemployed acquire the skills that they need to return to work more quickly.

The typical unemployed worker spends about 40 minutes per day on job hunting. This leaves most UI recipients with considerable time available to improve their chances of getting a job.

Regrettably, traditional job training programs are both expensive and ineffective. However, the technological revolution that is changing higher education is potentially great news for job seekers. In particular,

the rise of online education offers a new and better option. Anyone can now learn online for free from some of the best instructors in the world. Congress should require workers collecting federally extended UI benefits to enroll in classes to improve their skills, and taking courses online should count toward this requirement.

This requirement associated with extended UI payments would have two benefits. First, additional education would enhance unemployed workers' skills and prevent their existing skills from atrophying. This would help them to find new jobs more quickly, possibly at better pay commensurate with their improved skills. Second, it would encourage the approximately 5 percent to 10 percent of UI recipients who are abusing the system to take a job. Cutting such abuse would save taxpayers between

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A spell of long-term unemployment not only means financial hardship for families but, all too often, the unemployed find that their skills do not keep up with the changing needs of the economy. Is there some way to use changing technology in education to address this problem? The Center for Policy Innovation asked Heritage Senior Analyst James Sherk to suggest an answer.

\$1.5 billion and \$3 billion. By adopting such reforms the UI system would put a greater focus on returning the unemployed to work with improved skills.

Extended Unemployment Benefits

Unemployment rose sharply during the “Great Recession” and has only partially recovered. Job creation rates have fallen sharply, and the jobless have found finding new work difficult. Almost 8 percent of Americans remain unemployed. The length of time they spend jobless has doubled to an average of eight months.¹

States levy payroll taxes on employees to fund up to six months of unemployment insurance benefits for workers who become involuntarily unemployed. During recessions Congress often creates additional federal UI programs that allow workers to keep benefits after exhausting eligibility in their state-run program. During the most recent recession Congress created two levels of federally funded UI benefits: Emergency Unemployment Compensation (EUC) and Extended Benefits (EB).² At one point these extensions enabled workers to qualify for a maximum of 99 weeks of UI coverage. Congress has since reduced benefits to a maximum of 73 weeks.³

Currently, 53 percent of UI recipients find a job within six months and never collect federal benefits.⁴ The

remaining 47 percent (approximately 2 million workers) move to the federally financed system after exhausting state benefits.⁵

Long-Term Costs of Joblessness

Congressional debate has focused on how many weeks of UI benefits to provide and how to pay for them. Regrettably, Congress has paid relatively little attention to reforming UI to help and encourage the unemployed to return to work more quickly and with skills that are better suited to available jobs.

Fixing this deficiency in UI should be a priority. Prolonged joblessness has long-term costs to workers and the economy beyond lost income. Employers pay their employees based on their productivity. Holding all else equal, more productive workers—employees with more “human capital”—will earn more and are more likely to move up the economic ladder over time.⁶ Employees principally acquire human capital through formal education and on-the-job experience.⁷

Unemployed workers forgo both income and experience. Hence, employees with gaps in their work histories typically make less than those who work continuously.⁸ Worse, as they remain out of the labor market, their skills may deteriorate, making them even less productive.⁹

1. U.S. Department of Labor, Bureau of Labor Statistics, “The Employment Situation—January 2013,” February 1, 2013, p. 14, Table A-1, and p. 26, Table A-12, <http://www.bls.gov/news.release/pdf/empstat.pdf> (accessed February 7, 2013).
2. Throughout this paper both programs are collectively referred to as federally extended benefits even though EB and EUC are technically separate programs. The overwhelming majority of workers receiving federal benefits are in the EUC program.
3. This rate applies to states with unemployment rates above 9 percent. In most other states, the maximum benefit duration is 63 weeks.
4. U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance: Exhaustion Rate, compiled by Haver Analytics.
5. U.S. Department of Labor, Employment and Training Administration, “Unemployment Insurance Weekly Claims Report,” February 7, 2013, <http://workforcesecurity.doleta.gov/press/2013/020213.asp> (accessed February 7, 2013).
6. See Stuart M. Butler, “Can the American Dream Be Saved?” *National Affairs*, No. 14 (Winter 2013), <http://www.nationalaffairs.com/publications/detail/can-the-american-dream-be-saved> (accessed February 7, 2013).
7. Jacob Mincer, *Schooling, Experience, and Earnings* (New York: National Bureau of Economic Research, 1974), <http://www.nber.org/books/minc74-1> (accessed February 7, 2013).
8. This is one of the causes of the male-female wage gap: Women are more likely than men to exit and re-enter the workforce for family reasons. Because they have less experience than their peers (both male and female) who remained in the workforce, they make less when they resume working. For example, see Audrey Light and Manuelita Ureta, “Early-Career Work Experience and Gender Wage Differentials,” *Journal of Labor Economics*, Vol. 13, No. 1 (January 1995), pp. 121-154.
9. Workers who spend more time unemployed earn less and have more difficulty finding jobs than workers who remained employed. Two competing theories explain this finding: stigma effects and skill depreciation. The stigma hypothesis states that prolonged unemployment sends a signal to employers that an employee is of low quality, and employers respond accordingly. The skill depreciation hypothesis states that as workers remain out of the labor market, their skills may deteriorate. Evidence supports both theories. For evidence of skill depreciation, see Edin Per-Anders and Magnus Gustavsson, “Time Out of Work and Skill Depreciation,” *Industrial and Labor Relations Review*, Vol. 61, No. 2 (January 2008), pp. 163-180, and Christopher Pissarides, “Loss of Skill During Unemployment and the Persistence of Employment Shocks,” *The Quarterly Journal of Economics*, Vol. 107, No. 4 (November 1992), pp. 1371-1391. For evidence of stigma effects and against skill depreciation, see Kory Kroft, Fabian Lange, and Matthew J. Notowidigdo, “Duration Dependence and Labor Market Conditions: Theory and Evidence from a Field Experiment,” National Bureau of Economics *Working Paper* No. 18387, September 2012. Both factors probably contribute to some extent the observed drop in wages for unemployed workers.

Unsurprisingly, research shows that workers who have been unemployed for prolonged periods make less when they do find work.¹⁰

A UI check can replace lost income, but it cannot replace forgone experience or revive atrophied skills. It does not address the long-term costs of long-term unemployment. Debates over the maximum duration of benefits often miss this point. The UI system should also address workers' skills.

Higher Unemployment

One main reason that the debate has focused on the duration of benefits is the concern that extending benefits actually increases unemployment. Economists of all political stripes agree that this happens, though they disagree about the magnitude of the impact. A consensus estimate from studies by the Federal Reserve Banks of Chicago and San Francisco and other prominent economists is that extending UI benefits to 99 weeks raised the unemployment rate about 0.5 percentage point.¹¹ Even Mark Zandi, one of the chief proponents of President Barack Obama's stimulus, agrees with this assessment.¹²

Longer UI benefits raise unemployment for two reasons:

First, they reduce the pressure to find a job as quickly as possible, enabling job seekers to be more selective and take more time. Most workers understandably want a job in the same city that pays about as much as the previous job. Longer benefits encourage the unemployed to focus on looking for these jobs and spend less

time looking for other jobs they might be more likely to find.

Second, some UI recipients prefer receiving benefits to working. Extending UI benefits allows these individuals to remain in the system longer and in some cases draw on benefits while actually working "off the books." For some workers, the combination of UI benefits, the Earned Income Tax Credit, and not paying payroll taxes and commuting costs causes them to make as much unemployed as they would if they took a job.¹³ These workers have essentially no short-term incentive to start working.

Of course most UI recipients do want jobs, but a minority does not want to work as long as benefits are available without any additional requirements. Research experiments find that the UI beneficiary rolls fall between 5 percent and 10 percent when the government requires recipients to do something to qualify.¹⁴ A randomized experiment in Kentucky required some UI recipients to participate in intensive employment and training services to collect benefits. On average, these workers spent 2.2 weeks less on UI. Interestingly, most of this drop came from participants finding jobs before participating in the services. This suggests that they left the UI system to avoid devoting time to formal training, not because the services were necessarily effective.¹⁵ Randomized trials in Washington State found that workers released from job-search requirements spent an average of three weeks longer on UI.¹⁶

Experiments in Maryland found that increasing job-search requirements also reduced UI payments.¹⁷ One

10. Mary Gregory and Robert Jukes, "Unemployment and Subsequent Earnings: Estimating Scarring Among British Men 1984-94," *Economic Journal*, Vol. 111, No. 475 (November 2001), pp. 607-625, and Arulampalam Wiji, "Is Unemployment Really Scarring? Effects of Unemployment Experiences on Wages," *Economic Journal*, Vol. 111, No. 475 (November 2001), pp. 585-606.
11. Bhashkar Mazumder, "How Did Unemployment Insurance Extensions Affect the Unemployment Rate in 2008-10," Federal Reserve Bank of Chicago *Chicago Fed Letter* No. 285, April 2011, http://www.chicagofed.org/digital_assets/publications/chicago_fed_letter/2011/cflapril2011_285.pdf (accessed February 8, 2013); Jesse Rothstein, "Unemployment Insurance and Job Search in the Great Recession," National Bureau of Economics *Working Paper* No. 17534, October 2011; and Rob Valletta and Katherine Kuang, "Extended Unemployment and UI Benefits," Federal Reserve Bank of San Francisco *Economic Letter* No. 2010-12, April 19, 2010, <http://www.frbsf.org/publications/economics/letter/2010/el2010-12.html> (accessed February 8, 2013).
12. Mark Zandi, testimony before the Joint Economic Committee, U.S. Congress, February 7, 2012, <https://www.economy.com/mark-zandi/documents/2012-02-07-JEC-Payroll-Tax.pdf> (accessed February 8, 2013).
13. Under the pre-stimulus UI rules approximately 1 million Americans would earn as much or more on unemployment benefits as they would from taking a job that paid as much as their previous one. Under the stimulus rules that made UI benefits more generous that figure increased to 3 million Americans facing effective 100 percent marginal tax rates on taking a new job. Casey B. Mulligan, "The ARRA: Some Unpleasant Welfare Arithmetic," National Bureau of Economic Research *Working Paper* No. 18591, Table 4, December 2012, <http://www.nber.org/papers/w18591> (accessed February 12, 2013).
14. For a more detailed overview, see Peter Fredriksson and Bertil Holmlund, "Improving Incentives in Unemployment Insurance: A Review of Recent Research," *Journal of Economic Surveys*, Vol. 20, No. 3 (July 2006), pp. 357-386.
15. Dan Black et al., "Is the Threat of Reemployment Services More Effective Than the Services Themselves? Evidence from Random Assignment in the UI System," *The American Economic Review*, Vol. 93, No. 4 (September 2003), pp. 1313-1327.
16. Terry Johnson and Daniel Klepinger, "Experimental Evidence on Unemployment Insurance Work-Search Policies," *The Journal of Human Resources*, Vol. 29, No. 3 (Summer 1994), pp. 695-717.
17. Daniel H. Klepinger et al., "Evaluation of the Maryland Unemployment Insurance Work Search Demonstration," Maryland Department of Labor, Licensing and Regulation, November 1997, <http://wdr.doleta.gov/owsdrr/98-2> (accessed February 8, 2013).

trial required UI claimants to attend a four-day workshop on job searching. UI payments to this group fell 5 percent. Again, almost all of the decrease occurred before the workshop began. The workshop itself appears to have provided little benefit, but the requirement to attend the workshop motivated some recipients to accept work rather than to continue collecting benefits—or to stop collecting benefits while working off the books. Of course, Congress never intended the UI system to subsidize those Americans who prefer not to work.

The Congressional Budget Office projects the one-year extension of extended UI benefits contained in the fiscal cliff deal will cost \$30 billion.¹⁸ Reducing the rolls by 5 to 10 percent would save taxpayers between \$1.5 billion and \$3 billion. In comparison, Congress spends about \$1.5 billion on the Job Corps, the Department of Labor’s education and vocational training program for Americans ages 16 to 24.

Coupling Extended Benefits with Skill Improvements

A straightforward reform could ameliorate both of these factors that increase unemployment. UI does not yet take advantage of the growing use of technology in education to help and encourage unemployed Americans to acquire skills that are more in demand by employers. Since UI taxes fund only six months of benefits and the federal benefits beyond six months are not “paid for” insurance, it would be reasonable and appropriate to require workers collecting extended UI benefits to spend time improving their skills. Such a requirement would address the problem of unemployed workers’ skills eroding and the abuse and unfortunate incentives associated with longer UI benefits.

Job Search Is Not Time Intensive. A skill improvement requirement would not interfere with looking for a

job. The chairman of the President’s Council of Economic Advisers estimates that the average unemployed worker spends 41 minutes per day looking for work.¹⁹ Other research finds the unemployed spend about half of the time they formerly spent working on leisure activities, such as watching television or sleeping in.²⁰ It is not that the unemployed are lazy. Rather, many aspects of job search do not take very much time. Even the most diligent job seekers do not spend many hours each day re-checking job listings and sending out resumes. They could use some of their remaining time to learn new skills. A government requirement to improve skills as a condition of collecting UI benefits would not interfere with a job search. Indeed, it would increase the probability of finding work at better pay.

Ineffective Traditional Training Programs.

However, simply requiring the long-term unemployed to attend existing government training programs would probably not help. Federal job training programs are expensive and ineffective. The federal government spends more than \$12 billion annually operating 47 job training programs through nine separate agencies.²¹ Yet little reliable evidence suggests these programs actually help workers.²² Only five of the programs have even had a scientific impact evaluation to determine effectiveness. Most of the evaluations conducted by the government found that the programs provide only marginal benefits.²³ For example, a randomized controlled trial of the Job Corps found that it raised earnings by just \$0.22 an hour—a few hundred dollars per year—at a cost of more than \$25,000 per participant.²⁴ Most workers receive only marginal benefits from federal job training.

Thus, requiring UI recipients to participate in government training programs makes little sense given the high costs and marginal benefits. It would likely neither help them find work nor save taxpayers money.

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18. Congressional Budget Office, “H.R. 8, American Taxpayer Relief Act of 2012,” January 1, 2013, <http://www.cbo.gov/publication/43829> (accessed February 8, 2013).
 19. Alan Krueger and Andreas Mueller, “Job Search and Unemployment Insurance: New Evidence from Time Use Data,” *Journal of Public Economics*, Vol. 94, Nos. 3–4 (April 2010), pp. 298–307.
 20. Mark Aguiar, Erik Hurst, and Loukas Karabarbounis, “Time Use During Recessions,” National Bureau of Economics *Working Paper* No. 17259, July 2011.
 21. U.S. Government Accountability Office, “Multiple Employment and Training Programs: Providing Information on Allocating Services and Consolidating Administrative Structures Could Promote Efficiencies,” GAO–11–92, January 2011, p. 7, Figure 2, <http://www.gao.gov/new.items/d1192.pdf> (accessed February 8, 2013).
 22. David B. Muhlhausen, “Do Job Training Programs Work? A Review Article,” *Journal of Labor Research*, Vol. 36, No. 2 (Spring 2005), pp. 299–321.
 23. U.S. Government Accountability Office, “Multiple Employment and Training Programs,” pp. 10–12.
 24. Peter Z. Schochet, John Burghardt, and Sheena McConnell, “Does Job Corps Work? Impact Findings from the National Job Corps Study,” *The American Economic Review*, Vol. 98, No. 5 (December 2008), pp. 1864–1886, and U.S. Department of Labor, Office of the Inspector General, “Job Corps Needs to Improve Reliability of Performance Metrics and Results,” September 30, 2011, <http://www.oig.dol.gov/public/reports/oa/2011/26-11-004-03-370.pdf> (accessed February 8, 2013).

Moreover, requiring UI recipients to work government-provided jobs as an alternative to training would also be counterproductive. Many European nations tried this approach in the 1980s and 1990s and found that the participants in such programs did not find work any more quickly than nonparticipants.²⁵ The skills that the make-work jobs provided were of little value to private-sector employers. Public work requirements would encourage UI recipients who are abusing the system to leave it. However, government-provided jobs are expensive to administer, and the cost of providing them would offset much of the UI savings. Neither traditional job training nor public works jobs would effectively—or affordably—maintain or improve UI recipients’ skills.

The Great Potential of Online Education

However, technological advances in education have made another approach viable: online education. In the old model of education and training, students learned from professors by physically sitting in classrooms at specified times.²⁶ Instructors taught a few dozen students at a time in brick-and-mortar buildings. This makes a traditional education quite expensive, and it is difficult to customize the education and training to an unemployed person’s job search and family responsibilities.

The Internet and developments in online education have transformed this dynamic. Dozens of nonprofit and for-profit institutions now provide high-quality education over the Internet. For example, the University of Phoenix has provided courses online for more than two decades.²⁷ Western Governors University offers 58 accredited bachelor’s, master’s, and post-baccalaureate degrees online at a small fraction of the costs of traditional colleges.²⁸ The University of Phoenix and Western Governors University

were both founded to help working adults advance their education. StraighterLine has partnered with several community colleges.

In another example, former Stanford computer science professor Sebastian Thrun and some of his associates left Stanford to found Udacity,²⁹ a school that provides college-level science, technology, engineering, and math courses online. Since its founding in early 2012, more than 750,000 students worldwide have enrolled in Udacity’s courses, and some universities now accept Udacity courses for credit.³⁰ StraighterLine offers college-level courses online and partners with accredited universities that accept its courses for credit.³¹

Even the elite universities have started offering online courses. Harvard, Massachusetts Institute of Technology (MIT), University of California at Berkeley, and the University of Texas system have formed a partnership—edX—to provide their online courses.³² Over 30 other colleges and universities, including Princeton, Stanford, and Columbia, have formed a consortium called Coursera to deliver their courses online.³³ Coursera launched in the fall of 2012 and has enrolled 1.8 million students. Anyone can enroll in most of these courses. While Harvard and MIT admit only a fraction of potential students to their brick and mortar classrooms, they accept all applicants to edX.

Meanwhile the Khan Academy offers thousands of K–12 teaching videos on YouTube, with automated exercises and performance assessments.³⁴ Many public and private schools around the world have begun incorporating Khan Academy lessons into their curriculum.

Many businesses now offer online vocational education as well. For example, Microsoft has created Microsoft Certifications for information technology (IT)

25. Lars Calmfors, Anders Forslund, and Maria Hemström, “Does Active Labour Market Policy Work? Lessons from the Swedish Experiences,” *Swedish Economic Policy Review*, Vol. 8, No. 2 (Fall 2001), pp. 61–124; David Card, Jochen Kluge, and Andrea Weber, “Active Labour Market Policy Evaluations: A Meta-Analysis,” *Economic Journal*, Vol. 120 (November 2010), pp. 452–477; and John Martin and David Grubb, “What Works and for Whom: A Review of OECD Countries’ Experiences with Active Labour Market Policies,” *Swedish Economic Policy Review*, Vol. 8, No. 2 (Fall 2001), pp. 9–56.

26. Some correspondence learning courses existed before the Internet, but they were relatively uncommon.

27. See University of Phoenix, <http://www.phoenix.edu> (accessed February 11, 2013).

28. See Western Governors University, <http://www.wgu.edu/> (accessed February 11, 2013).

29. See Udacity, <https://www.udacity.com/> (accessed February 11, 2013).

30. Ki Mae Heussner, “Udacity Nabs Another \$15M to Bring More Interactivity to Online Education,” GigaOM, October 25, 2012, <http://gigaom.com/2012/10/25/udacity-nabs-another-15m-to-bring-more-interactivity-to-online-education/> (accessed February 8, 2013).

31. See StraighterLine, <http://www.straighterline.com/> (accessed February 11, 2013).

32. See edX, <https://www.edx.org/> (accessed February 11, 2013).

33. See Coursera, <https://www.coursera.org/> (accessed February 11, 2013).

34. See Khan Academy, <https://www.khanacademy.org/> (accessed February 11, 2013).

professionals. For a modest fee employees can take training courses and exams to gain and demonstrate proficiency in IT fields. Google has created the online Conversion University, which trains workers to use Google Analytics and run search-marketing campaigns. Online education has gone from a novelty to commonplace.

Inexpensive and Customized Learning. These developments make a high-quality education or simply courses designed to upgrade skills dramatically more affordable. After a school covers the up-front costs of producing an online course, it costs very little for additional students to enroll.³⁵ Instead of one professor teaching a few dozen students, that professor can teach hundreds of thousands.

Moreover, many online schools provide their courses for free. Udacity allows anyone to enroll. The school makes money by charging a small fee—less than \$100—to students who take a final exam to certify their knowledge of the material. EdX, Coursera, and Khan Academy also charge nothing. Online schools that offer college credit and degrees do cost money, but substantially less than at a traditional school. A semester at Western Governors University costs less than \$3,000. Students can take an entire freshman year of courses on StraighterLine for \$999.

Not just cost and availability have improved. Online courses allow students to study at the time and pace that best fits their needs. For unemployed Americans who are looking for work, perhaps traveling frequently to find employment, or who are unable to afford child care and must remain at home to care for their families, the flexibility of online education and training are extremely helpful.

Requiring Online Studies

Congress should require workers claiming federal extended UI benefits to improve their skills. While using

American Job Centers

The U.S. Department of Labor funds approximately 2,700 American Job Centers (formerly known as One-Stop Career Centers). Locally appointed Workforce Investment Boards oversee these centers, which provide one-stop delivery for most federally funded employment and job training services.

Congress requires states to administer in-person Reemployment and Eligibility Assessments (REA) to workers applying for extended federal UI benefits. These REAs take place in Job Centers. The REA could be expanded to incorporate administering the skills improvement requirement. In 2010, the Census Bureau estimated that 68 percent of unemployed workers had Internet access in their home.³⁹ The Job Centers could also serve as a source for Internet access for unemployed workers who do not have access at home. The federal government could further donate surplus used computers from the federal workforce to Job Centers lacking the computers as necessary to fulfill this role.

other job training programs should be permitted, studying online should also count toward this requirement.³⁶ For the reasons discussed, this would maintain and improve skills inexpensively for both the unemployed American and the government.³⁷ Moreover, it would be good for the economy and for the future earnings of the individual. Better educated workers earn more and have lower unemployment rates.³⁸ A serious training requirement would also encourage the minority of workers who just want money without working or who are working off the books while collecting benefits to leave the UI system.

Verifying participation would be relatively straightforward. Some providers, such as Khan Academy, use

35. Remaining costs include the costs of paying for testing centers to administer proctored exams, grading exams, and paying for mentors to guide students through their course of study.

36. Enrolling in other federal job training programs would count toward meeting this requirement, but workers would not be forced to enlist in these programs, and the government would not appropriate additional funds for them.

37. Not all job skills, such as the skills used in many manufacturing or construction jobs, are amenable to online education. Even so, workers will end up at least as well off with online studies expanding their knowledge base as without them.

38. Economists debate how much of the role of education in raising earnings and reducing unemployment is causal. Some economists believe in the human capital model, which holds that education makes workers more productive, so they earn more. Others advocate the signaling model, which holds that education itself does little to make workers more productive, but it signals to employers about employee quality. Under this theory those with more education are on average more productive and more motivated—and thus earn more—than those with less education. These hypotheses are not mutually exclusive, and good evidence supports both. While some of the education's apparent value probably comes from its signaling role, it also does convey valuable skills.

39. U.S. Census Bureau, "Computer and Internet Use in the United States: 2010," Table 1A, July 2012.

automated exercises and assessments. Others offer proctored final exams in physical locations, which students can take to earn a certificate of completion. Some have incorporated type-stroke monitoring and other devices to verify that the enrollee is the person who is actually studying and completing assignments and tests. Anyone not actually studying would have difficulty completing the exercises or passing the exams. Thus, the government can use learning assessment and other techniques to verify that long-term UI recipients are actually studying. Moreover, the government could set lower standards for these assessments than for regularly passing the class since the goal is to verify participation, not to penalize those who have difficulty learning the subjects at a college level.

The principal cost of taking many online courses is a computer and a high-speed Internet connection, but these have become widespread. With the cooperation of local schools and facilities such as One-Stop Career Centers, the government could help to arrange high-speed Internet access at little additional cost to those who lack it. UI recipients could also access the Internet through public libraries or computer labs in public schools in evenings and on weekends.

The government should probably not cover costs associated with such courses. While many courses are free, paying for tuition for UI recipients would risk encouraging some workers to remain unemployed in order to obtain a free education. Worse, it would encourage currently free providers to start charging tuition to collect “free” federal money. Government loans and grants raise tuition costs; when they enable students to afford to pay more, colleges tend to raise their prices by approximately the same amount.⁴⁰ This would risk reducing access to online education to workers not receiving a federal subsidy. To avoid this concern, Congress could stipulate that UI beneficiaries are required to participate only if they can find free options and are not required to pay for classes in order to continue receiving benefits. Meanwhile, the government could experiment with ways to cover part or all of tuition-based courses for at least some UI beneficiaries while monitoring the effect on length of unemployment, costs of courses, and other factors.

Assessing Providers and Providing Information

The government should not assume responsibility

for producing courses or content. That responsibility should remain with the private sector because it generally designs courses to upgrade skills. Both nonprofit and for-profit schools are already taking the lead in producing high-quality online courses. The government would have difficulty improving on already existing content. Federally produced online courses would probably be little better than today’s federal training programs.

At most, the federal government should provide information and, possibly, assess whether educational providers offer “job-skills related” courses. The government might review courses and schools to ensure that they meet basic educational requirements and provide workers with a “menu” of online educational providers that meet the standards for collecting extended benefits. However, these standards would need to remain broad to avoid stifling online innovation. It would be very unwise to introduce the federal government into the accreditation of online classes. Nor should the government restrict eligibility to only accredited colleges. Existing accreditation requirements are costly and bureaucratic and provide little information about educational quality.⁴¹ Some of the best teachers in the world, such as Sebastian Thrun at Udacity, are teaching online without formal accreditation. The government must not prevent such innovation from benefiting the unemployed.

Instead, the government could inform UI recipients about the available courses and degrees. Many workers are unaware that these options exist or which skills employers find useful. Federal law already requires workers collecting federal UI benefits to participate in Reemployment and Eligibility Assessments (REA). These assessments involve verifying eligibility for benefits and working with caseworkers to develop a re-employment plan, assist with job search, and access employment services. The government could easily expand the REA to include reviewing available online courses and developing a plan to work toward a degree that will help them find work. The REA could also ensure that unemployed workers enroll in courses that are at least somewhat likely to help them find work. Enrolling in courses on medieval art or botany makes little sense unless workers actually plan to seek jobs in those fields.

The cost savings from weeding out waste and abuse in the current training and UI system would more than

40. Stephanie Riegg Cellini and Claudia Goldin, “Does Federal Student Aid Raise Tuition? New Evidence on For-Profit Colleges,” National Bureau of Economic Research *Working Paper* No. 17827, February 2012.

41. Lindsey M. Burke and Stuart M. Butler, “Accreditation: Removing the Barrier to Higher Education Reform,” Heritage Foundation *Background* No. 2728, September 21, 2012, <http://www.heritage.org/research/reports/2012/09/accreditation-removing-the-barrier-to-higher-education-reform>.

cover the modest administrative costs of providing this information. Previous experiments have shown that requiring recipients to participate in job training reduces UI rolls by 5 to 10 percent. Requiring online classes would almost certainly lead to at least as large a reduction in UI rolls, saving the federal government between \$1.5 billion and \$3 billion in 2013. The program should also help the unemployed return to work more quickly. Such savings would offset the increased cost of administering the program.

A Demonstration Project

Requiring workers to enroll in classes to improve their skills in order to collect extended benefits would significantly change the UI system. Until recently, workers on the federal system—unlike the state system—were not even required to actively look for work. Only in 2012 did the federal government even require participation in REAs and proof of job search in order to collect extended benefits. Congress did so because demonstration projects showed that REAs help UI recipients to return to work more quickly. In a series of randomized controlled trials, the government required some extended UI recipients to participate in an REA. Claimants who had the Reemployment and Eligibility Assessments found work an average of one to three weeks earlier than those who did not.⁴² As a result, Congress required all claimants to receive an REA when it reauthorized the federal extended benefits.

If Congress is not willing to make skills improvement a general requirement to collect federal UI benefits,

Congress should at least implement a demonstration project to assess its effectiveness. Under such a demonstration, Congress would require a randomized group of extended UI claimants to take online courses. This would give Congress concrete evidence of the effectiveness of an online education requirement in returning the unemployed to work more quickly.

Conclusion

Unemployment has long-term costs beyond lost income. Unemployed workers forgo gaining experience that will help them to advance in the workplace. UI taxes fund only six months of benefits. Asking long-term claimants to do something to qualify for additional payments is fair and reasonable. Most unemployed workers have time to both do so and search for work. Congress should require them to spend time improving their skills.

The rapid growth of online education offers a better alternative to traditional government job training programs, which are expensive and of dubious effectiveness. Technology has rapidly reduced the cost of higher education so that now anyone can learn online from some of the best professors in America for free. Congress should require workers collecting federal extended UI benefits to study online. This would encourage the minority of claimants who are abusing the system to leave it. More importantly, it would maintain and improve workers' skills, helping them to return to work more quickly.

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42. Eileen Poe-Yamagata et al., "Impact of the Reemployment and Eligibility Assessment (REA) Initiative," IMPAQ International, June 2011, http://wdr.doleta.gov/research/FullText_Documents/ETAOP_2012_08_Impact_of_the_REA_Initiative.pdf (accessed February 8, 2013).