

September 2015

The Big Unemployment Write-Off

Just another cost of doing business...or a missed opportunity?

Unemployment in the US dropped to 5.1% nationwide in August, but amazingly, according to the latest data, unemployment insurance (UI) claimants were, still exhausting their claims at a rate of 39%.¹

Six Months and \$8K Down the Drain

The majority of these “exhaustees” run out of benefits at six months and become long-term unemployed. For them, this is not only tragic in human terms—if you’ve known anyone looking for work for six months or more—it’s also expensive for job seekers and their former employers. Claimant benefits are under 50% of their former wage and an average six month claim can cost an employer over \$8,000.¹

For many employers, valid UI claims and the taxes they drive are too often written off as an unavoidable cost of doing business. Fortunately, it’s avoidable: Next-generation outplacement solutions are proving employers can shorten unemployment claims and save money by helping laid-off employees land jobs faster.

More Avoidable Than You Think: A Hard-Dollar ROI

Though reemployment assistance has been around for eons, rarely has its effectiveness been quantified. Last summer, researchers from three universities released a paper summarizing 47 studies of reemployment “interventions.” Their conclusion: **Job seekers are nearly six times more likely to land a job with the right help.**³ Broadly, the right help—according to the research—is teaching a variety of job search skills, providing motivation and encouraging proactivity.

Reemployment “interventions” exist in many forms, from an anxious parent with a child living at home to government workforce programs and leading outplacement solutions. Unfortunately, parents are often ill-equipped to help their children, and government job centers often struggle to get UI claimants to engage: Fewer than 10% complete the most common government programs.⁴

Employers can take matters into their own hands and are doing so more and more. Employer-provided outplacement originated in the 1950s, with employers engaging laid-off employees in professional job coaching often before they start an unemployment claim. The most significant changes in the past five to 10 years are a move to phone and technology-based coaching, reduced prices and a value proposition that allows coaching for every level of employee.

The Costs of Exhaustion

Average Weekly Benefit Cost	\$322
Exhaustee Weeks of Claims*	26
Total Benefit Cost	\$8,372

** Calculated for the majority of exhaustees; some are eligible for fewer weeks and therefore exhaust their claims sooner¹*

While the value proposition of “outplacement” efforts have historically given more emphasis to the value of the “out” (avoiding employment claims and managing employee and community goodwill), next-generation outplacement focuses more on value of the “placement.”

Driving that focus is a maturing industry and a customer base beginning to examine the opportunity for a hard-dollar ROI. Segments of the industry are now realizing that potential by managing UI claim dollars via best practice reemployment strategies—pursuing a combination that increases reemployment rates by a factor of six. The bottom-line result: The average claim can be reduced by one to two months, saving \$1,300 to \$2,600 in claim charges—more than covering the cost of the reemployment services in the process.

So, the next time you hear UI written off as a “sunk” cost, consider that next-generation outplacement could create a meaningful employee benefit that builds employer good will while adding hard dollars to the bottom line.

If you're interested in helping your laid-off employees return to work faster while reducing your unemployment costs, contact us at info@nextjob.com or 877-290-7888.

For more insights, visit us at <http://www.nextjob.com> or follow us on twitter [@nextjobthoughts](https://twitter.com/nextjobthoughts).

¹ US DOL ETA UI Program Statistics, Q1, 2015, Q4 2009, <http://www.workforsecsecurity.doleta.gov/unemploy/finance.asp>

² US DOL ETA UI Replacement Rates, Q1, 2015, http://workforsecsecurity.doleta.gov/unemploy/ui_replacement_rates.asp

³ Effectiveness of job search interventions: a meta-analytic review, Liu S, Huang JL, Wang M., Psychological Bulletin, July 2014.

⁴ PY 2013 WIA Trends Over Time, US DOL ETA, and Social Policy Research Associates, May 16, 2015